Mpact Limited
(Incorporated in the Republic of South Africa)
(Company registration number 2004/025229/06)
Income tax number: 9003862175
JSE Share Code: MPT JSE ISIN: ZAE 000156501
("Mpact" or "the Group" or "the Company")

AUDITED PRELIMINARY SUMMARISED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016 AND DECLARATION OF SCRIP DISTRIBUTION WITH A CASH DIVIDEND ALTERNATIVE

SALIENT FEATURES

- Revenue increased by 5.8% to R10.1 billion (December 2015: R9.5 billion)
- Underlying operating profit of R784 million (December 2015: R909 million)
- Underlying earnings per share of 252.7 cents (December 2015: 366.9 cents)
- Return on Capital Employed ("ROCE") of 14.2% (December 2015: 18.9%)
- Gearing at 33.6% (December 2015: 30.2%)
- Total gross dividend of 95 cents per share (December 2015: 110 cents per share)

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

Mpact has 42 operating sites, of which 21 are manufacturing operations, in South Africa, Namibia, Mozambique and Botswana. Sales in South Africa account for approximately 90% of Mpact's total revenue for the current year while the balance was predominantly to customers in the rest of Africa.

As at 31 December 2016 Mpact employed 4,998 people. (December 2015: 4,467 people)

COMMENTARY

The Group results for the year ended 31 December 2016 reflect challenging trading conditions. The financial results were further negatively impacted by higher recovered paper costs, lower containerboard sales, a higher effective tax rate and finance costs compared to the prior year, as well as a loss in Mpact Polymers.

On the positive side, the converting businesses of Paper and Plastics did well to grow revenue and maintain underlying operating profit margins, building on their good performances a year earlier.

The Group made progress with its strategic investment programme during the year, which included the acquisition of the Remade Holdings recycling business ("Remade"), the Felixton mill upgrade, Mpact Polymers and other expansion projects in the Paper and Plastics businesses.

Notwithstanding the significant capital investments, the Group's balance sheet remains strong with gearing of 33.6% at year end.

Following a review of its prospects and the prevailing economic environment in Zimbabwe, the Group closed its plastics manufacturing operation in that country in December 2016.

During the year, the Mpact Foundation Trust awarded its first fifteen tertiary education bursaries to dependents of Mpact employees, following its establishment in 2015.

GROUP PERFORMANCE

Group revenue of R10.1 billion was 5.8% higher than the prior year, with 2.8% of this growth attributable to the acquisition of Remade. Group sales volumes excluding Remade declined by 6.5%, primarily due to lower containerboard and recovered paper sales.

Earnings before interest, taxation, depreciation and amortisation declined 3.5% compared to the prior year.

Notwithstanding the stable performance in the converting operations of Paper and Plastics, underlying operating profit of R784.4 million was 13.7% lower due to the above factors, as well as higher recovered paper costs, a loss in Mpact Polymers and a higher depreciation charge.

ROCE for the year was 14.2% (December 2015: 18.9%).

Paper business
Revenue in the Paper business increased 5.2% to R7.4 billion. Excluding Remade, sales volumes declined 7.0%.

Underlying operating profit of R664.1 million was 17.3% lower, on the back of higher recovered paper costs and lower external sales volumes.

The Paper converting business delivered a stable performance, growing revenue and maintaining margins, despite the drought, challenging trading conditions and increased levels of competition.

Lower containerboard sales were a result of certain Mpact customers increasing containerboard capacity in their own paper mills during the first quarter of the year. This also caused a shortage of recovered paper, a key raw material, which led to higher input costs that could not be fully recovered in selling prices, thus further impacting profitability.

Notwithstanding the current imbalance in domestic recycled containerboard supply and demand, we remain confident in the rationale for the Felixton mill upgrade, which is due to be completed during the second half of 2017.

Plastics business
Revenue in the Plastics business increased by 8.6% to R2.8 billion due to higher selling prices and a favourable mix of products sold. Sales volumes in the Plastics converting business were in line with the prior year. Sales in Mpact Polymers for the year totalled 7,603 tonnes of which 4,310 tonnes were to external customers.

Underlying operating profit of R168.4 million declined 15.3% from the prior year, mainly as a result of the loss incurred in Mpact Polymers. The loss in Mpact Polymers was greater than planned during the ramp-up phase because of higher costs of production and lower average rPET selling prices. All of the required approvals from major customers have been secured and they are now using Mpact's rPET, SavukaTM, in their packaging.

