mpact

smarter, sustainable solutions

2014

Audited Annual Financial Statements

for the year ended 31 December 2014

AUDITED ANNUAL FINANCIAL STATEMENTS

31 December 2014

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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 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 2014 was supervised by the Chief Financial Officer, Mr BDV Clark CA (SA).

In preparing the Group's consolidated financial statements and 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 Group's and the Company's ability to continue as a going concern.

Approval of the Annual Financial Statements

The directors confirm, that to the best of their knowledge, the Group's consolidated financial statements and 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 Group and Company and the undertakings included in the consolidation taken as a whole.

The directors believe that the Group and Company have 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 6 to 63 were approved by the Board of Directors and authorised for issue on 3 March 2015 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

3 March 2015

Independent Auditor's Report

TO THE SHAREHOLDERS OF MPACT LIMITED

Deloitte.

Private Bag X6
Gallo Manor 2052
South Africa

Deloitte & Touche
Registered Auditors
Audit - Johannesburg
Buildings 1 and 2
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We have audited the consolidated and separate financial statements of Mpact Limited set out on pages 6 to 63, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate 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 the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Mpact Limited as at 31 December 2014, and its consolidated and separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2014, we have read the directors' report, the audit and risk committee's report and the certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per **MH Holme**
Partner

3 March 2015

Report of the Directors

31 DECEMBER 2014

The directors have pleasure in presenting their report on the annual financial statements of the Mpact Group ("Group") and Mpact Limited ("Mpact or Company") for the year ended 31 December 2014.

NATURE OF BUSINESS

Mpact 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.

The principal activities of the Company and its subsidiaries and associates remain unchanged from the previous year.

SEGMENT ANALYSIS

An analysis of results by each operating segment can be found on pages 30 – 33.

STATED CAPITAL

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

On 31 December 2014 the issued share capital of the Company was 164,100,797 ordinary shares of no par value (2013: 163,575,656 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 14.

CASH DIVIDEND AND CAPITALISATION SHARE ALTERNATIVE

The Board has declared a final gross cash dividend of 66 cents per ordinary share ("Cash Dividend") payable on Monday, 20 April 2015. In terms of the Income Tax Act, the dividend has been declared from income reserves and the Dividend Withholding Tax rate is 15%. Mpact has no STC credits. The net dividend amount is 56.10 cents per share for shareholders liable to pay Dividends Tax and 66 cents per share for shareholders exempt from paying Dividends Tax. The number of issued shares at the date of declaration is 164,100,797 ordinary shares of no par value.

The dividend has been declared as a cash distribution but shareholders will be entitled to elect to receive ordinary shares in the Company as Capitalisation Shares *in lieu* of the Cash Dividend ("Capitalisation Shares"). The number of Capitalisation Shares will be determined by the ratio of 66 cents over the volume weighted average price of Mpact's ordinary shares traded on the Johannesburg Stock Exchange ("JSE") during the 10-day trading period ending Tuesday, 31 March 2015.

The Cash Dividend will be paid out of the Company's distributed profits while the issue price of the Capitalisation Shares will be settled by way of capitalisation of the Company's distributable profits. The Capitalisation Shares upon their issue will rank *pari passu* in all respects with the other ordinary shares then in issue.

Details of the ratio will be released on the Stock Exchange News Services ("SENS") of the JSE by no later than 11:00 on Wednesday, 1 April 2015 and published in the South African press the following business day. Trading in the Strate Proprietary Limited environment does not permit fractions and fractional entitlement. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction of a new ordinary share will be rounded up to the nearest whole number where the fraction is greater than or equal to 0,5 and rounded down to the nearest whole number where the fraction is less than 0,5.

A circular relating to the Cash Dividend and Capitalisation Share alternative will be posted to shareholders on or about Monday, 23 March 2015.

The salient dates for the Cash Dividend and Capitalisation Share alternative are as follows:

Event	2015
Circular and Form of Election posted to shareholders	Monday, 23 March
Finalisation announcement released on SENS	Wednesday, 1 April
Finalisation announcement published in the press	Thursday, 2 April
Last day to trade to receive a dividend	Friday, 10 April
Shares commence trading "ex" dividend	Monday, 13 April
Listing of maximum possible number of ordinary shares	Monday, 13 April
Last day to elect to receive the Capitalisation Issue instead of the Cash Dividend, Forms of Election to reach the transfer secretaries by 12:00 on	Friday, 17 April
Record date in respect of Cash Dividend/Capitalisation Shares	Friday, 17 April
Dividend payment date	Monday, 20 April
Result of Capitalisation Issue released on SENS	Monday, 20 April
Result of Capitalisation Issue published in the press	Tuesday, 21 April
Listing of ordinary shares adjusted	Wednesday, 22 April

Share certificates may not be dematerialised or rematerialised between Monday, 13 April 2015 and Friday, 17 April 2015, both days inclusive.

TAX IMPLICATIONS

The Cash Dividend and the Capitalisation Issue are likely to have tax implications for both resident and non-resident shareholders. Shareholders are therefore encouraged to consult their professional tax advisers, should they be in any doubt as to the appropriate action to take.

In terms of the Income Tax Act, 58 of 1962 ("Income Tax Act"), the Cash Dividend will, unless exempt, be subject to Dividend Withholding Tax ("DWT") that was introduced with effect from 1 April 2012. South African resident shareholders that are liable for DWT will be subject to DWT at a rate of 15% of the Cash Dividend and this amount will be withheld from the Cash Dividend with the result that they will receive a net amount of 56.10 cents per share. Non-resident shareholders may be subject to DWT at a rate of less than 15%, depending on their country of residence and the applicability of any Double Tax Agreement between South Africa and their country of residence.

The Capitalisation Issue is not subject to DWT in terms of the Income Tax Act, but the subsequent disposal of shares obtained as a result of the Capitalisation Issue is likely to have Income Tax or Capital Gains Tax ("CGT") implications. Where any future disposals of shares obtained as a result of the Capitalisation Issue falls within the CGT regime, the base cost of such shares will be deemed to be zero in terms of the Income Tax Act (or the value at which such shares will be included in the determination of the weighted average base cost method will be zero).

PROPERTY, PLANT AND EQUIPMENT

Certain of the Group's properties are the subject of land claims. Mpact is in the process of discussions with the Land Claims Commissioner and awaits the outcome of claims referred to the Land Claims Court. The claims are not expected to have a material impact on the Group's operations.

At 31 December 2014 the net investment in property, plant and equipment amounted to R2,422.9 million (2013: R2,076.0 million), details of which are set out in note 8 to the annual financial statements. Capital commitments at year-end for the Group amounted to R1,352.2 million (2013: R178.0 million). There has been no change in the nature of the property, plant and equipment or to the policy relating to the use thereof during the year.

BORROWINGS

In terms of the Memorandum of Incorporation, the directors are permitted to borrow or raise for the purposes of the Group such sums as they deem fit for the operation of the business. At the close of business on 31 December 2014, the total borrowings less cash resources was R1,302.9 million (2013: R1,115.7 million). At 31 December 2014, the Group had approved general banking facilities of R2.0 billion (2013: R2.0 billion).

EVENTS OCCURRING AFTER THE REPORTING DATE

In January 2015, the Mpact Group restructured part of its business. Mpact Limited sold certain of its operating assets and liabilities to Mpact Operations Proprietary Limited. This has no impact on Mpact at a reported group level.

On 3 March 2015 it was resolved by the Mpact Board of Directors to pursue a broad-based black economic empowerment ("B-BEEE") ownership transaction through its wholly-owned subsidiary, Mpact Operations Proprietary Limited in terms of which it is anticipated that a B-BEEE partner will subscribe for 10% of the ordinary issued shares in Mpact Operations Proprietary Limited.

DIRECTORS

The following directors have held office during the year ended 31 December 2014 and to the date of this report:

AJ Phillips *(Chairman)*	Independent Non-Executive
NP Dongwana	Independent Non-Executive
NB Langa-Royds	Independent Non-Executive
TDA Ross	Independent Non-Executive
AM Thompson	Independent Non-Executive
BW Strong *(Chief Executive Officer)*	Executive
BDV Clark *(Chief Financial Officer)*	Executive

COMPANY SECRETARY

The Group Company Secretary of Mpact Limited is Noriah 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 24 April 2014, 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 schedule of investments, pages 62 – 63.

AUDIT COMMITTEE

The audit 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 Group'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 Group's risk management process.

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

The comprehensive report of the audit committee is included in the Group's Integrated Report.

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 Group'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 Group 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 Group's financial statements. The directors have satisfied themselves that the Group is in a sound financial position, and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2014

Executive directors' and prescribed officers' remuneration

Prescribed officers are defined as having general executive control over and management of a significant portion of the Company or regularly participate therein to a material degree, and are not directors of the Company. Prescribed officers include the three highest paid non-directors.

The remuneration of the executive directors and prescribed officers, all of which are 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	**2014**	**3,224,349**	**2,432,756**	**825,518**	**258,697**	**6,741,320**
	2013	3,023,191	2,353,824	778,790	155,829	6,311,634
BDV Clark	**2014**	**2,726,239**	**1,848,601**	**214,943**	**219,738**	**5,009,521**
	2013	2,561,532	1,093,680	202,776	217,692	4,075,680
Total	**2014**	**5,950,588**	**4,281,357**	**1,040,461**	**478,435**	**11,750,841**
	2013	5,584,723	3,447,504	981,566	373,521	10,387,314
Prescribed officers						
PO1	**2014**	**2,933,486**	**1,821,477**	**263,024**	**385,293**	**5,403,280**
	2013	2,525,873	1,864,836	241,692	541,552	5,173,953
PO2	**2014**	**3,054,877**	**1,915,449**	**253,309**	**258,625**	**5,482,260**
	2013	2,880,851	1,975,086	238,971	144,406	5,239,314
PO3	**2014**	**1,524,171**	**1,243,385**	**442,251**	**257,673**	**3,467,480**
	2013	1,418,712	1,278,936	417,218	210,157	3,325,023
PO4	**2014**	**–**	**–**	**–**	**–**	**–**
	2013[5]	715,932	10,971,081	–	435,875	12,122,888
PO6	**2014**	**2,254,100**	**253,500**	**180,200**	**215,700**	**2,903,500**
	2013[4]	352,773	–	28,333	35,560	416,666
Total	**2014**	**9,766,634**	**5,233,811**	**1,138,784**	**1,117,291**	**17,256,520**
	2013	7,894,141	16,089,939	926,214	1,367,550	26,277,844

[1] *Paid in March each year based on prior year performance.*

[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.*

[4] *Employed at Mpact Limited effective 1 November 2013.*

[5] *A special bonus was paid in the prior year which was in terms of a consultancy agreement entered into with effect from 2009. The agreement terminated on 31 March 2013.*

SHARE AWARDS AND VESTINGS

Rands	Year	Grant value of bonus shares awarded[1]	Value of 2011 performance shares vested: Value at grant date[2]	Value of 2011 performance shares vested: Share price gain on vesting[3]	Value of 2011 share appreciation rights exercised: Value at grant date[2]	Value of 2011 share appreciation rights exercised: Share price gain on vesting[4]	Value of 2011 transitional shares vested: Value at grant date[2]	Value of 2011 transitional shares vested: Share price gain on vesting[5]
Executive directors								
BW Strong	**2014**	**1,520,473**	**2,677,494**	**2,735,481**	**797,640**	**844,036**	**–**	**–**
	2013	1,471,140	–	–	–	–	809,803	621,393
BDV Clark	**2014**	**1,155,376**	**–**	**–**	**–**	**–**	**–**	**–**
	2013	683,550	–	–	–	–	–	–
Total	**2014**	**2,675,849**	**2,677,494**	**2,735,481**	**797,640**	**844,036**	**–**	**–**
	2013	2,154,690	–	–	–	–	809,803	621,393
Prescribed officers								
PO1	**2014**	**1,138,423**	**1,203,494**	**1,229,544**	**597,550**	**610,477**	**–**	**–**
	2013	1,165,522	–	–	–	–	–	–
PO2	**2014**	**1,197,156**	**883,746**	**902,889**	**438,789**	**448,290**	**–**	**–**
	2013	1,234,429	–	–	–	–	589,142	452,071
PO3	**2014**	**777,116**	**550,802**	**562,722**	**–**	**–**	**–**	**–**
	2013	799,335	–	–	–	–	–	–
PO6	**2014**	**158,438**	**–**	**–**	**–**	**–**	**–**	**–**
	2013	–	–	–	–	–	–	–
Total	**2014**	**3,271,133**	**2,638,042**	**2,695,155**	**1,036,339**	**1,058,767**	**–**	**–**
	2013	3,199,286	–	–	–	–	589,142	452,071

[1] *Value at grant date of conditional awards based on prior year performance vesting in three (3) years.*

[2] *Value of the 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. The value of Mpact Limited share price increased from R13.41 to R27.11 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 R27.60 during the share award holding period. Vesting was subject to the compound annual growth rate, in EBITDA over the vesting period being greater than or equal to the growth in CPI plus two percentage points over the same period.*

[5] *Transitional share awards vested in March 2013, where the value of Mpact Limited share price increased from R13.41 to R23.70 during the share award holding period.*

Non-executive directors' remuneration

Rands	Fees 2014	Fees 2013
AJ Philips	**764,260**	721,000
AM Thompson	**372,304**	351,230
NP Dongwana	**348,427**	351,230
NB Langa-Royds	**489,126**	445,440
TDA Ross	**465,106**	438,780
Total	**2,439,223**	2,307,680

SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

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

Mpact Limited
2014

	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 2014	Award price basis (ZAR cents)	Date of award	Release date
Executive director									
BW Strong	BSP	85,817	–	(85,817)	–	–	1,341	Sep 11	Mar 14
	PSP	234,899	–	(199,664)	(35,235)	–	1,341	Sep 11	Mar 14
	SARP	352,349	–	(59,481)	(57,969)	234,899	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	83,527	–	–	–	83,527	1,579	Apr 12	Mar 15
	PSP	127,073	–	–	–	127,073	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
BDV Clark	PSP	37,246	–	–	–	37,246	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
Prescribed officers									
PO1	BSP	70,039	–	(70,039)	–	–	1,341	Sep 11	Mar 14
	PSP	105,583	–	(89,746)	(15,837)	–	1,341	Sep 11	Mar 14
	SARP	263,957	–	(44,560)	(43,426)	175,971	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	69,432	–	–	–	69,432	1,579	Apr 12	Mar 15
	PSP	95,262	–	–	–	95,262	1,579	Apr 12	Mar 15
	BSP	52,471	–	–	–	52,471	2,221	Apr 13	Mar 16
	PSP	72,783	–	–	–	72,783	2,221	Apr 13	Mar 16
	BSP	–	42,415	–	–	42,415	2,684	Jun 14	Mar 17
	PSP	–	68,926	–	–	68,926	2,684	Jun 14	Mar 17
PO2	BSP	80,855	–	(80,855)	–	–	1,341	Sep 11	Mar 14
	PSP	77,532	–	(65,902)	(11,630)	–	1,341	Sep 11	Mar 14
	SARP	193,829	–	(32,721)	(31,889)	129,219	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	70,715	–	–	–	70,715	1,579	Apr 12	Mar 15
	PSP	69,893	–	–	–	69,893	1,579	Apr 12	Mar 15
	BSP	55,573	–	–	–	55,573	2,221	Apr 13	Mar 16
	PSP	52,903	–	–	–	52,903	2,221	Apr 13	Mar 16
	BSP	–	44,603	–	–	44,603	2,684	Jun 14	Mar 17
	PSP	–	58,012	–	–	58,012	2,684	Jun 14	Mar 17

	Type of award[1,2,3,4]	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 2014	Award price basis (ZAR cents)	Date of award	Release date
Mpact 2014 continued									
Prescribed officers									
PO3	BSP	39,316	–	(39,316)	–	–	1,341	Sep 11	Mar 14
	PSP	48,322	–	(41,074)	(7,248)	–	1,341	Sep 11	Mar 14
	SARP	120,805	–	–	(19,874)	100,931	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	44,487	–	–	–	44,487	1,579	Apr 12	Mar 15
	PSP	43,555	–	–	–	43,555	1,579	Apr 12	Mar 15
	BSP	35,986	–	–	–	35,986	2,221	Apr 13	Mar 16
	PSP	33,122	–	–	–	33,122	2,221	Apr 13	Mar 16
	BSP	–	28,954	–	–	28,954	2,684	Jun 14	Mar 17
	PSP	–	36,321	–	–	36,321	2,684	Jun 14	Mar 17
PO6	BSP	–	5,903	–	–	5,903	2,684	Jun 14	Mar 17
	PSP	–	44,430	–	–	44,430	2,684	Jun 14	Mar 17

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

Mpact Limited
2013

	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 2014	Award price basis (ZAR cents)	Date of award	Release date
Executive director									
BW Strong	BSP	85,817	–	–	–	85,817	1,341	Sep 11	Mar 14
	PSP	234,899	–	–	–	234,899	1,341	Sep 11	Mar 14
	TSP5	76,286	–	(60,388)	(15,898)	–	1,341	Sep 11	Mar 13
	SARP	352,349	–	–	–	352,349	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	83,527	–	–	–	83,527	1,579	Apr 12	Mar 15
	PSP	127,073	–	–	–	127,073	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
BDV Clark	PSP	37,246	–	–	–	37,246	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

	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 2014	Award price basis (ZAR cents)	Date of award	Release date
Mpact 2013 continued									
Prescribed officers									
PO1	BSP	70,039	–	–	–	70,039	1,341	Sep 11	Mar 14
	PSP	105,583	–	–	–	105,583	1,341	Sep 11	Mar 14
	SARP	263,957	–	–	–	263,957	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	69,432	–	–	–	69,432	1,579	Apr 12	Mar 15
	PSP	95,262	–	–	–	95,262	1,579	Apr 12	Mar 15
	BSP	–	52,471	–	–	52,471	2,221	Apr 12	Mar 16
	PSP	–	72,783	–	–	72,783	2,221	Apr 13	Mar 16
PO2	BSP	80,855	–	–	–	80,855	1,341	Sep 11	Mar 14
	PSP	77,532	–	–	–	77,532	1,341	Sep 11	Mar 14
	TSP[5]	55,499	–	(43,933)	(11,566)	–	1,341	Sep 11	Mar 13
	SARP	193,829	–	–	–	193,829	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	70,715	–	–	–	70,715	1,579	Apr 12	Mar 15
	PSP	69,893	–	–	–	69,893	1,579	Apr 12	Mar 15
	BSP	–	55,573	–	–	55,573	2,221	Apr 13	Mar 16
	PSP	–	52,903	–	–	52,903	2,221	Apr 13	Mar 16
PO3	BSP	39,316	–	–	–	39,316	1,341	Sep 11	Mar 14
	PSP	48,322	–	–	–	48,322	1,341	Sep 11	Mar 14
	SARP	120,805	–	–	–	120,805	1,341	Sep 11	Mar 14
									Mar 15
									Mar 16
	BSP	44,487	–	–	–	44,487	1,579	Apr 12	Mar 15
	PSP	43,555	–	–	–	43,555	1,579	Apr 12	Mar 15
	BSP	–	35,986	–	–	35,986	2,221	Apr 13	Mar 16
	PSP	–	33,122	–	–	33,122	2,221	Apr 13	Mar 16

[1] *Bonus share plan (BSP).*

[2] *Performance share plan (PSP).*

[3] *Transitional share plan (TSP).*

[4] *Share appreciation right plan (SARP).*

[5] *In addition to the PSP and SARP, BW Strong and PO 2 has been granted a once-off transitional award of conditional performance shares in compensation for value lost under the 2010 Mondi.*

INTEREST OF DIRECTORS AND PRESCRIBED OFFICERS IN SHARE CAPITAL

The aggregate beneficial holdings as at 31 December 2014 and 31 December 2013 of the directors and prescribed officers 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 2014 and 31 March 2015, the date of approval.

	2014		2013	
	Direct No. of shares	Indirect No. of shares	Direct No. of shares	Indirect No. of shares
Executive director				
BW Strong	250,143	–	40,394	–
Non–executive director				
AM Thompson	–	–	4,208	–
Prescribed officers				
PO1	111,122	–	14,819	–
PO2	135,025	–	26,776	–
PO3	52,814	–	4,387	–
Total	549,104	–	90,584	–

There are no associate interests for the above directors and prescribed officers.

	2014		2013	
	No. of shares	% of total issued share capital	No. of shares	% of total issued share capital
Major shareholders (5% and more of the shares in issue)				
Visio Capital Management	18,698,708	11.39	8,828,498	5.90
Public Investment Corporation	19,708,792	12.01	17,443,819	10.66
Prudential Portfolio Managers	18,647,833	11.36	17,212,547	10.52
Allan Gray	11,354,218	6.92	13,840,277	8.46
Mazi Capital	8,914,444	5.43	21,362,373	13.06

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group 2014 R'm	Group 2013 R'm	Company 2014 R'm	Company 2013 R'm
Revenue		**8,617.2**	7,697.8	**5,647.3**	5,160.0
Cost of sales		**(5,332.3)**	(4,746.7)	**(3,399.6)**	(3,107.8)
Gross margin		**3,284.9**	2,951.1	**2,247.7**	2,052.2
Administration and other operating expenses		**(2,150.6)**	(1,940.9)	**(1,417.5)**	(1,305.3)
Depreciation, amortisation and impairments		**(405.8)**	(357.8)	**(218.6)**	(190.8)
Operating profit	3	**728.5**	652.4	**611.6**	556.1
Share of profit from equity accounted investees	10	**15.6**	9.8	**–**	–
Total profit from operations and equity accounted investees		**744.1**	662.2	**611.6**	556.1
Net finance costs	4	**(121.0)**	(114.2)	**(102.5)**	(88.0)
Investment income		**9.7**	6.9	**22.5**	25.4
Finance costs		**(130.7)**	(121.1)	**(125.0)**	(113.4)
Profit before taxation		**623.1**	548.0	**509.1**	468.1
Tax charge	5	**(176.9)**	(150.4)	**(148.3)**	(130.7)
Profit for the year		**446.2**	397.6	**360.8**	337.4
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Actuarial (losses)/gains on post-retirement benefit scheme		**(0.6)**	12.0	**(0.6)**	12.0
Tax effect		**0.2**	(3.4)	**0.2**	(3.4)
Items that may be reclassified subsequently to profit or loss					
Effects of cash flow hedges		**0.2**	10.4	**0.2**	10.4
Tax effect		**(0.1)**	(2.9)	**(0.1)**	(2.9)
Exchange differences on translation of foreign operations		**2.4**	6.4	**–**	–
Other comprehensive income/(loss) for the financial year net of tax		**2.1**	22.5	**(0.3)**	16.1
Total comprehensive income for the year		**448.3**	420.1	**360.5**	353.5
Attributable to:					
Non-controlling interests in subsidiaries		**23.2**	17.7		
Equity holders of Mpact		**425.1**	402.4		
		448.3	420.1		

	Notes	Group 2014 R'm	Group 2013 R'm
Profit for the year		**446.2**	397.6
Attributable to:			
Non-controlling interests in subsidiaries		**23.2**	17.5
Equity holders of Mpact		**423.0**	380.1
Earnings per share (EPS) for profit attributable to equity holders of Mpact			
Basic EPS (cents)	6	**259.1**	232.5
Diluted EPS (cents)	6	**256.9**	230.5

Statement of Financial Position

AS AT 31 DECEMBER 2014

	Notes	Group 2014 R'm	Group 2013 R'm	Company 2014 R'm	Company 2013 R'm
Goodwill and other intangible assets	7	**1,076.4**	1,083.8	**670.6**	670.6
Property, plant and equipment	8	**2,422.9**	2,076.0	**1,403.5**	1,224.9
Investments in and loans to subsidiaries	9	**–**	–	**725.3**	760.0
Investments in equity accounted investees	10	**90.2**	80.0	**–**	–
Financial asset investments	11	**19.8**	24.9	**68.3**	49.1
Deferred tax assets	22	**18.5**	11.1	**–**	–
Derivative financial instruments	15	**5.0**	4.6	**5.0**	4.6
Non-current assets		**3,632.8**	3,280.4	**2,872.7**	2,709.2
Inventories	12	**1,125.8**	944.1	**756.0**	596.5
Trade and other receivables	13	**1,765.3**	1,571.6	**1,291.0**	1,173.7
Cash and cash equivalents	14	**535.1**	402.3	**335.0**	277.0
Derivative financial instruments	15	**1.0**	3.6	**0.9**	2.2
Short-term portion of loans to subsidiaries	9	**–**	–	**734.3**	754.5
Current tax receivable		**2.8**	4.5	**0.3**	2.6
Current assets		**3,430.0**	2,926.1	**3,117.5**	2,806.5
Total assets		**7,062.8**	6,206.5	**5,990.2**	5,515.7
Short-term borrowings	16	**887.7**	397.3	**783.5**	354.5
Trade and other payables	17	**1,697.4**	1,464.8	**1,102.1**	1,039.3
Current tax liabilities		**6.5**	7.6	**–**	–
Provisions	18	**2.4**	1.3	**1.3**	1.2
Other current liabilities	19	**4.6**	2.7	**–**	–
Derivative financial instruments	15	**0.2**	0.8	**0.1**	0.8
Deferred income	24	**1.9**	1.9	**1.9**	1.9
Current liabilities		**2,600.7**	1,876.4	**1,888.9**	1,397.7
Non-current borrowings	20	**950.3**	1,120.8	**901.4**	1,105.1
Retirement benefits obligation	21	**57.4**	54.0	**–**	54.0
Deferred tax liabilities	22	**214.0**	202.5	**162.1**	147.2
Other non-current liabilities	23	**21.7**	54.7	**21.7**	54.7
Deferred income	24	**12.6**	14.5	**12.6**	14.5
Non-current liabilities		**1,256.0**	1,446.5	**1,097.8**	1,375.5
Total liabilities		**3,856.7**	3,322.9	**2,986.7**	2,773.2
Stated capital	25	**2,344.1**	2,326.0	**2,344.1**	2,326.0
Retained earnings		**738.0**	478.8	**643.2**	433.4
Other reserves		**9.2**	(19.3)	**16.2**	(16.9)
Total attributable to equity holders of Mpact		**3,091.3**	2,785.5	**3,003.5**	2,742.5
Non-controlling interests in subsidiaries		**114.8**	98.1	**–**	–
Total equity		**3,206.1**	2,883.6	**3,003.5**	2,742.5
Total equity and liabilities		**7,062.8**	6,206.5	**5,990.2**	5,515.7

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Group 2014 R'm	Group 2013 R'm	Company 2014 R'm	Company 2013 R'm
Operating cash flows before movements in working capital		**1,146.5**	1,027.9	**841.2**	759.7
Net increase in working capital		**(156.6)**	(220.6)	**(167.8)**	(200.9)
Cash generated from operations	28a	**989.9**	807.3	**673.4**	558.8
Dividends from equity accounted investees and subsidiaries		**5.4**	3.1	**10.1**	5.9
Taxation paid		**(167.2)**	(121.8)	**(125.8)**	(99.5)
Net cash inflows from operating activities		**828.1**	688.6	**557.7**	465.2
Cash flows from investing activities					
Acquisition of subsidiaries, net of cash	27	**(1.9)**	(51.7)	**–**	(35.3)
Additions to property, plant and equipment	8	**(700.7)**	(387.4)	**(394.7)**	(240.8)
Government grant received		**–**	18.9	**–**	18.9
Proceeds from the disposal of property, plant and equipment		**4.1**	2.6	**2.1**	1.3
Loan advances to related parties		**–**	–	**(76.0)**	(60.8)
Loan repayments from/(advances to) external parties		**5.1**	(14.3)	**4.4**	(7.2)
Interest received		**9.7**	6.9	**33.8**	5.3
Investment in financial asset		**–**	–	**(53.5)**	(31.0)
Acquisition of non-controlling interest in a subsidiary		**–**	(4.3)	**–**	(4.3)
Net cash outflows from investing activities		**(683.7)**	(429.3)	**(483.9)**	(353.9)
Cash flows from financing activities					
Borrowings raised		**274.6**	47.4	**225.3**	50.6
Finance costs paid		**(127.6)**	(112.6)	**(121.8)**	(107.0)
Dividends paid to non-controlling interests		**(4.6)**	(7.1)	**–**	–
Dividends paid to equity holders of Mpact Limited		**(119.1)**	(117.7)	**(119.3)**	(117.7)
Purchase of treasury shares		**(49.4)**	(30.3)	**–**	–
Repayment of other non-current liabilities		**–**	(27.7)	**–**	–
Net cash outflows from financing activities		**(26.1)**	(248.0)	**(15.8)**	(174.1)
Net increase/(decrease) in cash and cash equivalents		**118.3**	11.3	**58.0**	(62.8)
Cash and cash equivalents at beginning of year[1]		**392.4**	381.1	**277.0**	339.8
Cash and cash equivalents at end of year[1]	28b	**510.7**	392.4	**335.0**	277.0

[1] *Cash and cash equivalents net of overdrafts.*

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2014

Group	Stated capital R'm	Share-based payment reserves R'm
Balance at 31 December 2012	2,326.0	10.3
Total comprehensive income for the year	–	–
Dividends paid	–	–
Purchase of treasury shares[2]	–	–
Share plan charges for the year	–	21.1
Dividends paid to non-controlling interests	–	–
Reclassification	–	–
Decrease in non-controlling interest and put option exercised[3]	–	–
Issue of shares under employee share scheme	–	(1.3)
Put option held by non-controlling shareholder of subsidiary[4]	–	–
Increase in shareholding in a subsidiary[6]	–	–
Balance at 31 December 2013	2,326.0	30.1
Total comprehensive income for the year	–	–
Dividends paid[7]	18.1	–
Purchase of treasury shares[2]	–	–
Share plan charges for the year	–	15.4
Dividends paid to non-controlling interests	–	–
Reclassification	–	–
Deferred settlement charge	–	–
Issue/Exercise of shares under employee share scheme	–	(16.1)
Put option held by non-controlling shareholder of subsidiary[5]	–	–
Acquisition of subsidiary	–	–
Balance at 31 December 2014	**2,344.1**	**29.4**

[1] Other reserves consist of the option to equity holder reserve and currency translation adjustment reserve.

