Transpaco LIMITED

JUNE 2018

INTEGRATED ANNUAL REPORT

2018

www.transpaco.co.za

Contents

01 FY18 HIGHLIGHTS

Transpaco is a leading manufacturer, recycler and distributor of paper and plastic packaging products with national distribution capability. The group is headquartered in Johannesburg, South Africa.

KEY FEATURES

Level 6
B-BBEEE contributor

1 544
employees

9 production
facilities

Distribution capability across all
9 provinces

2 trading
facilities

FINANCIAL HIGHLIGHTS

Net asset value per share
1 886c

Headline earnings per share
297c

Total dividend per share
135c

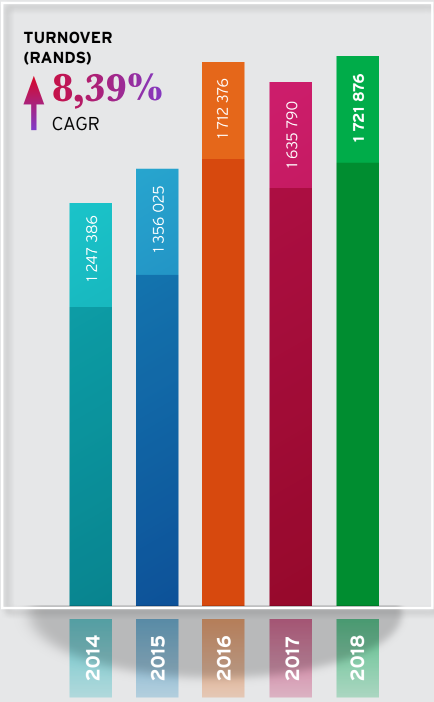
Group turnover
R1.7bn

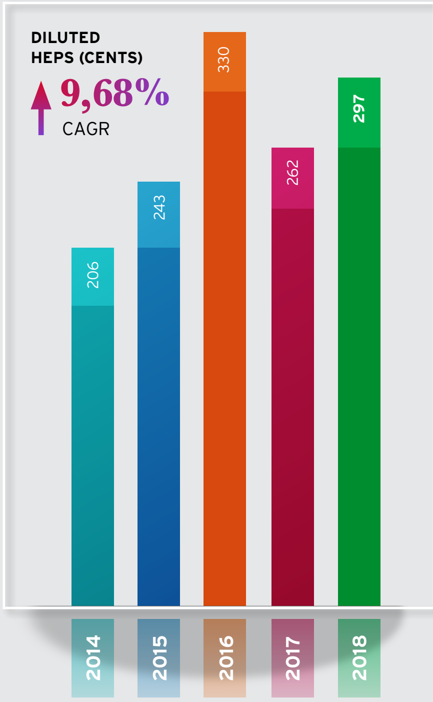
Total operating profit
R139m

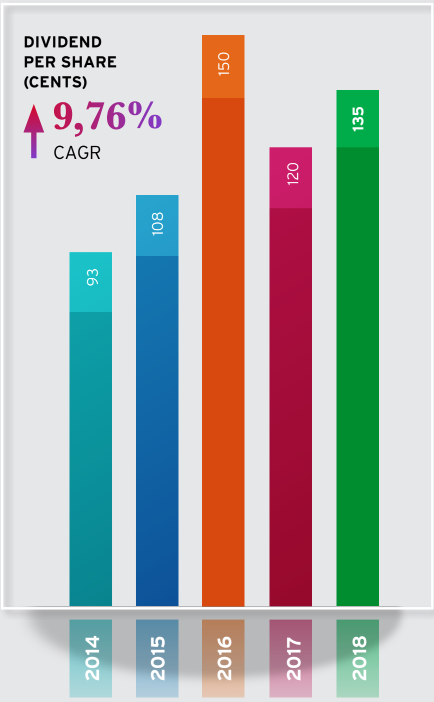
Closing market cap
R690.6m
(30 June 2018)

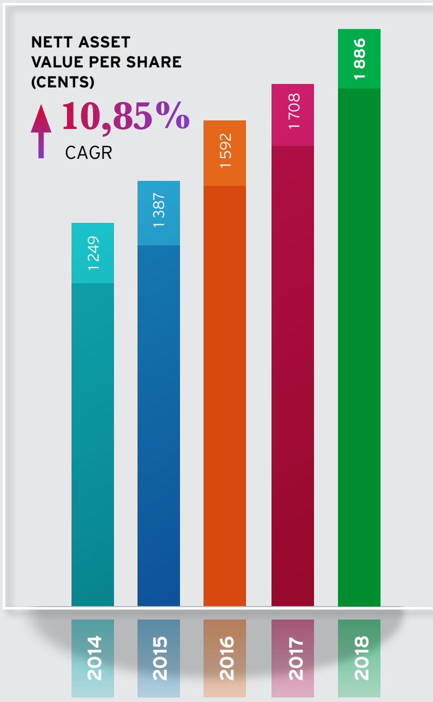
FINANCIAL STATISTICS

	2018	2017	2016	2015	2014
Current ratio (x)	**2,1**	2,1	2,3	2,3	2,2
Net interest-bearing debt: equity ratio (%)	**11,6**	Net cash positive	Net cash positive	Net cash positive	Net cash positive
Operating income margin (%)	**8,1**	7,4	9,2	8,1	7,8
Net asset value per share (cents)	**1 886**	1 708	1 592	1 387	1 249









CORPORATE ACTIVITY

Acquisition of
Future Packaging

ABOUT THIS REPORT

We are pleased to present our integrated annual report which covers the financial year ended 30 June 2018. In this report we endeavour to demonstrate Transpaco's ability to create and sustain value for shareholders in the short, medium and long-term. We aim to explain the key opportunities and risks in our markets, our financial and non-financial performance over the year and our expectations for the year ahead.

CORPORATE INFORMATION

The group's executive directors are Phillip Abelheim (CEO), Louis Weinberg (FD) and Charly Bouzaglou. They can be contacted at the registered office of the company. The company secretary is Hendrik van Niekerk. See page 89 of this integrated report for contact details.

This integrated annual report is available online at http://www.transpaco.co.za/investors/annual-report. For feedback regarding the content and usability of this report, please contact the company secretary.

SCOPE OF THIS REPORT

This report presents the annual financial results and the economic, environmental, social and governance performance of the group for the year 1 July 2017 to 30 June 2018, and follows our integrated annual report for the previous year published in October 2017. Content – including the company's consolidated financial statements as set out on pages 39-84 covers all divisions and subsidiaries of the company, as illustrated on pages 8-9, across all regions of operation in South Africa. There was no change to any measurement techniques nor were there any re-statements of previously reported information.

REPORTING APPROACH

The report is targeted primarily at current stakeholders and potential investors. In compiling the report we were guided by international and South African reporting guidelines and best practice including King IV and the International Integrated Reporting Framework issued in December 2013, as well as South African legislation including:

- Companies Act
- JSE Listings Requirements
- International Financial Reporting Standards (IFRS)
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

KEY COMPANY DATA

Transpaco Limited
Registration number:
1951/000799/06
ISIN: ZAE000007480
JSE Main Board:
Containers and Packaging sector
Share code: **TPC**
Listing date: **1987**
Shares in issue (30 June 2018): **32 886 359**

CAPITALS OF VALUE CREATION

The International Integrated Reporting Framework introduced the concept of reporting in terms of the six capitals which impact on value creation and contraction in a business. The group's activities and performance relating to the capitals below are covered throughout the report, as indicated.

Financial capital relates to the financial resources deployed by a company and is covered in Company Profile, Chairman's Letter to Stakeholders, CEO's Report, Five-year Review and the Annual Financial Statements.

Manufactured capital relates to the physical infrastructure used in the manufacture and distribution of our products, which is dealt with in Transpaco at a Glance, Chairman's Letter to Stakeholders and CEO's Report.

Intellectual capital relates to organisational knowledge, systems, protocols and intellectual property. This capital is reflected throughout the entire report and in specific in the Chairman's Letter to Stakeholders, CEO's Report, Risk Report, Our Impacts and Corporate Governance.

Human capital deals with the competency, capability and experience of the board, management and employees and this is featured in Directors, Chairman's Letter to Stakeholders, CEO's Report, Our Impacts, Remuneration Report and Transformation, Social & Ethics Committee Report.

Social and relationship capital in terms of stakeholder engagement is covered in Our Impacts, Accountability and Transformation, Social & Ethics Committee Report.

ASSURANCE

We undertake the following assurance to ensure reporting integrity:

BUSINESS PROCESS	NATURE OF ASSURANCE	ASSURANCE PROVIDER
Operational/financial risk		
External audit	Annual financial statements	Ernst & Young
Internal audit	System of internal controls	Audit & risk committee
Empowerment		
B-BBEE	B-BBEE Audit Verification	Renaissance SA Ratings

APPROVAL OF THE REPORT

The Transpaco board confirms that it has approved this integrated annual report and authorised its release on 11 October 2018.

The audit & risk committee acknowledges its responsibility on behalf of the board to ensure the integrity of this integrated annual report. The committee has applied its mind to the report and believes that it appropriately and sufficiently addresses all key strategic issues, and fairly presents the integrated performance of Transpaco and its subsidiaries for the year within the scope and boundary above. The audit & risk committee recommended this integrated annual report to the board for approval.

FORWARD-LOOKING STATEMENT

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 30 June 2018. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove inaccurate. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason, save as required by the JSE Listings Requirements and/or any other legislation/regulations.

Phillip Abelheim
CEO

Louis Weinberg
FD

11 October 2018

02 TRANSPACO AT A GLANCE

COMPANY PROFILE

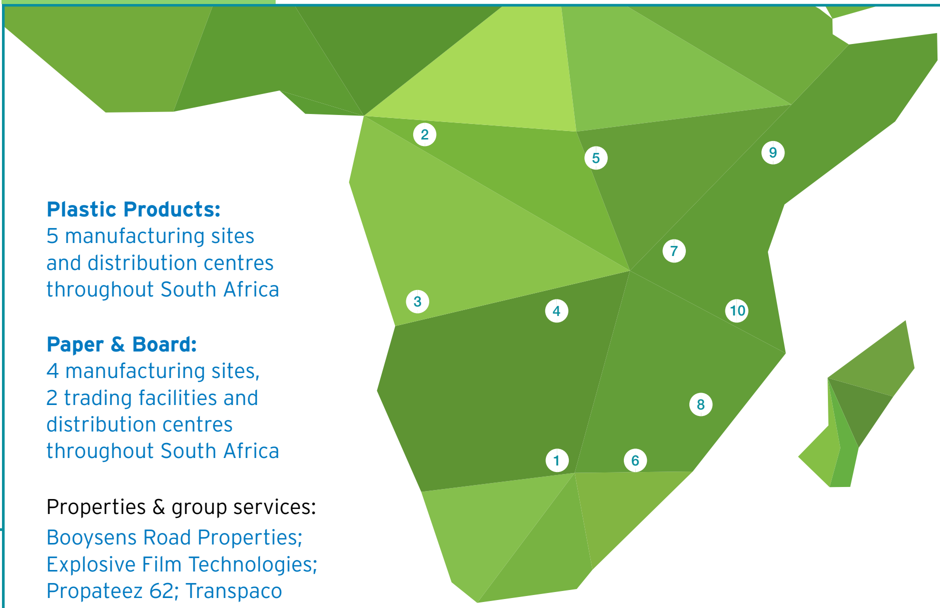
Transpaco manufactures, distributes and recycles plastic and paper packaging products for sectors including retail, industrial, agriculture, mining, pharmaceutical and automotive. Our products are customised to customer requirements and distributed across the country and into southern Africa. We operate through two main divisions: Plastic Products and Paper & Board (see pages 8-9).

In the three decades listed on the JSE – 'Containers and Packaging' sector – Transpaco has continued delivering consistent incremental growth. Our business strategy is driven by unlocking and generating solid organic growth and identifying and pursuing earnings-enhancing acquisitions. Our most recent acquisition is general and industrial packaging supplier Future Packaging.

This key strategic objective is supported by six drivers:

1. Organic and acquisitive growth
2. Employee security
3. Continually improved efficiencies and capacity
4. Strict cost and working capital control
5. Transformation
6. Quality products at competitive prices with requisite service delivery

OUR MARKET REACH



Plastic Products:
5 manufacturing sites and distribution centres throughout South Africa

Paper & Board:
4 manufacturing sites, 2 trading facilities and distribution centres throughout South Africa

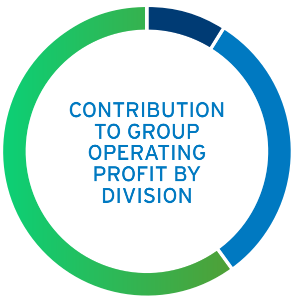
Properties & group services:
Booysens Road Properties; Explosive Film Technologies; Propateez 62; Transpaco Administrative and Financial Services

1. South Africa
2. Angola
3. Namibia
4. Botswana
5. Zambia
6. Lesotho
7. Zimbabwe
8. Swaziland
9. Malawi
10. Mozambique

SEGMENT BREAKDOWN

65% PLASTIC PRODUCTS

35% PAPER & BOARD



60% PLASTIC PRODUCTS

31% PAPER & BOARD

9% GROUP SERVICES

OUR JOURNEY MILESTONES

31 YEARS LISTED ON THE JSE

1987	Transpaco listed on JSE
	Acquired Framen Paper (later Transpaco Cores, subsequently Transpaco Cores and Tubes)
1997	Acquired Transpaco Sheet Extrusion
1998	Acquired Silverpack group
1999	Established Transpaco Flexibles Mpumalanga
2004	Acquired Recycling Plastics (merged into Transpaco Recycling)
2005	BEE transaction. Acquired Britepak
2006	Acquired Polyfoil (now part of Transpaco Flexibles Mpumalanga)
	Established Transpaco Specialised Films
2010	Acquired Disaki Cores and Tubes, which subsequently became Transpaco Cores and Tubes
2015	Acquired East Rand Plastics
2017	Acquired Propateez 62, the property from which the Recycling operations run
2018	Acquired Future Packaging

OUR OPERATIONS

PLASTIC PRODUCTS

EAST RAND PLASTICS

- Africa's largest manufacturer of refuse bags
- Factory situated in Gauteng with national distribution
- Garbie brand and individual House Brands
- Manufactured from pre- and post-consumer recycled material protecting our environment
- Produced in flat and perforated or interleaved roll forms
- Certified ISO 9001: 2008

PRODUCTS
- Black, clear and colour refuse bags, bin liners, sheeting and film
- Light, medium and heavy duty for local and export household and garden markets
- Heavy duty industrial markets

FLEXIBLES

- Manufactures flexible plastic packaging solutions
- Two manufacturing sites (Gauteng and Western Cape)
- Distribution facilities throughout South Africa
- Certified ISO 9001:2008 (Cape Town)

PRODUCTS
- Retail vest-type plastic bags
- Retail boutique plastic bags
- Refuse bags
- Industrial plastic bags
- Tubing and sheeting
- Scholastic stationery

RECYCLING

- Recycles polyethylene pre- and post-consumer waste
- Supplies polymer throughout South Africa and many African countries
- One recycling plant (Elandsfontein)
- Well-developed sustainable sources of supply
- Modern, efficient plant and equipment
- Comprehensive quality assurance system

PRODUCTS
- High density polyethylene
- Low density polyethylene

SPECIALISED FILMS

- Manufactures specialised films – three, five and seven layer cast film products
- One manufacturing facility (Bronkhorstspruit)
- State-of-the-art equipment for products of the highest quality and standard
- Distribution facilities throughout South Africa
- Certified ISO 22000:2005

PRODUCTS
- Cast pallet stabilisation wrapping
- Stretch film
- Three, five and seven layer cast film

BRITEPAK

- Manufactures printed folded cartons and package inserts
- One manufacturing plant (Gauteng)
- Prepress service, including Suprasetter plate-setting technology
- Lithographic printing including offline, high quality ultra-violet varnish capabilities
- Sophisticated finishing including modern automatic flat-bed die-cutting
- State-of-the-art gluing and folding including braille capabilities

PRODUCTS

- Printed folded cartons and package inserts

CORES AND TUBES

- A leading manufacturer of spirally wound tubular cardboard cores, carton dividers, void fillers and angle boards
- Three manufacturing plants (Gauteng, KwaZulu-Natal and Western Cape)
- Fully automated core winding and cutting operation
- Modern, sophisticated plant and equipment
- Certified ISO 9001:2008

PRODUCTS

- Heavy duty cores
- Light duty cores
- Yarn cores
- Tape cores
- Conical containers
- Void fillers
- Carton dividers
- Angle boards

PACKAGING AND MACHINERY

- A lead packaging supplier to the retail, industrial, wholesale, agricultural, automotive, construction, food & beverage and telecommunication markets
- Six distribution centres
- Several branches throughout South Africa

PRODUCTS

- Corrugated board and cartons
- Pallet and food wrap
- Paper bags
- Plastic bags, tubing and sheeting
- Tape and closures
- Cleaning materials
- Protective clothing
- Paper and board
- Packaging machinery
- General packaging
- Labels

PROPERTY AND GROUP SERVICES

- Provides property owning and central administration, financial and related services to all group divisions
- Propateez 62
- Booysens Road Properties
- Explosive Film Technologies
- Transpaco Administrative and Financial Services

FIVE YEAR REVIEW

STATEMENTS OF COMPREHENSIVE INCOME

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Turnover	**1 721 876**	1 635 790	1 712 376	1 356 025	1 247 386
Operating profit before net finance costs	**139 209**	121 703	156 980	110 147	97 844
Net finance (costs)/income	**(4 167)**	(2 358)	(4 419)	234	(1 024)
Profit before taxation	**135 042**	119 345	152 561	110 381	96 820
Taxation	**(37 556)**	(32 986)	(43 313)	(31 095)	(27 169)
Profit for the year	**97 486**	86 359	109 248	79 286	69 651
Other comprehensive income	**-**	-	-	-	-
Total comprehensive income for the year	**97 486**	86 359	109 248	79 286	69 651

STATEMENTS OF FINANCIAL POSITION

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Assets					
Non-current assets	**432 831**	382 035	311 664	205 680	213 606
Current assets	**649 978**	541 469	558 051	523 763	441 404
Total assets	**1 082 809**	923 504	869 715	729 443	655 010
Equity and liabilities					
Capital and reserves	**620 131**	561 225	522 954	455 176	402 183
Non-current liabilities	**158 362**	106 303	99 345	50 424	49 222
Current liabilities	**304 316**	255 976	247 416	223 843	203 605
Total equity and liabilities	**1 082 809**	923 504	869 715	729 443	655 010

STATEMENTS OF CASH FLOWS

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Net cash inflow from operating activities	**47 557**	120 756	51 832	88 422	60 763
Net cash outflow from investing activities	**(133 890)**	(115 754)	(162 993)	(26 091)	(40 516)
Net cash Inflow/(outflow) from financing activities	**47 247**	9 365	42 728	3	(12 667)
Net movement in cash for the year	**(39 086)**	14 367	(68 433)	62 334	7 580
Cash and cash equivalents at the beginning of the year	**99 534**	85 167	153 600	91 266	83 686
Cash and cash equivalents at the end of the year	**60 448**	99 534	85 167	153 600	91 266

SHARE STATISTICS

	2018	2017	2016	2015	2014
Headline earnings per share (cents)	**297,4**	262,6	330,1	243,3	209,2
Diluted headline earnings per share (cents)	**297,4**	262,4	329,6	242,8	205,5
Basic earnings per share (cents)	**298,8**	262,8	332,7	245,3	216,5
Diluted basic earnings per share (cents)	**298,8**	262,6	332,2	244,8	212,7
Cash generated from operations per share (cents)	**382,3**	622,0	423,6	441,1	375,7
Dividends per share (cents)	**135,0**	120,0	150,0	108,0	93,0
Share price – high (cents)	**2 750**	3 440	2 775	2 000	1 950
– low (cents)	**1 700**	2 305	1 875	1 649	1 520
– year-end (cents)	**2 100**	2 650	2 360	1 900	1 720
Total value of shares traded (R'000)	**53 465**	67 175	23 983	70 549	31 140
Number of shares traded ('000)	**2 252**	2 454	1 100	3 727	1 800
Market capitalisation (R'000) at year-end	**690 614**	882 913	786 293	633 032	570 653
Ordinary shares in issue ('000)	**32 886**	33 317	33 317	33 317	33 177
Ranking number of ordinary shares ('000)	**32 886**	32 861	32 841	32 821	32 197
Weighted average ranking number of ordinary shares ('000)	**32 629**	32 858	32 838	32 323	32 164

KEY RISKS

We regard risk management as central to growing a sustainable business. Our risk management framework is set out in the risk report on page 34. Our key risks and how we mitigate against them are outlined alongside:

CATEGORY	RISK	MITIGATION
COMPLIANCE	Breach of any South African laws	• Comprehensive Code of Conduct • Competition regulation compliance training for all managing directors and certain employees • Declaration of compliance with competition regulations signed by all managing directors monthly
	Health and safety	• Health and safety committees at all factories • Regular factory inspections by health and safety committees • All health and safety is outsourced to an expert external provider • All risks addressed timeously • Regular independent risk assessments and management
	Environment	• Compliance inspections
CUSTOMERS	Debtors	• Selected debtors insured • Stringent credit controls
	Reliance on large customers	• Attract additional customers to broaden the spread • Develop export opportunities
HUMAN RESOURCES	Ethical leadership	• Comprehensive Code of Conduct
	Labour unrest	• Maintain good relationships with unions • BEE shareholder is the investment company of CEPPWAWU, a union representing employees
	Succession	• Succession policy in place
	Attracting suitably qualified employees	• Formal recruitment policy
MARGINS	Input cost (electricity)	• All new plant energy-efficient • Control of power usage
	Input cost (raw materials)	• Negotiations with raw materials suppliers • Seeking new suppliers locally and abroad
	Oil prices	• Diversification into fields of operation less dependent on oil e.g. paper related products
	Exchange rates	• Hedging of all import trade creditors in foreign currency
	Import replacement competition	• Ensuring efficient manufacturing processes to maintain competitiveness • Consultation with local raw materials suppliers to secure raw materials at competitive prices
PLANT	Technology advancement	• Executive managing directors visits to international trade fairs
	Breakdowns	• Ongoing machinery upgrades and maintenance
	Fire, theft and floods	• Independent risk analysis • All plant adequately insured • Replacement values regularly updated
PRODUCTS	New product	• International research on new product development by managing directors
	Product redundancy	• Research and development
	Stocks	• Inventory conservatively valued • Regular stock take • Most unsaleable product recycled and carried forward at reduced values
SUPPLIERS	Dependence on few major raw materials suppliers	• Establishing relationships with new suppliers both local and foreign
NEGATIVE PLASTIC SENTIMENT	Customers switch from plastic to alternative products	• Investigate expanding into paper bags • Investigate alternatives to fossil based polymers (biodegradable)

DIRECTORS

Derek Thomas

NON-EXECUTIVE CHAIRMAN

B.Com (Hons) (Economics)
M Com (Economics)
MSc (Development Economics)

Appointed:
2 June 2005 (Appointed as Chairman 1 July 2015)

As the managing director of CEPPWAWU Investments, Derek has significantly contributed to the company's growth as a road-based BEE investment vehicle. He has over 10 years' experience as a strategy and economics consultant.

