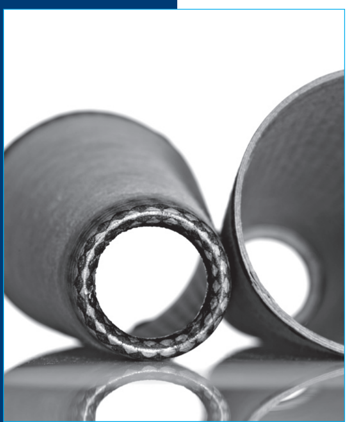
Transpaco
LIMITED



JUNE 2019

INTEGRATED ANNUAL REPORT

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01

FY19 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.

FINANCIAL STATISTICS

	2019	2018	2017	2016	2015
Current ratio (x)	**2,0**	2,1	2,1	2,3	2,3
Net interest-bearing debt: equity ratio (%)	**10,5**	11,6	Net cash positive	Net cash positive	Net cash positive
Operating income margin (%)	**4,5**	8,1	7,4	9,2	8,1
Net asset value per share (cents)	**1 940**	1 886	1 708	1 592	1 387

KEY FEATURES

LEVEL 4
B-BBEE CONTRIBUTOR

1 499
EMPLOYEES

9 PRODUCTION
FACILITIES

DISTRIBUTION
CAPABILITY ACROSS ALL
9 PROVINCES

4 TRADING
FACILITIES

FINANCIAL HIGHLIGHTS

NET ASSET VALUE
PER SHARE
1 940C

GROUP REVENUE
R1.985BN

HEADLINE EARNINGS
PER SHARE
172.3C

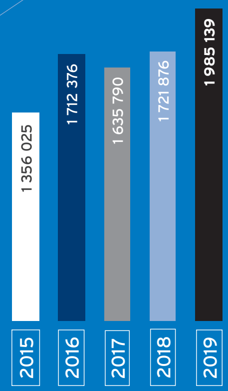
TOTAL OPERATING PROFIT
R89.9M

TOTAL DIVIDEND
PER SHARE
80C

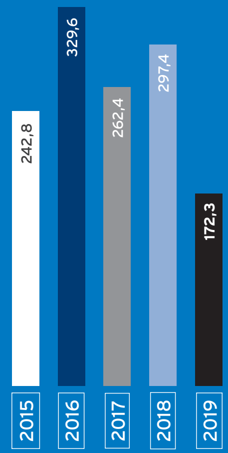
CLOSING MARKET CAP
R641.3M
(30 JUNE 2019)

INVESTMENT CASE

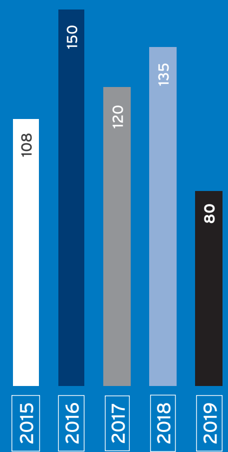
- Leading manufacturer, recycler and distributor of paper and plastic packaging products.
- Geographic footprint in all nine provinces.
- Multi-faceted business with different revenue streams.
- Diversified client base with reduced sector dependence.
- Key player in consolidation of local packaging market.
- Entrepreneurial culture with highly skilled staff.
- Deep technical expertise embedded in the long-serving leadership team.
- Stringent management of cash generation and working capital.
- Prudent balance sheet management.
- Strongly positioned and flexible to take advantage of opportunities in the packaging value chain.



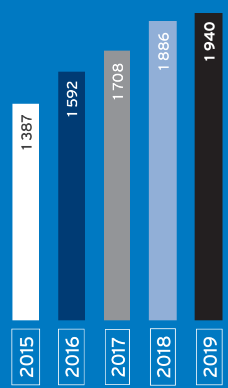
10% CAGR REVENUE/ TURNOVER (RANDS)



-8,21% CAGR DILUTED HEPS



-7,23% CAGR DIVIDEND PER SHARE



8,75% CAGR NET ASSET VALUE

ABOUT THIS REPORT

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 2019): 32 886 359

We are pleased to present our integrated annual report which covers the financial year ended 30 June 2019. 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 94 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 2018 to 30 June 2019, and follows our integrated annual report for the previous year published in October 2018. Content – including the company's consolidated financial statements as set out on pages 39 to 87 covers all divisions and subsidiaries of the company, as illustrated on pages 8 to 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.

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 Transpaco at a Glance, 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

Deals with stakeholder engagement and 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 10 October 2019.

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 2019. 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
10 October 2019

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 to 9).

02

TRANSPACO AT A GLANCE

OUR MARKET REACH

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

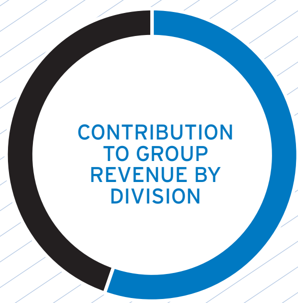
Paper & Board:
4 manufacturing sites, 4 trading facilities and distribution centres throughout South Africa

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

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



56% PLASTIC PRODUCTS

44% PAPER & BOARD

40% PLASTIC PRODUCTS

41% PAPER & BOARD

19% GROUP SERVICES

SEGMENTAL BREAKDOWN

OUR JOURNEY MILESTONES

32 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

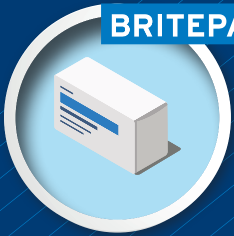
- Manufactures specialised films - three, five and seven layer cast film products
- One manufacturing facility (Bronkhorstspruit)
- State-of-the-art equipment for products of the highest quality and standard
- Distribution facilities throughout South Africa
- Certified ISO 22000:2005

PRODUCTS

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

PAPER & BOARD

BRITEPAK

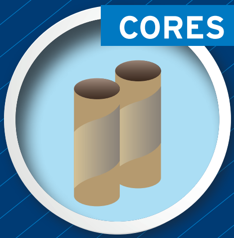


- Manufactures printed folded cartons and package inserts
- One manufacturing plant (Gauteng)
- Prepress service, including Suprasetter plate-setting technology
- Lithographic printing including offline, high quality ultra-violet varnish capabilities
- Sophisticated finishing including modern automatic 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

OF THE GROUP

STATEMENTS OF COMPREHENSIVE INCOME

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Revenue/turnover	**1 985 139**	1 721 876	1 635 790	1 712 376	1 356 025
Operating profit before net finance costs	**89 868**	139 209	121 703	156 980	110 147
Net finance (costs)/income	**(11 061)**	(4 167)	(2 358)	(4 419)	234
Profit before taxation	**78 807**	135 042	119 345	152 561	110 381
Taxation	**(21 619)**	(37 556)	(32 986)	(43 313)	(31 095)
Profit for the year	**57 188**	97 486	86 359	109 248	79 286
Other comprehensive income	**-**	-	-	-	-
Total comprehensive income for the year	**57 188**	97 486	86 359	109 248	79 286

STATEMENTS OF FINANCIAL POSITION

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Assets					
Non-current assets	**435 852**	432 831	382 035	311 664	205 680
Current assets	**641 346**	649 978	541 469	558 051	523 763
Total assets	**1 077 198**	1 082 809	923 504	869 715	729 443
Equity and liabilities					
Capital and reserves	**637 856**	620 131	561 225	522 954	455 176
Non-current liabilities	**117 249**	158 362	106 303	99 345	50 424
Current liabilities	**322 093**	304 316	255 976	247 416	223 843
Total equity and liabilities	**1 077 198**	1 082 809	923 504	869 715	729 443

STATEMENTS OF CASH FLOWS

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Net cash inflow from operating activities	**50 507**	47 557	120 756	51 832	88 422
Net cash outflow from investing activities	**(45 420)**	(133 890)	(115 754)	(162 993)	(26 091)
Net cash (outflow)/inflow from financing activities	**(28 852)**	47 247	9 365	42 728	3
Net movement in cash for the year	**(23 765)**	(39 086)	14 367	(68 433)	62 334
Cash and cash equivalents at the beginning of the year	**60 448**	99 534	85 167	153 600	91 266
Cash and cash equivalents at the end of the year	**36 683**	60 448	99 534	85 167	153 600

SHARE STATISTICS

	2019	2018	2017	2016	2015
Headline earnings per share (cents)	**172,3**	297,4	262,6	330,1	243,3
Diluted headline earnings per share (cents)	**172,3**	297,4	262,4	329,6	242,8
Basic earnings per share (cents)	**173,9**	298,8	262,8	332,7	245,3
Diluted basic earnings per share (cents)	**173,9**	298,8	262,6	332,2	244,8
Cash generated from operations per share (cents)	**378,4**	382,3	622,0	423,6	441,1
Dividends per share (cents)	**80,0**	135,0	120,0	150,0	108,0
Share price – high (cents)	**2 500**	2 750	3 440	2 775	2 000
– low (cents)	**1 731**	1 700	2 305	1 875	1 649
– year-end (cents)	**1 950**	2 100	2 650	2 360	1 900
Total value of shares traded (R'000)	**69 297**	53 465	67 175	23 983	70 549
Number of shares traded ('000)	**3 483**	2 252	2 454	1 100	3 727
Market capitalisation at year-end (R'000)	**641 284**	690 614	882 913	786 293	633 032
Ordinary shares in issue ('000)	**32 886**	32 886	33 317	33 317	33 317
Ranking number of ordinary shares ('000)	**32 886**	32 886	32 861	32 841	32 821
Weighted average ranking number of ordinary shares ('000)	**32 886**	32 629	32 858	32 838	32 323

