MASTER PLASTICS LIMITED

Incorporated in the Republic of South Africa
(Registration number 2016/323930/06)
Share code: MAP ISIN: ZAE000242921
("Master Plastics" or "the Company" or ''the Group'')

Unaudited condensed consolidated results for the six months ended 31 August 2017

KEY HIGHLIGHTS

Results to date in line with Pre-listing Statement Forecast of 23.68 cents EPS & HEPS for full year	Headline Earnings per Share for 6 months of 12.2 cents	Repurchased a total of 16.8 million shares	Net Tangible Asset Value per Share of 139.4 cents	Net cash position maintained subsequent to R75 million dividend payment

COMMENTARY

INTRODUCTION

Master Plastics, which was unbundled from Astrapak Limited on 24 May 2017, is involved in the manufacture and provision of specific products and solutions to customers operating in the agricultural, food, produce, dairy and general industrial markets. Its offering extends beyond traditional plastic products, also being a market leader in the supply and design of undercover farming nets and structures and geotextile fibres for concrete reinforcement. The Group will continue to explore opportunities to better service its chosen end markets and provide a broader range of its customers' requirements.

STATE OF THE BUSINESS

During the reporting period the focus at a Group level has been to establish and enhance the operational platform in order to support the Group's strategic plans as outlined at listing and to provide operational support and leverage to the existing underlying operations in order to achieve their performance targets. Time and financial resources have been invested to support this objective, which has since been completed. The operations have remained focused on the execution of the strategies set prior to the unbundling. These strategies remain relevant and have proven to be key in ensuring that the businesses remain resilient and perform ahead of the plan, despite challenging market conditions. All three of the underlying operations, being Barrier Film Converters Proprietary Limited, Peninsula Packaging and Plusnet-Geotex (both divisions of Master Plastics) are profitable and continue to enjoy a preferred supplier status in many of their chosen market segments.

FINANCIAL RESULTS

As the Group was only established in the last two months of the 2017 financial year, no comparatives are presented for the period being reported upon. The audited results for the two-month financial period ended 28 February 2017 is however presented and the amounts are not comparable.

In Annexure 5 of the Pre-listing Statement dated 5 May 2017, as issued to shareholders ("the Pre-listing Statement") a forecast was provided for the financial year ending 28 February 2018. The results for the six months ended 31 August 2017 are tracking marginally ahead of the level of performance required to deliver the forecast results for the full financial year ending 28 February 2018.

Revenue and cost management remains a challenge in difficult economic conditions. The Group has however continued to benefit from emerging trends in core defensive and niche market segments which, together with a focus on efficiencies and waste management, has allowed the Group to maintain its level of profitability as is reflected in both the Earnings

Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") and Profit Before Interest and Taxation margins of the Group, with margins of 11.8% and 8.8% respectively having been reported.

The Group has reported basic earnings of R15.6 million or 12.1 cents per share and headline earnings of R15.8 million or 12.2 cents per share, this given a weighted average number of shares of 129 070 656 for the period. During the period under review, the Group repurchased a total number of 16 758 582 shares, which included 14 096 018 shares repurchased from the Astrapak Limited Linked Unit Trust Scheme and Astrapak Gauteng Proprietary Limited at R0.01 per share, with the balance of 2 662 564 shares being acquired in the open market at R1.00 per share. At the date of this announcement, all the repurchased shares have been delisted. This results in an overall reduction of the number of issued shares in the Company from 135 131 250 at the beginning of the period to 118 372 668.

Despite the payment of a R75.0 million dividend on 12 May 2017 to Astrapak Limited as part of the unbundling, the Group remained net cash positive over the period and accordingly a net interest income of R0.4 million has been reported. The Group reported an effective tax rate of 26.0% for the period, the difference to the statutory tax rate of 28% being as a result of certain permanent differences associated with government incentives. The Group has a total of R42.1 million in tax losses available for utilisation in future periods and these should be fully utilised based on forecasted levels of profitability.