Phillip Abelheim

CHIEF EXECUTIVE OFFICER

FCIS

Appointed:
12 December 1977

Phillip has over 44 years' experience in the plastic and packaging industry, primarily with Transpaco.

Shalom (Charly) Raphael Bouzaglou

EXECUTIVE DIRECTOR

Appointed:
4 June 1991

Charly is managing director of Cores and Tubes and has contributed to the growth of Transpaco since 1984. He has more than 34 years' experience in the paper, plastic and packaging industry.

Louis Weinberg

FINANCIAL DIRECTOR

B.Compt. (Honours) CA(SA)

Appointed:
18 February 2004

With more than 35 years' experience in financial management and administration, Louis originally joined the group on 17 September 2002.

Henry (Harry) André Botha

INDEPENDENT NON-EXECUTIVE DIRECTOR

M.A.P. (WITS)

Appointed:
1 September 1998

Harry has been involved in the plastic and packaging industry for more than 30 years, focusing on thermoforming and extrusion. Subsequent to his retirement as executive director of the group in 2006, Harry was appointed a non-executive director on the board.

Selwyn Jacobson

NON-EXECUTIVE DIRECTOR

B.Com

Appointed:
20 August 1987

Selwyn was a long-serving chairman and managing director of a leading trade finance company. He has been associated with the group for more than 40 years.

Bonge Mkhondo

INDEPENDENT NON-EXECUTIVE DIRECTOR

MBA (GIBS) BCom Accounting (UCT) Graduate Diploma in Marketing Management (IMM)

Appointed:
19 May 2017

Bonge is an experienced marketing executive and strategy consultant with diverse experience. She has worked in senior marketing executive positions and on marketing consulting projects, predominantly within the financial services sectors, for various organisations including Hollard, Clientele, LegalWise, Absa Capital and Real People Group.

Stephen van der Linde

LEAD INDEPENDEMT NON-EXECUTIVE DIRECTOR

B.Sc Chemical Engineering

Appointed:
5 November 2002
Lead independent director (Appointed 1 July 2015)

As an investment analyst, Stephen has 20 years' experience in manufacturing and finance.


Hot medicated
cold and flu remed
Contains Vitamin C
Tartrazine Free
Crème
CLASSIQUE®
dermatologically approved
DAY/NIGHT ALPHA
MOISTURISER
3% Alphahydroxy
Acid Complex
Polyhydroxy Retinol
for Rejuvenation
SPF 5 + Antioxid
PROTECTIVE
PROGEL CASE
just in case
Open Face Design
Flexible yet tough

03 OUR PERFORMANCE

CHAIRMAN'S LETTER TO STAKEHOLDERS

INTRODUCTION

Transpaco exhibits the best qualities of an entrepreneurial firm. Our performance is driven by the tireless efforts of both our group executives as well as the exceptional leadership of our nine operating divisions. In what has been a difficult economic year for business in South Africa, Transpaco experienced growth in turnover (5%) and profitability (13%).

This positive performance was spread across Transpaco's different operational divisions, demonstrating a mature diversity in the portfolio of businesses comprising the group. The credit for this achievement belongs both to Transpaco's leadership as well as our employees in building a sustainable business.

Phil and Louis are an experienced group executive team pushing Transpaco forward on a number of strategic fronts. I'd like to highlight their almost evergreen ability to source and execute on acquisitions in a disciplined yet entrepreneurial fashion. This attribute remains one of their most potent activities driving the growth and indeed diversification of the group. They have produced on average almost an acquisition every alternate year in the more than 12 years I've served on the board. The pace of acquisitions may indeed be accelerating. This is a time-consuming process requiring an optimistic disposition as well as scrupulous attention to detail. I'm happy to report that East Rand Plastics (acquired in 2016) is proving an increasingly significant contributor to the group. Our most recent acquisition, Future Packaging, represents a relatively large-scale addition to the group in terms of revenue and profit potential, based on its historic performance. Future Packaging, as our first trading business acquisition, augments our existing stellar performer Transpaco Packaging in a now much larger trading division. This acquisition is additionally important as it contributes to further diversification, increased managerial talent at the divisional level, and new clients that have not previously been served by Transpaco. In the fullness of time, Future Packaging will likely deliver on identifying new manufacturing-based opportunities for Transpaco.

On the capital expenditure front, we continued our philosophy of targeted investing in our existing businesses. This strategy has served us well in the past and included important investments in plant and equipment across various divisions albeit not at the same Rand-level as last year. Prudent balance sheet management is part of the Transpaco DNA. This allows us to take advantage of value adding opportunities as they arise. We also successfully executed on our stated efficiency enhancing plant consolidation in our Recycling division. We're investing in upgrading selected factories from a fire risk perspective, guided by professional advice in this arena. Our posture is thus clearly towards a robust sustainability for the group.

Transpaco is mindful of the context in which we operate. The recent improvement in our country's political fortunes needs to be cemented with meaningful contributions from private business. We increasingly need a language of trust and partnership between state and business. Our goal is to be a productive corporate citizen. We are proud of our more than 25% unencumbered B-BBEE ownership, which was secured in 2005. This represents an important foundation upon which we can contemplate potential additional black ownership in line with the latest developments related to empowerment. We have also invested in 80 learnerships in keeping with the importance of training as a means to target our country's horrendous unemployment blight. We are innovating in the enterprise and supplier development arena. Transpaco, as a relatively labour-intensive manufacturer, is an important employment creator and could contribute further still under the right policy conditions. As a country we need to urgently find alignment between the twin goals of black empowerment and local value addition. Our economy risks unnecessary undermining if we don't resolve these policy objectives.

Transpaco is determining how to contribute meaningfully to the changing role of plastics in the environment. Society is constantly evolving and so must business. Transpaco is a diversified packaging group and given our expertise and resources we believe we can be a significant role-player in helping our clients and the country respond to some of the challenges related to a more sustainable plastic consumption pattern especially as it relates to retail plastic bags. Our position as a leading recycler means we are well placed in post-consumer recycling activities. We are committed to work with our clients and technology providers as we seek innovative environmental solutions. I am excited as we look forward to exploring and diversifying our portfolio of offerings.

Transpaco does not receive much coverage by analysts, but those who do invariably acknowledge that it is a gem of a company. It is my responsibility to thank Phil and the leadership team who continue to deliver excellent results in challenging times. I'd like to extend a warm welcome to the leadership of Future Packaging. I trust they will feel at home within Transpaco. Our employees continue to serve us with distinction. Transpaco's board is long-serving and vested in the success of the company. Finally, an important note of gratitude to our loyal customers. There is no Transpaco without them.

I am confident that over the following years, as our country rebuilds itself Transpaco will be alive to the opportunities available to it and will contribute to a better and more prosperous South Africa.

Derek Thomas

Chairman

11 October 2018

CEO'S REPORT

INTRODUCTION

Transpaco's performance in light of challenging trading conditions is particularly gratifying.

Headline earnings per share grew by 13,3% resulting from a 14,4 % increase in operating profit. The group's 5% growth in turnover and improved gross profit percentage translated into an operating margin of 8,1% compared to 7,4% for the previous year, despite a slight decrease in turnover in the Plastic division.

Operating profits grew in all divisions. The group's focus on marketing and sales strategies, disciplined working capital management and controlled operating costs supported Transpaco's performance.

Notwithstanding the purchase consideration for the Future Packaging acquisition from existing cash resources, Transpaco's balance sheet remains robust with the company ending the year with the debt to equity ratio contained at 11,6%.

Our solid cash balance of R60,4 million is further indication of Transpaco's stringent management of working capital.

Turnover

R1 721,9m

(2017: R1 635,8m)

Operating profit

R139,2m

(2017: R121,7m)

FINANCIAL OVERVIEW

	June 2018	June 2017	% change
Turnover	R1 721 ,9 million	R1 635,8 million	5,3%
Operating profit	R139,2 million	R121,7 million	14,4%
Total comprehensive income	R97,5 million	R86,4 million	12,8%
Headline earnings	R97,0 million	R86,3 million	12,4%
HEPS	297,4 cents	262,6 cents	13,3%
EPS	298,8 cents	262,8 cents	13,7%
Diluted HEPS	297,4 cents	262,4 cents	13,3%
Weighted average number of shares in issue	32 629 000	32 858 000	(0,7%)
Cash generated from operations	R125,7 million	R204,4 million	(38,5%)
Cash and cash equivalents	R60,4 million	R99,5 million	(39.3%)
Net asset value per share	R18,86 per share	R17,08 per share	10,4%
Net interest paid	(R 4,2 million)	(R2,4 million)	75%

CAPITAL INVESTMENTS

During the year Transpaco upgraded plant at several factories. A total of R38,7 million was invested in new plant and machinery and property upgrades.

Increased capacity and improved efficiency is key to Transpaco remaining competitive in an industry where price sensitivity is paramount for turnover sustainability and growth.

FUTURE PACKAGING ACQUISITION

During the year Transpaco acquired the Future Packaging group of companies which operate across South Africa in the packaging and related products market. Future Packaging distributes its products nationally through dedicated branches in Johannesburg, Durban, Cape Town and Bloemfontein.

The incorporation of Future Packaging into Transpaco was concluded seamlessly.

The strategic acquisition will enable Transpaco's existing distribution arm, Transpaco Packaging, to expand its product range and geographical footprint.

In addition we welcome Claus Hennings, the managing director and vendor of Future Packaging and his team to Transpaco and look forward to his and the company's positive participation in the group.

OUR STRATEGY

Transpaco remains a growth focused business exploring and concluding strategic acquisitions in a disciplined manner while concentrating on growth opportunities within existing businesses. We will continue to expand our sales market locally, in Africa and explore international avenues for our products.

OPERATIONS

PLASTIC PRODUCTS

The division experienced a reduction in turnover due to selling price deflation, reduced customer spend and continued stagnant demand for recycled material.

As the recycling industry remains depressed, the consolidation of our two recycling operations into one factory has proved beneficial.

CEO'S REPORT

With both local and international focus on recycled replacement for virgin material, Transpaco is ideally placed to benefit from future initiatives.

The consolidation of Transpaco's retail plastic bag operations into the Transpaco owned Cape Town site further contributed to the Plastic division's performance.

New high speed, low cost running equipment has allowed for increased capacity, reduced overtime and positioned Transpaco to increase sales as opportunities arise.

The anti-plastic debate continues and in particular the adverse sentiment towards retail plastic bags. While Transpaco is active in this market, our diversification strategy has reduced the group's dependency on retail plastic bags.

Transpaco is working with government, industry bodies and customers to explore suitable solutions and mitigate against any possible negative consequences. Further, we are investigating expanding into several alternative products as a substitute for retail plastic bags.

The Flexible division remains an important component of Transpaco with its admirable positive impact on group profits.

East Rand Plastics continued to perform well. Additional plant was acquired to supplement existing capacity as we seek new markets for the Garbie range of refuse bags both locally and internationally.

Transpaco Specialised Film is now firmly positioned as South Africa's premier pallet stabilisation film manufacturer. Following substantial investments in previous years the division is well-placed to compete against both local and foreign producers. Operating profit was well within expectations.

PAPER PRODUCTS

Growth in the Paper Division was supported by the acquisition of Future Packaging which falls under this division.

Transpaco Packaging improved both turnover and profits. Although not large in terms of sales, it remains our best return on funds employed performer.

Future Packaging's contribution to group profit for the four months consolidated in these accounts was largely off-set against the transactional non-recurring costs of the merger.

Ultimately the two packaging trading businesses will be combined under one roof once the merger is fully bedded down.

Britepak, Transpaco's printed folded carton and package insert business, grew marginally in sales while operating profit rose comfortably. We continue to explore new markets for Britpak outside of its traditional pharmaceutical industry.

Transpaco has made several investments in additional plant at Transpaco Cores and Tubes in order to maximise efficiencies and expand capacities in certain products ranges.

The recent uptake in the textile industry in South Africa necessitated the purchase of new plant for the production of yarn cones.

As local paper mills, major customers of Transpaco Cores and Tubes, continue to restructure, we are looking to diversify in order to mitigate against the impact of these events. The division's sound contribution to group profits reduced this year primarily due to market conditions.

GOVERNANCE AND ETHICAL LEADERSHIP

Transpaco's board acknowledges effective governance as a key driver of business sustainability and is committed to being a good corporate citizen. Related policies and procedures are continuously updated to ensure they are in line with regulations and best practice. Our Code of Good Conduct is strictly enforced and all employees are required to adhere to its principles. MDs continue to sign a monthly acknowledgement of competition law conformity in addition to several other issues related to good corporate governance.

TRANSFORMATION

We regard transformation and genuine empowerment as imperative to our sustainability and these form an integral part of our strategic objectives. We continually invest in skills and development and are committed to supporting not only our employees but also unemployed youth and disabled people. Emphasis is placed on learnerships which are encouraged throughout the group ultimately improving employee efficiency benefitting both the participant and the company. We have supported 80 learnerships this year.

Suitable BEE candidates are continuously identified within the group for training and advancement.

We remain focused on Preferential Procurement and endeavour to purchase from BEE certified companies with the appropriate accreditation levels wherever possible. We are constrained in some areas in this regard as certain raw material supply is controlled by a limited number of entities which are not adequately transformed.

Transpaco's well established CSI programme has continued with funds and goods provided to charities, NGOs and schools.

Our commitment to enterprise development is encapsulated in our granting an interest free loan to a black-owned enterprise to develop and expand their products, which they will in turn supply to Transpaco.

HEALTH AND SAFETY ENVIRONMENT

Transpaco is committed to providing a healthy and safe environment for employees. We have contracted third party experts to ensure a healthy, safe and secure working environment at all times.

DIVIDEND

The board declared a final dividend of 90,0 cents per share, resulting in total dividends of 135,0 cents per share (2017: 120,0 cents per share).

PROSPECTS

The group will continue its proven business strategy, targeting organic growth while maintaining strict financial control and at the same time identifying and pursuing appropriate acquisitions.

While challenging trading conditions continue, management will endeavour to react as timeously as possible to mitigate any negative impacts in challenging times.

APPRECIATION

I thank our employees for their diligent work and valuable contribution to Transpaco's pleasing results, especially in difficult trading conditions.

I extend my appreciation to our non-executive directors and executive managing directors for their continued commitment and dedication during the year. My thanks and gratitude to Transpaco's customers, business partners, labour unions, shareholders, suppliers and service providers for their loyal support.

Phillip Abelheim

CEO

11 October 2018

Net asset value per share increased

10,40%

to R18,86 per share (2017: R17,08 per share)

OUR IMPACTS

OUR STAKEHOLDERS

Being a good corporate citizen is part and parcel of being a sustainable business which can in turn help drive a sustainable national economy. The transformation, social & ethics committee is responsible for outlining our goals and targets and monitoring our performance in this regard.

We are committed to communicating with all stakeholders openly, transparently and timeously and have an active stakeholder engagement programme. We ensure regular engagement with our identified key stakeholders through diverse means which include our website, integrated annual report, SENS, one-on-one meetings and ongoing formal and informal sessions.

Our relationship and interactions with our stakeholders enable us to further clarify and evaluate issues that impact our business and industry, which can feed and solidify an effective growth strategy.

THESE KEY STAKEHOLDERS AND THE MAIN ISSUES THAT CONCERN THEM, AS PER OUR FEEDBACK, ARE SET OUT BELOW:

EMPLOYEES AND TRADE UNIONS:

Job security, sustainability, personal growth and development, skills development, remuneration and incentives, working conditions, safety

Responsibility:

HR department, managing directors/managers, transformation, social & ethics committee, health and safety committees

INVESTORS:

Sustainability, profitability, ROI (share price and dividends), cash generation, corporate governance and compliance, risk management, remuneration practices, growth prospects, accessibility of leadership, succession

Responsibility:

CEO, FD

FUNDERS:

Solvency and liquidity, capital management, sustainability, credit rating, risk management

Responsibility:

CEO, FD

CUSTOMERS:

Security of supply, pricing, quality, reliability, service

Responsibility:

Marketing, managing directors/managers

CONTRACTORS AND SUPPLIERS:

Timely payment, sales volumes, fair business practices

Responsibility:

Managing directors/managers

GOVERNMENT, REGULATORS:

Employment equity, environmental impact, safety, taxation, compliance, environmental impact, adherence to the JSE Listings Requirements and company legislation

Responsibility:

CEO, FD, Company secretary

INDUSTRY ASSOCIATIONS:

Industry trends, expertise, collective lobbying, industry-specific issues, labour issues

Responsibility:

CEO, managing directors/managers

COMMUNITIES:

Job creation, CSI projects

Responsibility:

Subsidiary company marketing directors, transformation, social & ethics committee, HR department

Transpaco continues to play an active role in the wider plastics industry through its membership of the following industry associations and organisations:

- Plastics Federation
- Plastic Convertors Association
- Print Industry Federation of South Africa
- South African Plastic Recyclers Organisation (SAPRO)

OUR IMPACTS
CONTINUED

TRANSFORMATION

We are a Level 6 B-BBEE rating in terms of the new revised Codes. Our scorecard (B-BBEE Codes of Good Practice issued by the Department of Trade and Industry) is set out below:

	Scorecard rating	
BEE Code	2018	2017
Ownership	20,56/25	25/25
Management control	5,14/19	3/19
Skills development	16,86/20	18,5/25
Enterprise and supplier development	23,47/40	24,22/40
Socio-economic development	4,49/5	5/5
Total	**70,42**	**75,22**

PREFERENTIAL PROCUREMENT

Our preferential procurement policy seeks to continually expand our supplier base to include more empowered enterprises. Managing directors are tasked with reporting on progress in this regard at monthly management meetings.

Transpaco's Recycling Division has established buy-back centres where people from disadvantaged communities can sell material they have collected for recycling. It endeavours to source as much raw material as possible from the informal sector.

ENTERPRISE DEVELOPMENT

We are committed to enterprise development and seek to create more jobs in the informal sector by helping to establish black-owned and managed businesses. Examples of this include:

- Contracts for the supply of services e.g. laundry, building, maintenance and cleaning, awarded to small black-owned businesses, often with Transpaco providing the equipment needed to perform the service in question;
- Several subsidiaries contracting small black-owned businesses to supply canteen services and providing the canteen premises, electricity and water usage at no cost to the service provider;
- A contracted BEE supplier to collect and deliver material for recycling. Payment is based on kilometres travelled;
- Purchases of scrap from SMMEs are paid within approximately five days to assist with cash flow; and
- R3 million interest-free loan to a SMME operating in the chemical industry. This company developed a product for Transpaco, which the group purchases.

OUR PEOPLE

Our people are critical to our success and we are proud of our consistently low staff turnover.

Employee relations are prioritised at every level with senior management maintaining an open door policy. We are committed to continually investing in employee development to unlock and realise their highest potential and value add. We also seek to provide amenable and positive working conditions and an inclusive culture to ensure we attract and then retain superior talent in a skills-scarce environment. All our employees are remunerated in line with industry norms.

We support every employee's right to belong to a union and demonstrate this through an open and transparent relationship with all unions and their representatives. CEPPWAWU represents certain of our employees in terms of a broad based black empowerment partnership, and the strength of our relationship with the union is reflected in its stakeholding in the group through its investment company.

EMPLOYMENT EQUITY AND NON-DISCRIMINATION

Group policies are in place setting out the fair treatment of all employees irrespective of diversity or disparity factors, consistent with South African employment equity requirements. We promote the recognition and reward of initiative, effort and merit and seek to recruit and promote internally wherever possible. In doing so we prioritise the appointment and advancement of black staff.

Employment equity targets are in place and employment equity meetings are held regularly where these objectives are communicated to staff. All of the group's subsidiaries have respective employment equity committees which report directly to the central HR department.