KEY RISKS

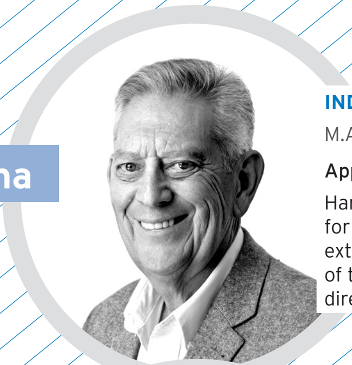
We regard risk management as central to growing a sustainable business. Our risk management framework is set out in the risk report on page 34. Our key risks and how we mitigate against them are outlined below:

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

CATEGORY	RISK	MITIGATION
PLANTS	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)

* Recent developments in the South African insurance industry has resulted in a reluctance of local insurers to provide fire insurance cover for the paper and plastic industry. Transpaco has spent a substantial amount of money improving fire prevention facilities at all plants in line with insurers' requirements. However, there appears to be a never-ending moving target which in some cases results in unreasonable demands from insures. While installations are taking place, cover has been suspended at one Transpaco factory until completed.

DIRECTORS



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 31 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.

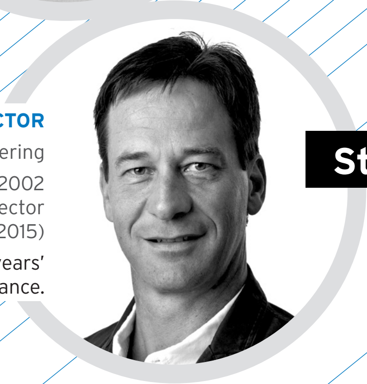
Bonge Mkhondo

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 INDEPENDENT NON-EXECUTIVE DIRECTOR

B.Sc Chemical Engineering

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

As an investment analyst, Stephen has 21 years' experience in manufacturing and finance.

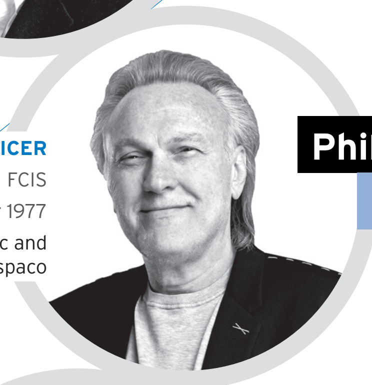
Derek
Thomas

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 broad-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 45 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 35 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 36 years' experience in financial management and administration, Louis originally joined the group on 17 September 2002.

03 OUR PERFORMANCE

CHAIRMAN'S LETTER
TO STAKEHOLDERS

As Transpaco we've come to expect a year on year steady increase in earnings. Unfortunately, the macro environment is very difficult for South African businesses right now, even one as well run as Transpaco. The disappointing performance was generalised, spread across most of our operating divisions. There were two major reasons for this relatively poor performance: difficult trading conditions as a result of a stagnant economy, and a three-month strike in our busiest period. The South African consumer is under enormous pressure. The reported increase in revenue was a function of the full year inclusion (2018, four months) of Future Packaging which is a high revenue low margin trading business.

There is, however, good news to report on during this earnings slump. Transpaco is comprised of solid operating divisions, which generate great cash flows and this financial year was no different from previous periods. This cash generation along with prudent cost management and a conservatively managed balance sheet means that Transpaco remains a quality firm. Transpaco is thus well placed to take advantage of any investment and acquisition opportunities as well as able to weather this economic storm.

While we have invested significantly in support of our various divisions, we have not made any acquisitions since Future Packaging late in the 2018 financial year. Future Packaging was a relatively large acquisition. The integration of the business into Transpaco has proceeded well. We are constantly looking for new investments. Each acquisition is extensively and critically analysed. Transpaco has a decade-long proven track record of value adding acquisitions, and of course importantly the hard work of integration of these businesses into the group. We will continue to invest organically as well as pursue acquisitions.

We are cognisant of the growing anti-plastic debate and are engaged in seeking workable solutions that are environmentally sustainable. The truth is that to date no scalable, affordable solution has emerged. There are numerous exciting opportunities worth exploring. As a large player in the plastics and packaging sector, especially retail plastic bags, Transpaco must and will explore a variety of emerging alternatives. We will work with our customers and innovative suppliers to find suitable products in response to the challenge.

INTRODUCTION

It was a challenging year for Transpaco. It's an unpleasant responsibility for a Chairman to have to report to our shareholders that earnings have fallen, and in Transpaco's case by 41,3%.

Transpaco is an entrepreneurial business with imagination, grit and determination. The executive team has decades of experience. Together with the board, executive management have charted a course to return Transpaco to the earning levels of recent years. It will be difficult, but I have every confidence that Transpaco will deliver.

Part of the difficult macro-environment that Transpaco operates in is a consequence of the decades-long mismanagement of the economy. A self-imposed exercise in shooting oneself in the foot. The various Commissions of Enquiry are revealing the wide extent of the corruption, looting and avarice that has gripped South Africa. It is common to now talk of a lost or wasted decade of State Capture. It would be naïve to assume that a new political leadership will be able to universally root out the entrenched corrupt practices of the past decade. It's going to take hard work and take some time. There may well be more bad news before the tide turns. In a relatively small economy like ours the state plays an important role; having efficient and well-functioning government entities is therefore critical. We are only starting the desperately needed recovery. I wish President Ramaphosa well in his leadership efforts, and indeed all in government acting with sobriety and goodwill as they try to get the economy onto a more sustainable growth path. Perhaps hardest will be to restore our national confidence and place our moral compass back on track.

Transpaco is certainly not immune at a corporate level to this national scourge. We see occasional evidence of this in the daily operations of the firm. Transpaco has a zero-tolerance approach to these matters. Each divisional MD is required to sign a personal ethical pledge each month on the veracity of their financials as well as their fiduciary duties to the firm. We instil a culture of intolerance of fraud, corruption and misrepresentation at all levels. We will continue with this approach to doing business.

Transpaco is rooted in South Africa. Entrepreneurial firms are by their nature optimists. We will continue to explore opportunities and give expression to our proven business path.

During the elections Transpaco was erroneously accused, by a senior NUMSA spokesperson on eNCA of not allowing employees within our Recycling division to vote. It was imperative for us to set the record straight. All our employees as citizens have the natural constitutional right to vote. We would never interfere with that right. Transpaco has large and important customers who expect their suppliers to behave in accord with the laws of the land. Ultimately this callous and inaccurate statement could have placed jobs at risk. We immediately took the following actions in response: Transpaco placed adverts in the leading national papers to set the record straight and succeeded in our submission to the broadcasting ombudsman in obtaining a retraction and apology from the news channel. For the record, all our operations were closed on election day and we continue to embrace the importance of taking part in South Africa's democratic elections. Election day should be joyous. We respectfully ask all stakeholders to behave responsibly.

Trade unions have always been welcome to operate within the appropriate legal parameters at Transpaco. They in turn should recognise Transpaco, which creates jobs, pays its taxes, ensures a safe operating environment for workers, invests in plant and equipment and yes, encourages all our employees to vote. We ask that all our stakeholder partners consider the potential negative impact of peddling inaccurate information, especially as it relates to putting jobs in jeopardy. Transpaco will continue to be a responsible corporate citizen; we are mindful of protecting our reputation.

With our levels of unemployment jobs are almost sacred. Transpaco has a 30-year history of investing and acquiring (in many cases previously failing) businesses, thereby creating and saving jobs. We are serious and passionate about creating employment and in this vein, we now participate in the government-endorsed Youth Employment Scheme ("YES"), employing 61 youth in our Back to School operation. We also have an additional 76 personnel on learnerships.

This underpins our commitment to responsible corporate citizenship. We expect a substantial improvement in our BEE level from level 4 to level 2 at the next evaluation as a result of the YES initiative and our increased expenditure in the arena of Skills Development and Enterprise and Supplier Development ("ESD").

We are discussing the composition of our board and expect an addition in the new financial year. Bonge Mkhondo has been our most recent appointment, in 2017. Most of the other non-executive directors have served for more than a decade. All are invaluable. We will keep the required balance of skills and diversity in mind in any new appointments.

Selwyn Jacobsen retired in March 2019, after having been associated with the group for over 40 years. I've known Selwyn as an energetic member of the board. He worked with Phil's father, and was instrumental in the founding of Transpaco. We thank him for his loyalty to both the firm and the Abelheim family. His many years of contribution to Transpaco were invaluable in shaping the firm. We wish him well.