[2] Treasury shares purchased represent the cost of shares in Mpact Limited purchased in the market and held by the Mpact Incentive Share Trust to satisfy share awards under the Group's share schemes. As at 31 December 2014, there are 1,063,281 (2013: 1,010,000) treasury shares on hand.

[3] Minority shareholders of a group subsidiary exercised their put option which resulted in a decrease in their shareholding.

[4] During the prior year the Mpact Group acquired a subsidiary. The minority shareholders of the subsidiary had a put option to sell the remainder of their interest to the Mpact Group at a future date.

[5] During the current year, a minority shareholder ceded their rights to the put option raised in the prior year. On 31 December 2014, Mpact Group acquired a further subsidiary where the minority shareholders have a put option to sell the remainder of their interest to Mpact at a future date.

[6] The Group increased its shareholding in a subsidiary by 3% for a consideration of R4.3 million.

[7] Dividends declared amounted to R137.2 million of which R18.1 million related to a capitalisation issue (see note 25).

Cash flow hedge reserves R'm	Post-retirement benefit reserves R'm	Other reserves[1] R'm	Treasury shares R'm	Retained earnings/ (accumul-ated loss) R'm	Total attributable to equity holders of Mpact Limited R'm	Non-controlling interests R'm	Total equity R'm
(3.4)	(0.3)	4.6	–	215.6	2,552.8	89.6	2,642.4
7.5	8.6	6.2	–	380.1	402.4	17.7	420.1
–	–	–	–	(117.7)	(117.7)	–	(117.7)
–	–	–	(30.3)	–	(30.3)	–	(30.3)
–	–	–	–	–	21.1	–	21.1
–	–	–	–	–	–	(7.1)	(7.1)
–	–	(0.7)	–	0.1	(0.6)	0.6	–
–	–	13.2	–	(0.6)	12.6	(11.7)	0.9
–	–	–	–	1.3	–	–	–
–	–	(54.8)	–	–	(54.8)	12.1	(42.7)
–	–	–	–	–	–	(3.1)	(3.1)
4.1	8.3	(31.5)	(30.3)	478.8	2,785.5	98.1	2,883.6
0.1	(0.4)	2.4	–	423.0	425.1	23.2	448.3
–	–	–	–	(137.2)	(119.1)	–	(119.1)
–	–	–	(49.4)	–	(49.4)	–	(49.4)
–	–	–	–	–	15.4	–	15.4
–	–	–	–	–	–	(4.6)	(4.6)
–	–	2.7	–	(2.7)	–	–	–
–	–	–	–	(4.6)	(4.6)	–	(4.6)
–	–	–	40.7	(19.3)	5.3	–	5.3
–	–	33.1	–	–	33.1	–	33.1
–	–	–	–	–	–	(1.9)	(1.9)
4.2	**7.9**	**6.7**	**(39.0)**	**738.0**	**3,091.3**	**114.8**	**3,206.1**

Statement of Changes in Equity (continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

Company	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/ (accumulated loss) R'm	Total equity
Balance at 31 December 2012	2,326.0	9.0	(3.4)	(0.3)	–	215.0	2,546.3
Total comprehensive income for the year	–	–	7.5	8.6	–	337.4	353.5
Dividends paid	–	–	–	–	–	(117.7)	(117.7)
Share plan charge for the year	–	17.8	–	–	–	–	17.8
Issue of shares under employee share scheme	–	(1.3)	–	–	–	(1.3)	(2.6)
Put option held by non-controlling shareholder of subsidiary[1]	–	–	–	–	(54.8)	–	(54.8)
Balance at 31 December 2013	2,326.0	25.5	4.1	8.3	(54.8)	433.4	2,742.5
Total comprehensive income for the year	–	–	0.1	(0.4)	–	360.8	360.5
Dividends paid[3]	18.1	–	–	–	–	(137.4)	(119.3)
Share plan charge for the year	–	14.0	–	–	–	–	14.0
Issue/Exercise of shares under employee share scheme	–	(13.7)	–	–	–	(13.6)	(27.3)
Put option held by non-controlling shareholder of subsidiary[2]	–	–	–	–	33.1	–	33.1
Balance at 31 December 2014	**2,344.1**	**25.8**	**4.2**	**7.9**	**(21.7)**	**643.2**	**3,003.5**

[1] *During the prior year Mpact Limited acquired a subsidiary. The minority shareholders of the subsidiary had a put option to sell the remainder of their interest to Mpact Limited at a future date.*

[2] *During the current year, a minority shareholder ceded their rights to the put option raised in the prior year. On 31 December 2014, Mpact Group acquired a further subsidiary where the minority shareholders have a put option to sell the remainder of their interest to Mpact at a future date.*

[3] *Dividends declared amounted to R137.4 million of which R18.1 million related to a capitalisation issue (see note 25).*

Notes to the Annual Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared and presented in accordance with the Framework concepts and 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. There are no differences for the Group and Company in applying IFRS as issued by the IASB. 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.

Segmental reporting

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee, being the chief operating decision-making body.

The Group organises the business in the following operating segments:

- Plastics
- Paper manufacturing
- Recycling
- Corrugated

The recycling, corrugated and paper manufacturing divisions have been aggregated into one reporting segment on the basis of similar economic characteristics.

Basis of consolidation

Subsidiary undertakings

The consolidated financial statements incorporate the assets, liabilities, equity, revenues, expenses and cash flows of Mpact, and of its respective subsidiary undertakings drawn up to 31 December each year. All intra-group balances, transactions, income and expenses are eliminated. Subsidiary undertakings are those entities over which the Group has the power, directly or indirectly, to govern operating and financial policy in order to obtain economic benefits.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statement of comprehensive income from the effective date of acquiring control or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into alignment with those used by the Group.

The interest of non-controlling interests is measured, at initial recognition, as the non-controlling proportion of the fair values of the assets and liabilities recognised at acquisition, except for those instances where the Group elects to measure the non-controlling interests at fair value in accordance with the allowance provided in IFRS 3, "Business Combinations" (revised).

After initial recognition non-controlling interests are measured as the aggregate of the value at initial recognition and their subsequent proportionate share of profits and losses.

The Company's investments in subsidiaries are reflected at cost less amounts written off and provisions for any impairments.

Investees

Investees are investments over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Typically, the Group owns between 20% and 50% of the voting equity of its investees. Investments in investees are accounted for using the equity method of accounting except when classified as held for sale.

The Group's share of investees' net income, presented net of tax, is based on financial statements drawn up to reporting dates that are either coterminous with that of the Group's or no more than three months prior to that date. Where reporting dates are not

1. ACCOUNTING POLICIES (continued)

coterminous, adjustments are made to an investee's net income for the effects of significant transactions or events that occur after the associate's reporting date up to the reporting date of the Group.

The total carrying values of investments in investees represent the cost of each investment including the carrying value of goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long-term debt interests which in substance form part of the Group's net investment in that entity. The carrying values of investees are reviewed on a regular basis and if an impairment has occurred, it is written off in the year in which those circumstances arose. The Group's share of an investees' losses in excess of its interest in that investees is not recognised unless the Group has an obligation to fund such losses.

Revenue recognition

Sale of goods

Revenue is derived principally from the sale of goods and is measured at the fair value of the consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have been transferred. This is when title and insurance risk has passed to the customer, and the goods have been delivered to a contractually agreed location.

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

Dividend income from investments is recognised when the Group's right to receive payment has been established.

Business combinations and goodwill arising thereon

Identifiable net assets

At the date of acquisition the identifiable assets, liabilities and contingent liabilities of a subsidiary or an associate are recorded at their fair values on acquisition date. Assets and liabilities, which cannot be measured reliably, are recorded at provisional fair values which are finalised within 12 months of the acquisition date.

Cost of a business combination

The cost of a business combination includes the fair value of assets provided, liabilities incurred or assumed, and any equity instruments issued by a Group entity, in exchange for control of an acquiree. The directly attributable costs associated with a business combination are expensed as incurred.

Goodwill

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is attributed to goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Goodwill in respect of subsidiaries is included within intangible assets. Goodwill relating to associates is included within the carrying value of associates.

Where the fair values of the identifiable net assets acquired exceed the cost of the acquisition, the surplus, which represents the discount on the acquisition (bargain purchase), is credited to the statement of comprehensive income in the year of acquisition.

Impairment of goodwill

Goodwill arising on business combinations is allocated to the Group of cash-generating units that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the Board for internal management purposes. The recoverable amount of the Group of cash-generating units to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when such events or changes in circumstances indicate that it may be impaired.

Any impairment is recognised in the consolidated statement of comprehensive income. Impairments of goodwill are not subsequently reversed.

1. ACCOUNTING POLICIES (continued)

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

Property, plant and equipment

Property, plant and equipment comprise land and buildings, property, plant and equipment and assets in the course of construction.

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes all costs incurred in bringing the assets to the location and condition for their intended use and includes borrowing costs incurred up to the date of commissioning.

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.

Assets in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use. Buildings and plant and equipment are depreciated to their residual values at varying rates, on a straight-line basis over their estimated useful lives. Estimated useful lives range from three years to 20 years for items of plant and equipment and to a maximum of 50 years for buildings.

Residual values and useful lives are reviewed at least annually.

Assets held under finance leases are capitalised at the lower of cash cost and the present value of minimum lease payments at the inception of the lease. These assets are depreciated over the shorter of the lease term and the expected useful lives of the assets.

Other intangibles and research and development expenditure

Other intangibles are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives. Estimated useful lives vary between three years and 10 years and are reviewed at least annually.

Research expenditure is written off in the year in which it is incurred. Development costs are reviewed annually and are recorded as an expense if they do not qualify for capitalisation. Development costs are capitalised when the completion of the asset is both commercially and technically feasible and is amortised on a systematic basis over the economic life of the related development.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Group 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.

Current non-financial assets

Inventory

Inventory and work-in-progress are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out or weighted average cost basis as appropriate. Cost comprises direct materials and overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is defined as the selling price less any estimated costs to sell.

1. ACCOUNTING POLICIES (continued)

Retirement benefits

The Group and Company operates defined contribution plans for its employees, as well as post-retirement medical plans.

Defined contribution plans

For defined contribution plans, the amount charged to the statement of comprehensive income is the contributions paid or payable during the year.

Post-retirement medical plans

For post-retirement medical plans, actuarial valuations are performed for each financial year-end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds or similar government bonds of a suitable duration and currency.

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in other comprehensive income and accumulated in equity. Any increase in the present value of plan liabilities expected to arise from employee service during the year is charged to underlying operating profit. The expected return on plan assets and the expected increase during the year in the present value of plan liabilities are included in investment income and interest expense respectively.

Past service cost is recognised immediately to the extent that the benefits are already vested or is amortised on a straight-line basis over the period until the benefits become vested.

The retirement benefits obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset (retirement benefits surplus) resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the relevant Group schemes.

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 Group'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 15% on dividends distributed to 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.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

1. ACCOUNTING POLICIES (continued)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group 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.

Finance leases

Assets held under finance leases are recognised as assets of the Group on inception of the lease at the lower of fair value or the present value of the minimum lease payments derived by discounting at the interest rate implicit in the lease. The interest element of the rental is recognised as a finance charge in the statement of comprehensive income, unless it is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

Provisions

Provisions are recognised when the Group 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.

Restoration and environmental costs

An obligation to incur restoration and environmental costs arises when environmental disturbance is caused by the ongoing production of a plant or landfill site. Costs for restoration of site damage are provided for at their present values and charged against profit or loss as the obligation arises.

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.

Translation of foreign operations

The Group results are presented in Rands (the Group's functional and presentation currency), the currency in which most of its business is conducted. On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year where these approximate the rates at the dates of transactions. Exchange differences arising, if any, are recognised directly in other comprehensive income, and accumulated in equity. Such translation differences are reclassified from profit or loss only on disposal or partial disposal of the foreign operation.

Share-based payments

The Group 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

1. ACCOUNTING POLICIES (continued)

number of awards that are expected to vest. At each reporting date, the Group 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 Group statement of financial position when the Group 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.

Borrowings

Interest-bearing loans and overdrafts are initially recognised at fair value, net of direct transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the term of the borrowings using the effective interest rate method.

Borrowing costs

Interest on borrowings directly relating to the acquisition, construction and production of qualifying assets is capitalised until such time as the assets are substantially ready for their intended role or sale; where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the construction period.

Derivative financial instruments and hedge accounting

The Group enters into forward, option and swap contracts in order to hedge its exposure to foreign exchange, interest rate and commodity price risk. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and subsequently held at fair value in the statement of financial position within ‘derivative financial instruments’, and, when designated as hedges, are classified as current or non-current depending on the maturity of the derivative. Derivatives that are not designated as hedges are classified as current, even when their actual maturity is expected to be greater than one year.

Changes in the fair value of any derivative instruments that are not formally designated in hedge relationships are recognised immediately in the statement of comprehensive income and are classified within ‘Operating profit’ or ‘Net finance costs’ depending on the type of risk the derivative relates to.