The employment equity status is tabled below:

	2018		2017	
Category /Level	Total number	HDI	Total number	HDI
Top management	24	4	11	0
Senior management	85	19	31	14
Professionally qualified	83	51	67	26
Skilled	449	327	308	206
Semi-skilled	252	252	266	266
Unskilled	650	650	630	630
Disabled	1	1	1	0
Total	**1 544**	**1 304**	**1 314**	**1 142**

SKILLS DEVELOPMENT

Ongoing internal and external skills development programmes are in place, in addition, we remain committed to "on-the-job" training. We also offer a study learnership scheme.

A training programme aimed widely at our own employees and their children as well as disabled unemployed individuals in the community is in place. The training courses and approved learnerships are designed to equip trainees with production, computer and call centre skills. Practical experience is provided by Transpaco.

On completion of the training, successful learners are offered employment with Transpaco provided positions are available.

Since inception we have supported a total of 50 learnerships – 25 employed and 25 unemployed. From June 2018 to May 2019 we have 80 learnerships underway with half being employed and 40 unemployed. 12 of the unemployed are disabled individuals.

OUR IMPACTS
CONTINUED

SOCIO-ECONOMIC DEVELOPMENT

The Human Resources department is tasked with identifying beneficiaries from within the community for our Corporate Social Investment programmes. During the year, beneficiaries including schools, orphanages, old age homes, churches, welfare organisations and other deserving institutions received donations. Transpaco donates 1% of NPAT to its CSI initiatives.

HEALTH, SAFETY AND ENVIRONMENT

The safety and wellbeing of our employees is paramount and we are committed to maintaining a safe and healthy working environment in strict compliance with the South African Occupational Health and Safety Act, 85 of 1993.

Given the prominence of the HIV-impact in South Africa, Transpaco maintains a fair and equitable HIV/AIDS Policy ensuring non-discrimination and fair treatment.

In order to ensure a healthy and safe work environment, Transpaco employs the services of an accredited third party health and safety organisation. The service provider conducts on site inspections, attends health and safety meetings and provides safety related training. This provides the group with a structured approach to the health and safety process.

In addition, independent risk assessments were conducted on all buildings within the group in the year.

Transpaco safety framework:

SUBSIDIARY HEALTH AND SAFETY COMMITTEE	• Performs regular inspections at the factories • Overseen by group HR department
SUBSIDIARY MANAGING DIRECTORS	• Address health and safety risks as a key performance indicator • Attend to all risk areas and findings of the subsidiary health and safety committee • Ensure corrective action is taken where appropriate, including training and regular facility upgrades • Ensure SHEQ induction as part of the subsidiary induction programme
MANAGING DIRECTORS AND GROUP HR DEPARTMENT	• Monitor SHEQ procedures, progress and risk • Delegate risk mitigation to the appropriate staff member and ensure that this is actioned effectively

Transpaco in an effort to have a positive impact on the environment invested over R2 million replacing water cooling equipment with air cooled technology, reducing water consumption at its Western Cape factory by 85%.

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

Value added is the value which the group has added to purchased materials and goods by process of manufacture and conversion and the sale of its products and services. This statement shows how the value so added has been distributed.

	2018 R'000	Value Added %	2017 R'000	Value Added %
Creation of wealth				
Turnover	**1 721 876**		1 635 790	
Cost of goods, services and expenses	**1 161 932**		1 099 177	
	559 944		536 613	
Distribution of wealth				
Employees:				
Salaries, wages and benefits	**337 344**	**60,2**	312 344	58,2
Government:				
Taxes	**38 474**	**6,9**	32 986	7,1
Providers of capital:				
Finance costs	**7 404**	**1,3**	6 429	1,2
Dividends	**38 580**	**6,9**	48 088	9,0
Maintenance and expansion:				
Depreciation	**40 656**	**7,3**	45 262	8,4
Retained income	**97 486**	**17,4**	86 359	16,1
	559 944	**100,0**	536 613	100,0

04 ACCOUNTABILITY

ETHICAL LEADERSHIP

The Transpaco board, divisional directors, management and employees at all levels, adhere to the highest standards of ethical behaviour and effective governance and seek to act in the best interests of the company at all times. Respect for human rights is the general underlying principle guiding all interactions, whether internally or with external stakeholders.

The board embodies the qualities as outlined by King IV for effective ethical leadership, namely integrity, competence, responsibility, accountability, fairness and transparency. This ethos is encapsulated and governed by our comprehensive Code of Business Principles and Ethics ("the Code"), which is in the process of being updated to comply with and accommodate the tenets of King IV.

All employees are required to adhere to the Code in all daily interactions. The Code is therefore communicated well and each employee has received a copy and an induction booklet setting out the disciplinary consequences for non-adherence. All new employees receive this information in a welcome pack on commencement of employment.

The Code encapsulates our commitment to creating diversity in the workplace, to minimising our environmental impact, and to providing quality products that meet consumers' needs while complying with rigorous safety standards.

We believe in robust yet fair competition and support the appropriate competition laws. Employees are compelled to conduct themselves and operations in accordance with the principles of fair competition and all applicable regulations.

Managing directors and employees receive training on the importance of compliance with legislation and the Code, which is in no way regarded as a substitute for individual judgement and discretion but rather as a guidance framework. In addition managing directors are required to sign acknowledgment of compliance at monthly meetings. Any breaches of general compliance or adherence to the Code must be reported in accordance with the procedures specified.

Day-to-day responsibility in this regard is delegated to senior management of the divisions and operations, who are tasked with reporting back to head office. The audit & risk committee and the EXCO provide assurance of overall compliance each year to the board, which remains ultimately responsible.

OUR ETHICS COMMITMENT

BEST PRACTICE STANDARDS	LEGISLATION	GROUP POLICIES
• King IV • ISO 9001:2008 • ISO 22000:2005	• Companies Act • Competition Act • Employment Equity Act • Basic Conditions of Employment Act • B-BBEE Act • Consumer Protection Act • Labour Relations Act • Skills Development Act • Skills Levies Act • Safety Health and Environment (SHE) Act • National Environmental Management Act • National Water Act • Income Tax Act • VAT Act	• Board policies • Policies supporting the Code of Business Principles and Ethics • Employee policies • B-BBEE policies • SHE policies • IT policies

The full Code is available on Transpaco's website www.transpaco.co.za


Jiffy
KRAFT BOOK COVERING
480mm x 5M
Jiffy
PLASTIC
BOOK COVERING
Transpaco
MADE IN SOUTH AFRICA
P.O BOX 39601, BRAMLEY, 2018
WARNING
PLASTIC IS NOT A TOY.
KEEP AWAY FROM CHILDREN.
Jiffy

CORPORATE GOVERNANCE

GOVERNANCE STRUCTURE

BOARD

MEMBERS

Derek Thomas* (Chairman)
Phillip Abelheim (CEO)
Louis Weinberg (FD)
Harry Botha**
Charly Bouzaglou
Selwyn Jacobson*
Bonge Mkhondo**
Stephen van der Linde** (Lead independent director)

RESPONSIBILITY

- Performance and affairs of the group and its subsidiaries
- Internal financial and operational control
- Monitoring operational performance and management
- Determining policy and processes for the group's risk management and internal controls
- Meaningful interaction with stakeholders

COMMITTEES

AUDIT & RISK COMMITTEE

Harry Botha**
(Committee Chairman)
Bonge Mkhondo**
Stephen van der Linde**

Attended by invitation
Derek Thomas*
Phillip Abelheim
Louis Weinberg
Charly Bouzaglou
Selwyn Jacobson*

RESPONSIBILITY

- Performance and affairs of the group and its subsidiaries
- Internal financial and operational control
- Monitoring operational performance and management
- Determining policy and processes for the group's risk management and internal controls
- Meaningful interaction with stakeholders

BOARD GOVERNANCE & REMUNERATION COMMITTEE

Harry Botha**
Bonge Mkhondo**
Derek Thomas*
(Committee Chairman)#

Attended by invitation
Phillip Abelheim

RESPONSIBILITY

- Setting the criteria for and reviewing succession planning
- Annually reviewing the directors' credentials and independence where relevant
- Assessing executive and non-executive directors' remuneration

TRANSFORMATION, SOCIAL & ETHICS COMMITTEE

Phillip Abelheim
Selwyn Jacobson*
Derek Thomas*
Stephen van der Linde**
(Committee Chairman)
Louis Weinberg

RESPONSIBILITY

- Overseeing transformation and other compliance and sustainability related matters

** *Independent non-executive*
* *Non-executive*
# *Determining appropriate board committee leadership structures depends on a number of factors including, current board and committee composition and taking director's tenures into account. The board is in the process of addressing the independence of the Remco chairperson.*

Good governance remains a business imperative and the board sets the tone in this regard (see Ethical leadership page 28). The Code of Business Principles and Ethics, all internal policies and the board and committee charters are all compiled and guided by the requirements of legislations such as the Companies Act, King IV and the JSE Listings Requirements.

Effective corporate governance is imperative to business sustainability and as such the board is committed to reporting thereon openly and transparently to stakeholders. A disciplined reporting structure ensures that the board remains fully appraised of the activities of its subsidiaries, as well as of risks and opportunities in its operating environment. The board engages in a formal monthly dialogue with divisional and operational management, and holds ongoing adhoc informal discussions. Each divisional director has an open line to the CEO, FD, company secretary and any other relevant executives regarding matters of governance at any time.

THE BOARD

CHAIRMAN	Provides independent board leadership and guidance Facilitates suitable deliberation on matters requiring the board's attention Ensures the efficient operation of the board as a unit
CEO AND EXECUTIVE DIRECTORS	Provide strategic leadership Day-to-day operational decisions and business activities
NON-EXECUTIVE DIRECTORS	Draw on their experience, skills and business acumen to ensure impartial and objective viewpoints in decision-making processes and standards of conduct

The board comprises directors who together bring a wealth of industry and financial experience gained through a number of economic cycles. The maturity and seniority of many of the directors are well balanced by the contribution of younger directors who bring their own dynamism and perspective to board deliberations, backed by solid skills.

The role and responsibilities of the non-executive chairman and the CEO have been clearly defined and are distinct to ensure checks and balances in decision-making, and a Lead Independent Director has been appointed. No single director is positioned to exercise unfettered decision-making, which protects against the influence of possible personal interests and thereby ensures that the interests of all stakeholders are protected. As set out in the Board Charter, the directors are empowered to delegate their authorities to the CEO or any other executive director and similarly to properly constituted board committees. Notwithstanding this, the directors recognise that they are ultimately accountable and responsible for the performance and affairs of the company and the group and that the use of these delegated authorities in no way absolves the board of the obligation to carry out its duties and responsibilities.

In terms of the group's Memorandum of Incorporation, one-third of the board's non-executive directors must retire from office at each annual general meeting on a rotation basis. Retiring directors may make themselves available for re-election, provided that they remain eligible as required by the Memorandum of Incorporation and in compliance with the JSE Listings Requirements. Accordingly Bonge Mkhondo, Selwyn Jacobson and Stephen van der Linde will retire by rotation at the upcoming annual general meeting, and being eligible, will offer themselves for re-election. A brief CV of each director standing for election at the annual general meeting is contained in this integrated report. In determining whether to recommend a director for re-election, the committee considers the director's past attendance at meetings, participation in and contributions to the activities of the board, and the results of the most recent board self-evaluation in addition to compliance with regulatory requirements.

Executive directors are bound by contracts of employment, which contain a three month notice period.

SELF-EVALUATION

A self-evaluation exercise is conducted annually by the board and areas marked for improvement are addressed.

BOARD AND COMMITTEE MEETING ATTENDANCE

Attendance at board and committee meetings during the year is set out below:

DIRECTOR	BOARD MEETINGS	AUDIT & RISK COMMITTEE MEETINGS	BOARD GOVERNANCE & REMUNERATION COMMITTEE MEETINGS	TRANSFORMATION, SOCIAL & ETHICS COMMITTEE MEETINGS
PN Abelheim (CEO)	5(5)	3(3)	1(1)	1(1)
HA Botha *#>	5(5)	3(3)	1(1)	
SR Bouzaglou	5(5)	3(3)		
SI Jacobson*	5(5)	3(3)	1(1)	1(1)
B Mkhondo *>^	5(5)	3(3)	1(1)	
DJJ Thomas*~ (Chairman)	5(5)	3(3)	1(1)	1(1)
SP van der Linde *>/	5(5)	3(3)		1(1)
L Weinberg (FD)	5(5)	3(3)		1(1)

** Non-executive*
> Independent
 # Chairman audit and risk committee
~ Chairman board governance and remuneration committee
/ Chairman transformation, social & ethics committee

RESTRICTION ON SHARE DEALINGS

We have a formal policy on directors' and prescribed officers' shareholdings and share dealings. All directors and senior executives with access to financial and any other price-sensitive information are prohibited from dealing in Transpaco's shares during 'closed periods', as defined by the JSE, or while the company is trading under cautionary. An appropriate communication is sent to all directors alerting them that the company is entering a closed period. 'Insiders' include directors, prescribed officers in terms of the Companies Act, immediate family members of directors and/or prescribed officers, or any person who might have obtained information from an insider. The policy also provides guidelines to insiders who wish to trade in the company's securities at any time other than during closed periods. As we regard compliance with securities laws as a key component of good governance, disciplinary action (which may include termination of employment) could be taken against insiders who violate this policy.

Directors' share dealings in the company must be authorised first by written permission from the Chairman or, in the Chairman's absence, the audit & risk committee chairman, prior to any dealing taking place. The Chairman's dealings require the written permission of the audit & risk committee chairman. Directors' dealings are then reported to the company secretary, who along with the company's sponsor ensures that such dealings are disclosed on SENS within 24 hours.

Directors are further required to declare their dealings in securities at board meetings. Directors and prescribed officers are also required to declare to the board and at EXCO meetings their additional directorships and shareholdings and potential conflicts of interest. Divisional and operational directors and financial managers are further obligated to disclose any conflict or potential conflict of interest in the monthly management accounts submitted to the EXCO.

SUCCESSION PLANNING

Succession planning for the board, management team and senior executives falls to the board, assisted by the board governance & remuneration committee. Suitable succession candidates are identified and skilled where necessary to enable them to replace the incumbents on resignation or retirement. Management training is continually undertaken in each of the group's subsidiaries with emphasis essentially on advancing suitable black candidates. The committee is responsible for an annual review of the group succession plan and for feedback thereon to the board. This year's review found that all areas of concern were being addressed and the board was comfortable with current succession plans.

NEW APPOINTMENTS

The board annually reviews the skills and characteristics required of the directors in terms of current board composition and company circumstances, and recommends, if needed, the appointment of new directors.

The board has the overall objective of constituting directors with diverse backgrounds and an array of business experience. We make use of external executive search and recruitment agencies if necessary in identifying new directors, and approve their fees. Shortlisted candidates are interviewed by the board. A second interview will be done by the CEO, followed by an offer of directorship if successful. The board evaluates each individual in the context of the board as a whole – the objective remains having a board that can best perpetuate our success and represent shareholder interests through the exercise of sound judgment, using its diversity of experience.

Characteristics expected of all directors and potential candidates include independence, integrity, high personal and professional ethics, sound business judgment and the ability and willingness to commit sufficient time to the board and the group. They must possess a general understanding of marketing, finance and other disciplines relevant to the success of Transpaco in today's business environment; an understanding of the business and required technology; an educational and professional background and personal accomplishment; and represent geographic, gender, age and ethnic diversity. A comprehensive document with the criteria for new appointments of directors is in place.

GENDER AND RACE DIVERSITY

Transpaco supports the principles and aims of gender and racial diversity at board level.

A gender and racial diversity policy is in place and the board will review the targets and fulfilment thereof annually.

INDEPENDENT ADVICE

All non-executive directors have unrestricted access to management at any time as well as to the group's external auditors. Further, all directors are entitled to seek independent professional advice on any matters pertaining to the group as they deem necessary and at the group's expense, provided the formal process has been followed.

COMPANY SECRETARY

The company secretary advises the board of any relevant regulatory changes and/or updates. In addition he provides guidance to the board, individual directors and sub-committees on how to discharge their responsibilities in the best interests of the company. The company secretary attends all board meetings and is responsible for overseeing the preparation in advance of a comprehensive agenda and board pack. Further, responsibility lies with him for overseeing the accurate recording and dissemination of the minutes of these meetings. Whenever deemed necessary he also reviews the rules and procedures applicable to the conduct of the affairs of the board. If necessary he involves the sponsor and other experts in this regard to ensure that the directors have adequate information to discharge their responsibilities efficiently.

He has further assumed responsibility for the induction programme which provides new appointees with a directors' handbook detailing directors' roles and responsibilities and an update on legislative and/or regulatory developments. New directors also receive a comprehensive strategy outline, operational briefing including the most recent financial results, current and future budgets as well as management accounts. In addition new appointees are accompanied on site visits by the CEO and have access to all executives, the internal audit function and external auditors at any time.

Existing directors benefit from briefings given at board meetings to keep abreast of new developments. Where necessary informative written updates are circulated to the board.

The board is comfortable that company secretary Hendrik van Niekerk maintains an arm's length relationship with the board at all times and is sufficiently qualified and skilled to act in accordance with, and update directors in terms of the recommendations of the King IV Report and other relevant local and international regulations and legislation.

APPLICATION OF KING IV

Transpaco complies fully and materially with the 16 principles of King IV. Full compliance and disclosure is available on our website http://www.transpaco.co.za/corporate-governance

RISK REPORT

RISK MANAGEMENT PROCESS

Our risk management policy aims overall to ensure the group is adaptable to changing circumstances and can demonstrate resilience in an uncertain economy. The board is responsible for setting the group's risk appetite, evaluating and managing key risk areas, performance indicators and relevant non-financial aspects, and assessing the effectiveness of the group-wide risk management processes.

The audit & risk committee, supported by the internal auditor, is tasked with identifying ongoing business risks and reporting thereon to the board. Although executive directors are not members of the audit & risk committee, they attend meetings by invitation and participate in discussions. During the year the internal audit division conducted risk workshops at all our operations. The internal auditors guide all group subsidiaries in their risk assessment processes.

The CEO and FD discuss identified risks with subsidiary/operational managing executives at monthly management meetings as a standing agenda item and strategies are in place to mitigate and address these. The CEO delegates responsibility to subsidiary/operational managing executives on a daily basis in this regard, although he remains ultimately responsible for this process. The CEO and FD report any changes in risks to the board on a quarterly basis.

We conducted independent risk assessments on a regular basis.

INTERNAL CONTROL FRAMEWORK

The board is responsible for the group's systems of internal control and risk management. The audit & risk committee, FD and internal auditor assist in this regard. Together they evaluate the adequacy and effectiveness of internal control systems and processes, and monitor whether internal control recommendations made by the FD, external auditors and internal auditor have been implemented. The internal control framework together with the required assurance is formally documented and reviewed by the audit & risk committee annually.

The systems are designed in such a way as to manage rather than eliminate risk. They should safeguard and maintain accountability of the group's assets and identify and curtail significant fraud, potential liability, loss and material misstatement while ensuring compliance with statutory laws and regulations.

Absolute assurance cannot be provided. The internal control systems are designed to provide only reasonable assurance as to the integrity and reliability of the annual financial statements. There are inherent limitations to the systems' effectiveness given the possibility of human error and circumvention or overriding of controls. Internal audit, based on the field work undertaken during the year, has provided reasonable assurance on the adequacy of the internal systems of control. The directors are not aware of any material breakdown/s in the systems of internal control during the year.

Our Internal Audit Charter sets out the role and scope of the internal audit function, which contributes to improved operations by examining and evaluating operational activities, identifying relevant risks and affirming the accuracy and effectiveness of internal control systems with respect to normal financial control issues. Internal audit therefore monitors financial-related risk, the accuracy of financial-related information within the group, compliance with standard operating procedures, regulatory compliance, the economic and efficient use of group resources and output quality control. The Internal Audit Charter was reviewed during the year and no amendments were made.

Standard Operating Procedures are reviewed regularly and updated where necessary.

EXTERNAL AUDIT

The external auditors are responsible for reporting on whether the financial statements are fairly presented in compliance with IFRS. The preparation of the annual financial statements remains the responsibility of the directors.

The audit & risk committee meets regularly with the external auditors and in this way ascertains their efficacy and independence. Recommendations thereon are then made to the board. The responsible audit partners rotate in accordance with legislation and audit firm requirements. Where the external auditors are appointed for non-audit services, the board, assisted by the audit & risk committee, ensures that the non-audit services do not impair the auditors, independence.

LEGAL COMPLIANCE

The company secretary, together with the group's sponsor, monitors compliance with the recommendations set out in King IV, the JSE Listings Requirements and the Companies Act. The appointment of a dedicated compliance officer is not deemed necessary. Responsibilities are delegated to subsidiary/operational managing executives. The CEO assumes ultimate responsibility to the board. The board and each director have working understandings of the effects of applicable laws, rules, codes and standards on the company and its business. Directors are encouraged to question anything that may be unclear, and if necessary an expert will be invited to explain and elaborate further.

IT GOVERNANCE AND RISK MANAGEMENT

The FD assumes the responsibilities of Chief Information Officer, delegating responsibility to operational financial managers as necessary. IT is outsourced and a service level agreement is in place with the provider.

The IT Governance Charter encompasses a detailed account of group IT systems. The charter is reviewed annually and for the year under review no changes were required.

The overarching goal is to ensure that the IT policy is implemented and maintained, ensuring security, confidentiality, integrity and availability of information. We aim to integrate the IT policy with group strategic and business processes, and to align IT operations with business operations and translate business requirements into effective IT solutions. Good governance principles apply to all parties in the supply chain in respect of the acquisition and disposal of IT goods and services, and IT forms a part of our risk management process.