It was with deep sadness that we were notified of the passing of Archie Aaron who served on Transpaco's board for 28 years, 12 of those as Chairman. He was a fixture of the legal-commercial world, where he held a senior leadership position at one of the country's most prestigious law firms, and on various listed boards. Archie undoubtedly contributed to all the companies he was associated with. I personally learnt much from him and am grateful for the time he afforded me.

As South Africans we have been living through an unprecedented decade of corruption. The Zondo Commission (as with other similar Commissions) has brought to light the actions of important heroes such as independently minded members of the press, judiciary and importantly whistle blowers. We must also not forget the business leaders who quietly and tirelessly keep businesses healthy and ensure employees and their families are economically sustained. I want to acknowledge these heroes. Thank you for your service to our country.

As we navigate these challenging economic times Transpaco will continue its journey of entrepreneurial optimism. We will try build our country to the best of our abilities. Thanks to Phil, Louis and the divisional managing directors. And to the non-executive directors, a sincere thanks to each of you for being part of and making ours an incredible board.

Derek Thomas

Chairman

10 October 2019

CEO'S REPORT

INTRODUCTION

2019 has been a challenging year for Transpaco.

The stagnant economy compounded by the three-month plastic industry strike resulted in the 41,3% decline in the group's performance. Operating profit fell by 35,4% despite an increase in revenue of 15,3%. The increase in revenue is due to Future Packaging being integrated for the full year compared to the four months in the previous year. The poor trading conditions, protracted strike and raw material price devaluation prevented our ability to fully recover rising costs and inhibited anticipated turnover growth. The strike occurred during Transpaco's busiest period negatively affecting three operations directly and several others indirectly.

The group generated cash from operations amounting to R124,5 million (2018: R125,7 million). Cash and cash equivalents at year-end were R36,7 million (2018: R60,4 million). Efficient working capital management minimised net interest paid and resulted in Transpaco's net interest-bearing debt-to-equity position improving to 10,5% (2018: 11,6%). The group's balance sheet remains robust.

R1 985,1M

REVENUE
(2018: R1 721,9M)

FINANCIAL OVERVIEW

	June 2019	June 2018	% change
Revenue	R1 985,1 million	R1 721,9 million	15,3%
Operating profit	R89,9 million	R139,2 million	(35,4%)
Total comprehensive income	R57,2 million	R97,5 million	(41,3%)
Headline earnings	R56,7 million	R97,0 million	(41,6%)
HEPS	172,3 cents	297,4 cents	(42,0%)
EPS	173,9 cents	298,8 cents	(41,8%)
Diluted HEPS	172,3 cents	297,4 cents	(42,0%)
Weighted average number of shares in issue	32 886 000	32 629 000	0,8%
Cash generated from operations	R124,5 million	R125,7 million	(1,0%)
Cash and cash equivalents	R36,7 million	R60,4 million	(39,2%)
Net asset value per share	R19,40 per share	R18,86 per share	2,9%
Net interest paid	(R11,1 million)	(R4,2 million)	164,3%

CAPITAL INVESTMENTS

In order to remain competitive, it is crucial for Transpaco to operate efficient factories.

R47,0 million was invested during the year replacing aging plant, increasing capacity at various divisions and to improve fire safety facilities in line with current insurance requirements, which remains an ongoing process.

OPERATIONS

PLASTIC PRODUCTS

The plastic division remained under pressure from the sluggish economy affecting all operations.

In addition, three factories were negatively impacted by the prolonged strike during our busiest period with the recycling facility closed for the full duration of the strike.

Plastic raw material price deflation contributed to the decline in the division's performance.

Although the debate regarding retail plastic bags rages on, Transpaco's retail plastic bag division performed well within expectations. During the year our market share grew necessitating the purchase of new plant to cater for the additional volumes.

The board acknowledges the global plastic problem and commends all efforts to address this. However, the impact retail plastic bags have on the environment is grossly overstated and yet receives a disproportionate amount of attention by the environmental lobby. The weight of all retail plastic bags used in South Africa per year represents a mere 0,025% of all solid waste disposed of annually in landfills.

During the early 2000s, Valli Moosa, the then Minister of Environmental Affairs in partnership with retailers, unions and the industry implemented ground breaking regulations to govern the production, sale and use of retail plastic bags, which was a resounding success. Further, since inception the retail plastic bag value chain has contributed vast sums of money to state funds, presumably ending up with the Department of Environmental Affairs and is the only packaging item on which an environmental tax is levied.

The South African retail plastic bag is legislated to be a minimum thickness of 24 microns, a far cry from the 12 to 15-micron bags used in most European, American and Asian markets. This renders the South African retail plastic bag unique and unquestionably reusable for both primary functions such as shopping and then for a multitude of secondary uses.

Most retail plastic bags available in South Africa are produced from post-consumer recycled material in varying proportions and all are recyclable.

A complete ban on plastic bags is not a solution and the temptation to call for such is misguided. Cost-effective, eco-friendly alternatives that do not pass the cost onto the already hard-pressed consumer have not been identified to date.

NET ASSET VALUE PER SHARE INCREASED

2,9%

TO R19,40 PER SHARE (2018: R18,86 PER SHARE)

International and local market forces in the plastic recycling industry are preventing Transpaco from deriving any benefit from remaining in the post-consumer recycling market. Selling price levels have been restricted due to prevailing virgin polymer prices while energy, labour and distribution costs, amongst others, keep rising. With no likelihood of the situation improving in the short to medium term, and in order to stem losses, the board has decided to discontinue the operation within the current financial year.

Production facilities at East Rand Plastics were expanded during the year due to operational needs.

The business is performing well and continues to explore export opportunities in Africa, the United States and Europe.

Specialised Films remains one of South Africa's largest producers of plastic pallet wrap and stabilisation film products. Raw material price deflation and reduced consumer spend prevented the business from reaching its full potential this year. Growth opportunities are being developed with aggressive sales and marketing drives in place.

The Jiffy Back To School brand continues to grow, offering scholastic stationery and in particular plastic and paper book covers and related products. The brand is firmly entrenched in the market and has expanded into additional products resulting in the installation of additional production facilities.

PAPER PRODUCTS

The paper division, although a victim of the poor economy, fared better than the plastic division.

The packaging distribution component comprising Future Packaging and Transpaco's original packaging business continues to trade well despite the effect of the constrained economy. Although the two operations have not yet been incorporated into one business unit they are working closely to develop new products and markets and are taking advantage of synergistic opportunities. The acquisition has been beneficial to Transpaco with expectations of a firm contribution to group profit and growth, once the economy improves.

The printed folded carton business, Britepak has been identified for expansion with the intention of increasing production capacity and entry into new markets including FMCG (fast-moving consumer goods) packaging. The current focus remains on pharmaceutical cartons and inserts. Britepak is producing high-end bespoke retail paper bags, an area which could provide additional growth.

Cores and Tubes continue to trade well. Three plants provide cardboard cores and tubes, angle board, void fillers and carton dividers throughout the country. During the year it expanded into the production of paper straws and upgraded several production lines to export products to neighbouring countries.

GOVERNANCE

As a good corporate citizen, Transpaco is committed to sound and effective governance. Policies and procedures are continually under review and updated where necessary. Our Code of Good Conduct is strictly enforced and all employees are required to adhere to its principles.

TRANSFORMATION

Transformation and genuine empowerment is essential to Transpaco's sustainability and central to our strategic objectives as evidenced in our investment in skills development in support of employees, unemployed youth and disabled people through our learnership programme.

Due to the change in the BEE Codes Transpaco reduced to a Level 6 during the previous financial year. Through significant effort and expense a Level 4 ranking was regained.

Transpaco has embraced the Youth Employment Service (YES) programme which seeks to support unemployed youth.

To this end, the Jiffy division has employed 61 youth resulting in an expected rating improvement to Level 2 once the mandatory waiting period expires.

In addition, 76 learnerships are in place with encouraging results. Transpaco has employed several trainees on a full time basis subsequent to them qualifying. The upliftment of our previously disadvantaged (PDI) employees provides growth opportunities where applicable.

We encourage suppliers to improve their BEE status and endeavour to purchase from companies with Level 4 and above status and continue to develop relationships with as many transformed companies as possible.

A supply agreement has been entered into with a black-owned raw material manufacturer producing additives and colourants for the plastic industry.

HEALTH AND SAFETY ENVIRONMENT

Management works closely with an outsourced health and safety service provider which assesses all manufacturing operations. They report on all issues requiring redress ensuring a safe and healthy working environment.

DIVIDEND

The board has declared a final gross cash dividend out of income reserves of 50,0 cents per share, resulting in total dividends of 80,0 cents per share for the year ended 30 June 2019 (2018: 135,0 cents per share).

PROSPECTS

Trading remains challenging in a tough economic environment. Controlling costs and working capital management remain critical focus areas.

The group will continue to focus on growth opportunities within each business unit and invest in plant and equipment accordingly to expand product offering and increase capacity where necessary.