1. ACCOUNTING POLICIES (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivative financial instruments that are designated as hedges of future cash flows are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. If the cash flow hedge of a forecast transaction results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Group's cash flow hedge reserve in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or non-financial liability, amounts deferred in the Group's cash flow hedge reserve in equity are recognised in the statement of comprehensive income in the same period in which the hedged item affects profit or loss on a proportionate basis.

Fair value hedges

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the statement of comprehensive income. Gains or losses from re-measuring the associated derivative are also recognised in the statement of comprehensive income.

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.

Special items

Special items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. Such items are material by nature or amount to the financial year's results.

Earnings per share (EPS)

Basic EPS

Basic EPS is calculated by dividing net profit attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares in issue during the year. For this purpose, net profit is defined as the profit after tax and special items attributable to equity holders of the parent company.

Diluted EPS

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as share awards granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease EPS. The effect of anti-dilutive potential shares is excluded from the calculation of diluted EPS.

1. ACCOUNTING POLICIES (continued)

Underlying and headline EPS

Underlying EPS excludes the impact of special items and is a non-IFRS measure. It is included to provide an additional basis on which to measure the Group's earnings performance. The presentation of headline EPS is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 2/2014, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

New accounting policies, early adoption and future requirements

Standards and Interpretations early adopted by the Group

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

Standards, amendments to published Standards and Interpretations effective during 2014

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

- IFRS 10 – Consolidated financial statements
- IAS 19 – Employee benefits
- IAS 27 – Consolidated and separate financial statements
- IAS 32 – Financial Instruments: Presentation
- IAS 36 – Impairments of assets
- IAS 39 – Financial instruments: Recognition and measurement
- IFRIC 21 – Levies

Standards and amendments to published Standards that are not yet effective and have not been early adopted by the Group

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

- IFRS 9 – Financial Instruments (Effective 1 January 2018)
- IFRS 10 – Consolidated financial statements (Effective 1 January 2016)
- IFRS 14 – Regulatory deferred accounts (Effective 1 January 2016)
- IFRS 15 – Revenue from contracts with customers (Effective 1 january 2017)
- IFRS 11 – Joint arrangement (Effective 1 January 2016)
- IAS 16 – Property, plant and equipment (Effective 1 January 2016)
- IAS 27 – Separate financial statements (Effective 1 January 2016)
- IAS 28 – Investment in associates and joint venture (Effective 1 January 2016)
- IAS 38 – Intangible assets (Effective 1 January 2016)

Accounting estimates and critical judgements

The preparation of the Group'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.

Estimated residual values and useful economic lives

The carrying values of certain tangible fixed assets are sensitive to assumptions relating to projected residual values and useful economic lives, which determine the depreciable amount and the rate at which capital expenditure is depreciated respectively. The Group reassesses these assumptions at least annually or more often if there are indications that they require revision. Estimated residual values are based on available secondary market prices as at the reporting date, unless estimated to be zero.

1. ACCOUNTING POLICIES (continued)

Useful economic lives are based on the expected usage, wear and tear, technical or commercial obsolescence and legal limits on the usage of capital assets.

The Group assesses annually whether goodwill and tangible fixed assets have suffered any impairment, in accordance with the stated Group accounting policy. The recoverable amounts of goodwill allocated to cash-generating units and tangible fixed assets are determined based on value-in-use calculations, which require the exercise of management's judgement across a limited range of input assumptions and estimates. The principal assumptions used relate to the time value of money and expected future cash flows.

The Group assesses annually whether there are any indications that items of property, plant and equipment, including assets in the course of construction, have suffered any impairment. Indications of impairment are inherently judgemental and may require management to assess both internal and external sources of information.

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 group in which the deferred tax asset is to be recognised.

Post-retirement healthcare

The determination of the Group's obligation for post-retirement healthcare liabilities, depends on the selection of certain assumptions used by actuaries to calculate amounts. These assumptions include, among other, the discount rate, healthcare inflation costs, rates of increase in compensation costs and the number of employees who reach retirement age. Whilst the Group believes that these assumptions are appropriate, significant changes in the assumptions may materially affect post retirement obligation as well as future expenses, which may result in an impact on earnings in the periods that the changes in assumptions occur.

Share based payment charges

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

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

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group 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 Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1. ACCOUNTING POLICIES (continued)

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.

Provision for doubtful debts

Management assesses the recoverability of trade receivables on an individual basis at the end of each reporting period.

2. OPERATING SEGMENTS

Identification of the Group's externally reportable operating segments

The Group's externally reportable segments reflect the internal reporting structure of the Group, which is the basis on which resource allocation decisions are made by management in the attainment of strategic objectives. The Group operates under two primary geographic regions reflecting its South African activities and assets, and its other African activities and assets. These broad geographic regions are further split by product segments reflecting the management of the Group.

Product revenues

The material product types from which the Group's externally reportable segments derive both their internal and external revenues are presented as follows:

Operating segments	Internal revenues[1]	External revenues
Paper	Corrugated and paper board products	Corrugated and paper board products
Plastics	Plastic packaging products	Plastic packaging products
Corporate	N/A	N/A

[1] *The Group operates a vertically-integrated structure in order to benefit from economies of scale and to more effectively manage the risk of adverse price movements in key input costs. Internal revenues are therefore generated across the supply chain.*

Measurement of operating segment revenues, profit or loss, assets and non-current non-financial assets

Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed under IFRS 8 adhere to the recognition and measurement criteria presented in the Group's accounting policies. All intra-group transactions are conducted on an arm's length basis.

The Group's measure of net segment assets includes the allocation of retirement benefits surpluses and deficits on an appropriate basis. In addition, the Group's measure of net segment assets does not include an allocation for derivative assets and liabilities, non-operating receivables and payables and assets held for sale and associated liabilities. The measure of segment results, however, includes the effects of certain movements in these unallocated balances.

2. OPERATING SEGMENTS (continued)

Group

Operating segment revenue

	2014			2013		
	Segment revenue R'm	Internal revenue1 R'm	External revenue R'm	Segment revenue R'm	Internal revenue1 R'm	External revenue R'm
Paper	6,294.0	(21.2)	6,272.8	5,593.8	(19.8)	5,574.0
Plastics	2,344.4	–	2,344.4	2,123.8	–	2,123.8
Segments total	8,638.4	(21.2)	8,617.2	7,717.6	(19.8)	7,697.8

[1] *Inter-segment transactions are conducted on an arm's length basis.*

	2014 R'm	2013 R'm
Group		
External revenue by product type		
Products		
Corrugated and paper board products	6,272.8	5,574.0
Plastic packaging products	2,344.4	2,123.8
Group total	8,617.2	7,697.8
External revenue by location of customer		
Revenue		
South Africa (country of domicile)	7,805.8	6,995.7
Rest of Africa	740.9	626.1
Rest of world	70.5	76.0
Group total	8,617.2	7,697.8

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

	2014 R'm	2013 R'm
2. OPERATING SEGMENTS (continued)		
Operating segment underlying operating profit/(loss)		
Paper	**710.6**	635.3
Plastics	**132.0**	105.8
Corporate	**(91.1)**	(86.3)
Segments total before special items	**751.5**	654.8
Special items[1]	**(23.0)**	(2.4)
Share of equity accounted investees' profit (see note 10)	**15.6**	9.8
Net finance costs (see note 4)	**(121.0)**	(114.2)
Group profit before tax	**623.1**	548.0
Significant components of operating profit		
Depreciation, amortisation and impairment		
Paper	**239.8**	199.3
Plastics	**138.7**	134.1
Corporate	**27.3**	24.4
Segments total	**405.8**	357.8
Operating segment assets		
Segment assets[2]		
Paper	**3,720.6**	3,112.5
Plastics	**1,500.6**	1,360.5
Corporate	**1,081.3**	1,101.2
Inter-segment elimination	**(3.6)**	(2.8)
Segment total	**6,298.9**	5,571.4
Unallocated:		
Investments in equity accounted investees	**90.2**	80.0
Deferred tax assets	**18.5**	11.1
Other non-operating assets[3]	**100.3**	116.8
Group trading assets	**6,507.9**	5,779.3
Financial asset investments	**19.8**	24.9
Cash and cash equivalents	**535.1**	402.3
Group assets	**7,062.8**	6,206.5

[1] *Special items include impairment charged on property, plant and equipment of R9.3 million (2013: R2.4 million), and restructure costs of R13.7 million.*

[2] *Segment assets are operating assets and as at 31 December 2014 consist of property, plant and equipment of R2,422.9 million (2013: R2,076.0 million), goodwill and other intangible assets of R1,076.4 million (2013: R1,083.8 million), inventories of R1,125.8 million (2013: R944.1 million) and operating receivables of R1,673.8 million (2013: R1,467.5 million).*

[3] *Other non-operating assets consist of derivative assets of R6.0 million (2013: R8.2 million), other non-operating receivables of R91.5 million (2013: R104.1 million) and current tax receivable of R2.8 million (2013: R4.5 million).*

	2014 R'm	2013 R'm
2. OPERATING SEGMENTS (continued)		
Non-current non-financial assets4		
South Africa (country of domicile)	**3,461.0**	3,122.1
Rest of Africa	**38.3**	37.7
Group total	**3,499.3**	3,159.8

[4] Non-current non-financial assets consist of property, plant and equipment and goodwill and other intangible assets, but excludes retirement benefits surplus, deferred tax assets and non-current financial assets.

	2014 R'm	2013 R'm
Additions to non-current non-financial assets[5]		
Paper	**439.1**	307.0
Plastics	**256.6**	151.2
Corporate and other businesses	**5.0**	2.7
Group and segments total	**700.7**	460.9

[5] Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment and intangible assets as well as additions resulting from acquisitions through business combinations. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets, retirement benefits surplus and non-current financial assets.

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
3. OPERATING PROFIT				
Operating profit for the year has been arrived at after charging/(crediting):				
Impairment charge of property, plant and equipment (see note 8)	**9.3**	2.4	**–**	–
Depreciation of property, plant and equipment (see note 8)	**385.5**	346.8	**218.6**	190.8
Amortisation of intangibles (see note 7)	**11.0**	8.6	**–**	–
Rentals under operating leases	**105.2**	97.5	**72.5**	67.3
Net foreign currency losses/(gains)	**3.1**	(1.1)	**(2.4)**	(1.1)
Profit on disposal of tangible assets	**(1.0)**	(0.7)	**(0.3)**	(0.5)
Auditors' remuneration	**9.2**	8.1	**6.5**	5.8
Audit fees				
– current	**8.5**	7.3	**5.9**	5.4
– prior	**0.4**	0.3	**0.4**	0.2
Non-audit fees	**0.3**	0.5	**0.2**	0.2
Staff costs (excluding directors emoluments)	**1,335.3**	1,226.3	**903.9**	832.0
Executive directors' emoluments (excluding value of deferred bonus shares awarded)[1]	**11.8**	10.4	**11.8**	10.4

Total revenue, as defined under IAS 18, 'Revenue', consisting of revenue, interest income and dividend income was R8,626.9 million and R5,669.8 million for Group and Company, respectively (2013: R7,704.7 million and R5,185.4 million).

[1] The details of the directors' emoluments are disclosed in the report of the directors, see page 9 – 13.

	Group 2014 R'm	Group 2013 R'm	Company 2014 R'm	Company 2013 R'm
4. NET FINANCE COSTS				
Investment income				
Bank deposits and loan receivables	7.4	4.6	4.1	3.2
Other	2.3	2.3	12.0	10.8
Total interest income	9.7	6.9	16.1	14.0
Dividends – subsidiary companies	–	–	6.4	11.4
Total investment income	9.7	6.9	22.5	25.4
Finance costs				
Interest on bank overdrafts and loans	(130.0)	(114.8)	(124.3)	(108.3)
Interest on defined benefit arrangements (see note 21)	(5.0)	(5.1)	(5.0)	(5.1)
Interest capitalised to qualifying assets[1] (see note 8)	4.3	–	4.3	–
Total interest expense	(130.7)	(119.9)	(125.0)	(113.4)
Fair value losses	–	(1.2)	–	–
Total finance costs	(130.7)	(121.1)	(125.0)	(113.4)
Net finance costs	(121.0)	(114.2)	(102.5)	(88.0)

[1] *The weighted average capitalisation rate on funds borrowed generally is 7.4% per annum.*

	Group 2014 R'm	Group 2013 R'm	Company 2014 R'm	Company 2013 R'm
5. TAX CHARGE				
Analysis of tax charge for the year from continuing operations				
South African corporate tax in respect of current period	168.6	123.6	128.0	96.6
South African corporate tax in respect of prior period	8.4	–	9.1	–
Other country tax	0.1	1.2	–	0.4
Current tax	177.1	124.8	137.1	97.0
Deferred tax in respect of the current period	1.7	24.4	11.2	33.2
Deferred tax in respect of prior period	(1.9)	1.2	–	0.5
Total tax charge	176.9	150.4	148.3	130.7

Factors affecting tax charge for the year

The Group and Company's effective rates of tax for the year ended 31 December 2014, calculated on profit before tax and including net income from investees are 28.4% and 29.1%, respectively (2013: 27.4% and 27.9%, respectively).

The Group has estimated tax losses of R262.5 million (2013: R259.8 million) on which a deferred tax asset of R73.5 million (2013: R72.2 million) has been raised.

The Group and Company's total tax charge for the year can be reconciled to the tax on the Group and Company's profit before tax at the South African corporation tax rate of 28% as follows:

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
5. TAX CHARGE (continued)				
Profit before tax	**623.1**	548.0	**509.1**	468.1
Less share of profit of investees	**(15.6)**	(9.8)	**–**	–
Profit before tax, adjusted for equity accounted profit	**607.5**	538.2	**509.1**	468.1
Tax on profit before tax calculated at the South African corporation tax rate of 28%	**170.1**	150.7	**142.5**	131.1
Tax effects of:				
Expenses not deductible for tax purposes				
Non-qualifying depreciation	**0.5**	–	**–**	–
Subscription and donations	**0.6**	0.9	**0.5**	0.8
Other non-deductible expenses	**0.4**	0.6	**0.2**	–
Legal and professional costs	**4.0**	2.7	**3.6**	2.5
Non-taxable income				
Other non-taxable income	**(2.8)**	(3.1)	**(4.4)**	(3.9)
Non-taxable foreign exchange differences	**(0.3)**	–	**–**	–
Temporary difference adjustments				
Prior period tax losses and other temporary differences not previously recognised	**(1.4)**	1.1	**–**	0.5
Effect of difference between South African corporate tax rate and other country tax rate	**0.7**	(1.1)	**–**	–
Prior year adjustment current tax	**8.4**	–	**9.1**	–
Other adjustments	**(3.3)**	(1.4)	**(3.2)**	(0.3)
Tax charge for the year	**176.9**	150.4	**148.3**	130.7

IAS 1 requires income from investees to be presented net of tax on the face of the statement of comprehensive income. The Group's share of its investees' tax is therefore not presented within the Group's total tax charge. The investees' tax charge included within 'Share of investees' profit for the year ended 31 December 2014 is R4.7 milion (2013: Rnil).