The personal and other information of suppliers, customers, employees and other stakeholders are identified and treated as company assets.

Regular demonstration to the board is required that the group has adequate business resilience arrangements in the event of an IT incident. A disaster recovery plan is in place which includes an assessment of potential risks, anticipated recovery times and contingency plans in case of disaster. Currently critical data is backed up on a daily basis and stored in secure off-site locations, with different servers used to mitigate risk. Hardware and software is purchased from reputable suppliers and only licensed software is used. Any employee found not to be using licensed software will be subject to disciplinary action and can be held liable for costs incurred by Transpaco in the event of consequent prosecution or litigation.

The use of Transpaco's IT facilities are governed by a strict IT and social media policy.

REMUNERATION REPORT

BACKGROUND STATEMENT

The board governance & remuneration committee is chaired by non-executive group Chairman Derek Thomas and further comprises independent non-executive directors Harry Botha and Bonge Mkhondo. CEO Phillip Abelheim attends meetings by invitation and is excluded from deliberations in respect of his own remuneration. The committee is governed by a formal charter, which is reviewed annually.

The committee is an independent and objective body which is responsible for assessing executive and non-executive directors' remuneration (including determining short- and long-term incentive pay structures for group executives). Attendance at committee meetings is set out on page 32.

Specific responsibilities include:

- Evaluating the board, subsidiary boards' and individual director's performances annually
- Evaluating existing board committees
- Establishing new board committees and related subsidiary structures when necessary
- Ensuring that executive directors are fairly rewarded for their respective contributions to the group's performance
- Devising an appropriate group remuneration policy that aligns with the strategic objectives of the company.

In order to fulfil its remuneration responsibilities, the committee is authorised by the board to seek any information required from any employee and may further obtain external legal or other independent professional advice if deemed necessary at the expense of the group. Remuneration of executive directors is therefore set by an independent forum whose members have no personal interest in the outcome of their decisions and who will give due regard to the interests of all stakeholders balanced against the financial health of the group.

The CEO makes recommendations to the committee on executive and non-executive directors' remuneration, save in respect of his own, for the committee's consideration.

In terms of King IV the remuneration report has been separated into three sections: the background statement, overview of the policy, and thereafter in the notes to financial statements, an implementation report which provides a detailed account of the current provisions as they pertain to executives. The overview of the policy and the implementation report will be put to non-binding advisory shareholder votes at the upcoming annual general meeting of the company.

Should either the remuneration report or implementation report or both be voted against by 25% or more of the voting rights exercised, the board undertakes to engage actively with dissenting shareholders in order to address all legitimate and reasonable objections and concerns.

We also invite our shareholders to engage with us regarding our policy and reporting.

At the annual general meeting on 1 December 2017, the non-binding advisory vote on the company's remuneration policy received 96.37% vote in support of the policy.

USE OF REMUNERATION ADVISERS

No remuneration consultants were used during the year.

OVERVIEW OF REMUNERATION POLICY

The full remuneration policy is available on our website http://www.transpaco.co.za/investors. Our remuneration policy reflects our intention to attract and retain critical talent as well as to motivate current employees to perform to their best ability and in the best interests of the company and our stakeholders. It provides a basis to determine an appropriate and fair rate of pay for each function and to apply it consistently across the group, and a guideline to establish a balance between fixed and variable pay and between short- and long-term incentives. The board governance & remuneration committee ensures an appropriate level of transparency and monitors a level of equity and consistency across the group.

EXECUTIVE DIRECTORS

Executive directors' remuneration is split between fixed and variable portions. The fixed portion is determined based on the size of the division, experience, skills and length of service. The cost to company package includes employee benefits such as pension fund and insured benefits contributions. The variable portion is based on the performance of the division and is detailed under Remuneration Component point 2 Bonuses. Bonuses paid in the reported financial year are based on group performance in the prior financial year.

REMUNERATION COMPONENTS

1. BASE PAY

All employees receive a base pay that is comparable to the labour market peer group. Annual increases for employees excluded from collective bargaining units are determined with reference to the nature of the employee's role, personal performance and competence, and consumer price index (CPI) figures. Annual increases for employees included in collective bargaining units are determined in accordance with agreements reached with the collective bargaining units and are awarded across-the-board to the members. Executive managing directors receive a cost-to-company package determined and approved by the board governance & remuneration committee. Their annual increases are determined with reference to the above plus financial and non-financial benchmarks and subsidiary size and performance.

2. BONUSES

Employees who are not part of a collective bargaining unit can earn an annual bonus of up to 100% of their monthly base salary. These bonuses are normally paid in December at the discretion of the respective subsidiary's management, based on the individual performance of the employee and of the subsidiary. Executive managing directors do not receive annual bonuses. They have the option to structure their cost-to company package in such a manner as to include a 13th payment during December of every year.

Annual bonuses for employees included in collective bargaining units are determined in accordance with agreements reached with the collective bargaining units and are mostly awarded across-the-board to the members.

Incentive bonuses are linked to comprehensive financial and non-financial targets. Targets are determined each year by the board, based on historical performance, the operational and strategic outlook of the company in the short term and expectations of the company's management, amongst other factors. An objective set of criteria is established. This value is then adjusted according to a set weighting using further pre-determined considerations such as:

- Return on funds employed
- Gross profit percentage achieved against the budgeted amount
- Control of operating expenses
- Working capital management
- Transformation
- Profit growth achieved compared to the previous year.

The resulting value is then used as a guide in determining a final incentive bonus which is presented to the board governance & remuneration committee by the CEO. The committee then debates each award prior to finalisation. The group provides for the incentive bonus on a monthly basis. The CEO makes no recommendation for his own remuneration, which is determined solely by the committee.

3. LONG TERM INCENTIVE BONUS

The Transpaco Share Incentive Scheme was originally established to provide eligible employees and executive directors with the opportunity to receive long-term incentives based on the increase in value in Transpaco shares over prescribed periods of time. Transpaco has suspended the issue of options. On assessment it was found that the majority of employees were not taking the full benefit of the scheme. As a result, a decision was taken to offer a new incentive tied to the performance of the company rather than the share price. This benefit is now determined solely on the individual's performance within their business unit, over which they would have more influence. This ensures that high performing employees are rewarded commensurately based on their performance unrelated to the share price.

4. RETIREMENT BENEFITS

All employees must be members of the Transpaco Pension Fund, the Transpaco Provident Fund, or any other approved industry or union fund. The company and the employee make contributions in respect of the employee's membership of the fund for the duration of his/her employment in the group. All funds are defined contribution funds. Non-executive directors do not participate in the Transpaco Pension Fund or Transpaco Provident Fund.

TERMS OF EMPLOYMENT

Terms of employment are governed by the employee's contract of employment with the company. Terms of notice for both fixed-term contract and permanent employees are as follows:

- One week if employed by Transpaco for less than six months;
- Two weeks if employed by Transpaco for more than six months but less than 12 months; and
- One month if employed by Transpaco for more than 12 months.

All executive directors have contracts which may be terminated on three months' notice. Severance arrangements for employees and directors are governed by union agreements or the Labour Relations Act. No provision is made for severance payments as a result of change in control of the company. Termination pay will only be made in cases where notice periods are waived.

IMPLEMENTATION REPORT

Please see note 4 to the annual financial statements on pages 58-60 for the implementation report.

NON-EXECUTIVE DIRECTORS' FEES

The group is of the opinion that the recommended fees are appropriate for services rendered. The fees for next year including a 6% increase to be approved at the 2018 annual general meeting are set out below.

NON-EXECUTIVE DIRECTORS	FEE (2017/18) R	FEE (2018/19) R	BOARD	AUDIT & RISK COMMITTEE	BOARD GOVERNANCE & REMUNERATION COMMITTEE	TRANSFORMATION, SOCIAL & ETHICS COMMITTEE
HA Botha	263 304	278 653	Member	Chairman	Member	
SI Jacobson	475 282	494 934	Member			Member
B Mkhondo*	253 000	268 180	Member	Member	Member	Member
DJJ Thomas	365 192	387 104	Chairman		Chairman	Member
SP van der Linde	253 000	268 180	Member	Member		Chairman

DJJ Thomas

Chairman board governance & remuneration committee

11 October 2018

TRANSFORMATION, SOCIAL & ETHICS COMMITTEE REPORT

The committee executes the duties assigned to it by the South African Companies Act as well as any additional duties assigned to it by the board of directors of Transpaco. Although management is tasked with the day-to-day operational sustainability of their respective areas of business, the board remains ultimately responsible for group sustainability and has delegated certain duties in this regard to the transformation, social & ethics committee.

The committee is chaired by Lead Independent Director Stephen van der Linde and further comprises CEO Phillip Abelheim, FD Louis Weinberg, non-executive Chairman Derek Thomas, non-executive director Selwyn Jacobson and independent non-executive Bonge Mkhondo. (Details of meeting attendance are on page 32.)

The core purpose of the committee is to regularly monitor the group's activities with regard to any relevant legislation, other legal requirements or prevailing codes of best practice. During the reporting period the committee accordingly reviewed:

- progress in addressing the principles of the UN Global Compact Principles and the OECD
- performance in respect of BEE as measured against the Construction Sector Charter scorecard
- employment equity plans for the group
- skills and other development programmes aimed at the educational development of employees
- corporate social investment programmes
- labour practices and policies
- Code of Business Principles and Ethics
- SHEQ performance.

The committee draws these matters to the attention of the board and reports on them to the shareholders at the annual general meeting.

Please see pages 24-26 for reporting on the committee's areas of focus.

No human rights incidents were reported in the year.

Stephen van der Linde

Transformation, social & ethics committee chairman

11 October 2018

05 AUDITED ANNUAL FINANCIAL STATEMENTS

Contents

PREPARATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The preparation of the audited annual financial statements for the year ended 30 June 2018, which appear on pages 46-84, has been supervised by Louis Weinberg, FD of Transpaco Limited.

DIRECTORS' STATEMENT OF RESPONSIBILITY

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the Companies Act of South Africa and are supported by reasonable and prudent judgements and estimates.

The directors are responsible for the group's systems of internal control. These controls are designed to provide reasonable, but not absolute assurance as to the integrity and reliability of the annual financial statements, that transactions are conducted in accordance with management's authority and that the assets are adequately safeguarded against loss. These controls are monitored throughout the group by management. Nothing has come to the directors' attention to indicate that there were any material breakdowns in the functioning of these controls during the year under review.

The annual financial statements have been prepared on the going concern basis since the directors have every reason to believe that the company and the group have adequate resources to continue in operation for the foreseeable future. The annual financial statements support the viability of the company and the group. The auditors Ernst & Young Inc. are responsible for reporting on the fair presentation of the annual financial statements and their report is presented on pages 48-84.

The annual results were approved by the directors on 11 October 2018 and are signed on their behalf by:

DJJ Thomas
Chairman

PN Abelheim
CEO

L Weinberg
FD

DECLARATION BY COMPANY SECRETARY

In my capacity as company secretary, I declare that for the year ended 30 June 2018 the company has lodged with the Registrar of Companies all such returns and notices as are required of a public company in terms of the Companies Act, 2008 as amended, and that such returns and notices are true, correct and up to date.

H van Niekerk
Company Secretary
Johannesburg
11 October 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSPACO LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Transpaco Limited and its subsidiaries (the group) set out on pages 46 to 84, which comprise the consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of [company name]. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Transpaco Limited and its subsidiaries. The audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidate and separate financial statements.

KEY AUDIT MATTER
Valuation of inventory: Inventory comprises 24% of total assets in the group statement of financial position. Due to the high number of manufacturing sites across the group and the level of judgement that senior management has applied in allocating overheads to finished products and work in progress, the valuation of inventory is therefore considered a Key Audit Matter. The disclosure is set out in the annual financial statements in note 12.
HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Our procedures included, amongst others: • We evaluated management's inventory accounting policy by comparing it to the requirements of International Accounting Standards ('IAS") – IAS 2 Inventories. • We assessed management's assumptions in allocating overheads and recalculated the capitalised manufacturing overheads in accordance with the requirements in IAS 2. • We assessed the disclosures relating to Inventories by comparing it to the disclosure requirements in terms of IAS 2.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' statement of responsibility, declaration by company secretary, audit and risk committee report and the directors' report as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Integrated Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Integrated Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRANSPACO LIMITED (CONTINUED)

related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and / or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Transpaco Limited for 21 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Amelia Young
Registered Auditor
Chartered Accountant (SA)

11 October 2018

AUDIT & RISK COMMITTEE REPORT

The information below constitutes the report of the audit & risk committee in respect of the year under review, as required by the South African Companies Act. The audit & risk committee is chaired by HA Botha and comprises further of SP van der Linde and B Mkhondo, all of whom are independent non-executive directors. The CEO and FD attend by invitation and subsidiary management is invited to attend where appropriate. Representing the audit & risk committee, HA Botha attends the annual general meeting to answer any questions relating to matters in the ambit of the committee. The committee meets with the external and internal auditors without the presence of management at least once a year. The committee meets three times a year with additional meetings if required. Attendance at committee meetings is set out on page 32.

The formal audit & risk committee charter sets out the committee's responsibilities. It is reviewed annually to confirm compliance with King IV and the Companies Act and to ensure the incorporation of further best practice developments.

The charter tasks the committee with reviewing the interim and annual financial statements. Further, the committee assumes the responsibility of monitoring internal control procedures including IT security and control, accounting policies, legislative compliance and regulatory matters. The committee also recommends the appointment of external auditors for approval by shareholders and monitors and evaluates their independence, while setting the principles for recommending the external auditors for non-audit purposes.

It is further the responsibility of the committee to advise and update the board on issues ranging from accounting standards through published financial information to the implications of major transactions.

The internal auditor has direct access to the committee. Following the annual audit, the external auditors meet with the committee chairman without the executive directors present. The committee has an understanding of management's accounting processes, the method by which it compiles interim financial information, as well as the nature and extent of the external auditors' involvement in these processes.

The committee has reviewed and is satisfied with the scope, independence and objectivity of the external auditors. The committee reviews and approves the fees proposed by the external auditors. In addition the nature and extent of the non-audit services provided by the external auditors has been reviewed to ensure that the fees for such services do not become so significant as to call into question their independence.

The audit & risk committee also determines the key risk areas facing the group and recommends mitigation measures. The audit & risk committee is satisfied that the appropriate risk management processes are in place.

The effectiveness of the committee is assessed annually by the board governance & remuneration committee. It was found that the audit & risk committee has duly completed its responsibilities during the year in accordance with its written terms of reference.

The committee considered and is satisfied with the competence, expertise and experience of the company's FD, Louis Weinberg.

HA Botha
Audit & risk committee chairman
11 October 2018

DIRECTOR'S REPORT

The directors of Transpaco have pleasure in submitting their report for the group and the company for the year.

FINANCIAL RESULTS AND DIVIDENDS

The annual financial results of the company and group for the year are set out in the annual financial statements and accompanying notes.

The directors are pleased to confirm the declaration to shareholders of a final dividend for the year of 90 cents per share. This, together with the interim dividend of 45 cents per share paid to shareholders in March 2018, brings the total dividend for the year to 135 cents per share (2017: 120 cents).

ACCOUNTING POLICIES

The group and company's annual financial statements set out on pages 44-84 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), IFRS interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and the South African Companies Act.

NATURE OF BUSINESS

Transpaco is listed in the 'Containers and Packaging' sector of the JSE Main Board. The group's subsidiaries manufacture, distribute and recycle plastic and paper packaging products. Transpaco specialises in:

- packaging for the retail, industrial, agricultural, mining, pharmaceutical, motor sectors and packing materials:
- scholastic stationery;
- cardboard tubes and cores, dividers, dufaylite, paper slitting and yarn carriers;
- plastic recycling;
- printed pharmaceutical packaging and inserts;
- pallet wrap; and
- refuse bags

Details of the group's operations and their performance in the year are set out in the Chair's & CEO's reports, which form part of this integrated annual report.

CORPORATE GOVERNANCE AND SUSTAINABILITY

Transpaco continued improving corporate governance policies and procedures in line with the King IV Report and Companies Act requirements. Sustainability is viewed as an essential operational and strategic imperative

ACQUISITION

As announced on 18 December 2017 Transpaco acquired the Future Packaging and Machinery Group comprising Future Packaging and Machinery (Pty) Ltd, Future Packaging and Machinery Cape (Pty) Ltd and Future Packaging and Machinery (KwaZulu-Natal) (Pty) Ltd ("FPM") for R106,3 million. The effective date of the transaction is 1 March 2018.

DIRECTORATE

The directors of the company at the date of this integrated annual report are:

Executive directors

Phillip Abelheim (CEO)
Louis Weinberg (FD)
Charly Bouzaglou

Independent non-executive directors

Harry Botha
Bonge Mkhondo
Stephen van der Linde
(Lead independent director)

Non-executive directors

Selwyn Jacobson
Derek Thomas (Chairman)

In terms of the Memorandum of Incorporation Selwyn Jacobson, Stephen van der Linde and Bonge Mkhondo retire at the upcoming annual general meeting and being eligible, will offer themselves for re-election.

DIRECTORS' SHAREHOLDING

The aggregate direct and indirect interests of the directors and their associates in the issued share capital of the company are as follows:

	2018				2017			
	Beneficial		Non-beneficial		Beneficial		Non-beneficial	
Director	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect
PN Abelheim	3 515 871	-	-	2 054 639	3 515 871	-	-	2 146 565
HA Botha *›	200 000	-	-	49 837	200 000	-	-	49 837
SR Bouzaglou	1 019 562	-	-	-	1 019 562	-	-	-
SI Jacobson*	-	823 653	-	274 551	-	880 500	-	293 500
DJJ Thomas*	-	693 068	-	7 579 944	-	693 068	-	7 579 944
SP van der Linde *›	41 000	-	-	1 030 142	41 000	-	-	1 030 142
L Weinberg	227 227	-	-	-	163 227	-	-	-
	5 003 660	1 516 721	-	10 989 113	4 939 660	1 573 568	-	11 099 988

** Non-executive*
› Independent

The following movement in shares took place between the date of publishing the annual financial results on SENS and the date of this report:

Director	Shares	Nature of transaction
L Weinberg	25 000	Share options exercised
S I Jacobson	1 347	Shares purchased

Save for the above, there have been no further changes in the shareholding of directors between year-end and the date of this report.

DIRECTORS' AND OFFICERS' INTEREST IN CONTRACTS AND DIRECTORS' EMOLUMENTS

Directors' and officers' interest in contracts and directors' emoluments. The interests of directors and officers in the group's contracts and directors' emoluments are set out in note 4 and note 27 to the annual financial statements, respectively. Non-executive directors' fees are approved at the annual general meeting (refer to Special Resolution 2 in the notice of annual general meeting included in this integrated annual report).

INTEREST IN SUBSIDIARY COMPANIES

All subsidiaries are 100% owned and are incorporated in the Republic of South Africa.

Name of subsidiary (Pty) Limited		Issued Share capital		Book value Holding company's interest			
				Shares		Indebtedness	
		2018 R	2017 R	2018 R	2017 R	2018 R	2017 R
Transpaco Admin and Financial Services	Administrative	2	2	1	1	(16 856 550)	82 112 970
Cores and Tubes	Cardboard tubes and core manufacturers	1 000	1 000	1 000	1 000		
Transpaco Flexibles	Plastic carrier manufacturer	20 000	20 000	301 931	301 931		
Transpaco Flexibles Mpumamalanga	Plastic carrier manufacturer	1	1	1	1		
Transpaco Packaging	Packaging distributor	4 000	4 000	10 724	10 724		
East Rand Plastics	Refuse bag manufacturer	1	1	1	1		
Transpaco Recycling	Plastic recycling	1	1	1	1		
Transpaco Sheet Extrusion	Deregistered	-	100	-	5 540 829		
Britepak	Printed folded cartons	1 050	1 050	18 700 000	18 700 000		
Transpaco Specialised Films	Pallet wrap	100	100	1	1		
Booysens Road Properties	Property owning	1	1	1	1		
Explosive Film Technologies	Property owning	40 000	40 000	40 000	40 000		
Propateez 62	Property owning	100	100	10 988 533	10 988 533		
Future Packaging and Machinery	Packaging distributor	1 000	-	-	-		
Future Packaging and Machinery - Cape	Packaging distributor	1 000	-	-	-		
Future Packaging and Machinery - KZN	Packaging distributor	100	-	-	-		
Trans Consumer Plastics	Dormant company	125	125	105 747	105 747		
		68 481	66 481	30 147 941	35 688 770	(16 856 550)	82 112 970

Transpaco has consolidated the Transpaco Share Incentive Scheme.