Appropriate strategic earnings-enhancing acquisition opportunities remain a key growth driver for Transpaco which will be explored in a disciplined manner.

OUR BOARD

Selwyn Jacobson retired during the year after serving on the board for 32 years. Selwyn, together with Sam Abelheim, was an original founder of Transpaco. His support in the establishment and development of Transpaco has been invaluable without which Transpaco would not have achieved the same growth and success. Selwyn leaves a lasting legacy for which we are eternally grateful. I wish him well in his retirement.

APPRECIATION

I wish to extend my appreciation and gratitude to our chairman Derek Thomas, financial director Louis Weinberg, non-executive directors, managing directors, divisional directors and employees, who in difficult times rise to the occasion and remain fully committed.

Their dedication and devotion is highly commendable.

I thank our loyal customers, shareholders and service providers for their valued support.

Phillip Abelheim

CEO

10 October 2019

R89,9M

OPERATING PROFIT
(2018: R139,2M)

OUR IMPACTS

OUR STAKEHOLDERS

Being a good corporate citizen is imperative to ensuring a sustainable business. This in turn contributes to driving 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 open, transparent and timeous communication with all stakeholders and have an active stakeholder engagement programme. We engage regularly with our identified key stakeholders through various means including 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:

STAKEHOLDER	WHAT MATTERS TO THEM
Employees and trade unions	Job security, sustainability, personal growth and development, skills development, remuneration and incentives, working conditions, safety
Investors	Sustainability, profitability, ROI (share price and dividends), cash generation, corporate governance and compliance, risk management, remuneration practices, growth prospects, accessibility of leadership, succession
Funders	Solvency and liquidity, capital management, sustainability, credit rating, risk management
Customers	Security of supply, pricing, quality, reliability, service
Contractors and suppliers	Timely payment, sales volumes, fair business practices
Government and regulators	Employment equity, environmental impact, safety, taxation, compliance, environmental impact, adherence to the JSE Listings Requirements and company legislation
Industry associations	Industry trends, expertise, collective lobbying, industry-specific issues, labour issues
Communities	Job creation, CSI projects

RESPONSIBILITY
HR department, managing directors/ managers, transformation, social & ethics committee, health and safety committees
CEO, FD
CEO, FD
Marketing, managing directors/managers
Managing directors/managers
CEO, FD, company secretary
CEO, managing directors/managers
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 4 B-BBEE rating in terms of the new revised Codes (B-BBEE Codes of Good Practice issued by the Department of Trade and Industry). Our scorecard is set out below:

	Scorecard rating	
BEE Code	**2019**	**2018**
Ownership	23,56	20,56
Management Control	7,12	5,14
Skills Development	17,05	16,86
Enterprise and Supplier Development	32,65	23,37
Socio-Economic Development	4,57	4,49
Total	**84,95**	**70,42**

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. 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 recyclable material 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 success is underpinned by our people, who are critical to our business and ensuring sustainable growth. Since inception we have been committed to creating jobs and in turn providing a responsible and workplace.

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 retain superior talent in a skills-scarce environment. Employees are remunerated in line with industry norms. All of this underpins our consistently low staff turnover.

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 which represents certain of our employees through an empowerment partnership with its investment company is Transpaco's broad-based black empowerment shareholder.

EMPLOYMENT EQUITY AND NON-DISCRIMINATION

Group policies ensure 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 adhered to 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.

	2019		2018	
Category /Level	Total number	HDI	Total number	HDI
Top Management	23	4	24	4
Senior Management	83	25	85	19
Professionally Qualified	82	50	83	51
Skilled	439	327	449	327
Semi-Skilled	239	239	252	252
Unskilled	633	633	650	650
Disabled	–	–	1	1
Total	**1 499**	**1 278**	**1 544**	**1 304**

SKILLS DEVELOPMENT

We are committed to providing "on-the-job" training which is supplemented with ongoing internal and external skills development programmes. We also offer a study learnership scheme.

Transpaco's skills development programme is aimed at training unemployed able and disabled individuals. 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 80 learnerships – 40 employed and 40 unemployed. From June 2019 to May 2020 we have 76 learnerships underway. In addition in June 2019 we launched our support of the Youth Employment Service (YES) programme and have employed 61 candidates. The YES programme is set to employ 19-29 year olds creating new jobs and providing young people with an opportunity for employment and work experience.

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 approximately 2% 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 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. Where required sprinkler systems have been installed or are in the process of being installed to meet insurance requirements.

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

VALUE ADDED STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

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 added has been distributed.

	2019 R'000	Value Added %	2018 R'000	Value Added %
Creation of wealth				
Revenue	**1 985 139**		1 721 876	
Cost of goods, services and expenses	**(1 406 717)**		(1 166 807)	
	578 422		555 069	
Distribution of wealth				
Employees:				
Salaries, wages and benefits	**397 412**	**68,7**	332 464	59,9
Government:				
Taxes	**28 577**	**5,0**	38 479	6,9
Providers of capital:				
Finance costs	**12 345**	**2,1**	7 404	1,3
Dividends	**39 463**	**6,8**	38 580	7,0
Maintenance and expansion:				
Depreciation	**43 437**	**7,5**	40 656	7,3
Retained income	**57 188**	**9,9**	97 486	17,6
	578 422	**100,0**	555 069	100,0

04

ACCOUNTABILITY

ETHICAL LEADERSHIP

As a good corporate citizen Transpaco seeks to adhere to the highest standards of ethical behaviour and effective governance at all times. The board, divisional directors, management and employees at all levels, are required to apply these principles and act in the best interests of the company. 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").

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 outlines 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. We are currently assessing the implementation of a whistleblowing facility.

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

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
Derek Thomas*
Stephen van der Linde**
(Committee Chairman)
Louis Weinberg
Bonge Mkhondo**
Selwyn Jacobson*

RESPONSIBILITY

Overseeing transformation and other compliance and sustainability related matters

** Independent non-executive
* Non-executive
+ Retired 13 March 2019
# 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 executive directors engage in a formal monthly dialogue with divisional and operational management, and hold 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, HA Botha, DJJ Thomas and SP 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.

CORPORATE GOVERNANCE

CONTINUED

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)	4 (4)	3 (3)	1 (1)	1 (1)
HA Botha *#>	4 (4)	3 (3)	1 (1)	
SR Bouzaglou	4 (4)	3 (3)		
SI Jacobson*&	4 (4)	3 (3)		1 (1)
B Mkhondo *>	3 (4)	2 (3)	1 (1)	1 (1)
DJJ Thomas*~ (Chairman)	4 (4)	3 (3)	1 (1)	1 (1)
SP van der Linde *> /	4 (4)	3 (3)		0 (1)
L Weinberg (FD)	4 (4)	3 (3)		1 (1)

* *Non-executive*
\> *Independent*
\# *Chairman audit and risk committee*
~ *Chairman board governance and remuneration committee*
/ *Chairman transformation, social & ethics committee*
& *Retired 13 March 2019*

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

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. Our risk management policy aims to ensure the group is adaptable to changing circumstances and can demonstrate resilience in an uncertain economy.

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 as well as governance of information. 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.

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 4 December 2018, the non-binding advisory vote on the company's remuneration policy received 95.2% 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. Employees on a cost-to company package have the option to structure their package in such a manner as to include a 13th payment during December of every year

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 page 62 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 2019 annual general meeting are set out below.

NON-EXECUTIVE DIRECTORS	FEE (2018/19) R	FEE (2019/20) R	BOARD	AUDIT & RISK COMMITTEE	BOARD GOVERNANCE & REMUNERATION COMMITTEE	TRANSFORMATION, SOCIAL & ETHICS COMMITTEE
HA Botha	278 653	295 372	Member	Chairman	Member	
SI Jacobson*	494 934	-	Member			Member
B Mkhondo	268 540	284 652	Member	Member	Member	Member
DJJ Thomas	387 642	410 900	Chairman		Chairman	Member
SP van der Linde	268 540	284 652	Member	Member		Chairman

* Retired 13 March 2019

DJJ Thomas

Chairman board governance & remuneration committee
10 October 2019

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 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 22 - 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

10 October 2019

AUDITED ANNUAL FINANCIAL STATEMENTS

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PREPARATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The preparation of the audited annual financial statements for the year ended 30 June 2019, which appear on pages 46-87, 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 41 – 42.

The annual results were approved by the directors on 10 October 2019 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 2019 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
10 October 2019

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') and company set out on pages 46 to 87, which comprise of the consolidated and separate statements of financial position as at 30 June 2019, 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 and company as at 30 June 2019, 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 and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that 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 the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

We have determined that there are no key audit matters relating to the separate financial statements and the identified key audit matter relates only to the audit of the consolidated financial statements.

