

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2016 AND DIVIDEND ANNOUNCEMENT



Reg. No. 1951/000799/06 | ISIN: ZAE000007480 | Share Code: TPC ("Transpaco" or "the group")

A leading manufacturer, recycler and distributor of plastic and paper packaging products

TURNOVER UP 26% ■ HEADLINE EARNINGS PER SHARE UP 36% ■ TOTAL DIVIDEND PER SHARE 150 CENTS

INTRODUCTION

The pleasing 38% increase in headline earnings for the year to June 2016 (the year) is testament to Transpaco's resilience in challenging economic times.

A robust performance in the Plastics Division and a strong contribution from East Rand Plastics boosted Transpaco's turnover growth surpassing the previous year by 26%. The increase in turnover to R1,71 billion was attributable to a combination of volume growth, price increases and the inclusion of East Rand Plastics for 11 months. Focused marketing and sales strategies remain key drivers in maintaining this momentum.

Transpaco's performance was supported by controlled operating costs through improved manufacturing, distribution and administration efficiencies.

Notwithstanding that margins remained under pressure from higher input costs – notably energy, labour and certain raw materials – the group operating margin increased to 9,2% (June 2015: 8,1%).

FINANCIAL RESULTS

	June 2016	June 2015	% increase
Turnover (R'm)	1 712,4	1 356,0	26,3
Operating profits (R'm)	157,0	110,1	42,5
Total comprehensive income (R'm)	109,2	79,3	37,8
Headline earnings (R'm)	108,4	78,7	37,8
Earnings per share (cents)	332,7	245,3	35,6
Headline earnings per share (cents)	330,1	243,3	35,7
Diluted headline earnings per share (cents)	329,6	242,8	35,7
Net asset value per share (cents)	1 592	1 387	14,8

The weighted average number of shares in issue in calculating EPS and HEPS was 32 838 000 (June 2015: 32 323 000).

Additional plant and equipment acquired during the year and the funding required for the purchase of the business and property of East Rand Plastics resulted in an increase in long-term borrowings.

Cash generated from operations decreased to R139,1 million (June 2015: R144,8 million). Cash and cash equivalents at year-end were R85,2 million (June 2015: R153,6 million). Efficient working capital management minimised net interest paid and resulted in Transpaco's net interest-bearing debt-to-equity position remaining cash positive.

STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed 12 months June 2016	% change	Reviewed 12 months June 2015
Revenue	1 714 724		1 358 739
Turnover	1 712 376	26,3	1 356 025
Cost of sales	(1 099 905)		(891 763)
Profit before operating costs and depreciation	612 471	31,9	464 262
Operating costs	(412 613)		(319 148)
Depreciation	(42 878)		(34 967)
Operating profit	156 980	42,5	110 147
Finance income	2 348		2 714
Finance costs	(6 767)		(2 480)
Profit before taxation	152 561	38,2	110 381
Taxation	(43 313)		(31 095)
Profit for the year	109 248		79 286
Other comprehensive income	–		–
Total comprehensive income for the year	109 248	37,8	79 286
Weighted average ranking number of shares in issue ('000)	32 838		32 323
Diluted weighted average ranking number of shares in issue ('000)	32 883		32 388
Earnings per share (cents)	332,7	35,6	245,3
Diluted earnings per share (cents)	332,2	35,7	244,8
Headline earnings per share (cents)	330,1	35,7	243,3
Diluted headline earnings per share (cents)	329,6	35,7	242,8
Dividend per share (cents)*	150,0	38,9	108,0
<i>*Includes interim dividend of 52 cents (June 2015 – 34 cents) and a dividend declared after the period of 98 cents (June 2015 – 74 cents)</i>			
Reconciliation of headline earnings (R'000)			
Basic earnings	109 248		79 286
Profit on disposal of property, plant and equipment	(851)		(636)
Headline earnings	108 397	37,8	78 650