Future Packaging

Due to the fact the purchase price allocation has not been completed, the allocation of the investment can not be done as yet.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

		Group		Company	
	Notes	June 2018 R'000	June 2017 R'000	June 2018 R'000	June 2017 R'000
Revenue	3	**1 725 113**	1 639 861	**40 107**	51 500
Turnover	3	**1 721 876**	1 635 790	**-**	-
Cost of sales		**(1 095 588)**	(1 046 749)	**-**	-
Profit before operating costs and depreciation		**626 288**	589 041	**-**	-
Operating costs		**(446 423)**	(422 076)	**-**	-
Depreciation		**(40 656)**	(45 262)	**-**	-
Impairment	4	**-**	-	**(5 541)**	-
Operating profit		**139 209**	121 703	**(5 541)**	-
Finance income	3	**3 237**	4 071	**-**	-
Finance costs	4	**(7 404)**	(6 429)	**-**	-
Dividends received	3	**-**	-	**40 107**	51 500
Profit before taxation	4	**135 042**	119 345	**34 566**	51 500
Taxation	5	**(37 556)**	(32 986)	**-**	-
Profit for the year		**97 486**	86 359	**34 566**	51 500
Other comprehensive income that will be recycled to profit or loss in future		**-**	-	**-**	-
Other comprehensive income that will not be recycled to profit or loss in future		**-**	-	**-**	-
Total comprehensive income for the year		**97 486**	86 359	**34 566**	51 500
Weighted average ranking number of ordinary shares in issue ('000)	6	**32 629**	32 858		
Diluted weighted average ranking number of ordinary shares in issue ('000)	6	**32 629**	32 883		
Earnings per share (cents)	6	**298,8**	262,8		
Diluted earnings per share (cents)	6	**298,8**	262,6		

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2018

		Group		Company	
	Notes	June 2018 R'000	June 2017 R'000	June 2018 R'000	June 2017 R'000
ASSETS					
Non-current assets		**432 831**	382 035	**136 428**	35 689
Property, plant and equipment	7	**347 019**	338 406	**-**	-
Intangibles	8	**17 855**	17 855	**-**	-
Goodwill	9	**64 182**	23 195	**-**	-
Investment in subsidiaries	11	**-**	-	**136 428**	35 689
Deferred taxation	20	**3 775**	2 579	**-**	-
Current assets		**649 978**	541 469	**-**	82 112
Inventories	12	**259 846**	204 006	**-**	-
Trade and other receivables	13	**328 796**	237 929	**-**	-
Taxation receivable	30,2	**888**	-	**-**	-
Cash and cash equivalents	14	**60 448**	99 534	**-**	-
Amounts owing from subsidiaries	15	**-**	-	**-**	82 112
Total assets		**1 082 809**	923 504	**136 428**	117 801
EQUITY AND LIABILITIES					
Capital and reserves		**620 131**	561 225	**113 226**	117 492
Issued share capital	16	**328**	328	**328**	333
Share premium	16	**11 019**	11 019	**11 019**	11 019
Other reserves	16	**-**	4 005	**19 138**	19 138
Distributable reserve		**608 784**	545 873	**82 741**	87 002
Non-current liabilities		**158 362**	106 303	**-**	-
Interest-bearing borrowings	18	**113 811**	65 259	**-**	-
Deferred income	19	**11 053**	13 153	**-**	-
Deferred taxation	20	**33 498**	27 891	**-**	-
Current liabilities		**304 316**	255 976	**23 202**	309
Trade payables and accruals	21	**250 464**	208 813	**6 340**	309
Provisions	22	**32 145**	27 929	**-**	-
Current portion of interest-bearing borrowings	18	**18 790**	16 916	**-**	-
Deferred income	19	**2 103**	2 113	**-**	-
Taxation payable	30,2	**814**	205	**-**	-
Amounts owing to subsidiaries	15	**-**	-	**16 862**	-
Total equity and liabilities		**1 082 809**	923 504	**136 428**	117 801

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

Group

R'000	Issued Share Capital	Share Premium	Other Reserves	Distributable Reserve	Total
Balance at 1 July 2016	**328**	**11 019**	**4 005**	**507 602**	**522 954**
Profit for the year	-	-	-	86 359	**86 359**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	86 359	**86 359**
Dividend paid	-	-	-	(48 088)	**(48 088)**
Balance at 1 July 2017	**328**	**11 019**	**4 005**	**545 873**	**561 225**
Profit for the year	-	-	-	97 486	**97 486**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	97 486	**97 486**
Transfer	-	-	(4 005)	4 005	**-**
Dividend paid	-	-	-	(38 580)	**(38 580)**
Balance at 30 June 2018	**328**	**11 019**	**-**	**608 784**	**620 131**

Company

R'000	Issued Share Capital	Share Premium	Other Reserves	Distributable Reserve	Total
Balance at 1 July 2016	**333**	**11 019**	**19 138**	**84 146**	**114 636**
Profit for the year	-	-	-	51 500	**51 500**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	51 500	**51 500**
Dividend paid	-	-	-	(48 644)	**(48 644)**
Balance at 1 July 2017	**333**	**11 019**	**19 138**	**87 002**	**117 492**
Profit for the year	-	-	-	34 566	**34 566**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	34 566	**34 566**
Shares cancelled	(5)	-	-	-	**(5)**
Dividend paid	-	-	-	(38 827)	**(38 827)**
Balance at 30 June 2018	**328**	**11 019**	**19 138**	**82 741**	**113 226**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Group June 2018 R'000	Group June 2017 R'000	Company June 2018 R'000	Company June 2017 R'000
Cash flow from operating activities					
Cash generated from operations	30,1	**125 713**	204 387	**98 996**	8 077
Dividends received		**-**	-	**40 107**	51 500
Dividends paid		**(38 580)**	(48 088)	**(38 827)**	(48 644)
Finance income received		**3 237**	4 071	**-**	-
Finance costs paid		**(7 404)**	(6 429)	**-**	-
Taxation paid	30,2	**(35 409)**	(33 185)	**-**	-
Net cash inflow from operating activities		**47 557**	120 756	**100 276**	10 933
Cash flow used in investing activities					
Proceeds on disposal of property, plant and equipment		**1 418**	2 615	**-**	-
Acquisition of business	10	**(96 571)**	-	**-**	-
Expansion and replacement of property, plant and equipment		**(38 737)**	(118 369)	**-**	-
Investment in subsidiary	10	**-**	-	**(100 276)**	(10 933)
Decrease in amount owing to subsidiaries		**-**	-	**-**	-
Net cash outflow from investing activities		**(133 890)**	(115 754)	**(100 276)**	(10 933)
Cash flow used in financing activities					
Proceeds from borrowings		**66 434**	59 929	**-**	-
Repayment of borrowings		**(19 187)**	(50 564)	**-**	-
Net cash inflow from financing activities		**47 247**	9 365	**-**	-
Net movement in cash for the year		**(39 086)**	14 367	**-**	-
Cash and cash equivalents at the beginning of the year		**99 534**	85 167	**-**	-
Cash and cash equivalents at the end of the year	14	**60 448**	99 534	**-**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES

The group and company's annual financial statements set out on pages 46-84 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) IFRS interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act of South Africa.

The accounting policies are consistent in all material respects with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2017. These annual financial statements are presented in South African Rands because that is the currency of the primary economic environment in which the group operates. The consolidated financial statements have been prepared on a historical cost basis, except where otherwise indicated. All values are rounded to the nearest thousand (R'000), except where otherwise indicated.

1.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income and the statement of financial position from the date the group gains control until the date the group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the group's accounting policies.

Non-controlling interests represent the portion of profit or loss and net assets not held by the group, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

1.2 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which are deemed to be either of an asset or liability will be recognised in accordance with IAS 39 either in profit or loss.

If the contingent consideration is classified as equity, it shall not be remeasured. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units ("CGUs") that are expected to benefit from the combination irrespective of whether other assets or liabilities of the acquiree are assigned to those CGUs.

Where goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

1.3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year:

- Standards issued but not yet effective up to the date of issuance of the financial statements are listed below. This listing of standards and interpretations issued are those that the group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The group intends to adopt these standards when they become effective.

The following Standards have been issued or revised and will become effective after June 2018:

- IFRS 9 Financial Instruments – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The adoption of IFRS 9 will result in a reclassification of financial assets and the measurement of provisions against receivables will be revised using the expected loss method, the impact of which is not material. The effective date is 1 July 2018 and the modified retrospective method will be used.
- IFRS 15 Revenue from Contracts with Customers – IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. Management has assessed the potential impact of IFRS 15 on the financial statements of the group and concluded that the group does not sell products based on multiple-element arrangements and it does not sell products on a provisional or variable pricing basis and as such IFRS 15 does not have a significant impact on the timing or amount of the group's revenue recognition. The effective date is 1 July 2018 and the modified retrospective method will be used.
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 – The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas; the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations and The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Effective for annual periods beginning on or after 1 January 2018. The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. This amendment is not expected to impact the group.
- IFRS 16 Leases – The IASB has issued IFRS 16 Leases that requires lessees to recognise most leases on their balance sheets. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard contains additional disclosure requirements for leasing arrangements entered into. Effective for annual periods beginning on or after 1 January 2019. The group is currently assessing the impact and will adopt the new standard at the required effective date.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments – The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The group is currently assessing the impact and do not believe that it will be material to the group.

ANNUAL IMPROVEMENTS 2015-2017

IAS 12 Income Taxes

Income tax consequences of payments on financial instruments classified as equity

- The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
- An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

IAS 23 Borrowing Costs

Borrowing costs eligible for capitalisation

- The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
- An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.
- An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019.

The amendments are not expected to have a material impact to the group.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is reflected at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided for on the straight-line basis over the estimated useful lives in order to reduce the item to its residual value as follows:

Buildings	Up to 50 years
Plant and machinery	5 to 15 years
Computers, furniture and fittings	3 to 10 years
Vehicles	2 to 10 years

To the extent that subsequent expenditure on an item of property, plant and equipment meets the recognition criteria, it is capitalised to the cost of the item. Day-to-day servicing costs are not capitalised but are expensed as incurred.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

Assets under construction are not depreciated until ready for use at which time they are then transferred to the relevant asset category.

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in the profit or loss in the year the asset is de-recognised.

1.5 INTANGIBLE ASSETS

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Useful lives, amortisation methods and residual values are reviewed at each year-end.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss on sale of an intangible asset is recognised in profit or loss when the asset is derecognised.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amount of property, plant and equipment and intangible assets with finite useful lives is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated at the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, statistics or other available fair value indicators.

An impairment loss is recognised in profit or loss whenever the carrying amount exceeds the recoverable amount, which is the higher of fair value less cost to sell and value in use, and the assets are written-down to their recoverable value.

For assets excluding goodwill, an assessment is made at each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumption used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised directly in profit or loss.

Goodwill

Goodwill is tested for impairment annually as at 30 June and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 30 June either individually or at CGU level.

1.7 INVENTORIES

Raw material, work-in-progress and finished goods are valued at the lower of cost and net realisable value. Cost is calculated using the first-in-first out method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

The value of work-in-progress and finished goods includes direct costs and manufacturing overheads.

1.8 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions are translated at the spot rate of exchange ruling on the date of the respective transactions. The related foreign currency monetary assets and liabilities at year-end are translated at the spot rates at the reporting date. Exchange differences arising on settlement of monetary items or on translation of unsettled short-term and long-term monetary items at rates different from those previously recorded, are recognised in profit or loss for the year.

1.9 REVENUE RECOGNITION

Revenue includes turnover, interest received and dividends received. Revenue is measured at the fair value of consideration received or receivable.

Turnover is recognised net of trade discounts and rebates. Turnover on the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Dividends received are recognised when the shareholders right to receive payment is established.

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in profit or loss.

1.10 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grant will be received.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit and loss over the expected useful life of the relevant asset by equal annual instalments.

1.11 RETIREMENT BENEFITS

Current contributions to the defined contribution pension and provident funds are based on current service and current salary and are recognised in profit or loss for the year.

1.12 LEASES

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using IAS 17 Leases.

Leases that transfer substantially all the risks and rewards of ownership of the underlying assets to the group are classified as finance leases. Assets acquired in terms of a finance lease are capitalised at the lower of fair value and the present value of the minimum lease payments at the commencement of the lease, and depreciated over the shorter of the useful life of the asset and the lease term where there is no reasonable certainty that the group will obtain ownership of the asset at the end of the lease term.

The capital elements of future obligations under the lease are included as liabilities in the statement of financial position. The finance charge will be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Operating leases are expensed to profit and loss on a straight-line basis over the lease term.

1.13 INVESTMENTS IN SUBSIDIARIES

At company level investments in subsidiaries are stated at cost less any impairment in value.

1.14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as part of the cost of the asset. All other borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.15 TAXATION

Current Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date and any adjustment of tax payable for previous years.

Current income tax on items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Deferred tax

Deferred taxation is provided using the liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relates to the deductible temporary differences from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the tax rate enacted or substantially enacted by the reporting dates. Deferred taxation is charged to the statement of comprehensive income. The effects on deferred taxation of any changes in tax rates are recognised in the statement of comprehensive income.

The carrying amount of deferred income tax assets is reviewed at each reporting date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would be treated either as a reduction to goodwill if it incurred during the measurement period or in profit or loss.

Value Added Tax

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included in receivables or payables in the statement of financial position.

Dividend Withholding Tax and Dividends

A dividend withholding tax of 20% (on or after 22 February 2017) or 15% (prior to 22 February 2017) is withheld on behalf of the taxation authority on dividend distributions. The net amount payable to the taxation authority is included as part of trade and other payables at the time a dividend is declared.

1.16 PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the amount expected to be incurred in settling the obligation. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation.

A contingent liability is either a possible obligation whose existence will only be confirmed in the future; or a present obligation that is not recognised as either it is not probable or the amount cannot be measured reliably. Contingent liabilities are not recognised, but are disclosed, unless the possibility of an outflow of economic resources is remote.

1.17 FINANCIAL INSTRUMENTS

Financial assets and liabilities are accounted for when the entity becomes party to the contractual provisions of the instrument and are initially measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

CLASSIFICATION

The group's classification of financial assets and financial liabilities are as follows:

Description of asset/liability	Classification
Trade and other receivables	Loans and receivables
Loans to subsidiaries	Loans and receivables
Cash and cash equivalents	Loans and receivables
Interest bearing borrowings	Financial liabilities at amortised cost
Trade and other payables	Financial liabilities at amortised cost
Loans from subsidiaries	Financial liabilities at amortised cost

Loans and receivables

Trade and other receivables

Trade and other receivables are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial instruments are subsequently measured at amortised cost using the effective interest rate method. Trade receivables are recognised and carried at original invoice amount as the effect of imputing interest is considered to be insignificant. The allowance raised is the amount needed to reduce the carrying value to the present value of expected future cash receipts. Bad debts are written off when concrete cases of default are identified. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and in hand and are carried at amortised cost.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial liabilities at fair value through profit and loss: derivative financial instruments
Where forward foreign exchange contracts have been entered into as economic hedges of the movements in the foreign exchange rates, they are initially recognised at fair value on the date the contract is entered into and is subsequently remeasured at fair value. Any fair value gains or losses on remeasurements are recognised in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The group does not apply hedge accounting in terms of IAS 39.

Loans and Borrowings
Trade and other payables
Trade and other payables being short-term in nature are carried at cost as the effect of imputing interest is not considered to be material.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit and loss'. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well through the amortisation process.

1.18 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar assets) is derecognised when:

- the rights to receive cash flows from the asset has expired;
- the group retains the right to receive cash flows from the asset, but has assumed the obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred it rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of the new liability, and the difference in the respective carrying amounts is recognised in profit and loss.

1.19 IMPAIRMENT OF FINANCIAL ASSETS

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reasonably estimated.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured at the difference between the asset's carrying amount and the present value of the estimated cash flow calculated using the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed what its amortised cost would have been at the reversal date had no impairment been recognised.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

1.20 OFFSET

Financial assets and liabilities are offset and disclosed on a net basis in the consolidated statement of financial position where there is a legal right to set off and there is either an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.21 TREASURY SHARES

Shares in Transpaco held by subsidiary companies and the Share Incentive Trust are treated as treasury shares. The shares are treated as a deduction from the issued weighted average number of shares and the cost of the shares is deducted from share capital and share premium in the statement of financial position on consolidation. Dividends received on treasury shares are eliminated on consolidation. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration received or paid with regards to treasury shares are recognised in equity.

1.22 SHARE INCENTIVE TRUST

Transpaco has consolidated its Share Incentive Trust. Shares which are held by the trust are treated as treasury shares.

1.23 SHARE-BASED PAYMENTS

Equity-settled transactions

The cost of the equity-settled transactions is recognised at grant date fair value, together with a corresponding increase in other reserves in equity over the period in which the vesting conditions are fulfilled. The fair value is measured using a binomial model. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognised in profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in note 17. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting conditions is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

1.24 SEGMENTAL REPORTING

The principal segments of the group have been identified by grouping of similar-type products. This basis is representative of the internal structure for management purposes and represents information reported to the chief operating decision-maker. No geographical segments are reported as the group operates mainly in South Africa.

1.25 EVENTS AFTER REPORTING PERIOD

Recognised amounts in the financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those estimates which may be material to the financial statements.

The estimates and assumptions that have a significant risk of causing material adjustments to the amounts reflected in the financial statements are discussed below:

- Carrying value of goodwill and intangible assets – Goodwill and intangible assets with indefinite useful lives are tested for impairment on an annual basis; tangible assets and intangible assets with finite useful lives are only tested for impairment where events and circumstances indicate that the carrying value may not be recoverable. The recoverable amount of CGU's is determined through the higher of value in use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions concerning the future cash flows which are inherently uncertain and could change over time. In addition, changes in economic factors such as discount rates could also impact this calculation. The carrying amount of the goodwill, tangible assets and intangible assets subject to estimation is included in the statement of financial position. The recoverable amount of goodwill is determined based on a value in use calculation using a discounted cash flow projection. Discount rates are arrived at by using the pre-tax average weighted cost of capital for the group. The "relief from royalty" valuation method is used to value intangibles. The main inputs used are a notional royalty rate and an appropriate discount rate. Refer to notes 8 and 9 for additional information.
- Inventory valuation – The carrying amount of inventory, including the allocation of overheads to those inventories, over the group's many manufacturing facilities requires judgement and estimation. These estimates and judgements in this regard are based on historical experience. The carrying amount of inventory is disclosed in note 12.
- Applying the principles of IFRS 3 Business combinations – Judgement is required in the application of the principles of IFRS 3 and, in particular, in determining whether a particular transaction falls within the definition of a business and therefore within the ambit of IFRS 3. The judgement required is based on considering the aspect of the definition of a business, being the existence of inputs, processes and outputs. Refer to note 11 for the current year's investment in a subsidiary for additional information.
- Residual values and useful lives of tangible assets – Residual values and useful lives of tangible assets are assessed on an annual basis. Estimates and judgements in this regard are based on historical experience and expectations of the manner in which assets are to be used, together with expected proceeds likely to be realised when assets are disposed at the end of their useful lives. Such expectations could change over time and therefore impact both depreciation charges and carrying values of tangible assets in the future. The carrying value of the tangible assets subject to estimation is included in note 7.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

3. REVENUE

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Sale of goods	**1 721 876**	1 635 790	**-**	-
Dividends received	**-**	-	**40 107**	51 500
Finance income	**3 237**	4 071	**-**	-
	1 725 113	1 639 861	**40 107**	51 500

4. PROFIT BEFORE TAXATION

Determined after charging/(crediting)

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Auditors' remuneration	**3 452**	2 732	**-**	-
Fee	**3 407**	2 676	**-**	-
Other services	**45**	56	**-**	-
Depreciation	**40 656**	45 262	**-**	-
Plant and machinery	**32 406**	37 237	**-**	-
Vehicles	**3 656**	4 527		
Buildings	**3 162**	2 350	**-**	-
Furniture, fittings and computer	**1 432**	1 148	**-**	-
Impairment of investment	**-**	-	**5 541**	-
Foreign exchange (gain)/loss	**(1 070)**	188	**-**	-
Operating rental charges - land and buildings	**25 012**	24 785	**-**	-
Profit on disposal of property, plant and equipment	**(642)**	(91)	**-**	-
Finance costs	**7 404**	6 429	**-**	-
Bank overdrafts	**482**	27	**-**	-
Finance charges payable under instalment sale agreements	**3 531**	1 979	**-**	-
Finance charges payable under revolving credit facility	**264**	2 320	**-**	-
Finance charges payable under mortgage bonds	**3 127**	2 103	**-**	-
Finance income	**(3 237)**	(4 071)	**-**	-
Bank interest received	**(3 237)**	(4 071)	**-**	-
Secretarial fees	**41**	43	**-**	-
Staff costs excluding executive directors' remuneration	**312 027**	288 450	**-**	-
Salaries and wages	**292 628**	269 988	**-**	-
Pension and provident fund	**19 399**	18 462	**-**	-

EXECUTIVE DIRECTORS' REMUNERATION 2018

	Remuneration R'000	Bonus R'000	Pension and medical aid R'000	Total fixed and flexible remuneration R'000	Share options excercised R'000	**Total remuneration R'000**
PN Abelheim	5 015	4 330	815	10 160	-	**10 160**
SR Bouzaglou	3 473	2 015	608	6 096	-	**6 096**
L Weinberg	3 210	2 745	554	6 509	575	**7 084**
Total	11 698	9 090	1 977	22 765	575	**23 340**

The value of the share options taken up were calculated by multiplying the number of share options taken up, by the difference between the option price (see Directors' Report page 44-45 and the market value of R23,05 (2017: R27,00) per share on the date the options were taken up.

Incentive bonuses paid in the reported financial year are based on group performance in the prior financial year.