KEY AUDIT MATTER
Valuation of inventories: Inventory comprises 20% 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 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 – Inventories.
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 through performing sensitivity analysis over normal vs actual production in accordance with the requirements in IAS 2, Inventories. • We tested the computation of the allocation of appropriate overheads to inventory by recalculating the capitalised manufacturing overheads and ensured these were in accordance with the requirements in IAS 2, Inventories. • We assessed the disclosures relating to Inventories by comparing it to the disclosure requirements in terms of IAS 2, Inventories.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 96-page document titled "Transpaco Limited 2019 June Integrated Annual Report", which includes the directors' statement of responsibility, declaration by company secretary, audit and risk committee report, the directors' report as required by the Companies Act of South Africa as well as the 2019 June integrated annual report and shareholder analysis. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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, 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.

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 and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and 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 and 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 and 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 22 years.

Ernst & Young Inc.

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

10 October 2019

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, Ernst & Young Inc. with Amelia Young as designated auditor. The committee has obtained a statement from the auditor that its independence was not impaired. 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.

In addition the committee has satisfied itself that appropriate financial reporting procedures are in place and that these are operational.

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

10 October 2019

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 50 cents per share. This, together with the interim dividend of 30 cents per share paid to shareholders in March 2019, brings the total dividend for the year to 80 cents per share (2018: 135 cents).

ACCOUNTING POLICIES

The group and company's annual financial statements set out on pages 39-87 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.

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 director
Derek Thomas (Chairman)

In terms of the Memorandum of Incorporation Harry Botha, Stephen van der Linde and Derek Thomas retire at the upcoming annual general meeting and being eligible, will offer themselves for re-election.

SUBSEQUENT EVENTS

On the 30th of September the Board of Directors approved a decision to discontinue all its recycling operations which are carried out by Transpaco Recycling (Pty) Ltd and included in the Plastic Products reportable segment. This is as a result of international and local market forces in the plastic recycling industry preventing Transpaco from deriving any benefit from remaining in the post-consumer recycling market. Selling price levels have been restricted due to prevailing virgin polymer prices while energy, labour and distribution costs, amongst others, keep rising. With no likelihood of the situation improving in the short to medium term, and in order to stem losses, the board has decided to discontinue the operation within the current financial year. (Refer note 30)

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:

	2019				2018			
	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	-	-	2 054 639
HA Botha *›	200 000	-	-	49 837	200 000	-	-	49 837
SR Bouzaglou	1 019 562	-	-	-	1 019 562	-	-	-
SI Jacobson*#	-	-	-	-	-	823 653	-	274 551
DJJ Thomas*	-	693 068	-	7 579 944	-	693 068	-	7 579 944
SP van der Linde *›	41 000	-	-	-	41 000	-	-	1 030 142
L Weinberg	252 227	-	-	-	227 227	-	-	-
	5 028 660	693 068	-	9 684 420	5 003 660	1 516 721	-	10 989 113

* Non-executive
› Independent
Retired 13 March 2019

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 26 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			
				Investment		Indebtedness	
		2019 R	2018 R	2019 R	2018 R	2019 R	2018 R
Transpaco Admin and Financial Services	Administrative	2	2	1	1	(18 773 845)	(16 856 550)
Transpaco 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		
Britepak Trading	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	1 000	91 080 971	91 080 971		
Future Packaging and Machinery – Cape	Packaging distributor	1 000	1 000	5 591 094	5 591 094		
Future Packaging and Machinery – Kwa-Zulu Natal	Packaging distributor	100	100	9 607 935	9 607 935		
Transpaco Consumer Plastics	Dormant company	125	125	105 747	105 747		
		68 481	68 481	136 427 941	136 427 941	(18 773 845)	(16 856 550)

Transpaco has consolidated the Transpaco Share Incentive Scheme.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	GROUP June 2019 R'000	GROUP June 2018 R'000	COMPANY June 2019 R'000	COMPANY June 2018 Restated* R'000
Revenue	3	**1 985 139**	1 721 876	**41 000**	40 107
Cost of sales		**(1 325 883)**	(1 095 588)	**-**	-
Profit before operating costs, depreciation and impairment		**659 256**	626 288	**41 000**	40 107
Operating costs		**(525 951)**	(446 423)	**-**	-
Depreciation		**(43 437)**	(40 656)	**-**	-
Impairment	4	**-**	-	**-**	(5 541)
Operating profit		**89 868**	139 209	**41 000**	34 566
Finance income	4	**1 284**	3 237	**-**	-
Finance costs	4	**(12 345)**	(7 404)	**(230)**	-
Profit before taxation	4	**78 807**	135 042	**40 770**	34 566
Taxation	5	**(21 619)**	(37 556)	**-**	-
Profit for the year		**57 188**	97 486	**40 770**	34 566
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		**57 188**	97 486	**40 770**	34 566
Weighted average ranking number of ordinary shares in issue ('000)	6	**32 886**	32 629		
Diluted weighted average ranking number of ordinary shares in issue ('000)	6	**32 886**	32 629		
Earnings per share (cents)	6	**173,9**	298,8		
Diluted earnings per share (cents)	6	**173,9**	298,8		

* As part of the annual assessment of all disclosure and presentation, the company has restated its statement of comprehensive income to reflect dividends received as revenue, whereas it was disclosed as dividends received under operating profit in the prior period. This change better presents the operations of the company. The presentation of the comparative figures has therefore been adjusted to conform to this presentation of the current period. This is for the company only.

STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	GROUP June 2019 R'000	GROUP June 2018 R'000	COMPANY June 2019 R'000	COMPANY June 2018 R'000
ASSETS					
Non-current assets		**435 852**	432 831	**136 428**	136 428
Property, plant and equipment	7	**349 713**	347 019	**-**	-
Intangibles	8	**17 855**	17 855	**-**	-
Goodwill	9	**64 182**	64 182	**-**	-
Investment in subsidiaries	11	**-**	-	**136 428**	136 428
Deferred taxation	19	**4 102**	3 775	**-**	-
Current assets		**641 346**	649 978	**-**	-
Inventories	12	**215 718**	259 846	**-**	-
Trade and other receivables	13	**375 858**	328 796	**-**	-
Taxation receivable	29,2	**1 872**	888	**-**	-
Cash and cash equivalents	14	**47 898**	60 448	**-**	-
Total assets		**1 077 198**	1 082 809	**136 428**	136 428
EQUITY AND LIABILITIES					
Capital and reserves		**637 856**	620 131	**114 533**	113 226
Issued share capital	16	**328**	328	**328**	328
Share premium	16	**11 019**	11 019	**11 019**	11 019
Other reserves	16	**-**	-	**19 138**	19 138
Distributable reserve		**626 509**	608 784	**84 048**	82 741
Non-current liabilities		**117 249**	158 362	**-**	-
Interest-bearing borrowings	17	**75 597**	113 811	**-**	-
Deferred income	18	**9 071**	11 053	**-**	-
Deferred taxation	19	**32 581**	33 498	**-**	-
Current liabilities		**322 093**	304 316	**21 895**	23 202
Trade payables and accruals	20	**251 234**	250 464	**3 121**	6 340
Provisions	21	**28 242**	32 145	**-**	-
Current portion of interest-bearing borrowings	17	**28 152**	18 790	**-**	-
Deferred income	18	**2 009**	2 103	**-**	-
Taxation payable	29,2	**1 241**	814	**-**	-
Bank overdraft	14	**11 215**	-	**-**	-
Amounts owing to subsidiaries	15	**-**	-	**18 774**	16 862
Total equity and liabilities		**1 077 198**	1 082 809	**136 428**	136 428

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

GROUP

R'000	Issued Share Capital	Share Premium	Other Reserves	Distributable Reserve	**Total**
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 1 July 2018	**328**	**11 019**	**-**	**608 784**	**620 131**
Profit for the year	-	-	-	57 188	**57 188**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	57 188	**57 188**
Dividend paid	-	-	-	(39 463)	**(39 463)**
Balance at 30 June 2019	**328**	**11 019**	**-**	**626 509**	**637 856**

COMPANY

R'000	Issued Share Capital	Share Premium	Other Reserves	Distributable Reserve	**Total**
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 1 July 2018	**328**	**11 019**	**19 138**	**82 741**	**113 226**
Profit for the year	-	-	-	40 770	**40 770**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	-	40 770	**40 770**
Dividend paid	-	-	-	(39 463)	**(39 463)**
Balance at 30 June 2019	**328**	**11 019**	**19 138**	**84 048**	**114 533**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	GROUP June 2019 R'000	GROUP June 2018 R'000	COMPANY June 2019 R'000	COMPANY June 2018 R'000
Cash flow from operating activities					
Cash generated from/(utilised in) operations	29,1	**124 451**	125 713	**(1 537)**	98 996
Dividends received		**-**	-	**41 000**	40 107
Dividends paid		**(39 463)**	(38 580)	**(39 463)**	(38 827)
Finance income received		**1 284**	3 237	**-**	-
Finance costs paid		**(12 345)**	(7 404)	**-**	-
Taxation paid	29,2	**(23 420)**	(35 409)	**-**	-
Net cash inflow from operating activities		**50 507**	47 557	**-**	100 276
Cash flow used in investing activities					
Proceeds on disposal of property, plant and equipment		**1 617**	1 418	**-**	-
Acquisition of business	10	**-**	(96 571)	**-**	-
Expansion and replacement of property, plant and equipment		**(47 037)**	(38 737)	**-**	-
Investment in subsidiary	10	**-**	-	**-**	(100 276)
Net cash outflow from investing activities		**(45 420)**	(133 890)	**-**	(100 276)
Cash flow used in financing activities					
Proceeds from borrowings	17	**64 775**	66 434	**-**	-
Repayment of borrowings	17	**(93 627)**	(19 187)	**-**	-
Net cash (outflow)/inflow from financing activities		**(28 852)**	47 247	**-**	-
Net movement in cash for the year		**(23 765)**	(39 086)	**-**	-
Cash and cash equivalents at the beginning of the year		**60 448**	99 534	**-**	-
Cash and cash equivalents at the end of the year	14	**36 683**	60 448	**-**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES

The group and company's annual financial statements set out on pages 39 - 87 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 below have been applied consistently to all periods presented in the annual financial statements, except where the group has adopted IFRS and IFRIC interpretations and amendments that became effective during the period. The group applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time in the annual reporting period commencing 1 July 2018. 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 IFRS 9/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 IFRS 9/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 except as set out below.