The Plastics converting business achieved an underlying operating profit of R255 million with a margin of 9.4%. The after-tax cost attributable to the closure of the Zimbabwe operation of R30 million is disclosed as a special item.

Net finance costs
Net finance costs increased by 44.7% to R191.0 million (December 2015: R132.0 million) due to higher interest rates on higher net debt during the year, as well as the borrowing costs related to the Mpact Polymers project and Phase 1 of the Felixton mill upgrade no longer being capitalised, following their commissioning in 2015.

Tax
The effective tax rate for the year was 31.5% (December 2015: 21.8%) which is higher than the statutory rate of 28%, mainly due to deferred tax on certain tax losses in Mpact Polymers not being recognised.

Earnings per share
Basic and headline earnings per share for the year were 234.6 cents (December 2015: 366.9 cents) and 242.0 cents (December 2015: 365.8 cents), respectively. Underlying earnings of 252.7 cents per share decreased by 31.1%.

Net debt
Net debt increased to R2.0 billion (2015: R1.6 billion) with investments in capital projects and the cost of acquiring Remade being the main contributors to the increase. The gearing ratio was 33.6% (December 2015: 30.2%).

OUTLOOK
The economic outlook for 2017 remains subdued and most of the factors that impacted negatively on the profitability of the Group in 2016 are likely to persist.

The completion of the R765 million Felixton mill upgrade, due in the second half of 2017, is on schedule and within budget. As part of the project, the mill is scheduled to be shut for 50 days starting at the end of May 2017. This will result in a non-recurring reduction in earnings for the financial year. Once completed, this upgrade will significantly improve the mill's cost competiveness, product quality and offering.

We anticipate an improved trading performance in Mpact Polymers on the back of increased demand for rPET, higher throughput and a better yield. We remain optimistic about the prospects of this business, given the progress thus far and the need to increase recycling rates of PET.

Our focus in the short term is to improve profitability and ROCE despite the prevailing trading conditions. In addition, we will continue to pursue strategic growth opportunities across the Group. These include the expansions of the Port Elizabeth corrugating facility as well as the Mpact Plastics Containers facilities in Brits and Atlantis, all of which were approved by the Board during 2016.

Scrip Distribution and Cash Dividend alternative

1. Introduction

Notice is hereby given that the Board has declared a final distribution for year ended 31 December

2016, by way of the issue of fully-paid Mpact ordinary shares of no par value each ("the Scrip Distribution") as a scrip distribution payable to ordinary shareholders ("Shareholders") recorded in the register of the Company at the close of business on the Record Date, being Friday, 31 March 2017.

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

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

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

The Company's total number of issued ordinary shares as at 2 March 2017 is 168,485,360.
Mpact's income tax reference number is 9003862175.

2. Terms of the Scrip Distribution

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

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

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

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

3. Circular and salient dates

A circular providing Shareholders with full information on the Scrip Distribution and the Cash Dividend alternative, including a Form of Election to elect to receive the Cash Dividend alternative will be posted to Shareholders on or about Wednesday, 8 March 2017. The salient dates of events thereafter are as follows:

	2017
Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending on Friday, 10 March 2017, by 11:00 on	Monday, 13 March
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending on Friday, 10 March 2017	Tuesday, 14 March
Last day to trade in order to be eligible for the Scrip Distribution and the Cash Dividend alternative	Tuesday, 28 March
Ordinary shares trade "ex" the Scrip Distribution and the Cash Dividend alternative on	Wednesday, 29 March
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip Distribution from the commencement of business on	Wednesday, 29 March
Announcement released on SENS in respect of the cash payment applicable to fractional entitlements, based on the volume weighted average price on Wednesday, 29 March 2017, discounted by 10%	Thursday, 30 March
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, Forms of Election to reach the Transfer Secretaries by 12:00 on	Friday, 31 March

Record Date in respect of the Scrip Distribution and the Cash Dividend alternative	Friday, 31 March
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 3 April
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 3 April
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 4 April
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on or about	Wednesday, 5 April

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

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

Change in directorate
On 5 September 2016, Ms. M Makanjee was appointed as non-executive director to the Board.