EXECUTIVE DIRECTORS' REMUNERATION 2017

	Remuneration R'000	Bonus R'000	Pension and medical aid R'000	Total fixed and flexible remuneration R'000	Share options excercised R'000	**Total remuneration R'000**
PN Abelheim	4 733	5 257	766	10 756	-	**10 756**
SR Bouzaglou	3 265	2 354	585	6 204	-	**6 204**
L Weinberg	3 031	3 383	520	6 934	540	**7 474**
Total	11 029	10 994	1 871	23 894	540	**24 434**

PRESCRIBED OFFICER'S REMUNERATION 2018

	Remuneration R'000	Bonus R'000	Pension and medical aid R'000	Total fixed and flexible remuneration R'000	Share options excercised R'000	**Total remuneration R'000**
HJ van Niekerk	1 111	160	96	1 367	-	**1 367**

PRESCRIBED OFFICER'S REMUNERATION 2017

	Remuneration R'000	Bonus R'000	Pension and medical aid R'000	Total fixed and flexible remuneration R'000	Share options excercised R'000	**Total remuneration R'000**
HJ van Niekerk	1029	200	89	1 318	-	**1 318**

4. PROFIT BEFORE TAXATION (CONTINUED)

NON-EXECUTIVE DIRECTORS' REMUNERATION

	2018 Fees R'000	2017 Fees R'000
HA Botha	**263**	248
SI Jacobson	**475**	456
B Mkhondo	**253**	28
DJJ Thomas	**365**	345
SP van der Linde	**253**	239
	1 609	1 316

5. TAXATION

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
SA normal taxation				
Current taxation				
Current year	**33 580**	33 488	**-**	-
Prior year	**19**	-	**-**	-
Deferred taxation	**3 957**	(502)	**-**	-
	37 556	32 986	**-**	-
Tax rate reconciliation (%)				
Standard SA normal tax rate on companies	**28,00**	28,00	**28,00**	28,00
Adjusted for:				
Disallowable expenditure	**0,12**	0,07	**-**	-
- Fines, donations and penalties	**0,11**	0,07	**-**	-
- Legal fees	**0,01**	-	**-**	-
Non-taxable income	**(0,31)**	(0,43)	**(28,00)**	(28,00)
- Learnerships	**(0,04)**	(0,43)	**-**	-
- Prior year adjustment	**(0,27)**	-	**-**	-
- Dividend income	**-**	-	**(28,00)**	(28,00)
Effective taxation rate	**27,81**	27,64	**-**	-

6. EARNINGS AND DIVIDENDS PER SHARE

	Group	
	June 2018 R'000	June 2017 R'000
Basic earnings per share are calculated by dividing the total profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.		
Diluted earnings per share are calculated by dividing the total profit adjusted for the effects of dilutive convertible ordinary shares divided by the weighted average number that would be in issue on conversion of all the dilutive potential shares into ordinary shares.		
Earnings per ordinary share (cents)	**298,8**	262,8
Headline earnings per ordinary share (cents)	**297,4**	262,6
Earnings per ordinary share – fully diluted (cents)	**298,8**	262,6
Headline earnings per ordinary share – fully diluted (cents)	**297,4**	262,4
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Basic and diluted basic earnings	**R'000**	R'000
Net profit attributable to ordinary equity holders for basic earnings	**97 486**	86 359
Headline and diluted headline earnings		
Net profit attributable to ordinary equity holders for basic earnings	**97 486**	86 359
Profit on disposal of property, plant and equipment	**(462)**	(65)
Gross amount	**(642)**	(91)
Taxation	**180**	26
Net profit attributable to ordinary equity holders for headline earnings	**97 024**	86 294
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**32 629**	32 858
Effect of dilution:		
Share options	**-**	25
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effects of dilution	**32 629**	32 883
	Cents	Cents
Dividends per share (cents)	**135,0**	120,0

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

7. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Assets under construction R'000	Land and buildings R'000	Vehicles R'000	Plant machinery R'000	Furniture fittings & computers R'000	**Total R'000**
At 1 July 2017, net of accumulated depreciation and impairment	13 316	93 525	11 857	215 210	4 498	**338 406**
Additions	1 478	4 327	3 816	27 149	1 967	**38 737**
Acquisition of business	-	1 113	6 700	1 320	2 175	**11 308**
Transfers	(13 316)	-	-	13 316	-	**-**
Disposals at carrying value	-	(20)	(403)	(314)	(39)	**(776)**
Disposals at cost	-	(118)	(2 415)	(7 496)	(1 754)	**(11 783)**
Disposals – reversal of accumulated depreciation	-	98	2 012	7 182	1 715	**11 007**
Depreciation	-	(3 162)	(3 656)	(32 406)	(1 432)	**(40 656)**
At 30 June 2018, net of accumulated depreciation and impairment	1 478	95 783	18 314	224 275	7 169	**347 019**
Cost	1 478	112 606	48 633	502 235	19 503	**684 455**
Accumulated depreciation and impairment	-	(16 823)	(30 319)	(277 960)	(12 334)	**(337 436)**
Net carrying amount	1 478	95 783	18 314	224 275	7 169	**347 019**

No property, plant and equipment have been pledged or have any restrictions on title other than those referred to in mortgage loans over properties. Refer to note 18 for more detail.

Assets under construction relates to plant and machinery that is in the process of construction.

	Group					
	Assets under construction R'000	Land and buildings R'000	Vehicles R'000	Plant machinery R'000	Furniture fittings & computers R'000	**Total R'000**
At 1 July 2016, net of accumulated depreciation and impairment	731	41 261	13 877	207 198	4 756	**267 823**
Additions	13 316	54 614	2 945	46 602	892	**118 369**
Transfers	(731)	-	-	731	-	**-**
Disposals at carrying value	-	-	(438)	(2 084)	(2)	**(2 524)**
Disposals at cost	-	(749)	(1 506)	(28 489)	(2 220)	**(32 964)**
Disposals – reversal of accumulated depreciation	-	749	1 068	26 405	2 218	**30 440**
Depreciation	-	(2 350)	(4 527)	(37 237)	(1 148)	**(45 262)**
At 30 June 2017, net of accumulated depreciation and impairment	13 316	93 525	11 857	215 210	4 498	**338 406**
Cost	13 316	107 284	40 532	467 946	17 115	**646 193**
Accumulated depreciation and impairment	-	(13 759)	(28 675)	(252 736)	(12 617)	**(307 787)**
Net carrying amount	13 316	93 525	11 857	215 210	4 498	338 406

The amount of borrowing costs capitalised during the year was R1 293 829 (2016: R61 900) and related to qualifying assets. All construction relating to the qualifying assets were completed at year-end.

No property, plant and equipment have been pledged or have any restrictions on title other than those referred to in mortgage loans over properties. Refer to note 18 for more detail.

Assets under construction relates to plant and machinery that is in the process of construction.

8. INTANGIBLES

	R'000
Cost as at 1 July 2017, net of accumulated impairment	**17 855**
At 30 June 2018	**17 855**
At 30 June 2018	
Cost (gross carrying amount)	**18 112**
Accumulated impairment	**(257)**
Net carrying amount	**17 855**
Jiffy brand	**482**
Garbie brand	**17 373**
Cost as at 1 July 2016, net of accumulated impairment	17 855
At 30 June 2017	17 855
At 30 June 2017	
Cost (gross carrying amount)	18 112
Accumulated impairment	(257)
Net carrying amount	17 855
Jiffy brand	482
Garbie brand	17 373

The group applied the "relief-from-royalty" valuation methodology to value intangible assets.
This method entails quantifying royalty payments, which would be required if the intangible were owned by a third party and licenced to the company.

There are two intangibles:
1) The Jiffy brand which has an indefinite life. Jiffy is a well established brand which is mainly in the back to school range and has proven to be a growth area of the business. The Jiffy brand is determined to have an indefinite life based on an assessment of the brand's historical longevity and stable market position. The Jiffy brand has been allocated to the Transpaco Flexibles cost generating unit (CGU) and the relief from royalty has been used as the recoverable amount. Main inputs used were forecast future sales of 5% (2017: 8%), a notional royalty rate payable in an arm's length transaction of 2% (2017: 2%) and terminal growth rate of 1% (2017: 1%) and an appropriate discount rate of 14% (2017: 14%), a weighted average cost of capital of 14,5% (2017: 14%) with a risk premium of 1% (2017: 1%) being added.

2) The Garbie brand which was acquired through the acquisition of East Rand Plastics has an indefinite life. Garbie is a well established brand which produces refuse bags mainly for the FMCG market. The Garbie brand is determined to have an indefinite life based on an assessment of the brand's historical longevity and stable market position. The Garbie brand has been allocated to the East Rand Plastics CGU and the relief from royalty has been used as the recoverable amount. Main inputs used were forecast future sales of 5% (2017: 5%) over a 5 year period, a royalty percentage rate payable in an arm's length transaction of 2% (2017: 2%).
A terminal growth rate of 1% (2017: 3%) was used.

No intangibles have been pledged or have restrictions on title.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

9. GOODWILL

	R'000
Cost as at 1 July 2017, net of accumulated impairment	**23 195**
Acquisition of business (Note 10)	**40 987**
At 30 June 2018	**64 182**
At 30 June 2018	
Cost (gross carrying amount)	**64 182**
Accumulated impairment	**-**
Net carrying amount	**64 182**

	R'000
Cost as at 1 July 2016, net of accumulated impairment	23 195
At 30 June 2017	23 195
At 30 June 2017	
Cost (gross carrying amount)	23 195
Accumulated impairment	-
Net carrying amount	23 195

BRITEPAK TRADING (PTY) LTD

Goodwill acquired through business combinations has been allocated to Britepak Trading (Pty) Ltd. The recoverable amount has been determined based on a value in use calculation using a discounted cash flow projection based on budgets covering a five-year period which is based on industry expectations and management experience. Management estimates discount rates using the pre-tax average weighted cost of capital for the group. Growth rates are based on industry growth rate forecasts.

Main inputs used were forecast, future sales of 5% (2017: 8%), increased profit before interest and tax of 5% (2017: 5%), movement on working capital of 8% (2017: 8%), a pre-tax average weighted cost of capital rate of 14,5% (2017: 14%) and a terminal growth rate of 1% (2017: 1%).

EAST RAND PLASTICS (PTY) LTD

Goodwill acquired through business combinations has been allocated to East Rand Plastics (Pty) Ltd. The recoverable amount has been determined based on a value in use calculation using a discounted cash flow projection based on budgets covering a five-year period which is based on industry expectations and management experience. Management estimates discount rates using the pre-tax average weighted cost of capital for the group. Growth rates are based on industry growth rate forecasts.

Main inputs used were forecast, future sales of 5% (2017: 5%) , future profit before interest and tax of 5% (2017: 5%), movement on working capital of 5% (2017: 8%), a pre-tax average weighted cost of capital rate of 14,5% (2017: 14%) and a terminal growth rate of 1% (2017: 1%).

FUTURE PACKAGING

Goodwill acquired through business combinations has been allocated to Future Packaging and Machinery (Pty) Ltd, Future Packaging and Machinery Cape (Pty) Ltd Future Packaging and Machinery (Kwa-Zulu Natal) (Pty) Ltd.

The recoverable amount has been determined based on a value in use calculation using a discounted cash flow projection based on budgets covering a five-year period which is based on industry expectations and management experience. Management estimates discount rates using the pre-tax average weighted cost of capital for the group. Growth rates are based on industry growth rate forecasts.

Main inputs used were forecast, future sales of 5%, future profit before interest and tax of 5%, movement on working capital of 5%, a pre-tax average weighted cost of capital rate of 14,5% and a terminal growth rate of 1%.

Any reasonably possible change in assumptions would not result in impairment.

10. ACQUISITION OF BUSINESS

ACQUISITION OF FUTURE PACKAGING

On 1 March 2018, Transpaco acquired 100% of Future Packaging which consists of Future Packaging and Machinery (Pty) Ltd, Future Packaging and Machinery Cape (Pty) Ltd and Future Packaging and Machinery (Kwa-Zulu Natal) (Pty) Ltd. Future Packaging offers innovative and effective solutions with respect to general packaging as well as customised technical turnkey projects relating to packaging lines. Branches are strategically positioned throughout South Africa to service the local and export market.

Future Packaging was acquired due to it's achievement of consistent growth in sales and profitability, strong growth prospects and the opportunity to grow the current group's operations. The purchase consideration for the business includes a premium of R41,0 million of which the group believes to be a fair and reasonable consideration payable for the impressive business with sound standard operating procedures, scalable business model which allows for significant growth through expansion without excessive requirements and anticipated earnings enhancement.

From the date of acquisition, Future Packaging has contributed R13 667 317 of revenue and R4 219 944 to the net profit before tax.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

The preliminary fair values of the identifiable assets and liabilities of The Future Packaging and Machinery group as at the date of acquisition were:

	Fair value recognised at acquisition R'000
Assets	
Property, plant and equipment	11 308
Deferred taxation	72
Inventory	46 308
Trade and other receivables	69 252
Cash and cash equivalents	3 705
	130 645
Liabilities	
Interest-bearing borrowings	3 181
Trade payables and accruals	60 640
Taxation payable	1 531
	65 352
Total identifiable net assets at fair value	65 293
Goodwill and Intangibles	40 987
Purchase consideration transferred	**106 280**

	Cash flow on acquisition R'000
Net cash acquired	3 705
Cash paid	(100 276)
Net cash flow on acquisition	**(96 571)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

10. ACQUISITION OF BUSINESS (CONTINUED)

CONSIDERATION TRANSFERRED

The acquisition of the business was settled through cash resources.

The Goodwill and Intangibles of R40 987 000 comprises the fair value of expected synergies arising from the acquisition.

As at 30 June 2018 management is in the process of finalising the purchase price allocations ("PPA"). This may result in the identification of additional intangible assets, which will result in a corresponding adjustment to goodwill, The PPA will be finalised by 28 February 2019.

The remaining R6 040 000 will be settled in cash upon the sale of certain inventory items by the subsidiary. This is expected to occur by 31 October 2018.

11. INVESTMENT IN SUBSIDIARIES

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Shares at cost	**-**	-	**136 428**	35 689

The investments in unlisted subsidiaries carry a cumulative net asset value of R578 510 145 (2017: R457 192 483). The detail of the respective investments is scheduled in the Directors' Report.

On 1 March 2018 the company acquired Future Packaging for R106 280 000 which was settled in cash. See note 10 for more detail.

The impairment loss of R5 541 000 in 2018 represented the write-down of the investment in Transpaco Sheet Extrusion (Pty) Ltd, a dormant subsidiary of Transpaco Limited. The write-down was a result of the deregistration of the company during the financial period.

On 1 March 2017 the company acquired Propateez 62 (Pty) Ltd for R10 933 000 which was settled in cash. This company owns a mortgaged property, from which the recycling factory operates, which is not considered to be an acquisition of a business.

12. INVENTORIES

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Raw materials	**99 479**	99 268	**-**	-
Work in progress	**23 739**	21 327	**-**	-
Finished goods	**136 628**	83 411	**-**	-
	259 846	204 006	**-**	-

The cost of inventories expensed amounted to R1 095 588 000 (June 2017: R1 046 749 000). No write-down of inventories took place during the year (2017: Nil). Inventories of nil (2017: Nil) was carried at net reliable value.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Trade receivables	**307 434**	233 313	**-**	-
Less provision for bad debts	**(3 444)**	(2 840)	**-**	-
	303 990	230 473	**-**	-
Deposits	**1 264**	961	**-**	-
Sundry accounts receivable	**23 542**	6 495	**-**	-
	328 796	237 929	**-**	-

Trade receivables are non-interest bearing and are generally on 30-90 days' terms.

Sundry accounts receivable include staff loans, pre-payments and VAT receivable.

Provision for bad debts.				
At 1 July	**2 840**	2 429	**-**	-
Acquisition of business	**117**	-	**-**	-
Charge for the year	**871**	965	**-**	-
Utilised	**(384)**	(554)	**-**	-
At 30 June	**3 444**	2 840	**-**	20

As at 30 June, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired R'000	Past due but not impaired 30 Days R'000	Past due but not impaired 60 days R'000	Past due but not impaired 90 days R'000	Past due but not impaired 120 days R'000	Past due but not impaired greater than 120 days R'000	**Total R'000**
2018	**275 672**	**20 425**	**6 637**	**446**	**810**	**-**	**303 990**
2017	155 662	69 146	5 133	234	103	195	230 473

With respect to the trade receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

See note 28 on credit risk of trade receivables, which explains how the group manages and measures credit quality of trade receivables that are neither past due nor impaired.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Cash and cash equivalents	**60 448**	99 534	**-**	-

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 June 2018, the group had available R80 000 000 (2017: R115 568 000) of undrawn uncommitted borrowing facilities and R20 000 000 of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

15. AMOUNTS OWING (TO)/FROM SUBSIDIARIES

	Group		Company	
	June 2018 R'000	June 2017 R'000	June 2018 R'000	June 2017 R'000
Transpaco Administration and Financial Services (Pty) Ltd	**-**	-	**(16 862)**	82 112
	-	-	**(16 862)**	82 112

The loan is non-interest bearing, unsecured and has no fixed terms of repayment, however is payable on demand. There have been no guarantees provided or received. For the year ended 30 June 2018, the group has not recorded any impairment of receivables owing by the subsidiary (2017: Nil). This assessment is undertaken each financial year through examining the financial position of the subsidiary.

16. SHARE CAPITAL AND PREMIUM

	Group			Company		
	No of Shares	2018 R'000	2017 R'000	No of Shares	2018 R'000	2017 R'000
Authorised						
250 000 000 ordinary shares of 1 cents each		**2 500**	2 500		**2 500**	2 500
Issued						
Ordinary shares of 1 cents each	**33 317 482**	**333**	333	**33 317 482**	**333**	333
Shares held by Share Incentive Trust	**-**	**-**	(5)	**-**	**-**	-
Shares cancelled	**(431 123)**	**(5)**	-	**(431 123)**	**(5)**	-
Ranking ordinary shares of 1 cents each	**32 886 359**	**328**	328	**32 886 359**	**328**	333
Share premium						
Balance at beginning of year		**11 019**	11 019		**11 019**	11 019
Balance at end of year		**11 019**	11 019		**11 019**	11 019
		11 347	11 347		**11 347**	11 352

The remaining shares have been placed under control of the directors until the next annual general meeting. Shares issued during the year may not exceed five percent (5%) of the issued ordinary shares in any one financial year.

Treasury shares	No of shares
At 1 July 2016	476 123
Share options exercised	(20 000)
At 1 July 2017	456 123
Share options exercised	(25 000)
Shares cancelled	(431 123)
At 30 July 2018	**-**

Share options exercised in each respective year have been settled using the treasury shares of the group. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any excess between the cash received from employees and reduction in treasury shares is adjusted in retained income.

All the treasury shares were cancelled during the year.

Other reserves	Employee equity benefits reserve R'000
At 1 July 2016	4 005
Share-based payment expense	-
At 1 July 2017	4 005
Share-based payment expense transferred	(4 005)
At 30 June 2018	**-**

17. SHARE-BASED PAYMENTS

The number and weighted average exercise prices of share options are as follows:

	Group and Company			
	2018		2017	
	Number	**Average Price R**	Number	Average Price R
Beginning of year	**25 000**	**0,01**	45 000	0,01
Granted	**-**	**-**	-	-
Cancelled	**-**	**-**	-	-
Lapsed	**-**		-	
Exercised	**(25 000)**	**0,01**	(20 000)	0,01
End of year	**-**	**0,01**	25 000	0,01
Exercisable at 30 June	**-**		25 000	

There are no options outstanding at 30 June 2018.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

18. INTEREST-BEARING BORROWINGS

	Group		Company	
	June 2018 R'000	June 2017 R'000	June 2018 R'000	June 2017 R'000
Secured				
First mortgage bond	**10 850**	12 250	**-**	-
Non-current	**9 450**	10 850	**-**	-
Current	**1 400**	1 400	**-**	-
Secured over property situated at Erf 87 Vulcania Extension 2. The loan bears interest at 2.25% above JIBAR and is repayable monthly in instalments of R116 667, terminating not later than 2025. The carrying amount of the property is R13 201 091 (2017: R13 567 981).				
First mortgage bond	**20 290**	22 785	**-**	-
Non-current	**17 410**	21 382	**-**	-
Current	**2 880**	1 403	**-**	-
Secured over property situated at 180 Barbara Road, Elandsfontein The loan bears interest at 0.5% below the prime lending rate and is repayable monthly in instalments of R377 395, terminating not later than 2019. The carrying amount of the property is R54 479 924 (2017: R52 455 518).				
The loan agreement ends June 2019 at which time the loan will have an outstanding balance of R17 410 000 which will either be refinanced or settled in full.				
Instalment sale agreements	**41 461**	47 140	**-**	-
Non-current	**26 951**	33 027	**-**	-
Current	**14 510**	14 113	**-**	-
Secured in terms of instalment sale agreements over certain plant and equipment. The liabilities bear interest at between 0,05% and 1,00% above and below prime lending rate respectively and are repayable in instalments of between R2 614 and R797 757 per month over periods up to 60 months. The carrying amount of the plant and equipment is R55 810 681 (2017: R61 191 170).				
Revolving credit facility	**60 000**	-	**-**	-
Non-current	**60 000**	-	**-**	-
Current	**-**	-	**-**	-
The loan bears interest at 2.30% above JIBAR and is repayable in monthly in instalments of R1 333 333 over 60 months. The carrying amount of the loan is R60 000 000 (2017: Nil)				
Total Borrowings	**132 601**	82 175	**-**	-
Long-term portion of borrowings	**113 811**	65 259	**-**	-
Short-term portion of borrowings	**18 790**	16 916	**-**	-
	132 601	82 175	**-**	-

Borrowing powers of the group, in terms of the memorandum of incorporation, are unlimited.

Changes in liabilities arising from financing activities

	At 1 July 2017 R'000	Cash Flows R'000	Other R'000	At 30 June 2018 R'000
Current interest-bearing borrowings	16 916	(19 187)	21 061	**18 790**
Non-current interest-bearing borrowings	65 259	66 434	(17 882)	**113 811**
Total liabilities from financing activities	82 175	(47 247)	3 179	**132 601**

The "other" column includes the effect of reclassification of the non-current position of interest-bearing debt to current due to the passage of time. The group classifies interest paid as cash flows from operating activities.