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Reviewed R'000	Share capital	Share premium	Other reserves	Distributable reserve	Total
Balance at 30 June 2014	322	11 019	3 856	386 986	402 183
Profit for the year	–	–	–	79 286	79 286
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	79 286	79 286
Share-based payments	–	–	149	–	149
Dividend paid	–	–	–	(28 534)	(28 534)
Share capital issued	1	–	–	–	1
Inflow of treasury shares	5	–	–	2 086	2 091
Balance at 30 June 2015	328	11 019	4 005	439 824	455 176
Profit for the year	–	–	–	109 248	109 248
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	109 248	109 248
Dividend paid	–	–	–	(41 470)	(41 470)
Balance at 30 June 2016	328	11 019	4 005	507 602	522 954

PROSPECTS

While a challenging trading environment prevails, particularly in the Recycling Division given a slow down in demand for recycled plastic raw material locally and in neighbouring countries, 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.

TRANSFORMATION

Transpaco's seventh independent accreditation process in respect of Black Economic Empowerment reflected a Level 4 value-added contributor.

Consequently, Transpaco customers can attribute 125% of their purchases from Transpaco to preferential procurement.

During the year, Transpaco has focused its transformation initiatives on skills, supplier and enterprise development.

Further, the use of long-term labour broker employees has ceased.

DIRECTORSHIP

Archie Aaron, who served on the Transpaco board since 1987 and as Chairman from 2003 to 2015, resigned from the board during the year.

Archie's contribution, dedication and support have played a pivotal role in the development, growth and success of Transpaco.

We thank him for his leadership, guidance and advice which will continue to influence the group's culture in the future.

DIVIDEND

The board has declared a final gross cash dividend out of income reserves of 98,0 cents per share, resulting in total dividends of 150,0 cents per share for the year ended 30 June 2016 (June 2015: 108,0 cents per share), an increase of 38,9%. After applying the dividend withholding tax of 15%, a net final dividend of 83,30000 cents per share will be paid to those shareholders who are not exempt from the dividends tax. The issued shares at the date of declaration is 33 317 482 ordinary shares. The Income Tax reference number is 9975/112/7/1/6.

The salient dates for the dividend are as follows:

Last date to trade shares *cum* dividend

Shares trade *ex* dividend

Record date

Payment date

Tuesday, 13 September 2016

Wednesday, 14 September 2016

Friday, 16 September 2016

Monday, 19 September 2016

BUSINESS COMBINATION

Transpaco acquired the business and property of East Rand Plastics with effect from 1 August 2015. The purchase price for the business was R110 million. It has proved impracticable to report on the turnover and net profit after tax values resulting from the acquisition. Post the combination, certain East Rand Plastics business activities were merged with existing Transpaco business activities and vice versa particularly since December 2015. This has made it difficult to identify which portion can be attributed solely to the acquisition and which portion came from existing operations.

STATEMENT OF FINANCIAL POSITION

R'000	Reviewed 12 months June 2016	Reviewed 12 months June 2015
R'000		
ASSETS		
Non-current assets	311 664	205 680
Property, plant and equipment	267 823	199 813
Intangibles	17 855	482
Goodwill	23 195	3 204
Deferred taxation	2 791	2 181
Current assets	558 051	523 763
Inventories	212 704	164 428
Trade and other receivables	259 524	202 635
Taxation receivable	656	3 100
Cash and cash equivalents	85 167	153 600
TOTAL ASSETS	869 715	729 443
EQUITY AND LIABILITIES		
Capital and reserves	522 954	455 176
Issued share capital	328	328
Share premium	11 019	11 019
Other reserve	4 005	4 005
Distributable reserve	507 602	439 824
Non-current liabilities	99 345	50 424
Interest-bearing borrowings	58 733	18 598
Deferred income	12 007	7 639
Deferred taxation	28 605	24 187
Current liabilities	247 416	223 843
Trade payables and accruals	201 221	187 847
Provisions	29 462	23 379
Current portion of interest-bearing borrowings	14 077	11 484
Deferred income	2 098	1 131
Taxation payable	558	2
TOTAL EQUITY AND LIABILITIES	869 715	729 443
Number of shares in issue ('000)	32 821	32 337
Number of shares (net of treasury shares)	32 821	32 337
Net movement in treasury shares	20	484
Ranking number of shares	32 841	32 821
Salient features		
Net asset value per share (cents)	1 592	1 387
Operating margin %	9,2	8,1
Net interest-bearing debt:equity ratio %	Net cash positive	Net cash positive