The Group generated R25.8 million in cash from operations after working capital changes and has reported a net cash position of R12.3 million at 31 August 2017. Capital expenditure of R11.9 million was incurred during the period with a further R6.6 million having been committed as at the reporting date. The Group is currently evaluating a number of investments to support growth in its chosen markets and existing customer base.

Net Tangible Asset Value per share, calculated by assuming the net number of shares in issue as at 31 August 2017 after adjusting for all repurchases during the period, is R1.39.

PROSPECTS

The Group will continue to focus on the execution of its stated business strategy and look to invest in opportunities to enhance efficiency and in support of organic growth being led by the existing customer base. Recent interest rate cuts may eventually result in an increase in consumer spending, which will help to further improve the level of activity within operations.

The recent storms in oil rich areas of the United States of America have already filtered through to polymer prices and the industry has seen and been cautioned by suppliers on further potential adverse movements in polymer pricing in the event of further world-wide supply tightening.

Despite trading conditions remaining challenging due to a weak economic outlook, the Group remains confident that the exposure to more defensive market segments and a continued focus on operational performance will continue to support and underwrite its strategic efforts.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Group is committed to transformation and achieved a Level 4 (Empowered Supplier) accreditation at its first rating in accordance with the Codes of Good Practice issued in terms of section 91(1) of the Broad-Based Black Economic Empowerment Act 53 of 2003 (gazetted 11 October 2013).

CHANGES TO THE BOARD OF DIRECTORS

Appointments:

The following directors were appointed to the Board of Directors of the Company ("the Board") on 13 April 2017:

- Ms P Langeni as Independent Non-Executive Chairman;
- Ms S Ratlhagane as Executive Director, Chief Financial Officer and Company Secretary
- Mr T Mokgatlha as Independent Non-Executive Director;
- Mr G Steffens as Independent Non-Executive Director;
- Mr C McDougall as Independent Non-Executive Director; and
- Mr P Botha as Non-Executive Director.

Mr P Rowse was appointed as alternate director to Mr P Botha on 11 September 2017.

SUBSEQUENT EVENTS

On 11 September 2017 the listing of the 2 662 564 ordinary shares acquired by Master Plastics in terms of a general authority approved at the general meeting of shareholders held on 7 June 2017 was withdrawn. The number of ordinary shares in issue has accordingly reduced to 118 372 668.

There are no other subsequent events to be reported upon.

DIVIDEND DECLARATIONS

On 12 May 2017, Master Plastics declared a dividend of R75.0 million to Astrapak Limited, its sole shareholder at the date of the dividend declaration.

APPROVAL AND PREPARATION

The Condensed Financial Statements presented herein have been prepared under the direction and supervision of the Chief Financial Officer, Salome Ratlhagane CA (SA).

DOCUMENTS

The Pre-listing Statement and this announcement are available via Master Plastics' website: www.masterplasticsgroup.com, or from the registered office of the Company, or its Corporate and Designated Adviser Merchantec Proprietary Limited, Monday to Friday 08:30 to 16:30.

ACKNOWLEDGEMENT AND APPRECIATION

The Board would like to express its appreciation to all stakeholders for their continued commitment, efforts and support.

On behalf of the Board

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Manley Diedloff
Chief Executive Officer

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Salome Ratlhagane
Chief Financial Officer

Johannesburg
12 September 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(R'000)	Notes	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Revenue	9	235 958	9 347
Cost of sales		(183 477)	(7 382)
Gross profit		52 481	1 965
Administrative and other expenses		(17 745)	(2 453)
Distribution and selling costs		(14 291)	(421)
Other items of income and expenditure		254	–
Profit/(loss) from operations	10	20 699	(909)
Investment income		1 077	103
Finance cost		(684)	(2)
Profit/(loss) before taxation		21 092	(808)
Taxation (expense)/benefit		(5 474)	226
Profit/(loss) for the period		15 618	(582)
Other comprehensive loss		–	–
Total comprehensive profit/(loss) for the period		15 618	(582)
Basic earnings/(loss) per ordinary share (cents)	12	12,1	(13,9)
Diluted earnings/(loss) per ordinary share (cents)	12	12,1	(13,9)