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

2 March 2017

Directors:
Independent Non-Executive:
AJ Phillips (Chairman), NP Dongwana, NB Langa-Royds, TDA Ross, AM Thompson, M Makanjee

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

Company secretary:
MN Sepuru

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

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

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

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Note	2016 R'm	2015 R'm
Revenue		10,098.6	9,547.7
Cost of sales		(6,281.4)	(5,883.0)
Gross margin		3,817.2	3,664.7
Administration and other operating expenses		(2,566.9)	(2,345.7)
Depreciation, amortisation and impairments		(504.0)	(410.0)
Operating profit	3	746.3	909.0
Share of profit from equity accounted investees		16.2	13.0
Profit on sale of equity accounted investees		0.8	0.2
Total profit from operations and equity accounted investees		763.3	922.2
Net finance costs		(191.0)	(132.0)
Investment income		18.4	8.7

Finance costs		(209.4)	(140.7)
Fair value gain		7.2	-
Profit before taxation		579.5	790.2
Tax charge		(182.7)	(172.4)
Profit for the year		396.8	617.8
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains on post-retirement benefit scheme		3.6	6.7
Tax effect		(1.0)	(1.9)
Items that may be reclassified subsequently to profit or loss			
Effects of cash flow hedges		(18.3)	8.1
Tax effect		5.1	(2.3)
Exchange differences on translation of foreign operations		(5.6)	7.5
Other comprehensive income for the financial year net of tax		(16.2)	18.1
Total comprehensive income for the year		380.6	635.9
Attributable to:			
Non-controlling interests in subsidiaries		6.3	14.6
Equity holders of Mpact		374.3	621.3
		380.6	635.9
Profit for the year		396.8	617.8
Attributable to:			
Non-controlling interests in subsidiaries		5.7	15.3
Equity holders of Mpact		391.1	602.5
Earnings per share (EPS) for profit attributable to equity holders of Mpact			
Basic EPS (cents)	4	234.6	366.9
Diluted EPS (cents)	4	234.0	363.3

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at year ended 31 December 2016

	Note	2016 R'm	2015 R'm
Goodwill and other intangible assets		1,126.1	1,066.5
Property, plant and equipment		3,489.0	3,041.2
Investments in equity accounted investees		102.1	90.5
Financial asset investments		41.5	24.6
Deferred tax assets		4.9	15.3
Derivative financial instruments		-	13.9
Non-current assets		4,763.6	4,252.0
Inventories		1,393.2	1,275.0
Trade and other receivables		2,103.1	2,013.2
Cash and cash equivalents		405.7	508.9
Derivative financial instruments		2.9	15.1
Current tax receivable		30.9	5.0
Disposal group asset		12.8	-
Current assets		3,948.6	3,817.2
Total assets		8,712.2	8,069.2
Short-term borrowings		990.0	770.0
Trade and other payables		1,772.1	1,855.6
Current tax liabilities		3.3	4.0
Provisions		5.1	3.6
Other current liabilities		51.8	4.6
Derivative financial instruments		8.6	7.0
Deferred income		5.5	5.5
Disposal group liability		10.7	-
Current liabilities		2,847.1	2,650.3
Non-current borrowings		1,417.0	1,331.0
Retirement benefits obligation		51.6	53.0
Deferred tax liabilities		342.5	266.8
Other non-current liabilities		-	21.7
Deferred income		29.0	34.6
Derivative financial instruments		4.4	-
Non-current liabilities		1,844.5	1,707.1
Total liabilities		4,691.6	4,357.4
Stated capital	5	2,532.7	2,426.2
Retained earnings		1,346.3	1,170.8
Other reserves		28.3	7.8
Total attributable to equity holders of Mpact		3,907.3	3,604.8
Non-controlling interests in subsidiaries		113.3	107.0
Total equity		4,020.6	3,711.8
Total equity and liabilities		8,712.2	8,069.2

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Note	2016 R'm	2015 R'm
Operating cash flows before movements in working capital		1,275.6	1,321.7
Net increase in working capital		(288.9)	(235.2)
Cash generated from operations		986.7	1,086.5
Dividends from equity accounted investees		5.6	12.5
Taxation paid		(142.3)	(115.5)
Net cash inflows from operating activities		850.0	983.5
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash	6	(89.8)	-
Additions to property, plant and equipment and other intangibles		(836.5)	(979.2)
Government grant received		-	31.1
Proceeds from the disposal of property, plant and equipment		8.7	5.1
Proceeds from disposal of associates		1.0	0.4
Loan repayments from/(advances to) external parties		3.6	(4.7)
Interest received		18.4	8.7
Acquisition of non-controlling interest in a subsidiary		-	(1.4)
Financial asset investment		(20.5)	-
Net cash outflows from investing activities		(914.5)	(940.0)
Cash flows from financing activities			
Borrowings raised		307.4	253.9
Finance costs paid		(212.7)	(170.5)
Dividends paid to non-controlling interests		(6.3)	(4.1)
Dividends paid to equity holders of Mpact Limited Group		(76.5)	(75.8)
Purchase of treasury shares		(25.0)	(73.5)
Repayment of other non-current liabilities		-	3.2
Payment of deferred settlement charge		(4.6)	(4.6)
Net cash outflows from financing activities		(17.7)	(71.4)
Net decrease in cash and cash equivalents		(82.8)	(27.9)
Cash and cash equivalents at beginning of year		482.8	510.7
Cash and cash equivalents at end of year		400.0	482.8