CAPITAL COMMITMENTS

R'000	Reviewed 12 months June 2016	Reviewed 12 months June 2015
Capital expenditure authorised and contracted	39 665	12 417
Property, plant and equipment		

The information disclosed in the annual report for the year ended 30 June 2015 has not changed. For more detail refer to the Transpaco 2015 annual report, note 10.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The group's annual financial results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), its 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 the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act. The principal 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 2015. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2016. The presentation and disclosure comply with International Accounting Standard (IAS) 34.

REVIEW OF INDEPENDENT AUDITORS

The group's auditors Ernst & Young Inc. have reviewed the condensed consolidated financial information for the year. The unmodified review report is available for inspection at Transpaco's registered office. The review was performed in accordance with ISRE 2410: Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's external auditors.

APPROVAL AND PREPARATION

These condensed consolidated financial results have been prepared under the direction and supervision of the Financial Director, L Weinberg CA(SA).

ON BEHALF OF THE BOARD

DJJ Thomas
Non-executive Chairman

PN Abelheim
Chief Executive

L Weinberg
Financial Director

DIRECTORS

DJJ Thomas (Chairman)*; PN Abelheim (Chief Executive); L Weinberg (Financial Director); HA Botha**; SR Bouzouglo; SI Jacobson*; SP van der Linde (Lead Independent Director)**

*non-executive

**independent non-executive

Date 22 August 2016

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

Auditors Ernst & Young Inc. **Company secretary** HJ van Niekerk **Sponsor** Investec Bank Limited **Registered office** 331 6th Street, Wynberg, Sandton **Transfer secretaries** Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg **Website** www.transpaco.co.za

STATEMENT OF CASH FLOWS

R'000	Reviewed 12 months June 2016	Reviewed 12 months June 2015
Cash flow from operating activities		
Cash generated from operations	139 091	144 772
Dividends paid	(41 470)	(28 534)
Finance income received	2 348	2 714
Finance costs paid	(6 767)	(2 480)
Taxation paid	(41 370)	(28 050)
Net cash inflow from operating activities	51 832	88 422
Cash flow used in investing activities		
Proceeds on disposal of property, plant and equipment	2 777	1 290
Acquisition of business	(109 650)	–
Expansion and replacement of property, plant and equipment	(56 120)	(28 023)
Proceeds from short-term receivables	–	642
Net cash outflow from investing activities	(162 993)	(26 091)
Cash flow used in financing activities		
Proceeds from treasury shares	–	2 091
Proceeds from share capital issued	–	1
Proceeds from borrowings	90 622	8 192
Repayment of borrowings	(47 894)	(10 281)
Net cash inflow from financing activities	42 728	3
Net movement in cash for the year	(68 433)	62 334
Cash and cash equivalents at the beginning of the year	153 600	91 266
Cash and cash equivalents at the end of the year	85 167	153 600

SEGMENTAL ANALYSIS

R'000	Plastic Products	Paper and Board Products	Properties and Group Services	Total Group
Turnover – 2016	1 231 286	481 090	–	1 712 376
Turnover to all customers	1 279 154	509 897	–	1 789 051
Less turnover to internal customers	47 868	28 807	–	76 675
Turnover – 2015	898 623	457 402	–	1 356 025
Turnover to all customers	977 689	479 931	–	1 457 620
Less turnover to internal customers	79 066	22 529	–	101 595
Operating profit – 2016	99 626	50 929	6 425	156 980
Operating profit – 2015	54 810	51 191	4 146	110 147
Profit before tax – 2016	95 436	49 299	7 826	152 561
Profit before tax – 2015	54 054	50 146	6 181	110 381
Capital expenditure – 2016	33 798	17 645	4 677	56 120
Capital expenditure – 2015	14 880	12 783	360	28 023
Assets – 2016	549 871	192 446	127 398	869 715
Assets – 2015	408 648	182 698	138 097	729 443
Liabilities – 2016	217 105	97 766	31 890	346 761
Liabilities – 2015	160 827	95 210	18 230	274 267