RECONCILIATION OF HEADLINE EARNINGS

(R'000)	Notes	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Profit attributable to ordinary shareholders		15 618	(582)
Headline earnings/(loss) adjustments		154	–
Loss on sale of plant and equipment		214	–
Tax effect of adjustment		(60)	–
Headline earnings/(loss) attributable to ordinary shareholders		15 772	(582)
Headline earnings/(loss) per ordinary share (cents)	12	12,2	(13,9)
Diluted headline earnings/(loss) per ordinary share (cents)	12	12,2	(13,9)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(R'000)	Notes	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Assets			
Non-current assets		158 366	154 407
Property, plant and equipment	4	150 628	145 759
Deferred taxation asset		7 738	8 648
Current assets		159 632	211 656
Inventories		49 575	46 260
Accounts receivable		83 691	71 214
Cash and cash equivalents	6	26 366	94 182
Assets classified as held-for-sale		–	214
Total assets		317 998	366 277
Equity and liabilities			
Total equity	8,13	165 037	227 238
Equity attributable to ordinary shareholders of the parent		165 037	227 238
Non-current liabilities		44 130	43 759
Long-term interest-bearing debt	5	6 662	5 974
Long-term financial liability	7	15 528	15 528
Deferred taxation liabilities		21 940	22 257
Current liabilities		108 831	95 280
Trade and other payables		101 003	87 393
Short-term interest-bearing debt	5	7 379	6 843
Taxation payable		449	1 044
Total equity and liabilities		**317 998**	**366 277**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(R'000)	Notes	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Opening balance		227 238	–
Comprising:			
Ordinary share capital and premium		235 404	–
Common control reserve on acquisition of equity interests in subsidiaries	8	(7 584)	–
Retained loss		(582)	–
Movements:		(62 201)	227 238
Ordinary share capital issued		–	235 404
Ordinary share capital repurchased	13	(2 819)	–
Common control reserve in acquisition of equity interests in subsidiaries		–	(7 584)
Profit/(loss) for the period		15 618	(582)
Dividend paid to parent prior to unbundling		(75 000)	–
Closing balance		**165 037**	**227 238**
Comprising:			
Ordinary share capital issued		232 585	235 404
Common control reserve on acquisition of equity interests in subsidiaries	8	(7 584)	(7 584)
Retained loss		(59 964)	(582)
Total equity		**165 037**	**227 238**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(R'000)	Notes	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Cash generated from/(utilised by) operations before working capital changes		27 965	(664)
(Increase)/decrease in working capital		(2 182)	2 830
Net interest and taxation paid		(5 083)	(663)
Dividend paid to parent prior to unbundling		(75 000)	–
Net cash (outflow)/inflow from operating activities		(54 300)	1 503
Capital expenditure		(11 921)	(1 118)
Acquisition of business – cash balances acquired		–	93 797
Net cash (outflow)/inflow from investing activities		(11 921)	92 679
Increase in interest-bearing debt		1 224	
Repurchase of ordinary shares		(2 819)	
Net cash outflow from financing activities		(1 595)	–
Net (decrease)/increase in cash and cash equivalents		(67 816)	94 182
Net cash and cash equivalents at beginning of the period		94 182	–
Net cash and cash equivalents at end of the period	6	**26 366**	**94 182**

SEGMENTAL ANALYSIS

(R'000)	Food and Produce	Construction	Industrial	Total Group
Revenue for segment	165 642	34 444	35 872	235 958
Transactions with other operating segments of the group	–	–	–	–
Revenue for external customers	165 642	34 444	35 872	235 958
Profit from operations	17 781	1 633	1 285	20 699
Profit before taxation	18 141	1 628	1 323	21 092
Total assets	217 919	30 314	69 765	317 998
Total liabilities	103 227	30 683	19 051	152 961
Capex	11 468	386	67	11 921
Depreciation	4 617	498	1 937	7 052

Refer note 11 of the notes to the condensed consolidated financial statements.