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Stated capital R'm	Share-based payment reserve R'm	Cash flow hedge reserve R'm	Post-retirement benefit reserve R'm	Other reserves1 R'm	Treasury shares R'm	Retained earnings R'm	Total attributable to equity holders of Mpact Ltd R'm	Non-controlling interests R'm	Total equity R'm
Balance at 31 December 2014	2,344.1	29.4	4.2	7.9	6.7	(39.0)	738.0	3,091.3	114.8	3,206.1
Total comprehensive income for the year	-	-	5.8	4.8	8.2	-	602.5	621.3	14.6	635.9
Dividends paid(2)	82.1					(0.8)	(157.1)	(75.8)	-	(75.8)
Purchase of treasury shares(3)	-	-	-	-	-	(73.5)	-	(73.5)	-	(73.5)
Share plan charges for the year	-	19.6	-	-	-	-	-	19.6	-	19.6
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(4.1)	(4.1)
Issue /exercise of shares under employee share scheme	-	(15.2)	-	-	-	49.7	(25.0)	9.5	-	9.5
Increase in shareholding in a subsidiary	-	-	-	-	-		17.0	17.0	(18.3)	(1.3)
Deferred settlement charge	-	-	-	-	-		(4.6)	(4.6)	-	(4.6)
Balance at 31 December 2015	2,426.2	33.8	10.0	12.7	14.9	(63.6)	1,170.8	3,604.8	107.0	3,711.8
Total comprehensive income for the year	-	-	(13.2)	2.6	(6.2)	-	391.1	374.3	6.3	380.6
Dividends paid(2)	106.5	-	-	-	-	(0.6)	(182.4)	(76.5)	-	(76.5)
Purchase of treasury shares(3)	-	-	-	-	-	(25.0)	-	(25.0)	-	(25.0)
Share plan charges for the year	-	23.1	-	-	-	-	-	23.1	-	23.1
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(6.3)	(6.3)
Issue /exercise of shares under employee share scheme	-	(19.5)	-	-	-	59.3	(28.6)	11.2	-	11.2
Increase in shareholding in a subsidiary(4)	-	-	-	-	-	-	-	-	6.3	6.3
Deferred settlement charge	-	-	-	-	-	-	(4.6)	(4.6)	-	(4.6)
Balance at 31 December 2016	2,532.7	37.4	(3.2)	15.3	8.7	(29.9)	1,346.3	3,907.3	113.3	4,020.6

(1) Other reserves consist of the put option to equity holder reserve and the foreign currency translation reserve.
(2) Dividends declared amounted to R182.4 million (2015: R157.1 million) of which R106.5 million (2015: R82.1 million) related to a capitalisation issue.
(3) Treasury shares purchased represent the cost of shares in Mpact Ltd purchased in the market and held by the Mpact Incentive Share Trust to satisfy share awards under the Group's share incentive scheme. As at 31 December 2016, there are 845,692 (2015: 1,457,388) treasury shares on hand.
(4) In the current year a subsidiary company had a capitalisation issue, whereby the minority shareholder subscribed for additional shares in a group subsidiary.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2016

1. ACCOUNTING POLICIES
Basis of preparation

These preliminary summarised, consolidated financial statements have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited's listing requirements and the Companies Act of South Africa and contains at a minimum the information required by IAS 34: Interim Financial Reporting.

These summarised consolidated financial statements for the year ended 31 December 2016 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the company's registered office, together with the consolidated financial statements. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from the registered office of the company. Any reference to future financial performance included in this announcement has not been reviewed or reported on the Company's auditors.

The preparation of these summarised consolidated financial statements was supervised by the chief financial officer, BDV Clark CA(SA).

The directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying consolidated financial statements.

Accounting policies
The accounting policies and methods of computation used are consistent with those applied in the preparation of the Group annual financial statements.