19. DEFERRED INCOME

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
At 1 July	**15 266**	14 105	**-**	-
Received during the year	**-**	3 562	**-**	-
Released to the statement of comprehensive income	**(2 110)**	(2 401)	**-**	-
At 30 June	**13 156**	15 266	**-**	-
Current	**2 103**	2 113	**-**	-
Non-current	**11 053**	13 153	**-**	-
	13 156	15 266	**-**	-

Government grants have been received for the purchase of certain items of property, plant and equipment.

There are no unfulfilled conditions or contingencies attached to these grants.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

20. DEFERRED TAXATION

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Property, plant and equipment	**43 155**	37 843	**-**	-
Intangible assets	**4 864**	4 864	**-**	-
Deferred income	**(3 781)**	(4 275)	**-**	-
Lease accrual	**(1 236)**	(721)	**-**	-
Provision for debts	**(622)**	(626)	**-**	-
Prepaid expense	**151**	-	**-**	-
Provision for bonus and incentive bonus	**(9 308)**	(8 745)	**-**	-
Provision for holiday & leave pay	**(2 612)**	(2 433)	**-**	-
Lease accrual income	**658**	58	**-**	-
Tax losses available for set-off against future taxable income	**(1 546)**	(653)	**-**	-
Net deferred taxation	**29 723**	25 312	**-**	-
Reconciliation of deferred taxation				
At beginning of year	**25 312**	25 814	**-**	-
Acquisition of business	**72**	-	-	-
Differential between carrying value and tax value of property, plant and equipment	**4 490**	1 183	**-**	-
Differential between carrying value and tax value of intangible assets	**-**	-	**-**	-
Other temporary differences	**742**	(1 032)	**-**	-
Tax losses	**(893)**	(653)	**-**	-
	29 723	25 312	**-**	-
Represented by:				
Deferred taxation asset	**(3 775)**	(2 579)	**-**	-
Deferred taxation liability	**33 498**	27 891	**-**	-
	29 723	25 312	**-**	-

The group has an assessed tax loss of R5 523 000 (2017: R2 332 000) that is available for offset against future taxable profits of the company in which the loss arose.

Other temporary differences include provision for holiday and leave pay and bonuses.

The movement in the net deferred tax liability has been recognised in the statement of comprehensive income.

21. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Trade payables and accruals	**243 468**	204 654	**6 004**	-
Other	**6 996**	4 159	**336**	309
	250 464	208 813	**6 340**	309

Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

22. PROVISIONS - GROUP 2018

HOLIDAY & LEAVE PAY

A provision is recognised for the employer's liability which would arise in the event of employees leaving the company at 30 June and having to be paid out their holiday and leave pay. This is considered to be short-term in nature.

INCENTIVE BONUS

A provision is recognised for the incentive bonus to be paid based on the criteria established by the remuneration committee of the group. This is considered to be short-term in nature.

	Holiday & Leave pay R'000	Incentive bonus R'000	**Total R'000**
Balance 30 June 2016	7 643	21 819	**29 462**
Arising during the year	14 231	18 018	**32 249**
Utilised	(13 400)	(20 382)	**(33 782)**
Balance 30 June 2017	8 474	19 455	**27 929**
Acquisition of business	369	-	**369**
Arising during the year	13 870	19 881	**33 751**
Utilised	(13 386)	(16 518)	**(29 904)**
Balance 30 June 2018	9 327	22 818	**32 145**

23. SEGMENTAL ANALYSIS

For management purposes the group is organised into business units based on their product and services and has three reportable segments as follows:

- Plastics Products
- Paper and Board Products
- Property and Group Services

The operating segments have been aggregated to form the above reportable operating segments. The operating segments have been aggregated due to the products and the production processes being similar in nature.

The chief operating decision makers monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties. There is one customer who contributes more than 10% of revenue.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

23. SEGMENTAL ANALYSIS (CONTINUED)

	Plastic products R'000	Paper and board products R'000	Properties and group services R'000	**Total group operations R'000**
Revenue - 2018	1 126 948	595 069	3 096	**1 725 113**
Revenue to all customers	1 182 483	637 395	3 096	**1 822 974**
Less revenue to internal customers	(55 535)	(42 326)	(-)	**97 861**
Revenue - 2017	1 168 733	467 173	3 955	**1 639 861**
Revenue to all customers	1 215 968	500 200	3 955	**1 720 123**
Less revenue to internal customers	(47 235)	(33 027)	(-)	**80 262**
Operating profit - 2018	83 980	43 214	12 015	**139 209**
Operating profit - 2017	71 403	41 253	9 047	**121 703**
Depreciation 2018	27 456	10 058	3 142	**40 656**
Depreciation 2017	31 623	11 461	2 178	**45 262**
Finance income 2018	3	138	3 096	**3 237**
Finance income 2017	1	115	3 955	**4 071**
Finance costs 2018	2 741	1 279	3 384	**7 404**
Finance costs 2017	3 198	1 118	2 113	**6 429**
Profit before tax - 2018	81 242	42 073	11 727	**135 042**
Profit before tax - 2017	68 207	40 250	10 888	**119 345**
Capital expenditure - 2018	26 044	7 660	5 033	**38 737**
Capital expenditure - 2017	57 424	6 764	54 181	**118 369**
Total Assets - 2018	562 791	365 469	154 549	**1 082 809**
Total Assets - 2017	541 339	185 420	196 745	**923 504**
Total Liabilities - 2018	210 443	134 141	118 094	**462 678**
Total Liabilities - 2017	218 928	92 381	50 970	**362 279**
Taxation - 2018	22 770	11 784	3 002	**37 556**
Taxation - 2017	18 608	11 274	3 104	**32 986**

24. OPERATING LEASE COMMITMENTS

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:				
Property				
Due within one year	**27 242**	17 414	**-**	-
Due after one year but not later than five years	**36 663**	22 995	**-**	-
	63 905	40 409	**-**	-

The group has entered into commercial property leases. These non-cancellable leases have remaining terms of between one and five years with renewal options in the contracts. There are no restrictions placed on the group by entering into these leases. The lease payments escalate on an annual basis at varying rates

25. CAPITAL COMMITMENTS

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
Commitments in respect of capital expenditure approved by the directors and contracted for:				
Plant and equipment	**12 812**	6 386	**-**	-

Capital expenditure will be funded by the group's cash resources. The group has provided for local third party guarantees to the value of R17 448 003 (2017: R15 234 485). Refer to note 27 for the detail regarding the loan committed to Cirebelle (Pty) Ltd.

26. RETIREMENT BENEFITS

The group provides retirement benefits to all its permanent employees through various defined contribution funds, being the Transpaco Pension Fund, Transpaco Provident Fund and appropriate industry funds. Total group contributions which have been recognised in profit and loss for the year, amounted to R21 376 683 (2017: R20 162 791).

All funds are administered independently of the group and are governed by the Pension Fund Act 1956, as amended.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

27. RELATED PARTIES

The consolidated financial statements include the financial statements of Transpaco Limited and the subsidiaries listed in the following table.

	% of equity interest	
	2018	2017
Name		
Transpaco Cores and Tubes (Pty) Ltd	**100**	100
Transpaco Flexibles (Pty) Ltd	**100**	100
Transpaco Flexibles Mpumalanga (Pty) Ltd	**100**	100
East Rand Plastics (Pty) Ltd	**100**	100
Transpaco Packaging (Pty) Ltd	**100**	100
Transpaco Sheet Extrusion (Pty) Ltd	**-**	100
Transpaco Recycling (Pty) Ltd	**100**	100
Transpaco Specialised Films (Pty) Ltd	**100**	100
Britepak Trading (Pty) Ltd	**100**	100
Booysens Road Properties (Pty) Ltd	**100**	100
Explosive Film Technologies (Pty) Ltd	**100**	100
Propateez 62 (Pty) Ltd	**100**	100
Future Packaging and Machinery (Pty) Ltd	**100**	-
Future Packaging and Machinery (Cape) (Pty) Ltd	**100**	-
Future Packaging and Machinery (Kwa-Zulu Natal) (Pty) Ltd	**100**	-
Trans Consumer Plastics (Pty) Ltd	**100**	100
Transpaco Administration and Financial Services (Pty) Ltd	**100**	100
Transpaco Share Incentive Trust	**100**	100

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are determined on an arms-length, market related basis, except for amounts owing by subsidiaries which are interest free.

For further details refer to notes 4 and 15.

RENT PAID TO RELATED PARTIES

Rental of R552 712 was paid by Future Packaging and Machinery (KwaZulu-Natal) (Pty) Ltd to DuelCo Investments (Pty) Ltd, a company of which VA van Rensburg is both a director and a shareholder and C R Hennings is a director and trustee of the MNCA Trust which is a shareholder.

Rental of R159 909 was paid by Future Packaging and Machinery (Cape) (Pty) Ltd to Leopont 150 (Pty) Ltd, a company of which CR Hennings is a director and trustee of the Justlaur Property 4 Trust which is a shareholder.

Rental of R268 543 was paid by Future Packaging and Machinery (Cape) (Pty) Ltd to Erf 1320 Montague Gardens (Pty) Ltd a company of which CR Hennings is a director and trustee of the Justlaur Property 6 Trust which is a shareholder.

LOAN TO RELATED PARTY

	2018 R'000	2017 R'000
Cirebelle (Pty) Ltd	**3 000**	3 000

As part of our BEE strategy we have loaned R3 000 000 (2017: R3 000 000) to Cirebelle (Pty) Ltd of which DJJ Thomas is both a director and shareholder. This is for enterprise and supplier development. The loan is interest free and has no fixed terms of repayment.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2018 R'000	2017 R'000
Short-term employee benefits	**64 054**	54 796
Post-employment pension	**6 959**	5 381
Total compensation paid to key personnel	**71 013**	60 177

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity or a managing director of one of the subsidiaries.

DIVIDENDS RECEIVED BY THE COMPANY FROM SUBSIDIARIES

	2018 R'000	2017 R'000
Britepak Trading (Pty) Ltd	**15 000**	-
Transpaco Cores and Tubes (Pty) Ltd	**10 000**	20 000
Transpaco Flexibles Mpumalanga (Pty) Ltd	**15 000**	11 000
Transpaco Packaging (Pty) Ltd	**-**	8 000
Transpaco Sheet Extrusion (Pty) Ltd	**107**	12 500
	40 107	51 500
Amounts Owing (to)/from Subsidiaries		
Transpaco Administration and Financial Services (Pty) Ltd (see Note 15)	**(16 862)**	82 112

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Group

The group's principle financial liabilities comprise bank loans, trade payables and interest-bearing borrowings. The main purpose of these financial liabilities is to raise finance for the group's operations. The group has various financial assets such as trade receivables and cash which arise directly from its operations.

The group also enters into forward currency contracts. The purpose is to manage the currency risks arising from the group's operations.

The main risks arising from the group's financial instruments are interest rate risks, foreign currency risk, credit risk and liquidity risk.

Company

The company's principle financial liabilities comprise trade payables.

The main purpose of these is to raise finance for the company's operations. The company also has a loan to a subsidiary company.

MARKET RISK

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and foreign currency risk.

INTEREST RATE RISK

Group

The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating interest rates. The group endeavours to ensure that borrowings are at market-related rates. The exposure at year-end to interest rate risk amounts to R132 601 000 (2017: R82 175 000). The loans are payable to bankers.

The group endeavours to manage this risk by negotiating the best interest rates and periods from its two lead bankers. There have been no changes to the risk management policy from the previous period. See note 18 for the interest rates achieved.

INTEREST RATE RISK TABLE

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings).

	Increase/ decrease in basis points	Effect on profit after tax R'000
2018	**+100**	**(294)**
	-50	**147**
2017	+ 100	(179)
	-50	89

Company

The company has no exposure to interest rate risk (2017: refer note 15).

FOREIGN CURRENCY RISKS

Group

The group has transactional currency exposures. Such exposure arises from sales or purchases by a subsidiary in currencies other than the unit's functional currency.

The group requires all its subsidiaries to use forward exchange contracts to eliminate the currency exposures on any individual transaction. The forward currency contracts must be in the same currency as the hedged item. It is the group's policy not to enter into forward contracts until a firm commitment is in place. The concentration of foreign currency risk is in US dollars. Hedge accounting is not used.

The following table demonstrates the sensitivity to a reasonable possible change in the exchange rate, with all other variables held constant, of the group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ decrease in US dollar/Euro/GBP	Effect on profit before tax R'000	Effect on equity R'000
2018	**+10%**	**(1 077)**	**(775)**
	-5%	**540**	**389**
2017	+10%	(258)	(186)
	-5%	129	93

The value of forward exchange contracts entered into at 30 June are:

Imports	Settlement	Average contract rate	2018 R'000	2017 R'000
US dollars	July 2018 to August 2018	12,71	**6 749**	
US dollars	July 2017 to August 2017	13,22		2 130
Euro	July 2018 to August 2018	15,68	**3 379**	
Euro	July 2017 to August 2017	14,75		449
GBP	July 2018 to August 2018	17,83	**642**	
GBP	July 2017 to August 2017	0,00		-

Company

The company has no exposure to foreign currency risk. (2017: Refer note 15)

CREDIT RISK

Group

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The group is exposed to credit risk from its operating and financial activities.

The group trades only with recognised, creditworthy third parties. Credit risk evaluations are performed on all customers requiring credit over a pre-determined amount. Where applicable the risk is insured with a reputable credit insurance institution. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The maximum exposure is R307 434 000 (2017: R227 409 000).

There have been no changes in risk from the previous period. In instances where there is a concentration of credit risk, this happens only with blue chip customers and is agreed to by the directors of that company taking all the relevant factors into account.

Management determination of risk is based on sales to a customer exceeding 25% of the sales of that segment of which there is none.

With respect to credit risk arising from cash and cash equivalents, the group's exposure to credit risk is limited to maximum exposure equal to the carrying amounts of these instruments.

Company

The company has no exposure to credit risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK

Group

The group monitors its risk to a shortage of funds by considering the maturity of its financial assets and projected cash flows from operations.

The group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank overdrafts, bank loans and instalment sale agreements. There have been no changes from the previous period.

The group's exposure to liquidity risk is represented by the aggregate balance of financial liabilities. There is no significant concentration of liquidity risk with any single counterparty.

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2018 based on contractual undiscounted payments.

	On demand R'000	Less than 3 months R'000	3 to 12 months R'000	Greater than one year R'000	**Total R'000**
Year ended 30 June 2018					
Interest-bearing loans and borrowings	-	7 663	22 506	129 640	**159 809**
Trade payables and accruals	-	243 468	-	-	**243 468**
Other liabilities	-	6 996	-	-	**6 996**
Guarantees	-	-	-	17 448	**17 448**
	-	258 127	22 506	129 640	**427 721**

	On demand R'000	Less than 3 months R'000	3 to 12 months R'000	Greater than one year R'000	**Total R'000**
Year ended 30 June 2017					
Interest-bearing loans and borrowings	-	4 229	12 687	65 258	**82 174**
Trade payables and accruals	-	204 654	-	-	**204 654**
Other liabilities	-	4 159	-	-	**4 159**
Guarantees	-	-	-	15 234	**15 234**
	-	213 042	12 687	80 492	**306 221**

Company

The company's liquidity risk is managed in the same way as the group and group's maturity profile of the group's financial liabilities based on contractual undiscounted payments as detailed below.

The table below summarises the maturity profile of the company's financial liabilities at 30 June 2018 based on contractual undiscounted payments.

	On demand R'000	Less than 3 months R'000	3 to 12 months R'000	Greater than one year R'000	**Total R'000**
Year ended 30 June 2018					
Trade payables and accruals	-	6 004	-	-	**6 004**
Other liabilities	-	336	-	-	**336**
Amounts owing to subsidiaries	16 862	-	-	-	**16 862**
	16 862	6 340	-	-	**23 202**

	On demand R'000	Less than 3 months R'000	3 to 12 months R'000	Greater than one year R'000	**Total R'000**
Year ended 30 June 2017					
Other liabilities	-	309	-	-	**309**
	-	309	-	-	**309**

CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder wealth.

The group manages its capital structure and makes capital adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 30 June 2017.

The group monitors capital using a gearing ratio, which is net debt divided by total capital. The group includes within net debt, interest-bearing borrowings less cash and cash equivalents.

	2018 R'000	2017 R'000
Interest-bearing borrowings	**132 601**	82 175
Bank balance	**(60 448)**	(99 534)
Net debt	**72 153**	(17 359)
Equity	**620 131**	561 225
Total capital	**620 131**	561 225
	%	%
Net interest-bearing debt: equity ratio	**11,6**	Net cash positive

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

29. FINANCIAL INSTRUMENTS

CATEGORISATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Fair value through profit and loss R'000	Loans and receivables Amortised cost R'000	Other liabilities Amortised cost R'000	**Total R'000**
Group 2018				
Assets				
Trade and other receivables	-	311 987	-	**311 987**
Cash and cash equivalents	-	60 448	-	**60 448**
Total		**372 435**	**-**	**372 435**
Shareholders' equity and liabilities				
Interest-bearing borrowings	-	-	113 811	**113 811**
Trade payables and accruals	-	-	244 803	**244 803**
Current portion of interest-bearing borrowings	-	-	18 790	**18 790**
Total		**-**	**377 404**	**377 404**
Group 2017				
Assets				
Trade and other receivables	-	237 277	-	**237 277**
Cash and cash equivalents	-	99 534	-	**99 534**
Total	**-**	**336 811**	**-**	**336 811**
Shareholders' equity and liabilities				
Interest-bearing borrowings	-	-	65 259	**65 259**
Trade payables and accruals	356	-	204 654	**205 010**
Current portion of interest-bearing borrowings	-	-	16 916	**16 916**
Total	**356**	**-**	**286 829**	**287 185**

	Loans and receivables	Other liabilities	
	Amortised cost R'000	Amortised cost R'000	**Total R'000**
Company 2018			
Shareholders' equity and liabilities			
Amounts owing to subsidiary	-	16 862	**16 862**
Trade payables and accruals	-	6 340	**6 340**
Total	**-**	23 202	**23 202**
Company 2017			
Assets			
Amounts owing from subsidiary	82 112	-	**82 112**
Total	**82 112**	**-**	**82 112**
Shareholders' equity and liabilities			
Trade payables and accruals	-	309	**309**
Total	**-**	**309**	**309**

The fair values of the assets and liabilities listed above approximate the carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing borrowings are not materially different from their calculated fair values due to market related rates embedded into the terms of these receivables and borrowings.

FAIR VALUE HIERARCHY

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

The forward exchange contracts are valued using the market observable price of a forward exchange contract entered into as at 30 June 2018, which has the same terms and remaining maturity profile as the forward exchange contract being valued.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 June 2018, the group held the following financial instruments carried at fair value in the statement of financial position:

	30 June 2018 R'000	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
Financial instrument				
Foreign exchange forward contracts (Gross: R10 770 000)	**664**	**-**	**664**	**-**

As at 30 June 2017, the group held the following financial instruments carried at fair value in the statement of financial position:

	30 June 2017 R'000	**Level 1 R'000**	**Level 2 R'000**	**Level 3 R'000**
Financial instrument				
Foreign exchange forward contracts (Gross: R2 579 000)	(356)	-	(356)	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

30. NOTES TO THE CASH FLOW STATEMENTS

	Group		Company	
	June 2018 R'000	June 2017 R'000	**June 2018 R'000**	June 2017 R'000
30.1 CASH GENERATED/UTILISED FROM OPERATIONS	**177 867**	166 874	**-**	-
Operating profit before net interest paid and dividends received	**139 209**	121 703	**5 541**	-
Impairment	**-**	-	**(5 541)**	-
Depreciation	**40 656**	45 262	**-**	-
Profit on disposal of property, plant and equipment	**(642)**	(91)	**-**	-
Other non-cash items	**(1 356)**	-	**-**	-
Movement in working capital	**(52 154)**	37 513	**98 996**	8 077
(Increase)/decrease in inventory	**(9 532)**	8 698	**-**	-
(Increase)/decrease in trade and other receivables	**(26 268)**	21 595	**-**	-
(Decrease)/increase in trade payables and accruals	**(18 019)**	7 592	**26**	63
(Decrease)/increase in deferred income	**(2 110)**	1 161	**-**	-
Increase/(decrease) in provisions	**3 775**	(1 533)	**-**	-
Decrease in amount owing from a subsidiary	**-**	-	**82 112**	8 014
Increase in amount owing to a subsidiary	**-**	-	**16 858**	-
	125 713	204 387	**98 996**	8 077
30.2 TAXATION PAID				
Net taxation (payable)/receivable at beginning of year	**(205)**	98	**-**	-
Taxation receivable at beginning of year	**-**	656	**-**	-
Taxation payable at beginning of year	**(205)**	(558)	**-**	-
Acquisition of business	**(1 531)**	-	**-**	-
Taxation excluding deferred taxation	**(33 599)**	(33 488)	**-**	-
Net taxation refundable at end of year	**(74)**	205	**-**	-
Taxation receivable at end of year	**(888)**	-	**-**	-
Taxation payable at end of year	**814**	205	**-**	-
	(35 409)	(33 185)	**-**	-

06 SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS

SHAREHOLDER SPREAD	No of shareholdings	%	No of shares	%
1 - 1 000 shares	508	57,08	108 062	0,33
1 001 - 10 000 shares	259	29,10	878 554	2,67
10 001 - 100 000 shares	93	10,45	2 979 434	9,06
100 001 - 1 000 000 shares	22	2,47	6 903 050	20,99
1 000 001 shares and over	8	0,90	22 017 259	66,95
Totals	**890**	**100,00**	**32 886 359**	100,00

DISTRIBUTION OF SHAREHOLDERS	No of shareholdings	%	No of shares	%
Banks/brokers	21	2,36	2 930 285	8,91
Close corporations	11	1,24	394 149	1,20
Individuals	736	82,70	7 766 552	23,61
Insurance companies	4	0,45	3 423 213	10,41
Mutual funds	18	2,02	3 847 680	11,70
Other corporations	7	0,79	656 276	2,00
Private companies	30	3,37	12 738 605	38,73
Public companies	1	0,11	400	0,00
Retirement funds	14	1,57	634 006	1,93
Trusts	48	5,39	495 193	1,51
Totals	**890**	**100,00**	**32 886 359**	100,00

PUBLIC / NON - PUBLIC SHAREHOLDERS	No of shareholdings	%	No of shares	%
Non-public shareholders	**11**	**1,24**	**19 302 519**	**58,69**
Directors and associates of the company holdings	7	0,79	8 150 703	24,78
Strategic holdings (more than 10%)	4	0,45	11 151 816	33,91
Public shareholders	**879**	**98,76**	**13 583 840**	**41,31**
Totals	**890**	**100,00**	**32 886 359**	100,00

BENEFICIAL SHAREHOLDERS HOLDING 5% OR MORE	No of shares	%
Ceppwawu Investments (Pty) Ltd	6 661 225	20,26
Old Mutual Group	4 490 591	13,65
Phillip Abelheim	3 515 871	10,69
Bank of New York (Custodian)	2 756 810	8,38
Samuel Abelheim Holdings (Pty) Ltd	2 054 639	6,25
Totals	**19 479 136**	**59,23**

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

SIXTY-SIXTH ANNUAL GENERAL MEETING

TRANSPACO LIMITED

(Registration number 1951/000799/06)
("Transpaco" or "the company")
Share Code: TPC
ISIN: ZAE000007480

Notice is hereby given that the annual general meeting of Transpaco will be held at the offices of Transpaco at 331 6th Street, Wynberg, Sandton, Johannesburg on Tuesday, 4 December 2018 at 09:00 for the purposes of:

- Considering and, if deemed fit, adopting, with or without modification, the annual financial statements of the company for the year ended 30 June 2018;
- Re-electing retiring directors;
- Re-appointing auditors;
- Considering and, if deemed fit, adopting, with or without modification, the special and ordinary resolutions set out below; and
- Transacting any other business as may be transacted at an annual general meeting.