SUPPLEMENTARY INFORMATION

	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Number of ordinary shares in issue – net of repurchases ('000)	118 373	135 131
Weighted average number of ordinary shares in issue over period ('000)	129 071	135 131
Diluted weighted average number of ordinary shares in issue over period ('000)	129 071	135 131
Net asset value per share (cents)	139	168
Net tangible asset value per share (cents)	139	168
Closing share price (cents)	160	-
Market capitalisation (R million)	189	-
Net interest-bearing cash as percentage of equity (%)	7%	36%
Net cash	12 325	81 365
Long-term interest-bearing debt	(6 662)	(5 974)
Short-term interest-bearing debt	(7 379)	(6 843)
Cash and cash equivalents	26 366	94 182
Earnings/(loss) before interest, taxation, depreciation and amortisation ("EBITDA")	**27 751**	**(664)**
Profit/(loss) from operations	**20 699**	**(909)**
Depreciation	**7 052**	**245**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 31 August 2017 have been prepared in accordance with the Listings Requirements of the JSE Limited (“the JSE Listings Requirements”) for interim reports, and the requirements of the Companies Act, Act no. 71 of 2008, as amended (“the Companies Act”) applicable. The JSE Listings Requirements require interim reports to be prepared and contains the information required in accordance with IAS34 Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those accounting policies applied in the preparation of the previous consolidated financial statements. The accounting policies used in the preparation of these results are in accordance with IFRS and are consistent in all material respects with those used in the audited financial statements for the financial period ended 28 February 2017.

2. COMPARATIVE FIGURES

As per note 3 below, Master Plastics was only established towards the end of the financial period ended 28 February 2017 and accordingly no comparative figures are presented. The audited consolidated financial statement amounts for the financial period ended 28 February 2017 have been presented.

3. ESTABLISHMENT OF THE MASTER PLASTICS GROUP

In line with Astrapak Limited’s resolved strategy aimed at becoming a focused rigid packaging business and pursuant to an offer from RPC plc, the board of Astrapak Limited resolved to unbundle Master Plastics to its ordinary shareholders by way of a distribution in specie in terms of section 46(1)(a)(ii) of the Companies Act and section 46 of the Income Tax Act. In order to give effect to this and prior to the implementation of the unbundling, Master Plastics was incorporated and a number of companies and/or assets were disposed of to Master Plastics through a series of asset-for-share-transactions at the end of January 2017 and February 2017, which resulted in the establishment of the Master Plastics Group. The Master Plastics Group had accordingly only been in existence for a period of 2 months during the period ended 28 February 2017.

The “asset-for-share-transactions’ and a breakdown of the assets and liabilities so acquired by Master Plastics during the period ended 28 February 2017 are presented below and are accounted for as a common control transaction in terms of IFRS.

	Audited	
	Rand value of shares issued (R’000)	No. of no par value shares issued
Shares and share claims acquired 31 January 2017 (100% voting interest):		
- Barrier Film Converters Proprietary Limited	79 650	36 446
- Micawber 430 Proprietary Limited	6 912	8 954
- Micawber 451 Proprietary Limited	6 511	6 746
	93 073	**52 146**
Businesses acquired as at 28 February 2017:		
- Peninsula Packaging	75 279	22 277
- Plusnet-Geotex	25 431	22 277
- Property letting enterprises	24 806	16 154
- Astrapak Investments	16 815	22 227
	142 331	**82 985**
	235 404	**135 131**

The following assets and liabilities were acquired by Master Plastics Group as a result of the aforementioned transactions during the period ended 28 February 2017:

	Audited (R'000)
Properties	22 238
Plant and equipment	122 862
Deferred tax assets	7 938
Inventory	46 133
Trade and other debtors	73 851
Cash and cash equivalents	93 797
Long-term interest-bearing debt	(5 974)
Long-term financial liabilities	(15 528)
Tax payable	(1 766)
Deferred tax liability	(21 815)
Trade and other creditors	(87 073)
Short-term interest-bearing debt	(643)
Net asset value acquired	227 820
Common control reserve	7 584
Share issue	235 404
Cash acquired	93 797