- 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 2019

- IFRS 3 Definition of a Business - Amendments to IFRS3 - The IASB issued amendments to IFRS 3 Business Combinations to help entities determine whether an acquired set of activities is a business or not. They clarify the minimum requirements for a business or not. The minimum requirements for a business are clarified, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities whether an acquired process is substantive, narrow the definition of a business and of outputs, and introduce and optional fair value concentration test. There will be no affect by these amendments on transition.
- IAS 1 and IAS 8 Definition of Material – In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary user of general purpose financial statements make in the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments to the definition are not expected to have a significant impact
- IFRS 16 introduces significant changes to lessee accounting as it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. IFRS 16 will be effective for the group for the financial year commencing 1 July 2019. IFRS 16 will impact most significantly the group's leases relating to property, plant and equipment. The group has elected to apply IFRS 16 using the modified retrospective approach. The transition will relate to the capitalising of property, plant and equipment onto the statement of financial position in the form of a right of use asset, together with the corresponding lease liability. Changes to the statement of comprehensive income will result in the current operating lease costs being replaced by an amortisation of the right-of-use asset and calculated lease finance costs on the interest line. Other areas of the statutory metrics that will be impacted by the adoption of the standard include operating profit, EBITDA and earnings per share.

The group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be as follows:

Impact on the financial position (increase/(decrease)) as at 1 July 2019

	R'000
Assets	
Property, plant and equipment (right of use assets)	75 073
Liabilities	
Lease liabilities	82 365
Deferred tax liabilities	(1 072)
Net impact on equity	**(6 220)**

Due to the adoption of IFRS 16, for the year ended 30 June 2020, the group's operating profit is expected to improve marginally due to the decreased operating lease expense and the increased depreciation charge, while its interest expense is expected to increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

Standards and Interpretations that became effective in the current period

The following new standards and amendments to existing standards were adopted in the current financial reporting period and had no significant effect on the group's reported results.

IFRS 9: Financial Instruments

The group adopted IFRS 9 with effect from 1 July 2018 using the modified retrospective approach and comparative information has not been restated.

Classification and measurement

IFRS 9 requires all financial assets to be classified and measured on the basis of the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management have assessed the business models which apply to the financial assets held by the group and the financial instruments have been classified into the appropriate IFRS 9 categories. The group's financial assets comprise trade receivables and cash and cash equivalents. These assets are measured at amortised cost under both IFRS 9 and IAS 39.

Impairment

The adoption of IFRS 9 has changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

looking expected credit loss (ECL) approach. For trade and other receivables, the group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The group calculates ECL on an individual debtor basis based on the group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

There is no material impact from the application of IFRS 9.

IFRS 15: Revenue From Contracts With Customers

The group adopted IFRS 15 with effect from 1 July 2018 using the modified retrospective approach and comparative information has not been restated.

The group's revenue from contracts with customers arises from its principal activities of sales of goods. This generally includes one performance obligation.

The group has concluded that revenue from sale of goods should be recognised at the point in time when control of the items is transferred to the customer, generally at the point of sale. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

The following amendment did not have an impact on the group as the principals were already being applied:

- IFRS 2 Share-based payments Classification and Measurement of Share-based Payment Transactions

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

Accounting policy applicable to reporting periods prior to 1 July 2018:

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 and interest-bearing financial assets classified as available for sale, 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.

Accounting policy applicable to reporting periods on and after 1 July 2018:

Revenue from contracts with customers comprises sale of goods. Revenue is measured at the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods, net of value-added tax and internal revenue which is eliminated on consolidation.

Normal discounts, volume rebates and settlement discounts are treated as variable consideration which is estimated upfront and adjusted for in the transaction price accordingly. Payments to customers such as promotional allowances and rebates are deducted from revenue. If such a payment relates to a period covering more than one financial year, the payment is recognised as a contract asset and is utilised over the related period of transferring control over goods sold to the customer. Returns and refunds are accepted from customers based on individual trade term agreements.

Sale of goods

Revenue from the sale of goods is recognised when the transfer of control has passed to the buyer when the performance obligation is satisfied. For domestic and operations, the performance obligation is generally satisfied upon delivery of goods and for export operations, the performance obligation is generally satisfied upon shipment of goods.

Financing components on sales with a payment term of 12 months or less from the transfer of control over goods until payment date (or vice versa) are not adjusted for the time value of money as allowed by the practical expedient explained in IFRS 15.63.

With regards to unsatisfied performance obligations the group applied the practical expedient relinquishing disclosure for contracts with a duration of one year or less.

Dividend income

Dividend income is recognised when the company's right to receive payment is established.

Other Income

Interest received

For all financial instruments measured at amortised cost, interest received or expensed 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 instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest received is included in finance income in the statement of comprehensive income.

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, in line with IAS 20.29, the entity includes the government grant income with the related operating expenses on the statement of comprehensive 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 in line with IAS 20.29, the entity releases the government grant income with the related operating expenses on the statement of comprehensive 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

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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 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% 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

Accounting policy applicable to reporting periods prior to 1 July 2018:

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
Cash and cash equivalents	Loans and receivables
Interest bearing borrowings	Financial liabilities at amortised cost
Trade and other payables	Financial liabilities at amortised cost
Amounts owing to 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.

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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.

Accounting policy applicable to reporting periods on and after 1 July 2018:

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Subsequent to initial recognition, these instruments are measured in accordance with their classification as set out below.

Classification

The group's classification of financial assets at amortised costs are as follows:

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

Financial assets

Financial assets are classified, at initial recognition, subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost (debt instruments)

The group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The company's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

The group's assets measured at FVTPL includes foreign exchange contracts (FEC's) which are derivative financial instruments. The group does not apply hedge accounting in terms of IFRS 9.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

1.18 DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Accounting policy applicable to reporting periods prior to 1 July 2018:

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.

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.

Accounting policy applicable to reporting periods on and after 1 July 2018:

De-recognition of financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is not recognised in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the group retains an option to repurchase part of a transferred asset), the group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the

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consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is not recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. Gains or losses are recognised in the statement of comprehensive income when the liability is de-recognised. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability is substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

1.19 IMPAIRMENT OF FINANCIAL ASSETS

Accounting policy applicable to reporting periods prior to 1 July 2018:

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 uncollectible.

Accounting policy applicable to reporting periods on and after 1 July 2018:

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. To measure the ECL's trade receivables and contract assets have been grouped based on shared credit risk characteristics and in terms of the days past due.

For trade receivables and contract assets, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors such as the macro economic growth and the economic environment. Debt instruments at amortised cost are recognised net of an allowance for ECL.

For trade receivables and contract assets, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors risk and the macroeconomic environment. Debt instruments at amortised cost are recognised net of an allowance for ECL.

Impaired debts are derecognised when they are assessed as uncollectible.

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 16. 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.
All the treasury shares were cancelled during 2018.

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, tangible assets 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 prior year's investment in a subsidiaries for additional information.
- Residual values and useful lives of tangible assets and intangible assets – Residual values and useful lives of tangible assets and intangible 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 and intangible assets in the future. The carrying value of the tangible assets subject to estimation is included in note 7. The carrying value of the intangible assets subject to estimation is included in note 8.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

3. REVENUE

GROUP	June 2019 R'000	June 2018 R'000
The group's revenue from contracts with customers arises from its principal activities of sales of goods.		
Sale of goods	**1 985 139**	1 721 876
	1 985 139	1 721 876

Refer to note 22 for further disaggregation of revenue from contracts with customers.

COMPANY	June 2019 R'000	June 2018 Restated* R'000
Dividend income reflected as revenue		
Dividends received	**41 000**	40 107
Total compensation paid to key personnel	**41 000**	40 107

* As part of the annual assessment of all disclosure and presentation, the company has restated its statement of comprehensive income to reflect dividends received as revenue, whereas it was disclosed as dividends received under operating profit in the prior period. This change better presents the operations of the company. The presentation of the comparative figures has therefore been adjusted to conform to this presentation of the current period. This is for the company only.

4. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Determined after charging/(crediting)				
Auditors' remuneration	**4 035**	3 452	**-**	-
Fee	**4 035**	3 407	**-**	-
Other services	**-**	45	**-**	-
Depreciation	**43 437**	40 656	**-**	-
Plant and machinery	**35 017**	32 406	**-**	-
Vehicles	**3 467**	3 656	**-**	-
Buildings	**3 352**	3 162	**-**	-
Furniture, fittings and computers	**1 601**	1 432	**-**	-
Impairment of investment	**-**	-	**-**	5 541
Foreign exchange gain	**(821)**	(1 070)	**-**	-
Operating rental charges - land and buildings	**33 130**	25 012	**-**	-
Profit on disposal of property, plant and equipment	**(711)**	(642)	**-**	-
Finance costs	**12 345**	7 404	**230**	-
Bank overdrafts	**208**	482	**-**	-
Finance charges payable under instalment sale agreements	**4 190**	3 531	**-**	-
Finance charges payable under revolving credit facility	**5 072**	264	**-**	-
Finance charges payable under mortgage bonds	**2 603**	3 127	**-**	-
Finance charges other	**272**	-	**230**	-
Finance income	**(1 284)**	(3 237)	**-**	-
Bank interest received	**(1 284)**	(3 237)	**-**	-
Secretarial fees	**34**	41	**-**	-
Staff costs excluding executive directors' remuneration	**378 762**	312 027	**-**	-
Salaries and wages	**355 495**	292 628	**-**	-
Pension and provident fund	**23 267**	19 399	**-**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

4. PROFIT BEFORE TAXATION (CONTINUED)

EXECUTIVE DIRECTORS' REMUNERATION 2019

	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	5 315	4 589	865	10 769	-	**10 769**
SR Bouzaglou	3 681	2 239	645	6 565	-	**6 565**
L Weinberg	3 409	3 039	581	7 029	-	**7 029**
Total	12 405	9 867	2 091	24 363	-	**24 363**

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

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**

PRESCRIBED OFFICER'S REMUNERATION 2019

	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	1 200	300	104	1 604	-	**1 604**

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**

NON-EXECUTIVE DIRECTORS' REMUNERATION

	2019 Fees R'000	2018 Fees R'000
HA Botha	**279**	263
SI Jacobson*	**495**	475
B Mkhondo	**269**	253
DJJ Thomas	**388**	365
SP van der Linde	**269**	253
	1 700	1 609

* Retired 13 March 2019

5. TAXATION

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
SA normal taxation				
Current taxation				
Current year	**22 863**	33 580	**-**	-
Prior year	**-**	19	**-**	-
Deferred taxation	**(1 244)**	3 957	**-**	-
	21 619	37 556	**-**	-
Tax rate reconciliation (%)				
Standard SA normal tax rate on companies	**28,00**	28,00	**28,00**	28,00
Adjusted for:				
Disallowable expenditure	**0,27**	0,12	**-**	-
- Fines, donations and penalties	**0,19**	0,11	**-**	-
- Legal fees	**0,08**	0,01	**-**	-
Non-taxable income	**(0,84)**	(0,31)	**(28,16)**	(28,00)
- Learnerships	**(0,84)**	(0,04)	**-**	-
- Prior year adjustment	**-**	(0,27)	**-**	-
- Dividend income	**-**	-	**(28,16)**	(28,00)
Assessed loss not recognised	**-**	-	**0,16**	-
Effective taxation rate	**27,43**	27,81	**-**	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

6. EARNINGS AND DIVIDENDS PER SHARE

	GROUP	
	June 2019	June 2018
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)	**173,9**	298,8
Headline earnings per ordinary share (cents)	**172,3**	297,4
Earnings per ordinary share – fully diluted (cents)	**173,9**	298,8
Headline earnings per ordinary share – fully diluted (cents)	**172,3**	297,4
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	**57 188**	97 486
Headline and diluted headline earnings		
Net profit attributable to ordinary equity holders for basic earnings	**57 188**	97 486
Profit on disposal of property, plant and equipment	**(512)**	(462)
Gross amount	**(711)**	(642)
Taxation	**199**	180
Net profit attributable to ordinary equity holders for headline earnings	**56 676**	97 024
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share	**32 886**	32 629
Dividends per share (cents)	**Cents**	Cents
	80,0	135,0

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 2018, net of accumulated depreciation and impairment	1 478	95 783	18 314	224 275	7 169	**347 019**
Additions	11 462	7 996	1 189	24 891	1 499	**47 037**
Transfers	(1 425)	309	-	1 116	-	**-**
Disposals at carrying value	-	-	(494)	(340)	(72)	**(906)**
Disposals at cost	-	-	(1 457)	(8 676)	(421)	**(10 554)**
Disposals – reversal of accumulated depreciation	-	-	963	8 336	349	**9 648**
Depreciation	-	(3 352)	(3 467)	(35 017)	(1 601)	**(43 437)**
At 30 June 2019, net of accumulated depreciation and impairment	11 515	100 736	15 542	214 925	6 995	**349 713**
Cost	11 515	120 911	48 365	519 566	20 581	**720 938**
Accumulated depreciation and impairment	-	(20 175)	(32 823)	(304 641)	(13 586)	**(371 225)**
Net carrying amount	11 515	100 736	15 542	214 925	6 995	**349 713**

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 17 for more detail.

Assets under construction relates to land and buildings, plant and machinery that are in the process of construction.

	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 17 for more detail.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

8. INTANGIBLES

	R'000
Cost as at 1 July 2018, net of accumulated impairment	**17 855**
At 30 June 2019	**17 855**
At 30 June 2019	
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 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

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 useful 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 useful 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 4,5% (2018: 5%) over a five-year period, a notional royalty percentage rate payable in an arm's length transaction of 2% (2018: 2%), terminal growth rate of 1% (2018: 1%), an appropriate discount rate of 14,2% (2018: 14%) and a weighted average cost of capital of 14,5% (2018: 14,5%) with a risk premium of 1% (2018: 1%) being added

2) The Garbie brand which was acquired through the acquisition of East Rand Plastics has an indefinite useful 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 useful 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 4,5% (2018: 5%) over a five-year period, a notional royalty percentage rate payable in an arm's length transaction of 2% (2018: 2%), terminal growth rate of 1% (2018: 1%), an appropriate discount rate of 14,2% (2018: 14%) and a weighted average cost of capital of 14,5% (2018: 14,5%) with a risk premium of 1% (2018: 1%) being added.

No intangibles have been pledged or have restrictions on title.

9. GOODWILL

	R'000
Cost as at 1 July 2018, net of accumulated impairment	
- Britepak Trading	**3 204**
- East Rand Plastics	**19 991**
- Future Packaging	**40 987**
At 30 June 2019	**64 182**
At 30 June 2019	
Cost (gross carrying amount)	**64 182**
Accumulated impairment	**-**
Net carrying amount	**64 182**
	June 2018*
Cost as at 1 July 2017, net of accumulated impairment	
- Britepak Trading	**3 204**
- East Rand Plastics	**19 991**
- Future Packaging	**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

* This disclosure was incorrectly omitted in prior periods

BRITEPAK TRADING

Goodwill acquired through business combinations has been allocated to Britepak Trading CGU. 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 forecasted increased profit before interest and tax of 4,5% (2018: 5%), movement on working capital of 8% (2018: 8%), a pre-tax average weighted cost of capital rate of 14,5% (2018: 14,5%) and a terminal growth rate of 1% (2018: 1%).

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

EAST RAND PLASTICS

Goodwill acquired through business combinations has been allocated to East Rand Plastics CGU. 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 forecasted increased profit before interest and tax of 4,5% (2018: 5%), movement on working capital of 8% (2018: 8%), a pre-tax average weighted cost of capital rate of 14,5% (2018: 14,5%) and a terminal growth rate of 1% (2018: 1%).

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

FUTURE PACKAGING

Goodwill acquired through business combinations has been allocated to Future Packaging and Machinery, Future Packaging and Machinery Cape and Future Packaging and Machinery (Kwa-Zulu Natal) (Future Packaging CGU). 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 forecasted increased profit before interest and tax of 4,5% (2018: 5%), movement on working capital of 5% (2018: 5%), a pre-tax average weighted cost of capital rate of 14,5% (2018: 14,5%) and a terminal growth rate of 1% (2018: 1%).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

10. ACQUISITION OF BUSINESS

ACQUISITION OF FUTURE PACKAGING AND MACHINERY GROUP

On 1 March 2018, Transpaco acquired 100% of the Future Packaging and Machinery group which 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. The Future Packaging and Machinery group 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.

The Future Packaging and Machinery group 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.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

	June 2018 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	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)**

CONSIDERATION TRANSFERRED

The acquisition of the business was settled through cash resources.

The goodwill of R40 987 000 comprises the fair value of expected synergies arising from the acquisition.