	Cents per share	
	2014	2013
6. EARNINGS PER SHARE		
Earnings per share (EPS)		
Basic EPS	**259.1**	232.5
Diluted EPS	**256.9**	230.5
Headline earnings per share for the financial year[1]		
Basic headline EPS	**262.7**	233.3
Diluted headline EPS	**260.5**	231.3
Underlying earnings per share for the financial year[2]		
Basic underlying EPS3	**269.2**	233.5
Diluted underlying EPS3	**267.0**	231.5

[1] *The presentation of Headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 2/2013, 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.*

[2] *Underlying EPS excludes the impact of special items.*

[3] *Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax. (See note 2, segment operating profit).*

6. EARNINGS PER SHARE (continued)

The calculation of basic and diluted EPS and basic and diluted headline EPS is based on the following data:

	Earning	
	2014 R'm	2013 R'm
Profit for the financial year attributable to equity holders of Mpact	423.0	380.1
Impairment of tangible assets (see note 3)	9.3	2.4
Profit on disposal of tangible assets (see note 3)	(1.0)	(0.7)
Related tax	(2.4)	(0.4)
Headline earnings for the financial year	428.9	381.4

	Weighted number of shares	
	2014	2013
Weighted average number of ordinary shares in issue	163,268,866	163,510,495
Effect of dilutive potential ordinary shares[1]	1,362,284	1,404,161
Diluted number of ordinary shares in issue	164,631,150	164,914,656

[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.*

7. GOODWILL AND OTHER INTANGIBLE ASSETS

Group 2014	Goodwill R'm	Other intangibles[1] R'm	Total R'm
Cost			
At 1 January	1,021.4	255.3	1,276.7
Acquisition of business (see note 27)	1.9	1.7	3.6
At 31 December 2014	1,023.3	257.0	1,280.3
Accumulated amortisation and impairment			
At 1 January	0.3	192.6	192.9
Charge for the year	–	11.0	11.0
At 31 December 2014	0.3	203.6	203.9
Net book value at 31 December 2014	1,023.0	53.4	1,076.4
2013			
Cost			
At 1 January	1,021.4	220.0	1,241.4
Acquisition of business (see note 27)	–	35.3	35.3
At 31 December 2013	1,021.4	255.3	1,276.7
Accumulated amortisation and impairment			
At 1 January	0.3	184.0	184.3
Charge for the year	–	8.6	8.6
At 31 December 2013	0.3	192.6	192.9
Net book value at 31 December 2013	1,021.1	62.7	1,083.8

7. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

Company	Goodwill R'm	Other intangibles R'm	Total R'm
Net book value – 2014	670.6	–	670.6
Net book value – 2013	670.6	–	670.6

[1] *Other intangibles mainly relate to software development costs; customer relationships and contractual arrangements capitalised as a result of business combinations.*

Goodwill is allocated for impairment testing purposes to cash-generating units (CGUs) which reflect how it is monitored for internal management purposes.

The recoverable amount of a CGU is determined based on value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets covering a three-year period that are based on latest forecasts for revenue and cost as approved by the Board. Cash flow projections beyond three years are based on internal management forecasts and assume a growth rate not exceeding gross domestic product. Post tax cash flow projections are discounted using a post-tax discount rate of 11.3% (2013: 10.03%) adjusted by the economic and political risks in South Africa that are not reflected in the underlying cash flows. Perpetuity maintenance capital expenditure has been assumed at 100% of depreciation.

Expected future cash flows are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including market and production estimates, together with economic factors such as prices, discount rates, currency exchange rates, estimates of production costs and future capital expenditure. In respect of the CGUs that have not been impaired, sensitivity analyses of a 1% increase in discount rate or a 1% decrease in cash flows were performed and these did not give rise to an impairment.

No impairments of goodwill have been recognised (2013: Nil).

Carrying value of goodwill at the reporting dates is as follows:

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Paper	**672.5**	670.6	**670.6**	670.6
Plastics	**350.5**	350.5	**–**	–
Total goodwill	**1,023.0**	1,021.1	**670.6**	670.6

Group – 2014	Land and buildings R'm	Plant and equipment R'm	Assets in the course of construction R'm	Other R'm	Total R'm
8. PROPERTY, PLANT AND EQUIPMENT					
Cost					
At 1 January	**277.4**	**3,501.1**	**131.9**	**154.7**	**4,065.1**
Acquisition of business (see note 27)	**0.1**	**36.1**	**–**	**0.5**	**36.7**
Additions	**53.6**	**316.2**	**302.5**	**28.4**	**700.7**
Disposals	**(9.6)**	**(65.8)**	**–**	**(7.6)**	**(83.0)**
Currency movement	**0.2**	**1.1**	**0.1**	**0.2**	**1.6**
Transfer from inventory	**–**	**1.9**	**–**	**–**	**1.9**
Reclassification	**3.0**	**44.7**	**(47.7)**	**–**	**–**
Reorganisation of cost and accumulated depreciation	**–**	**(0.3)**	**–**	**(4.5)**	**(4.8)**
Interest capitalised to qualifying assets (see note 4)	**–**	**–**	**4.3**	**–**	**4.3**
At 31 December 2014	**324.7**	**3,835.0**	**391.1**	**171.7**	**4,722.5**
Accumulated depreciation and impairments					
At 1 January	**72.6**	**1,801.2**	**–**	**115.3**	**1,989.1**
Depreciation	**12.1**	**352.2**	**–**	**21.2**	**385.5**
Disposals	**(9.6)**	**(63.5)**	**–**	**(6.8)**	**(79.9)**
Impairment	**1.1**	**8.2**	**–**	**–**	**9.3**
Reclassification	**–**	**–**	**–**	**–**	**–**
Currency movement	**–**	**0.3**	**–**	**0.1**	**0.4**
Reorganisation of cost and accumulated depreciation	**–**	**3.8**	**–**	**(8.6)**	**(4.8)**
At 31 December 2014	**76.2**	**2,102.2**	**–**	**121.2**	**2,299.6**
Net book value at 31 December 2014	**248.5**	**1,732.8**	**391.1**	**50.5**	**2,422.9**
Group – 2013					
Cost					
At 1 January	278.2	3,096.9	144.7	139.0	3,658.8
Acquisition of business (see note 27)	–	34.0	2.8	1.4	38.2
Additions	4.9	356.2	9.8	16.5	387.4
Disposals	(0.6)	(15.6)	(0.3)	(3.7)	(20.2)
Currency movement	0.1	2.2	0.2	0.7	3.2
Transfer from inventory	–	1.7	–	–	1.7
Reclassification	(4.9)	28.7	(25.3)	1.5	–
Reorganisation	(0.3)	(3.0)	–	(0.7)	(4.0)
At 31 December 2013	277.4	3,501.1	131.9	154.7	4,065.1
Accumulated depreciation and impairments					
At 1 January	63.4	1,502.2	–	94.0	1,659.6
Depreciation	9.6	313.5	–	23.7	346.8
Disposals	(0.3)	(14.6)	–	(3.4)	(18.3)
Impairment	–	2.4	–	–	2.4
Reclassification	–	(1.0)	–	1.0	–
Currency movement	–	0.7	–	0.4	1.1
Reorganisation	(0.1)	(2.0)	–	(0.4)	(2.5)
At 31 December 2013	72.6	1,801.2	–	115.3	1,989.1
Net book value at 31 December 2013	204.8	1,699.9	131.9	39.4	2,076.0

The Group has pledged certain of its property, plant and equipment, other than assets under finance leases, as security in respect of the bank loans (refer note 20).

The net book value and depreciation charges relating to assets under finance leases amounts to R37.1 million (2013: R28.8 million) and R12.3 million (2013: 14.1 million), respectively, and has been pledged as security for these long-term borrowings (refer note 20).

Company – 2014	Land and buildings R'm	Plant and equipment R'm	Assets in the course of construction R'm	Other R'm	Total R'm
8. PROPERTY, PLANT AND EQUIPMENT (continued)					
Cost					
At 1 January	90.3	2,185.1	59.9	116.9	2,452.2
Additions	13.5	213.2	148.9	19.1	394.7
Disposals	(0.3)	(35.5)	–	(5.2)	(41.0)
Reorganisation of cost and accumulated depreciation	(0.1)	(0.2)	–	(4.5)	(4.8)
Interest capitalised to qualify assets (see note 4)	–	–	4.3	–	4.3
At 31 December 2014	103.4	2,362.6	213.1	126.3	2,805.4
Accumulated depreciation and impairments					
At 1 January	32.7	1,103.1	–	91.5	1,227.3
Depreciation	5.7	197.8	–	15.1	218.6
Disposals	(0.3)	(34.3)	–	(4.6)	(39.2)
Reorganisation of cost and accumulated depreciation	(0.1)	3.9	–	(8.6)	(4.8)
At 31 December 2014	38.0	1,270.5	–	93.4	1,401.9
Net book value at 31 December 2014	65.4	1,092.1	213.1	32.9	1,403.5
Company – 2013					
Cost					
At 1 January	88.7	1,962.1	65.3	108.0	2,224.1
Additions	1.7	232.3	(5.4)	12.2	240.8
Disposals	(0.1)	(9.3)	–	(3.3)	(12.7)
At 31 December 2013	90.3	2,185.1	59.9	116.9	2,452.2
Accumulated depreciation and impairments					
At 1 January	28.0	942.7	–	77.7	1,048.4
Depreciation	4.8	169.1	–	16.9	190.8
Disposals	(0.1)	(8.7)	–	(3.1)	(11.9)
At 31 December 2013	32.7	1,103.1	–	91.5	1,227.3
Net book value at 31 December 2013	57.6	1,082.0	59.9	25.4	1,224.9

The Company has pledged certain of its property, plant and equipment other than assets under finance leases, as security in respect of the bank loans (refer note 20).

The net book value and depreciation charges relating to assets under finance leases amounts to R4.4 million (2013: R9.0 million) and R3.6 million (2013: R7.0 million), respectively, and has been pledged as security for these long-term borrowings (refer to note 20).

The net book value of land and buildings comprises:

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Freehold	**238.9**	194.8	**63.5**	55.0
Leasehold – long	**7.0**	7.3	**1.7**	2.3
Leasehold – short	**2.6**	2.7	**0.2**	0.3
Total land and buildings	**248.5**	204.8	**65.4**	57.6

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

9. INVESTMENTS IN AND LOANS TO SUBSIDIARIES

		Company	
		2014 R'm	2013 R'm
Unlisted	**Country of incorporation**		
Mpact Polymers (Pty) Ltd	South Africa	**–**	–
Mpact Namibia (Pty) Ltd	Namibia	**21.2**	21.2
Embalagens Mpact LDA	Mozambique	**0.9**	0.9
Mpact Plastic Containers (Pty) Ltd	South Africa	**8.0**	8.0
Mpact Operations (Pty) Ltd	South Africa	**612.0**	–
Mpact Recycling (Pty) Ltd	South Africa	**70.6**	70.6
Rebel Packaging (Pty) Ltd	South Africa	**–**	–
Detpak South Africa (Pty) Ltd	South Africa	**12.6**	12.6
Shoebill (Pty) Ltd	Botswana	**–**	
Pyramid Holdings (Pty) Ltd	Botswana	**–**	
Lenco Holdings (Pty) Ltd	South Africa	**–**	646.7
Total shares at cost		**725.3**	760.0

Refer to the Schedule of Subsidiaries on pages 62 – 63 for details of the investment in subsidiary companies. Certain investments in subsidiaries are pledged as security in respect of the bank loans (refer note 20).

Loans advanced are the following:

	Interest Rate	2014 R'm	2013 R'm
Mpact Versapak (Pty) Ltd	JIBAR 3%	**104.1**	107.8
Mpact Operations (Pty) Ltd	0%[1]	**475.4**	598.9
Rebel Packaging (Pty) Ltd	0%	**11.3**	20.8
Mpact Namibia (Pty) Ltd	Prime	**–**	2.5
Detpak South Africa (Pty) Ltd	0%	**22.6**	24.5
Mpact Polymers (Pty) Ltd	0%	**110.0**	–
Shoebill (Pty) Ltd	Prime	**10.9**	–
		734.3	754.5

There are no fixed terms of repayment for these loans.
[1] Terms of the loan provide for maximum interest rate of JIBAR + 3%.

These loans are unsecured. The term loan to Mpact Operations (Pty) Ltd has been subordinated in favour of other creditors until such time as the assets of the company, fairly valued, exceed its liabilities.

These companies operate principally in the countries in which they are incorporated.

The Group's share of profits from subsidiary entities for the year ended 31 December 2014 is R110.2 million (2013: R85.5 million).

	Group	
	2014 R'm	2013 R'm
10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES		
At 1 January	80.0	70.2
Share of profit	15.6	9.8
Dividends received	(5.4)	(3.1)
Reorganisation	–	3.1
Balance at 31 December	90.2	80.0
The Group's total investment comprises:		
Net asset value	72.3	62.1
Goodwill	17.9	17.9
Total equity	90.2	80.0
All investments are pledged as security in respect of the bank loans (refer note 20).		
The Group's share of the summarised financial information of principal investments, all of which are unlisted, is as follows:		
Total non-current assets	63.2	57.8
Total current assets	168.6	147.4
Total current liabilities	(12.2)	(8.0)
Total non-current liabilities	(129.4)	(117.2)
Share of net assets[1]	90.2	80.0
Revenue	467.2	445.1
Total operating costs	(446.8)	(435.3)
Income tax expense	(4.8)	–
Share of profit for the financial year	15.6	9.8

[1] There are no material contingent liabilities for which the Group is jointly or severally liable at the reporting dates presented.

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
11. FINANCIAL ASSET INVESTMENTS				
Loans receivable	19.2	22.2	18.2	19.2
Loan to related party[1]	0.6	2.7	0.6	1.4
Investment in share trust	–	–	49.5	28.5
	19.8	24.9	68.3	49.1

All financial asset investments are non-current as the repayment terms are greater than one year.