4. PROPERTY, PLANT AND EQUIPMENT

('000)	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Opening net carrying value	145 759	–
Additions	11 921	1 118
Additions – restructuring (per note 3)	–	145 100
Assets classified as held-for-sale – excess production equipment	–	(214)
Depreciation	(7 052)	(245)
Closing net carrying value	150 628	145 759
Capital expenditure for the period	11 921	1 118
Capital commitments		
- contracted not spent	5 536	5 520
- authorised not contracted	1 015	–

5. LONG-TERM AND SHORT-TERM INTEREST-BEARING DEBT

Long-term and short-term interest-bearing debt represent asset based finance liabilities, which are measured at amortised cost using the effective interest rate method. These are designated as level 2 in the fair value hierarchy.

6. CASH AND CASH EQUIVALENTS

	Unaudited six months ended 31 August 2017 (R'000)	Audited two-month period ended 28 February 2017 (R'000)
Net cash and cash equivalents at the end of the period	26 366	94 182

The movement in cash and cash equivalents during the period is attributable mainly to the R75 million dividend paid on 12 May 2017 to Astrapak Limited prior to the unbundling.

7. LONG-TERM FINANCIAL LIABILITY

The long-term financial liability of R15.5 million represents the estimated final payment due to the vendor of Coralline Investments Proprietary Limited. This estimated amount was calculated and based on forecasts at the time of the transaction in terms of which the minority interest in Coralline Investments Proprietary Limited was acquired by Astrapak Investments Proprietary Limited. The transaction occurred prior to the disposal of the business to Master Plastics as part of the restructure. The final amount will be settled upon finalisation of the Group's audited results for the financial year ended 28 February 2019, which is anticipated to be towards the end of May 2019. Accordingly, the amount finally due will be calculated based on the agreed valuation formula and the actual results achieved over the financial years ended 28 February 2017 to 28 February 2019 and could accordingly vary from the amount of the financial liability currently provided.

8. COMMON CONTROL RESERVE

The common control reserve arose on the acquisition of equity interest by Master Plastics in Barrier Film Converters Proprietary Limited, Micawber 430 Proprietary Limited and Micawber 451 Proprietary Limited in terms of the restructure detailed in note 3 and represents the differential between the net asset value acquired and the value of the shares issued for such net asset value by Master Plastics.

9. REVENUE

('000)	Unaudited six months ended 31 August 2017	Audited two-month period ended 28 February 2017
Revenue for the group	243 977	9 347
Transactions with other entities in the group	(8 019)	–
Revenue for external customers	235 958	9 347

10. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is arrived at after taking the following into account:

('000)	Unaudited six months ended 31 August 2017	Audited two-month period ended 28 February 2017
Loss on disposal of plant and equipment	214	–
Depreciation	7 052	245
IFRS 2 Share Appreciation Rights expense	71	–

11. SEGMENTAL ANALYSIS

As the financial period ended 28 February 2017 consisted of only 1 month's trading, mainly attributable to the business of Barrier Film Converters Proprietary Limited, and due to the timing of the transaction in terms of which Master Plastics acquired the underlying operations, a segmentation of the financial information reported for the period ended 28 February 2017 would not be meaningful and has accordingly not been presented.

12. EARNINGS AND HEADLINE EARNINGS PER ORDINARY SHARE – BASIC AND DILUTED

Earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of shares in issue over the period that the attributable profit was generated.

Headline earnings per ordinary share is calculated by dividing the headline earnings attributable to ordinary shareholders of the parent by the weighted average number of shares in issue over the period that the headline earnings were generated.

Diluted earnings and diluted headline earnings per ordinary share would be determined by adjusting the weighted average number of shares in issue over the period to assume conversion of any dilutive ordinary shares. No dilutive ordinary shares are applicable.

13. SUBSEQUENT EVENTS

On 11 September 2017 the listing of the 2 662 564 ordinary shares acquired by Master Plastics in terms of a general authority approved at the general meeting of shareholders held on 7 June 2017 was withdrawn. The number of ordinary shares in issue has accordingly reduced to 118 372 668.

No other facts or circumstances material to the appreciation of this report have occurred between 31 August 2017 and the date of this report.