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.

2. OPERATING SEGMENTS
Operating segment revenue

	2016			2015		
	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	7,425.0	(78.5)	7,346.5	7,060.1	(45.8)	7,014.3
Plastics	2,752.1	-	2,752.1	2,533.4	-	2,533.4
Segments total	10,177.1	(78.5)	10,098.6	9,593.5	(45.8)	9,547.7

(1) Inter-segment transactions are conducted on an arm's length basis.

	2016 R'm	2015 R'm
Operating segment underlying operating profit/(loss)		
Paper	664.1	802.7
Plastics	168.4	199.0
Corporate	(48.1)	(92.7)
Segments total before special items	784.4	909.0
Special items(1)	(38.1)	-
Share of profit from equity accounted investees	16.2	13.0
Net finance costs	(191.0)	(132.0)
Fair value gain	7.2	-
Profit on sale of equity accounted investee	0.8	0.2
Profit before tax	579.5	790.2
Significant components of operating profit		
Depreciation, amortisation and impairment		
Paper	272.7	233.6
Plastics	209.8	157.4
Corporate	21.5	19.0
Segments total	504.0	410.0
Operating segment assets		
Segment assets(2)		
Paper	4,763.5	4,247.4
Plastics	2,009.2	1,858.7
Corporate	1,244.2	1,184.8
Inter-segment elimination	(20.9)	(6.4)
Segment total	7,996.0	7,284.5
Unallocated:		
Investments in equity accounted investees	102.1	90.5
Deferred tax assets	4.9	15.3
Other non-operating assets(3)	149.2	145.4
Non-current assets held for sale	12.8	-
Trading assets	8,265.0	7,535.7
Financial asset investments	41.5	24.6
Cash and cash equivalents	405.7	508.9

Total assets	8,712.2	8,069.2

(1) Special items include impairment charged on property, plant and equipment of R15.9 million (2015: Rnil), and restructure costs of R22.2 million (2015: Rnil).
(2) Segment assets are operating assets and as at 31 December 2016 consist of property, plant and equipment of R3,489.0 million (2015: R3,041.2 million), goodwill and other intangible assets of R1,126.1 million (2015: R1,066.5 million). inventories of R1,393.2 million (2015: R1,275.0 million) and operating receivables of R1,987.7 million (2015: R1,901.8 million).
(3) Other non-operating assets consist of derivative assets of R2.9 million (2015: R29.0 million), other non-operating receivables of R115.4 million (2015: R111.4 million) and current tax receivable of R30.9 million (2015: R5.0 million).

	2016 R'm	2015 R'm

3. OPERATING PROFIT

	2016 R'm	2015 R'm
Operating profit for the year has been arrived at after charging:		
Impairment charge of property, plant and equipment	15.9	-
Depreciation of property, plant and equipment	476.2	400.1
Amortisation of intangibles	11.9	9.9

4. EARNINGS PER SHARE

	Cents per share 2016	2015
Earnings per share (EPS)		
Basic EPS	234.6	366.9
Diluted EPS	234.0	363.3
Headline earnings per share for the financial year(1)		
Basic headline EPS	242.0	365.8
Diluted headline EPS	241.4	362.2
Underlying earnings per share for the financial year(2)		
Basic underlying EPS	252.7	366.9
Diluted underlying EPS	252.0	363.3

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

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

	Earnings 2016 R'm	2015 R'm
Profit for the financial year attributable to equity holders of Mpact	391.1	602.5
Impairment of tangible assets	15.9	-
Profit on sale of equity accounted investees	(0.8)	(0.2)
Profit on disposal of tangible assets	(1.1)	(2.4)
Related tax	(1.6)	0.8
Headline earnings for the financial year	403.5	600.7

	Weighted number of shares 2016	2015
Weighted average number of ordinary shares in issue	166,734,753	164,218,439
Effect of dilutive potential ordinary shares(1)	436,392	1,626,716
Diluted number of ordinary shares in issue	167,171,145	165,845,155

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

5. STATED CAPITAL

	2016 R'm	2015 R'm
Authorised share capital		
217,500,000 shares of no par value	-	-
Issued share capital		
Issue of shares of no par value	2,426.2	2,344.1
Capitalisation issue	106.5	82.1
	2,532.7	2,426.2

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

6. BUSINESS COMBINATIONS

	2016 R'm

(a) On 1 May 2016 the Group acquired a 100% interest in six property companies at fair value for a total cash purchase consideration of R38.6 million. Details of the aggregated fair value of the net assets acquired are as follows:

Property, plant and equipment(3)	52.8
Trade receivables	0.3
Financial assets	3.2
Cash	1.4
Trade and other payables	(0.3)
Shareholder loan	(31.1)
Deferred tax liability	(9.9)
Taxation liability	(0.3)
Financial liabilities	(8.6)
Net assets acquired	7.5
Shareholder's loan acquired	31.1
Purchase consideration	38.6
Cash acquired	(1.4)
Net cash outflow	37.2

(b) On 1 May 2016 the Group acquired a 100% interest in Remade Holdings (Pty) Ltd for a purchase consideration of R89.1 million. Details of the fair value of the net assets acquired are as follows:

Intangible assets	47.0
Property, plant and equipment	55.5
Investments	1.2
Inventories	4.7
Trade receivables	27.9
Cash	3.8
Trade and other payables	(20.5)
Finance lease obligations	(26.8)
Deferred tax liability	(21.9)
Provisions	(2.9)
Taxation liability	(2.3)
Financial liabilities	(0.5)
Net assets acquired	65.2
Goodwill on acquisition	23.9
Purchase consideration	89.1
Contingent consideration(1)	(32.7)
Cash acquired	(3.8)
Net cash outflow	52.6

(1) The contingent consideration is based on a multiple of targeted future earnings, of which a 100% outcome has been projected.
(2) Revenue and profits arising from the above acquisitions are not material to the Group. The acquisition of Remade Holdings (Pty) Ltd complements a number of initiatives by Mpact Recycling to expand its own collections of paper and plastics and to increase recycling rates of these materials in South Africa. These initiatives increase the material available for the Felixton Mill, Mpact Polymers and the recently commissioned liquid packaging recycling plant at the Springs Paper Mill.
(3) The properties acquired via the Property Companies are to be held for use for normal trading of the Group.

7. CAPITAL COMMITMENTS

	2016 R'm	2015 R'm
Contracted for	361.9	443.0
Approved, not yet contracted for	572.5	885.6
	934.4	1,328.6

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

8. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

a. Contingent liabilities for the Group comprise aggregate amounts at 31 December 2016 of R7.1 million (2015: R17.4 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 2017 to 2018, subject to a maximum amount of R1.9 million (2015: R6.5 million).
d. There were no significant contingent assets for the Group at 31 December 2016 and 31 December 2015.
e. As advised to the shareholders on 26 May 2016, the Group is subject to a Competition Commission investigation. The Directors are unable at this stage to determine what the outcome of the investigation will be.

9. FAIR VALUE ESTIMATION

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

The significant inputs required to fair value all of the Group's financial instruments are observable.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates;
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

Financial instruments by category

2016	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	Available for Sale	Total
	R'm	R'm	R'm	R'm	R'm
Financial assets					
Trade and other receivables	Level 2	2,103.1	-	-	2,103.1
Loans receivable	Level 3	21.0	-	-	21.0
Available for sale investment	Level 3	-	-	20.5	20.5
Derivative financial instruments	Level 2	-	2.9	-	2.9
Total		2,124.1	2.9	20.5	2,147.5

2015	Fair value hierarchy	Loans and receivables	At fair value through profit or loss	Total
		R'm	R'm	R'm
Financial assets				
Trade and other receivables	Level 2	2,013.2	-	2,013.2
Financial asset investments	Level 3	24.6	-	24.6
Derivative financial instruments	Level 2	-	29.0	29.0
Total		2,037.8	29.0	2,066.8

2016	Fair value hierarchy	At fair value through profit or loss	At amortised cost	Total
		R'm	R'm	R'm
Financial liabilities				
Borrowings	Level 3	-	(2,407.0)	(2,407.0)
Trade and other payables	Level 2	-	(1,798.3)	(1,798.3)
Derivative financial instrument	Level 2	(13.0)	-	(13.0)
Total		(13.0)	(4,205.3)	(4,218.3)

2015	Fair value hierarchy	At fair value through profit or loss	At amortised cost	Total
		R'm	R'm	R'm
Financial liabilities				
Borrowings	Level 3	-	(2,101.0)	(2,101.0)
Trade and other payables	Level 2	-	(1,855.6)	(1,855.6)
Derivative financial instrument	Level 2	(7.0)	-	(7.0)
Total		(7.0)	(3,956.6)	(3,963.6)

10. EVENTS OCCURRING AFTER THE REPORTING DATE

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