Loans receivable are held at amortised cost.

[1] Loan to director and shareholder of a subsidiary company and loans to associate companies. Interest is charged at prime.

	Group 2014 R'm	2013 R'm	Company 2014 R'm	2013 R'm
12. INVENTORIES				
Raw materials and consumables	**615.7**	514.4	**423.9**	359.6
Work in progress	**51.8**	36.4	**28.7**	18.9
Finished goods	**458.3**	393.3	**303.4**	218.0
Total inventories	**1,125.8**	944.1	**756.0**	596.5
Of which none are held at net realisable value				
Write-down of inventories	**9.6**	0.5	**4.0**	–
Reversal of write-down of inventories	**2.1**	2.8	**1.9**	2.8
Cost of inventories recognised as an expense	**3,944.8**	3,460.7	**2,484.8**	2,249.5
Inventories are pledged as security for the bank loans (refer to note 20).				
13. OTHER RECEIVABLES				
Trade receivables (a)				
– external	**1,465.4**	1,315.0	**968.6**	838.7
– related parties	**244.1**	175.3	**289.1**	248.3
Allowance for doubtful debts (b)	**(52.2)**	(36.6)	**(34.9)**	(24.8)
Net trade receivables	**1,657.3**	1 453.7	**1,222.8**	1 062.2
Other receivables	**91.5**	104.0	**60.6**	83.3
Amounts owed by related parties	**–**	–	**4.0**	7.6
Interest receivable from related parties	**–**	–	**–**	17.7
Prepayments and accrued income	**16.5**	13.9	**3.6**	2.9
	1,765.3	1,571.6	**1,291.0**	1,173.7

The fair values of trade and other receivables approximate the carrying values presented.

Trade and other receivables are pledged as security for the bank loans (refer note 20).

(a) Trade receivables: Credit risk

The Group's exposure to the credit risk inherent in their trade receivables and the associated risk management techniques that the Group deploys in order to mitigate this risk are discussed in note 33. Credit periods offered to customers vary according to the credit risk profiles of, and invoicing conventions established by participants operating in the various markets in which the Group operates. Interest is charged at an appropriate rate on balances which are considered overdue in the relevant market.

To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the statement of comprehensive income and the carrying values have been written down to their recoverable amounts. The total gross carrying value of these impaired trade receivables for the Group and Company as at the reporting date are R143.5 million (2013: R101.1 million) and R88.1 million (2013: R69.1 million), respectively, and the associated aggregated impairments for the Group and Company are R52.2 million (2013: R36.6 million) and R34.9 million (2013: R24.8 million), respectively.

13. TRADE AND OTHER RECEIVABLES (continued)

Included within the Group and Company's aggregate trade receivables balance are specific debtor balances with customers totalling R316.3 million (2013: R230.0 million) and R229.6 million (2013: R141.6 million), respectively which are past due, but not impaired as at the reporting date. The Group and Company have assessed these balances for recoverability and believe that their credit quality remains intact. An ageing analysis of these past due trade receivables is provided as follows:

	Trade receivables past due by:				
	Less than 1 month R'm	1 – 2 months R'm	2 – 3 months R'm	More than 3 months R'm	Total R'm
Group					
Carrying value at 31 December 2014	**136.4**	**63.5**	**38.3**	**78.1**	**316.3**
Carrying value at 31 December 2013	101.6	57.9	24.4	46.1	230.0
Company					
Carrying value at 31 December 2014	**89.3**	**42.6**	**29.6**	**68.1**	**229.6**
Carrying value at 31 December 2013	52.0	38.7	16.4	34.5	141.6

The Group and Company did not enter into any debt factoring arrangements.

(b) Movement in the allowance account for bad and doubtful debts.

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
At 1 January	**36.6**	30.5	**24.8**	20.1
Amounts written off or recovered during the year	**(3.9)**	(13.1)	**(3.5)**	(11.7)
Acquisition of business	**0.4**	0.6	**–**	–
Increase in allowance recognised in the statement of comprehensive income	**19.1**	18.6	**13.6**	16.4
At 31 December	**52.2**	36.6	**34.9**	24.8

14. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	**535.1**	402.3	**335.0**	277.0

All bank accounts are pledged as security for the bank loans (refer note 20).

	2014			2013		
	Asset R'm	Liability R'm	Notional amount R'm	Asset R'm	Liability R'm	Notional amount R'm
15. DERIVATIVE FINANCIAL INSTRUMENTS						
Group						
Non-current derivative						
Cash flow hedges:						
Interest rate swaps	5.0	–	400.0	4.6	–	400.0
Current derivative						
Held for trading[1]						
Foreign exchange contracts	1.0	(0.2)	104.6	3.6	(0.8)	72.1
Company						
Non-current derivative						
Cash flow hedges						
Interest rate swaps	5.0	–	400.0	4.6	–	400.0
Current derivative						
Held for trading[1]						
Foreign exchange contracts	0.9	(0.1)	100.2	2.2	(0.8)	22.8

[1] *There were no held for trading derivative assets and liabilities, classified as current in accordance with IAS 1, 'Presentation of Financial Statements', which are due to mature after more than one year, for all the years presented. The inputs in determining fair value are classed as level 2 in terms of IFRS.*

Derivative financial instruments are held at fair value. Appropriate valuation methodologies are employed to measure the fair value of derivative financial instruments.

The notional amounts presented represent the aggregate face value of all foreign exchange contracts and interest rate swaps at the year-end. They do not indicate the contractual future cash flows of the derivative instruments held or their current fair value and therefore do not indicate the Group's exposure to credit or market risks. Note 33 provides an overview of the Group's management of financial risks through the selective use of derivative financial instruments and also includes a presentation of the undiscounted future contractual cash flows of the derivative contracts outstanding at the reporting date.

Hedging

Cash flow hedges

The Group designates certain derivative financial instruments as cash flow hedges. The fair value (losses)/gains reclassified from the cash flow hedge reserve during the year and matched against the realisation of hedged risks in the combined and consolidated statement of comprehensive income were as follows:

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Held for trading derivatives				
Net fair value (losses)/gains on held for trading derivatives	(2.2)	1.1	(0.9)	(0.6)

Held for trading derivatives are used primarily to hedge foreign exchange balance sheet exposures. Held for trading derivative gains/(losses) have corresponding gains/(losses) which arise on the revaluation of the foreign exchange balance sheet exposures being hedged. The Group chose not to apply hedge accounting to the held for trading derivatives.

The Group entered into a R400 million interest rate swap in 2012 to hedge its interest rate exposure on floating rate debt and applied hedge accounting in terms of IAS 39. The floating rate of the swap was referenced to three-month JIBAR and the fixed interest rate on the R400 million facility is 7.58%.

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
16. SHORT-TERM BORROWINGS				
Standard Bank loans (see note 20)	**780.0**	350.0	**780.0**	350.0
Current portion of finance lease obligations (see note 20)	**13.6**	11.0	**3.5**	4.5
Minority shareholder loans (see note 20)	**67.5**	26.4	**–**	–
Bank overdrafts	**24.4**	9.9	**–**	–
Instalment loan facilities (see note 20)	**2.2**	–	**–**	–
	887.7	397.3	**783.5**	354.5
17. TRADE AND OTHER PAYABLES				
Trade payables	**985.0**	827.2	**565.5**	506.7
Amounts owed to related parties	**16.5**	16.2	**69.5**	63.2
Other payables and accruals	**695.9**	621.4	**467.1**	469.4
Total trade and other payables	**1,697.4**	1,464.8	**1,102.1**	1,039.3

The fair values of trade and other payables are not materially different to the carrying values presented.

	1 January 2013 R'm	(Release)/ charge R'm	31 December 2013 R'm	(Release)/ charge R'm	31 December 2014 R'm
18. PROVISIONS					
Group					
Other[1]	–	0.3	0.3	1.2	**1.5**
Restoration and environmental[2]	1.8	(0.8)	1,0	(0.1)	**0.9**
Total	1.8	(0.5)	1.3	1.1	**2.4**
Company					
Other[1]	–	0.3	0.3	1.0	**1.3**
Restoration and environmental[2]	1.7	(0.8)	0.9	(0.9)	**–**
Total	1.7	(0.5)	1.2	0.1	**1.3**

[1] *Relates to Bonus Share Plan awards, where dividends earned over the holding period are paid as a single cash payment on vesting date.*

[2] *The restoration and environmental provision represents the best estimate of the expenditure required to settle the obligation to rehabilitate environmental disturbances caused by production operations. A provision is recognised for the present value of such costs.*

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
19. OTHER CURRENT LIABILITIES				
Accrual for settlement cost (see note 30c)	**4.6**	2.7	**–**	–
	4.6	2.7	**–**	–

20. LONG-TERM BORROWINGS

	Group 2014 R'm	Group 2013 R'm	Company 2014 R'm	Company 2013 R'm
Secured				
Standard Bank and Rand Merchant Bank:				
– Facility A[1]	**900.0**	1,100.0	**900.0**	1,100.0
– Facility B[2]	**400.0**	150.0	**400.0**	150.0
– Facility C[3]	**380.0**	200.0	**380.0**	200.0
Standard Bank and Rand Merchant Bank loans	**1,680.0**	1,450.0	**1,680.0**	1,450.0
Obligations under finance leases	**39.1**	30.8	**4.9**	9.6
Instalment loan facilities	**27.0**	–	**–**	–
	1,746.1	1,480.8	**1,684.9**	1,459.6
Unsecured				
Minority shareholder loans in subsidiary[4]	**67.5**	27.4	**–**	–
Total borrowings	**1,813.6**	1,508.2	**1,684.9**	1,459.6
***Less:* Current portion** (see note 16)				
Standard Bank and Rand Merchant Bank loans	**(780.0)**	(350.0)	**(780.0)**	(350.0)
Obligations under finance leases	**(13.6)**	(11.0)	**(3.5)**	(4.5)
Minority shareholder loans	**(67.5)**	(26.4)	**–**	–
Instalment loan facilities	**(2.2)**	–	**–**	–
Non-current borrowings	**950.3**	1,120.8	**901.4**	1,105.1

[1] Facility A is repayable in full on its 5th anniversary, 22 December 2019, and bears interest at a three-month Jibar plus 1.65%.

[2] Facility B is a revolving credit facility and is repayable as agreed when utilised. The facility bears interest at three-month Jibar plus 1.65%, and expires on 22 December 2019.

[3].Facility C is a revolving credit facility and is repayable as agreed when utilised. The facility currently bears interest at three-month Jibar plus 1.35% and expires on 22 December 2017.

[4] Includes unsecured loans of R1.1 million (2013: R3.8 million) bearing interest at prime less 1%. The balance of R66.4 million (2013: R23.6 million) is a non-interest bearing loan.

The Group and Company mainly sources its borrowings in South African Rands. The fair values of the Group and Company's borrowings approximate the carrying value presented.

The maturity analysis of the Group's borrowings presented, on an undiscounted future cash flow basis is included as part of a review of the Group's liquidity risk within note 33.

Facilities totalling R320.0 million remain committed and undrawn as at 31 December 2014 (2013 R467.0 million).

20. LONG-TERM BORROWING (continued)

Obligations under finance leases

The maturity of obligations under finance leases is:

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
No later than one year	**16.5**	13.2	**3.9**	5.2
Later than one year and not more than five years	**27.6**	21.6	**1.5**	5.6
More than five years	**1.4**	1.0	**–**	–
Future value of finance lease liabilities	**45.5**	35.8	**5.4**	10.8
Future finance charges	**(6.4)**	(5.0)	**(0.5)**	(1.2)
Present value of finance lease liabilities	**39.1**	30.8	**4.9**	9.6

Finance leases relate to computer equipment and plant with varying lease terms. The Group's obligations under the finance leases are secured by the lessors' title to the lease assets.

Financing facilities

Group liquidity is provided through debt facilities which are in excess of the Group's short-term needs. The Group and Company has committed facilities amounting to R2.1 billion (2013: R2.0 billion) and R2.0 billion (2013: R1.9 billion), respectively.

The Group has pledged certain assets as collateral against certain borrowings. The values of these assets as at 31 December 2014 are as follows:

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Assets held under finance leases				
Property, plant and equipment	**37.1**	28.8	**4.4**	9.0
Assets pledged as collateral for other borrowings				
Property, plant and equipment	**1,262.0**	1,125.5	**896.4**	747.1
Inventories	**898.8**	742.4	**756.0**	596.5
Financial assets[1]	**1,767.3**	1,596.4	**1,626.1**	1,450.7
Investments in subsidiaries	**–**	–	**642.1**	676.8
Investments in associates	**90.2**	80.0	**–**	–
Total carrying value of assets pledged as collateral	**4,055.4**	3,573.1	**3,925,0**	3,480.1

The Group is entitled to receive all cash flows from these pledged assets. Further, there is no obligation to remit these cash flows to another entity.

[1] *Financial assets include cash equivalents and trade and other receivables.*

[2] *According to the term and revolving facilities agreement, certain subsidiaries of the Group have pledged their assets as collateral against bank borrowings.*

21. RETIREMENT BENEFITS

The Group and Company operate post-retirement defined contribution plans for the majority of its employees. The Group also operates a post-retirement medical arrangement. The accounting policy for retirement benefits is included in note 1.

Defined contribution plan

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans for the Group totalling R66.7 million (2013: R64.2 million) and for the Company totalling R45.8 million (2013: R45.6 million) is calculated on the basis of the contribution payable by the Group and the Company in the financial year. There were no material outstanding or prepaid contributions recognised in relation to these plans as at the reporting dates presented.

Post-retirement medical plan

The post-retirement medical plan provides health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. This plan is unfunded and there are no plan assets. The plan has been closed to new participants since 1 January 1999.

The post-retirement medical aid liability is valued at intervals of not more than three years using the projected unit credit method. The actuarial present value of the promised benefits at the most recent valuation was performed during the 2014 financial year and indicates that the contractual post-retirement medical aid liability is adequately provided for within the financial statements.

Group

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations are detailed below:

	2014 %	2013 %
Post-retirement medical plan		
Average discount rate for plan liabilities	**8.4**	9.4
Expected average increase of healthcare costs	**8.1**	8.6

The assumption for the average discount rate for plan liabilities is based on AA corporate bonds, which are of a suitable duration and currency.

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2014 years	2013 years
Retiring today:		
Males	**15.97**	15.94
Females	**19.94**	19.89
Retiring in 20 years:		
Males	**20.44**	20.34
Females	**24.73**	24.64

The mortality assumptions have been based on published mortality tables in the relevant jurisdictions.