The record date to receive notice of the annual general meeting is Friday, 26 October 2018. The record date to participate in and vote at the annual general meeting is Friday, 23 November 2018.

SPECIAL RESOLUTIONS

SPECIAL RESOLUTION 1: SHARE REPURCHASES

"The directors are authorised to approve and implement the acquisition by the company (or by a subsidiary of the company from time to time) of shares issued by the company by way of a general authority, which shall only be valid until the company's next annual general meeting, unless it is then renewed, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution, whichever period is the shorter, in terms of the Companies Act 71 of 2008 and the Requirements of the JSE Limited ("the JSE") which provide, inter alia, that the company (or a subsidiary of the company) may only make a general repurchase of its shares subject to:

(a) the repurchase being implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the company and the counter party;

(b) the company being authorised thereto by its Memorandum of Incorporation;

(c) repurchases not being made at a price greater than 10% (ten percent) above the weighted average of the market value of the shares for the 5 (five) business days immediately preceding the date on which the transaction was effected;

(d) an announcement being published as soon as the company has repurchased ordinary shares constituting, on a cumulative basis, 3% (three percent) of the initial number of ordinary shares, and for each 3% (three percent) in aggregate of the initial number of ordinary shares repurchased thereafter, containing full details of such repurchases;

(e) repurchases not exceeding 20% (twenty percent) in aggregate of the company's issued ordinary share capital in any one financial year;

(f) the company and/or its subsidiaries not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in writing to the JSE; and

(g) the company only appointing one agent to effect any repurchases on its behalf."

The directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the aforegoing general authority, are of the opinion that for a period of 12 (twelve) months after the date of the notice of the annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the consolidated assets of the company and the group, fairly valued in accordance with generally accepted accounting practice will exceed the consolidated liabilities of the company and the group; and
- the company's and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes.

The following additional information, some of which may appear elsewhere in the integrated annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Major beneficial shareholders – page 85;
- Share capital of the company – page 68.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 14 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all required information.

MATERIAL CHANGES

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

The directors have no specific intention, at present, for the company or a subsidiary to repurchase any of its shares but consider that such a general authority should be put in place should an opportunity to do so present itself during the year which is in the best interests of the company and its shareholders.

REASON FOR AND EFFECT OF SPECIAL RESOLUTION 1

The reason for and effect of the special resolution is to grant the directors of the company a general authority in terms of the Companies Act 71 of 2008 and the JSE Listings Requirements for the repurchase by the company (or by a subsidiary of the company) of the company's shares.

SPECIAL RESOLUTION 2: DIRECTORS' FEES

"The payment to the non-executive directors of the following fees for services as directors with effect from the date of this annual general meeting until the company's 2018 annual general meeting, be authorised:

Non-executive directors	Fee (2017/18) R	Proposed Fee (2018/19) R	Board	Audit & Risk Committee	Board Governance & Remuneration	Transformation, Social & Ethics Committee
HA Botha	263 304	278 653	Member	Chairman	Member	
SI Jacobson	475 282	494 934	Member			Member
B Mkhondo	253 000	268 540	Member	Member	Member	Member
DJJ Thomas	365 192	387 642	Chairman		Chairman	Member
SP van der Linde	253 000	268 540	Member	Member		Chairman

REASON FOR AND EFFECT OF SPECIAL RESOLUTION 2

The reason for special resolution 2 is to comply with the provisions of section 66(9) of the Companies Act 71 of 2008. The effect of the special resolution is that, if approved by the shareholders at the annual general meeting, the fees payable to non-executive directors until the 2018 annual general meeting will be as set out above. Executive directors are not remunerated for their services as directors but are remunerated as employees of the company.

The above rates have been proposed to ensure that the remuneration of non-executive directors remains competitive in order to enable the company to retain and attract persons of the calibre, appropriate capabilities, skills and experience required to make meaningful contributions to the company.

SPECIAL RESOLUTION 3: FINANCIAL ASSISTANCE

"To the extent required by the Companies Act 71 of 2008 ("the Companies Act"), the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation and the Companies Act, each as presently constituted and as amended from time to time, authorise the company to:

- provide financial assistance, as contemplated in section 44 of the Companies Act, by way of loan, guarantee, provision of security or otherwise, to:
  - a related or inter-related company or corporation of the company (including any of its subsidiaries), or to a member of a related or inter-related corporation, or to a person related to any such company, corporation or member; and
  - a director or prescribed officer of the company or of a related or inter-related company (or any person related to any such company, director or prescribed officer) or to any other person who is a participant in any of the company's or a related or inter-related company's share or other employee incentive scheme where such financial assistance is provided in terms of any such scheme that does not satisfy the requirements of section 97 of the Companies Act, for the purpose of, or in connection with, the subscription of any option or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter- related company; and
- provide direct or indirect financial assistance, as contemplated in section 45 of the Companies Act, to a director or prescribed officer of the company or of a related or inter-related company, or to a related or inter-related company or corporation, or to a member of a related or inter-related corporation, or to a person related to any such company, corporation, director, prescribed officer or member, such authority/ies to endure for a period of two years from the date of the passing of this special resolution.

Any term used in this special resolution which has been defined in the Companies Act shall bear the same meaning in this special resolution as that defined in terms of the Companies Act."

REASON FOR AND EFFECT OF SPECIAL RESOLUTION 3

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or interrelated companies and corporations, including, *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription for any option, or any securities, issued or to be issued by the company or a related or inter related company, or for the purchase of any securities of the company or a related or inter-related company.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the board of directors must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with section 45 of the Companies Act. Furthermore, it may be necessary or desirous for the company to provide financial assistance to related or inter-related companies and corporations to subscribe for options or securities issued or to be issued by the company or a related or interrelated company or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will however require the special resolution referred to above to be adopted. In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and interrelated companies and corporations have access to financing and/ or financial backing from the company (as opposed to banks), it is necessary to obtain the approval of shareholders, as set out in special resolution 3.

Sections 44 and 45 contain exemptions in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's or a related or inter-related company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in sections 44 and 45 of the Companies Act) to be provided under such schemes will, inter alia, also require approval by special resolution. Accordingly, special resolution number 3 authorises financial assistance to any of the company's directors or prescribed officers (or any person related to any of them or to any company or corporation related or inter-related to them), or to any other person who is a participant in any of the company's or a related or inter-related company's share or other employee incentive schemes, in order to facilitate their participation in any such schemes that do not satisfy the requirements of section 97 of the Companies Act.

ORDINARY RESOLUTIONS

ORDINARY RESOLUTION 1: ADOPTION OF ANNUAL FINANCIAL STATEMENTS

"The annual financial statements of the company for the year ended 30 June 2018 are received and adopted."

ORDINARY RESOLUTION 2: UNISSUED ORDINARY SHARES

"In aggregate 1 644 318 of the authorised but unissued shares of the company, constituting 5% (five percent) of the company's issued share capital be placed under the control of the directors of the company until the forthcoming annual general meeting or part thereof in their discretion, subject to the provisions of the Companies Act 71 of 2008 and the Listings Requirements of the JSE Limited."

ORDINARY RESOLUTION 3: ISSUE OF SHARES FOR CASH

"Subject to the passing of ordinary resolution 2 and pursuant to the Memorandum of Incorporation of the company, the directors of the company are authorised until the forthcoming annual general meeting of the company (whereupon this authority shall lapse, unless it is renewed at the aforementioned annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of this annual general meeting), to allot and issue ordinary shares and options for cash subject to the Listings Requirements of the JSE and the Companies Act 71 of 2008 as amended, on the following bases:

a) the allotment and issue of ordinary shares for cash shall be made only to persons qualifying as public shareholders as defined in the JSE Listings Requirements and not to related parties as defined in the JSE Listings Requirements;
b) the number of ordinary shares issued for cash shall not in the aggregate in any one financial year of the company exceed 1 644 318 shares which represent 5% (five percent) of the company's issued ordinary shares;
c) the maximum discount at which ordinary shares may be issued for cash is 10% (ten percent) of the weighted average traded price on the JSE of those ordinary shares over 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of the company;
d) after the company has issued shares for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of shares in issue prior to that issue, the company shall publish an announcement containing full details of the issue, including the effect of the issue on the net asset value and earnings per share of the company; and
e) that at least 75% (seventy-five percent) of shareholders present in person or represented by proxy at the annual general meeting at which this ordinary resolution 3 is proposed, vote in favour of this resolution."

ORDINARY RESOLUTION 4: SIGNATURE OF DOCUMENTATION

"A director of the company or the company secretary is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of Special Resolution numbers 1, 2 and 3 and Ordinary Resolutions numbers 1, 2, 3, 5, 6, 7, 8, 9 and 10 which are passed by the shareholders."

ORDINARY RESOLUTION 5.1: NON-BINDING ADVISORY VOTE ON THE COMPANY'S REMUNERATION POLICY

"To approve in accordance with the recommendations of King IV, through a non-binding advisory vote, the company's remuneration policy as set out in the annual financial statements for the year ended 30 June 2018."

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 25% of the voting rights plus 1 (one) vote to be cast on the resolution. If the remuneration policy is voted against by 25% or more of the votes exercised the company will in its results announcement pursuant to paragraph 3.91 of the JSE Listings Requirements provide the following:

a) An invitation to dissenting shareholders to engage with the company; and
b) The manner and timing of such engagement.

ORDINARY RESOLUTION 5.2: NON-BINDING ADVISORY VOTE ON THE COMPANY'S IMPLEMENTATION REPORT

"To approve in accordance with the recommendations of King IV, through a non-binding advisory vote, the company's implementation report as set out in the

annual financial statements
for the year ended 30 June 2018."
http://www.transpaco.co.za/
corporate-governance

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 25% of the voting rights plus 1 (one) vote to be cast on the resolution. If the implementation report is voted against by 25% or more of the votes exercised the company will in its results announcement pursuant to paragraph 3.91 of the JSE Listings Requirements provide the following:

a) An invitation to dissenting shareholders to engage with the company; and
b) The manner and timing of such engagement.

ORDINARY RESOLUTION 6: RE-ELECTION OF DIRECTOR

"B Mkhondo be and is re-elected as a director of the company."

An abridged curriculum vitae for B Mkhondo is set on page 14 of the integrated annual report of which this notice forms part.

ORDINARY RESOLUTION 7: RE-ELECTION OF DIRECTOR

"SI Jacobson be and is re-elected as a director of the company."

An abridged curriculum vitae for SI Jacobson is set on page 14 of the integrated annual report of which this notice forms part.

ORDINARY RESOLUTION 8: RE-ELECTION OF DIRECTOR

"SP van der Linde be and is re-elected as a director of the company."

An abridged curriculum vitae for SP van der Linde is set on page 14 of the integrated annual report of which this notice forms part.

ORDINARY RESOLUTION 9: APPOINTMENT OF AUDIT & RISK COMMITTEE MEMBERS

"Resolved that the members of the company's audit & risk committee set out below be and are hereby appointed with effect from the end of this annual general meeting in terms of section 94(2) of the Companies Act 71 of 2008. The membership as proposed by the board of directors is HA Botha (chairman), B Mkhondo and SP van der Linde all of whom are independent non-executive directors."

A brief curriculum vitae in respect of the above audit & risk committee members is included on page 14 of the integrated annual report of which this notice forms part.

ORDINARY RESOLUTION 10: REAPPOINTMENT OF AUDITORS

"Ernst & Young be and are reappointed as auditors of the company with Amelia Young as the individual registered auditor."

In order for each of ordinary resolutions 1, 2, 4, 5, 6, 7, 8, 9 and 10 to be adopted, the support of a majority of the total number of votes exercisable by shareholders, present in person or by proxy, is required.

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Dematerialised shareholders who have elected own name registration in the sub-register through a Central Securities Depository Participant (CSDP) and who are unable to attend but wish to vote at the annual general meeting, should complete and return the attached form of proxy and lodge it with the transfer secretaries of the company. Shareholders who have dematerialised their shares through a CSDP or broker rather than through own name registration and who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend. If such shareholders are unable to attend, but wish to vote at the annual general meeting, they should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting should the member subsequently decide to do so.

By order of the board.

H van Niekerk
Company Secretary

11 October 2018

Registered office
331 6th Street, Wynberg, Sandton
PO Box 39601, Bramley, 2018
Telefax: (011) 887 0434

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196 PO Box 61051,
Marshalltown, 2107
Telefax: (011) 688 5200

DEFINITIONS

"the board"	The board of directors of Transpaco Limited, as set out on pages 14-16.
"CEO"	Chief Executive Officer. Transpaco's CEO is Phillip Abelheim.
"CEPPWAWU"	Chemical, Energy, Paper, Printing, Wood and Allied Workers Union, with which the majority of Transpaco's workforce is unionised
"CEPPWAWU Investments"	CEPPWAWU Investments (Pty) Ltd, the investment arm of CEPPWAWU and a 20,0% B-BBEE stakeholder in Transpaco
"CSI"	Corporate Social Investment
"the company" or "Transpaco"	Transpaco Limited, listed on the JSE in the 'Containers and Packaging' sector
"the Companies Act"	South African Companies Act 71 of 2008, as amended
"the current year"	The year ending 30 June 2019
"EXCO"	Executive committee of Transpaco Limited
"FD"	Financial Director. Transpaco's FD is Louis Weinberg
"FPM" or "Future Packaging"	Future Packaging and Machinery Group, comprising Future Packaging and Machinery (Pty)Ltd, Future Packaging and Machinery Cape (Pty) Ltd and Future Packaging and Machinery (KwaZulu-Natal) (Pty) Ltd
"the group" or "Transpaco"	Transpaco Limited and its subsidiaries
"HDI"	Historically disadvantaged individual
"HDPE"	High-density polyethylene
"IBC"	Inside back cover (of this integrated annual report)
"JSE"	JSE Limited incorporating the Johannesburg Securities Exchange, the main bourse in South Africa
"King IV Report" or "King IV"	King Report on Corporate Governance for South Africa, 2016
"the previous year"	The year ended 30 June 2017
"SAPRO"	South African Plastic Recycling Organisation
"SHEQ"	Safety, Health, Environment and Quality
"the year" or "the year under review"	The year ended 30 June 2018

Financial definitions	
"CAGR"	Compound annual growth rate
"Diluted HEPS"	Diluted headline earnings per share
"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"EPS"	Earnings per share
"FY"	Financial year, for Transpaco ending 30 June
"HEPS"	Headline earnings per share
"IFRS"	International Financial Reporting Standards
"NAV"	Net asset value
"ROE"	Return on equity

FORM OF PROXY

FOR USE AT THE ANNUAL GENERAL MEETING ON TUESDAY 4 DECEMBER 2018 AT 09:00

Transpaco Limited
("Transpaco" or "the company")
Registration number: 1951/000799/06
Share code: TPC
ISIN: ZAE000007480

For use by the holders of the company's certificated ordinary shares ("certificated shareholders") and/or dematerialised ordinary shares held through a Central Securities Depository Participant ("CSDP") or broker who have selected own-name registration ("own-name dematerialised shareholders") at the annual general meeting of the company to be held at 09:00 on Tuesday, 4 December 2018, or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the company.

Not for use by holders of the company's dematerialised ordinary shares who have not selected own-name registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We (Name in block letters) ______________________________ of ______________________________ being the registered holder of ______________ shares, do appoint: ______________________________ or failing him/her ______________________________ or failing him/her, the chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company to be held on Tuesday, 4 December 2018 at 09:00 and at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done the proxy will vote as he/she thinks fit.

	In favour of	Against	Abstain
SPECIAL RESOLUTIONS			
1. To authorise the company or its subsidiaries to repurchase the company's shares			
2. To approve the fees of non-executive directors			
3. To approve financial assistance in terms of section 45 of the Companies Act 71 of 2008			
ORDINARY RESOLUTIONS			
1. To receive and adopt the annual financial statements for the year ended 30 June 2018			
2. To place under the control of directors 5% of the unissued shares			
3. To issue shares for cash in accordance with the terms of this resolution			
4. To authorise the signature of documentation			
5 To approve the company's remuneration policy			
5.1 To approve the company's implementation report			
6. To re-elect B Mkhondo as a director of the company			
7. To re-elect SI Jacobson as a director of the company			
8. To re-elect SP van der Linde as a director of the company			
9. To appoint members of the audit & risk committee			
9.1 To appoint HA Botha as a member of the audit & risk committee			
9.2 To appoint B Mkhondo as a member of the audit & risk committee			
9.3 To appoint SP van der Linde as a member of the audit & risk committee			
10. To re-appoint Ernst & Young as auditors of the company with Amelia Young being the individual registered auditor			

Signed at ______________________________ on ______________________________ 2018.

Signature ______________________________ (Assisted by if applicable) ______________________________

Please read notes on reverse.

FORM OF PROXY

NOTES TO THE FORM OF PROXY

1. Each shareholder is entitled to appoint one proxy and alternate proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the annual general meeting.
2. Shareholder(s) that are certificated or own-name dematerialized shareholders may insert the name of a proxy in the space/s provided, with or without deleting "the chairperson of the general meeting", but any such deletion must be initialled by the shareholder(s). The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow. If no proxy is named on a lodged form of proxy, the chairperson shall be deemed to be appointed as the proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy, in the case of any proxy other than the chairperson, to vote or abstain from voting as deemed fit and in the case of the chairperson to vote in favour of the resolution.
4. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast or abstained may not exceed the total of the votes exercisable in respect of the shares held by the shareholder.
5. Forms of proxy must be lodged at, posted, faxed or emailed to the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) Telefax: (+27) 011 688 5238 or email: proxy@computershare.co.za.
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Where there are joint holders of shares, the vote of the first joint holder who tenders a vote, as determined by the order in which the names stand in the register of members, will be accepted.
7. The chairperson of the general meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes, provided that, in respect of acceptances, the chairperson is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company or Computershare Investor Services (Pty) Limited or waived by the chairperson of the general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. A minor must be assisted by his/her parent guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by Computershare Investor Services (Pty) Limited.
11. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.

SHAREHOLDERS' DIARY

Financial year-end	30 June 2018
66th annual general meeting	4 December 2018

REPORTS AND RESULTS ANNOUNCEMENTS

Interim report for half-year	Published and posted February
Preliminary annual financial results	Published and posted August
Annual financial statements	Posted October

ADMINISTRATION

TRANSPACO LIMITED

Registration number: 1951/000799/06
Share code: TPC
ISIN ZAE000007480

REGISTERED OFFICE

Address: 331 6th Street, Wynberg, Sandton, 2090
Postal address: PO Box 39601, Bramley, 2018
Telephone: (011) 887 0430
Fax: (011) 887 0434
Email: transpaco@transpaco.co.za
Website: www.transpaco.co.za

COMPANY SECRETARY

H van Niekerk B.Compt. (Hons) CA(SA)

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
Address: Rosebank Towers, 15 Biermann Avenue, Rosebank
Postal address: PO Box 61051, Marshalltown, 2107

EXTERNAL AUDITORS

Ernst & Young Inc.
Address: 102 Rivonia Rd, Sandton, 2196, South Africa
Postal address: Private Bag X14, Sandton, 2146

BANKERS

First National Bank Limited
ABSA Bank Limited

SPONSOR

Investec Bank Limited

B"H

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