Independent qualified actuaries carry out full valuations every three years using the projected credit unit method. The actuaries have updated the valuations to 31 December 2014.

The total gain/(loss), net of applicable tax, recognised in other comprehensive income relating to experience movements on scheme liabilities and plan assets and actuarial assumption changes for the year ended 31 December 2014 is a loss of R0.6 (2013: gain of R12.0 million).

21. RETIREMENT BENEFITS (continued)

Group

The changes in the present value of defined benefit obligations are as follows:

	2014 Post-retirement medical plans R'm	2013 Post-retirement medical plans R'm
At 1 January	**54.0**	63.1
Current service cost	**0.2**	0.3
Interest cost	**5.0**	5.1
Re-measurement	**0.6**	(12.0)
Benefits paid	**(2.4)**	(2.5)
At 31 December	**57.4**	54.0

The amounts recognised in the statement of comprehensive income are as follows:

Analysis of the amount charged to operating profit		
Current service costs	**0.2**	0.3
Interest costs on plan liabilities[1]	**5.0**	5.1
Total charge to statement of comprehensive income	**5.2**	5.4

[1] *Included in finance costs (see note 4).*

Sensitivity analysis

Assured healthcare trend rates have a significant effect on the amounts recognised in the statement of comprehensive income. A 1% change in assumed healthcare cost trend rates would have the following effects on the post-retirement medical plans:

	1% increase	
	2014 R'm	2013 R'm
Effect on the aggregate of the current service cost and interest cost	0.7	0.7
Effect on the defined benefit obligation	7.9	7.5

The Group's post-retirement medical arrangement for five years ended 31 December 2014, is summarised as follows:

	2014 R'm	2013 R'm	2012 R'm	2011 R'm	2010 R'm
Liabilities					
Post-retirement medical plans	**(57.4)**	(54.0)	(63.1)	(58.9)	(73.5)
Re-measurement					
On plan liabilities	**(0.6)**	12.0	1.1	8.0	9.8

Company

In the current year the post-retirement medical plan liability was transferred to a Group subsidiary and no longer forms part of the Company.

22. DEFERRED TAX

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Deferred tax asset				
At 1 January	11.1	6.0	–	–
Acquired through business combinations	–	5.7	–	–
Credited/(charged) to statement of comprehensive income	7.5	(0.6)	–	–
Charge to statement of other comprehensive income	(0.1)	–	–	–
At 31 December	18.5	11.1	–	–
Deferred tax liability				
At 1 January	(202.5)	(161.4)	(147.2)	(107.2)
Acquired through business combinations	(0.5)	(9.8)	–	–
Charged to statement of comprehensive income	(7.3)	(25.0)	(11.2)	(33.7)
Charge to statement of other comprehensive income	0.1	(6.3)	0.1	(6.3)
Charge to equity	(3.8)	–	(3.8)	–
At 31 December	(214.0)	(202.5)	(162.1)	(147.2)
The amount of deferred taxation provided in the accounts is presented as follows:				
Deferred tax assets				
Tax losses[1]	63.5	60.0	–	–
Capital allowances	(52.9)	(54.5)	–	–
Other temporary differences	7.9	5.6	–	–
Total deferred tax assets	18.5	11.1	–	–
Deferred tax liability				
Tax losses[1]	(10.0)	(12.2)	–	–
Capital allowances	272.0	271.6	222.1	222.1
Fair value adjustments	5.7	3.6	–	–
Other temporary differences	(53.7)	(60.5)	(60.0)	(74.9)
Deferred tax liability	214.0	202.5	162.1	147.2

[1] *Based on the forecast data, the Group and Company believe that there will be sufficient future taxable profits available to utilise these tax losses.*

The Group has the following amounts in respect of which no deferred tax has been recognised due to the unpredictability of future profit streams or gains against which these could be utilised:

	Group 2014 R'm	Group 2013 R'm	Company 2014 R'm	Company 2013 R'm
Unutilised tax losses	269.4	265.3	–	–

All unrecognised tax losses have no expiry date, where trading is ongoing

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
23. OTHER NON-CURRENT LIABILITIES				
Non-controlling interest put option	**21.7**	54.7	**21.7**	54.7
The non-controlling shareholders of certain subsidiary companies have put options which may require the Group to purchase the non-controlling interest in the future.				
24. DEFERRED INCOME				
Government grants:				
Current	**1.9**	1.9	**1.9**	1.9
Non-current	**12.6**	14.5	**12.6**	14.5
Total	**14.5**	16.4	**14.5**	16.4
The government grant related to MCEP grants received for capital expenditure. The income released to the statement of comprehensive income of R1.9 million (2013: R2.5 million) has been off set against operating expenses.				
25. STATED CAPITAL				
Authorised share capital				
217,500,000 shares of no par value	**–**	–	**–**	–
Issued share capital				
Issue of 163,575,656 shares of no par value	**2,326.0**	2,326.0	**2,326.0**	2,326.0
Capitalisation issue	**18.1**	–	**18.1**	–
	2,344.1	2,326.0	**2,344.1**	2,326.0

On 12 September 2014, 525,141 new ordinary shares were issued to shareholders who elected to receive capitalisation shares in terms of the capitalisation issue. As at 31 December 2014 164,100,797 shares were in issue.

26. SHARE-BASED PAYMENTS

The Group has a share-based payment arrangement for executives and senior employees of the Company and its subsidiaries. The Group 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. In addition to these plans, two executives were granted once-off share awards under a Transitional Share Plan ("TSP").

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

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Bonus Share Plan (BSP)	**8.0**	7.9	**7.3**	6.8
Performance Share Plan (PSP)	**5.6**	4.9	**5.0**	4.4
Transitional Share Plan (TSP)	**–**	0.2	**–**	0.2
Share Appreciation Rights (SARS)	**1.8**	8.1	**1.7**	6.4
Total share-based payment expense	**15.4**	21.1	**14.0**	17.8

	2014 R'm	2013 R'm	2012 R'm
26. SHARE-BASED PAYMENTS (continued)			
The fair values of the share awards granted under the Mpact share plans are calculated with reference to the facts and assumptions presented below:			
Bonus Share Plan (BSP)			
Date of grant	**5 June 2014**	1 April 2013	1 April 2012
Vesting period (months)	**34**	36	36
Expected leavers per annum (%)	**5**	5	5
Grant date fair value per instrument (R)	**23.43**	20.48	15.45
Performance Share Plan (PSP)			
Date of grant	**5 June 2014**	1 April 2013	1 April 2012
Vesting period (months)	**34**	36	36
Expected leavers per annum (%)	**5**	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	**23.43**	20.48	15.45
– TSR component	**13.75**	23.39	9.69
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 Group is shown below.

2014	**1 January 2014**	**Shares conditionally awarded in year**	**Shares vested in year**	**Shares lapsed/ forfeited in year**	**31 December 2014**
BSP	1,622,402	488,902	(570,947)	(92,685)	1,447,672
PSP	1,166,853	355,660	(396 386)	(69,952)	1,056,175
SARP	2,455,937	–	(402 853)	(670,276)	1,382,808

2013	1 January 2013	Shares conditionally awarded in year	Shares vested in year	Shares lapsed/ forfeited in year	31 December 2013
BSP	1,125,957	496,445	–	–	1,622,402
PSP	839,367	327,486	–	–	1,166,853
TSP	131,786	–	(104,321)	(27,465)	–
SARP	2,455,937	–	–	–	2,455,937

27. BUSINESS COMBINATIONS

2014

(a) On 31 December 2014, the Group acquired a 51% interest in Pyramid Holdings (Pty) Ltd for a purchase consideration of R1. Details of the fair value of the net assets acquired are as follows:

	2014 R'm
Intangible assets	**1.7**
Property, plant and equipment	**36.7**
Inventories	**13.6**
Trade debtors	**19.6**
Trade and other payables	**(42.5)**
Current portion of long-term borrowing	**(4.6)**
Bank overdraft	**(1.9)**
Deferred tax liability	**(0.5)**
Long term borrowings	**(25.9)**
Net assets acquired	**(3.8)**
Non-controlling interest	**1.9**
Mpact share of net assets acquired	**(1.9)**
Purchase consideration	**–**
Goodwill	**1.9**
Net overdraft acquired	**(1.9)**

2013

(b) On 6 February 2013 the Group acquired a PET business at fair value for R15 million. Profit for the period arising on this acquisition was not material for the Group. Assets acquired relates to property, plant and equipment.

(c) On 25 September 2013, the Group acquired a 51% interest in Detpak South Africa (Pty) Ltd, for a purchase consideration of R37.1 million. Profit for the year arising on this acquisition was not material for the Group.

Details of the fair value of Detpak net assets acquired are as follows:

	2013 R'm
Total non-current assets	64.2
Total current assets	64.8
Total current liabilities	(43.6)
Total non-current liabilities	(60.8)
Net assets acquired	24.6
Non-controlling interest	(12.1)
Mpact share of net assets acquired	12.5
Cash acquired, net of overdrafts	1.4
Shareholder loans	24.6
Deferred consideration	(1.8)
Net cash paid	**36.7**

	Group		Company	
	2014 R'm	2013 R'm	**2014 R'm**	2013 R'm
28. CONSOLIDATED CASH FLOW ANALYSIS				
(a) **Reconciliation of profit before taxation to cash generated from operations**				
Profit before taxation	**623.1**	548.0	**509.1**	468.1
Depreciation, amortisation and impairments	**405.8**	357.8	**218.6**	190.8
Share based payments	**15.4**	21.1	**14.0**	17.8
Net finance costs	**121.0**	114.2	**102.5**	88.0
Share of investee profit	**(15.6)**	(9.8)	**–**	–
Decrease in provisions	**(3.9)**	(2.8)	**(1.2)**	(2.8)
Increase in inventories	**(170.0)**	(77.8)	**(159.4)**	(84.8)
Increase in receivables	**(174.2)**	(96.2)	**(138.8)**	(65.7)
(Decrease)/increase in payables	**187.6**	(46.6)	**130.4**	(50.4)
Profit on disposal of tangible assets	**(1.0)**	(0.8)	**(0.3)**	(0.4)
Fair value change on transactions not qualifying as hedges	**2.0**	(1.0)	**0.7**	0.7
Other non-cash items	**(0.3)**	1.2	**(2.2)**	(2.5)
Cash generated from operations	**989.9**	807.3	**673.4**	558.8
(b) **Cash and cash equivalents**				
Cash and cash equivalent per statement of financial position	**535.1**	402.3	**335.0**	277.0
Bank overdrafts included in short-term borrowings (see note 16)	**(24.4)**	(9.9)	**–**	–
Net cash and cash equivalents per statement of cash flows	**510.7**	392.4	**335.0**	277.0
The fair value of cash and cash equivalents approximate the values presented.				
29. CAPITAL COMMITMENTS				
Contracted for	503.8	111.1	249.8	55.3
Approved, not yet contracted for	848.4	66.9	759.5	11.5
	1,352.2	178.0	1,009.3	66.8

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

30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for the Group and Company comprise aggregate amounts at 31 December 2014 of R7.8 million (2013: R7.4 million) and R7.8 million (2013 R7.4 million) in respect of loans and guarantees given to banks and other third parties.

(b) A Group mill is the subject of a land claim, which should not have a material impact on the financial position of the Group.

(c) In 2013 a settlement was reached in respect of a dispute relating to the valuation of put options in a group subsidiary. The settlement agreement provides for a deferred payment contingent upon the achievement of certain EBITDA and ROCE levels for the years 2015 to 2018, subject to a maximum amount of R11.1 million (2013: R15.7 million).

(d) There were no significant contingent assets for the Group and Company at 31 December 2014 and 31 December 2013.

31. OPERATING LEASE COMMITMENTS

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

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Expiry date				
Within one year	**72.9**	64.5	**47.1**	39.1
One to two years	**62.2**	63.6	**41.2**	44.0
Two to five years	**160.3**	165.1	**92.3**	102.0
After five years	**80.1**	88.6	**50.5**	75.8
	375.5	381.8	**231.1**	260.9

The majority of these operating leases relate to land and buildings.

32. CAPITAL MANAGEMENT

The Group defines its total capital employed as equity, as presented in the statement of financial position, plus net debt, less investment in subsidiaries and financial asset investments.

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Total borrowings (excluding overdrafts)	**1,813.6**	1,508.2	**1,684.9**	1,459.6
Less: Cash and cash equivalents[1]	**(510.7)**	(392.4)	**(335.0)**	(277.0)
Net debt	**1,302.9**	1,115.8	**1,349.9**	1,182.6
Loans and receivables and investments in subsidiaries	**(19.8)**	(24.9)	**(1,527.9)**	(1,563.6)
Adjusted net debt	**1,283.1**	1,090.9	**(178.0)**	(381.0)
Equity	**3,206.1**	2,883.6	**3,003.5**	2,742.5
Total capital employed	**4,489.2**	3,974.5	**2,825.5**	2,361.5

[1] *Net of overdrafts.*

Total capital employed is managed on a basis that enables the Group to continue trading as a going concern, while delivering acceptable returns for shareholders and benefits for other stakeholders. Additionally, the Group is also committed to reducing its cost of capital by maintaining an optimal capital structure. In order to maintain an optimal capital structure, the Group may adjust the future level of dividends paid to shareholders, repurchase shares from shareholders, issue new equity instruments or dispose of assets to reduce its net debt exposure.

The Group reviews its total capital employed on a regular basis and makes use of several indicative ratios which are appropriate to the nature of the Group's operations and are consistent with conventional industry measures. The principal ratios used in this review process are:

- gearing, defined as net debt divided by total capital employed; and
- return on capital employed, defined as underlying operating profit, plus share of associates profit, before special items, divided by average capital employed.

33. FINANCIAL RISK MANAGEMENT

The Group'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 Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-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 (Group treasury) for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group 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 Group 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 Group's activities are exposed to primarily foreign exchange and interest rate risk. Both risks are actively monitored on a continuous basis and managed through the use of foreign exchange contracts and interest rate swaps, respectively. Although the Group's cash flowsare exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables.

Foreign exchange risk

The Group operates across various national boundaries and is exposed to foreign exchange risk in the normal course of their business. Multiple currency exposures arise from forecast commercial transactions denominated in foreign currencies, recognised financial assets and liabilities (monetary items) denominated in foreign currencies and the translational exposure on net investments in foreign operations.

Foreign exchange contracts

The Group's foreign exchange policy requires its subsidiaries to actively manage foreign currency exposures against their functional currencies by entering into foreign exchange contracts. For segmental reporting purposes, each subsidiary enters into, and account for, foreign exchange contract with Group treasury or with counterparties that are external to the Group, whichever is more commercially appropriate.

Only material statement of financial position exposure and highly probable forecast capital expenditure transactions are being hedged.

Currencies bought or sold forward to mitigate possible unfavourable movements on recognised monetary items are marked to market at each reporting date. Foreign currency monetary items are translated at each reporting date to incorporate the underlying foreign exchange movements, and any such movements are naturally off-set against fair value movements on related foreign exchange contracts.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the Group's financial assets and financial liabilities at the reporting dates presented, net of related forward positions. The sensitivity analysis provides an indication of the impact on the Group's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the Group operates in. In addition, an indication is provided of how reasonably possible changes in foreign exchange rates might impact on the Group's equity, as a result of fair value adjustments to foreign exchange contracts designated as cash flow hedges. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near-term future volatility.

Resultant impacts of reasonably possible changes to foreign exchange rates

The Group has assumed that for its functional to foreign currency net monetary exposure, it is reasonable to assume a 5% appreciation/depreciation of the functional currency.

33. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

The Group holds cash and cash equivalents, which earns interest at a variable rate and has variable rate debt in issue. Consequently, the Group is exposed to interest rate risk. Although the Group also has fixed rate debt in issue, the Group's accounting policy stipulates that all borrowings are held at amortised cost. As a result, the carrying value of fixed rate debt is not sensitive to changes in credit conditions in the relevant debt markets and there is therefore no exposure to fair value interest rate risk.

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.

Management of variable rate debt

The Group has multiple variable rate debt facilities. Group treasury uses interest rate swaps to hedge certain exposures to movements in the relevant inter-bank lending rates, primarily the Johannesburg Interbank Agreed Rate (JIBAR).

Interest rate swaps are ordinarily formally designated as cash flow hedges and are fair valued at each reporting date. The fair value of interest rate swaps are determined at each reporting date by reference to the discounted contractual future cash flows, using the relevant currency-specific yield curves, and the credit risk inherent in the contract.

The Group's cash and cash equivalents also acts as a natural hedge against possible unfavourable movements in the relevant inter-bank lending rates on its variable rate debt, subject to any interest rate differentials that exist between corporate saving and lending rates.

Net variable rate debt sensitivity analysis

The net variable rate exposure represents variable rate debt less the future cash outflows swapped from variable-to-fixed via interest rate swap instruments and cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate exposure, in order to provide an indication of the possible impact on the Group's statement of comprehensive income.

Interest rate risk sensitivities on variable rate debt and interest rate swaps

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Total debt (including overdrafts)	**1,838.0**	1,518.1	**1,684.9**	1,459.6
Less:				
Fixed rate debt	**(5.0)**	(5.7)	**–**	–
Non-interest-bearing debt	**(66.5)**	(23.6)	**–**	–
Cash and cash equivalents	**(535.1)**	(402.3)	**(335.0)**	(277.0)
Net variable rate debt	**1,231.4**	1,086.5	**1,349.9**	1,182.6
Interest rate swaps:				
Floating-to-fixed notionals	**(400.0)**	(400.0)	**(400.0)**	(400.0)
Net variable rate exposure	**831.4**	686.5	**949.9**	782.6
+/- basis points change				
Potential impact on earnings (+50 basis points)	**(3.1)**	(3.4)	**(3.5)**	(3.7)
Potential impact on earnings (-50 basis points)	**3.1**	3.4	**3.5**	3.7

33. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. Several Group entities have also issued certain financial guarantee contracts to external counterparties in order to achieve competitive funding rates for specific debt agreements entered into by other Group entities. None of these financial guarantees contractually obligate the Group to pay more than the recognised financial liabilities in the entities concerned. As a result, these financial guarantee contracts have no bearing on the credit risk profile of the Group or Company as a whole. Full disclosure of the Group's maximum exposure to credit risk is presented in the following table.

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Exposure to credit risk				
Cash and cash equivalents	**535.1**	402.3	**335.0**	277.0
Derivative financial instruments	**1.0**	3.6	**0.9**	2.2
Trade and other receivables (excluding prepayments and accrued income)	**1,748.8**	1,557.7	**1,287.4**	1,170.8
Loans receivable	**19.8**	24.9	**753.0**	775.1
Total credit risk exposure	**2,304.7**	1,988.5	**2,376.3**	2,225.1

Credit risk associated with trade receivables

The Group has a large number of unrelated customers and does not have any significant credit risk exposure to any particular customer. The Group believes there is no significant geographical concentration of credit risk.

Each business unit manages its own exposure to credit risk according to the economic circumstances and characteristics of the relevant markets that they serve. The Group believes that management of credit risk on a devolved basis enables it to assess and manage credit risk more effectively. However, broad principles of credit risk management practice are observed across all business units, such as the use of credit rating agencies, credit guarantee insurance, where appropriate, and the maintenance of a credit control function. Of the total trade receivables balance of R1.8 billion (2013: R1.6 billion) included in trade and other receivables reported in the statement of financial position, credit insurance covering of R1.2 million (2013: R0.5 million) of the total balance has been taken out the by Group's trading entities to insure against the related credit default risk. The insured cover is presented gross of contractually agreed excess amounts.

Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group 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.

The following table shows the amounts available to draw down on its committed and uncommitted loan facilities:

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Expiry date				
In one year or less	**763.0**	496.8	**720.0**	467.7
Total credit available	**763.0**	496.8	**720.0**	467.7

33. FINANCIAL RISK MANAGEMENT (continued)

Forecast liquidity represents the Group's expected cash inflows, principally generated from sales made to customers, less the Group's contractually-determined cash outflows, principally related to supplier payments and the repayment of borrowings, including finance lease obligations, plus the payment of any interest accruing thereon. The matching of these cash inflows and outflows rests on the expected ageing profiles of the underlying assets and liabilities. Short-term financial assets and financial liabilities are represented primarily by the Group's trade receivables and trade payables respectively. The matching of the cash flows that result from trade receivables and trade payables takes place typically over a period of three to four months from recognition in the statement of financial position and is managed to ensure the ongoing operating liquidity of the Group. Financing cash outflows may be longer term in nature. The Group does not hold long-term financial assets to match against these commitments, but are significantly invested in long-term non-financial assets which generate the sustainable future cash inflows, net of future capital expenditure requirements, needed to service and repay the Group's borrowings. The Group also assesses its commitments under interest rate swaps, which hedge future cash flows from two to five years from the reporting date presented.

Contractual maturity analysis

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

The following table presents the Group's outstanding contractual maturity profile for its non-derivative financial liabilities. The analysis presented is based on the undiscounted contractual maturities of the Group's financial liabilities, including any interest that will accrue, except where the Group 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				
Group – 2014	< 1 year R'm	1 – 2 years R'm	2 – 5 years R'm	5 + years R'm	Total R'm
Trade and other payables (see note 17)	**1,697.4**	**–**	**–**	**–**	**1,697.4**
Finance leases	**16.5**	**13.1**	**14.5**	**1.4**	**45.5**
Borrowings	**809.6**	**4.0**	**912.0**	**83.3**	**1,808.9**
Total	**2,523.5**	**17.1**	**926.5**	**84.7**	**3,551.8**
Group – 2013					
Trade and other payables (see note 17)	1,464.8	–	–	–	1,464.8
Finance leases	13.2	9.8	11.8	1.0	35.8
Borrowings	362.7	1.1	1,099.9	23.6	1,487.3
Total	1,840.7	10.9	1,111.7	24.6	2,987.9

33. FINANCIAL RISK MANAGEMENT (continued)

	Undiscounted cash flow				
Company – 2014	< 1 year R'm	1 – 2 years R'm	2 – 5 years R'm	5 + years R'm	Total R'm
Trade and other payables (see note 17)	**1,102.1**	**–**	**–**	**–**	**1,102.1**
Finance leases	**3.9**	**1.0**	**0.5**	**–**	**5.4**
Borrowings	**780.0**	**–**	**900.0**	**–**	**1,680.0**
Total	**1,886.0**	**1.0**	**900.5**	**–**	**2,787.5**
Company – 2013					
Trade and other payables (see note 17)	1,039.3	–	–	–	1,039.3
Finance leases	5.2	4.1	1.5	–	10.8
Borrowings	350.0	–	1,100.0	–	1,450.0
Total	1,394.5	4.1	1,101.5	–	2,500.1

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.

Maturity profile of outstanding derivative positions

	Undiscounted cash flow			
Group – 2014	< 1 year R'm	1 – 2 years R'm	2 – 5 years R'm	Total[1] R'm
Foreign exchange contracts	**(3.6)**	**–**	**–**	**(3.6)**
Interest rate swaps	**1.2**	**0.6**	**–**	**1.8**
Total	**(2.4)**	**0.6**	**–**	**(1.8)**
Group – 2013				
Foreign exchange contracts	(23.1)	–	–	(23.1)
Interest rate swaps	(2.4)	(2.5)	(1.2)	(6.1)
Total	(25.5)	(2.5)	(1.2)	(29.2)

	Undiscounted cash flow			
Company – 2014	< 1 year R'm	1 – 2 years R'm	2 – 5 years R'm	Total[1] R'm
Foreign exchange contracts	**(0.4)**	**–**	**–**	**(0.4)**
Interest rate swaps	**1.2**	**0.6**	**–**	**1.8**
Total	**0.8**	**0.6**	**–**	**1.4**
Company – 2013				
Foreign exchange contracts	0.4	–	–	0.4
Interest rate swaps	(2.4)	(2.5)	(1.2)	(6.1)
Total	(2.0)	(2.5)	(1.2)	(5.7)

[1] *It has been assumed that, where applicable, foreign exchange rates prevailing at the reporting date will not vary over the time periods projected.*

33. 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 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; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

34. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its associates and directors.

The Group and its subsidiaries, in the ordinary course of business, enter into various sales, purchase and services transactions with joint ventures and 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.

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

	Group		Company	
	2014 R'm	2013 R'm	2014 R'm	2013 R'm
Sales to related parties	666.4	537.6	781.3	678.5
Purchases from related parties	0.9	0.7	489.6	458.6
Management fees received	–	–	11.5	23.2
Minority shareholder loans	67.5	27.4	–	–
Loans to related parties	0.6	2.7	734.9	755.9
Receivables due from related parties	244.1	175.3	289.1	248.3
Payables due to related parties	16.5	16.2	69.5	63.2
Dividend income	–	–	6.4	11.4
Interest income	0.1	0.1	9.7	9.3
Management fees paid	–	0.1	–	–
Management salaries paid to non-controlling shareholders of a subsidiary	2.3	3.5	–	–

Details of the executive directors and prescribed officers remuneration is included in the directors' report on pages 9 – 13.

35. INTEREST IN SUBSIDIARIES

	Share capital 2014	Share capital 2013
Subsidiary – Direct Holding		
Mpact Namibia (Pty) Limited	**N$100**	N$100
Embalagens Mpact Limitada	**M1,213,000**	M1,213,000
Rebel Packaging (Pty) Limited	**R4,000**	R4,000
Mpact Plastic Containers (Pty) Limited	**R100**	R100
Mpact Operations (Pty) Limited[3]	**R10,000**	–
Mpact Recycling (Pty) Limited	**R100**	R100
Detpak South Africa (Pty) Ltd	**R7,143**	R7,143
Mpact Polymers (Pty) Ltd	**R100**	–
Shoebill (Pty) Ltd	**BWP100**	–
Pyramid Holdings (Pty) Ltd	**BWP3,100,200**	–
Mpact Lenco Holdings (Pty) Ltd[3]	**–**	R100
Mpact Atlantis Plastic Containers (Pty) Limited	**R100**	R100
Subsidiaries – Indirect holding		
Linpac Mouldings South Africa (Pty) Limited[4]	**–**	R100
Lenco Corporate Finance (Pty) Limited	**R100**	R100
Lenco Packaging (Pty) Limited[3]	**–**	R100
Lenco Investment Holdings Limited[4]	**–**	R100
Versapak Holdings (Pvt) Limited	**R100**	R100
Versapak Zimbabwe (Pty) Limited	**US$50**	US$50
Sunko Mauritius (Pty) Limited	**Rs100**	Rs100
Versapak (Pty) Limited[4]	**–**	R55
Xactics-PET (Cape) (Pty) Limited[4]	**–**	R55
Xactics-PET (Pty) Limited	**R100**	R100
Xactics Packaging (Pty) Limited	**R100**	R100
Elvinco Plastics (Pty) Limited	**R100**	R100
Lion Packaging Trading 57 (Pty) Limited	**R72**	R72
Magic Attitude (Pty) Limited	**R72**	R72
Mpact Versapak (Pty) Limited	**R72**	R72

[1] Excludes interest receivable referred to in note 13.
[2] Subordinated.
[3] Lenco Packaging (Pty) Limited was renamed to Mpact Operations (Pty) Ltd. Mpact Operations (Pty) Ltd's holding company, Mpact Lenco Holdings (Pty) Ltd was de-registered resulting in Mpact Operations (Pty) Ltd being a direct subsidiary of Mpact Limited.
[4] Subsidiaries with indirect holding were de-registered during the current year.

The Mpact Group does not have any significant restrictions on its ability to assess/use assets, or settle liabilities in any of its subsidiaries. Mpact Namibia (Pty) Ltd, Embalagens Mpact Limitada, and Versapak Zimbabwe (Pty) Ltd are the only foreign subsidiaries held by the Mpact Group, and has limited risks accepted by the Group in trading in these environments.

	Share holding		Cost of investment		Loans	
	2014 %	2013 %	**2014 R'm**	2013 R'm	**2014 R'm**	2013 R'm
	69	69	**21.2**	21.2	**–**	2.5
	90	90	**0.9**	0.9	**–**	–
	100	100	**–**	–	**11.3**	20.8
	57	57	**8.0**	8.0	**–**	–
	100	100	**612.0**	–	**475.4**	–
	75	75	**70.6**	70.6	**–**	–
	51	51	**12.6**	12.6	**22.6**	24.5
	79	–	**–**	–	**110.0**	–
	100	–	**–**	–	**10.9**	–
	51	–	**–**	–	**–**	–
	–	100	**–**	646.7	**–**	–
					–	–
			725.3	760.0	**630.2**	47.8
						–
						–
						598.9[1/2]
						–
						–
						–
						–
						–
						–
						–
						–
						–
						–
						–
					104.1	107.8
					734.3	754.5

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