In terms of IFRS 3 – Business Combinations, management performed a final purchase price allocation ('PPA') to determine the fair value of the assets and liabilities acquired. The final PPA exercise was completed during the course of the 2019 financial year and no changes where made during the measurement period to amounts recognised at the acquisition date. No separately identifiable intangible assets were identified through the purchase price allocation.

11. INVESTMENT IN SUBSIDIARIES

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Shares at cost	**-**	-	**136 428**	136 428

The investments in unlisted subsidiaries carry a cumulative net asset value of R597 928 699 (2018: R578 510 145). The detail of the respective investments is scheduled in the Directors' Report.

On 1 March 2018 the company acquired the Future Packaging group 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.

12. INVENTORIES

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Raw materials	**79 571**	99 479	**-**	-
Work in progress	**23 181**	23 739	**-**	-
Finished goods	**112 966**	136 628	**-**	-
	215 718	259 846	**-**	-

The cost of inventories expensed amounted to R1 325 883 000 (2018: R1 095 588 000). No write-down of inventories took place during the year (2018: nil). Inventories of nil (2018: nil) were carried at net realisable value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

13. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Trade receivables	**361 008**	307 434	**-**	-
Less allowance for expected credit loss/provision for bad debts	**(3 637)**	(3 444)	**-**	-
	357 371	303 990	**-**	-
Deposits	**1 248**	1 264	**-**	-
Sundry accounts receivable	**17 239**	23 542	**-**	-
	375 858	328 796	**-**	-
Trade receivables are interest bearing and are generally on 30-90 days' terms.				
Sundry accounts receivable include staff loans, pre-payments and VAT receivable.				
Allowance for expected credit loss/provision for bad debts				
At 1 July	**3 444**	2 840	**-**	-
Acquisition of business	**-**	117	**-**	-
Charge for the year	**2 266**	871	**-**	-
Utilised	**(2 073)**	(384)	**-**	-
At 30 June	**3 637**	3 444	**-**	-

Ageing of impaired trade debtors provided for:

	GROUP			
	Expected credit loss rate R'000	Gross carrying amount R'000	2019 R'000	**2018 R'000**
0 to 60 days	1,0%	352 802	3 534	3 332
60 to 90 days	0,9%	3 478	30	62
90 - 120 days	1,3%	1 746	22	16
120+ days	1,7%	2 982	51	34
Total	**1,0%**	**361 008**	**3 637**	**3 444**

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

	Neither past due R'000	Past due 30 Days R'000	Past due 60 days R'000	Past due 90 days R'000	Past due 120 days R'000	Past due greater than 120 days R'000	**Total R'000**
2019	**323 989**	**26 795**	**3 167**	**1 251**	**2 169**	**-**	**357 371**
2018	275 672	20 425	6 637	446	810	-	303 990

With respect to the trade receivables that are current to 30 days or less past due, the group has considered the part historical loss rates as well as various forward looking debtor specific and macro-economic factors and based on these considerations the debtors in this age category have an immaterial expected credit loss.

The group recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors such as the macro-economic growth and the economic environment.

See note 27 on credit risk of trade receivables, which explains how the group manages and measures credit quality of trade receivables.

14. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Cash and cash equivalents	**47 898**	60 448	**-**	-
Bank overdraft	**(11 215)**	-	**-**	-
	36 683	60 448	**-**	-

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

At 30 June 2019, the group had available R88 785 000 (2018: R80 000 000) of undrawn uncommitted borrowing facilities and R4 221 000 (2018: R20 000 000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

15. AMOUNTS OWING TO SUBSIDIARIES

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Transpaco Administration and Financial Services (Pty) Ltd	**-**	-	**(18 774)**	(16 862)
	-	-	**(18 774)**	(16 862)

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

16. SHARE CAPITAL AND PREMIUM

	GROUP			COMPANY		
	No of Shares	2019 R'000	2018 R'000	No of Shares	2019 R'000	2018 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	**32 886 359**	**328**	333	**32 886 359**	**328**	333
Shares cancelled	**-**	**-**	(5)	**-**	**-**	(5)
Ranking ordinary shares of 1 cents each	**32 886 359**	**328**	328	**32 886 359**	**328**	328
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**	11 347

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 2017	456 123
Share options exercised	(25 000)
Shares cancelled	(431 123)
At 1 July 2018	-
At 30 June 2019	**-**

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 in 2018.

Other reserves	**Employee equity benefits reserve R'000**
At 1 July 2017	4 005
Share-based payment expense transferred	(4 005)
At 1 July 2018	-
At 30 June 2019	**-**

17. INTEREST-BEARING BORROWINGS

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Secured				
First mortgage bond	**9 450**	10 850	**-**	-
Non-current	**8 050**	9 450	**-**	-
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 installments of R116 667, terminating not later than 2025. The carrying amount of the property is R15 102 196 (2018: R13 201 091).				
First mortgage bond	**-**	20 290	**-**	-
Non-current	**-**	17 410	**-**	-
Current	**-**	2 880	**-**	-
Secured over property situated at 180 Barbara Road Elandsfontein. The loan was settled in full in June 2019.				
Instalment sale agreements	**34 520**	41 461	**-**	-
Non-current	**19 547**	26 951	**-**	-
Current	**14 973**	14 510	**-**	-
Secured in terms of installment sale agreements over certain plant and equipment. The liabilities bear interest at between 0,05% and 1,00% below prime lending rate and are repayable in installments of between R25 713 and R606 050 per month over periods up to 48 months. The carrying amount of the plant and equipment is R55 844 349 (2018: R55 810 681).				
Revolving credit facility	**59 779**	60 000	**-**	-
Non-current	**48 000**	60 000	**-**	-
Current	**11 779**	-	**-**	-
The loan bears interest at 2.30% above JIBAR and is repayable in monthly instalments of R1 333 333 over 48 months. The carrying amount of the loan is R59 779 000 (2018: R60 000 000).				
Total Borrowings	**103 749**	132 601	**-**	-
Non-current interest-bearing borrowings	**75 597**	113 811	**-**	-
Current interest-bearing borrowings	**28 152**	18 790	**-**	-
	103 749	132 601	**-**	-

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

17. INTEREST-BEARING BORROWINGS (CONTINUED)

Changes in liabilities arising from financing activities

	At 1 July 2018 R'000	Cash Flows R'000	Other* R'000	**At 30 June 2019 R'000**
Current interest-bearing borrowings	18 790	(93 627)	102 989	**28 152**
Non-current interest-bearing borrowings	113 811	64 775	(102 989)	**75 597**
Total liabilities from financing activities	132 601	(28 852)	-	**103 749**

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

18. DEFERRED INCOME

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
At 1 July	**13 156**	15 266	**-**	-
Released to the statement of comprehensive income	**(2 076)**	(2 110)	**-**	-
At 30 June	**11 080**	13 156	**-**	-
Current	**2 009**	2 103	**-**	-
Non-current	**9 071**	11 053	**-**	-
	11 080	13 156	**-**	-

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.

19. DEFERRED TAXATION

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Property, plant and equipment	**46 926**	43 155	**-**	-
Intangible assets	**4 864**	4 864	**-**	-
Deferred income	**(3 230)**	(3 781)	**-**	-
Lease accrual	**(1 119)**	(1 236)	**-**	-
Provision for bad debts	**(394)**	(622)	**-**	-
Prepaid expenses	**126**	151	**-**	-
Provision for bonus and incentive bonus	**(8 438)**	(9 308)	**-**	-
Provision for holiday & leave pay	**(2 676)**	(2 612)	**-**	-
Lease accrual income	**679**	658	**-**	-
Tax losses available for set-off against future taxable income	**(8 259)**	(1 546)	**-**	-
Net deferred taxation	**28 479**	29 723	**-**	-
Reconcilliation of deferred taxation				
At beginning of year	**29 723**	25 312	**-**	-
Acquisition of business	**-**	72	**-**	-
Differential between carrying value and tax value of property, plant and equipment	**3 771**	4 490	**-**	-
Other temporary differences	**1 698**	742	**-**	-
Tax losses	**(6 713)**	(893)	**-**	-
	28 479	29 723	**-**	-
Represented by:				
Deferred taxation asset	**(4 102)**	(3 775)	**-**	-
Deferred taxation liability	**32 581**	33 498	**-**	-
	28 479	29 723	**-**	-

The group has an assessed tax loss of R29 497 000 (2018: R5 523 000). The entities from which the deferred tax assets relate to are trading entities. These trading entities expect to make future taxable profit in excess of the profit arising from the reversal of existing taxable temporary differences and as such have recognised the deferred tax assets.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

20. TRADE PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Trade payables and accruals	**240 217**	243 468	**2 730**	6 004
Other	**11 017**	6 996	**391**	336
	251 234	250 464	**3 121**	6 340

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

21. PROVISIONS - GROUP

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 1 July 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**
Arising during the year	12 993	14 590	**27 583**
Utilised	(12 762)	(18 724)	**(31 486)**
Balance 30 June 2019	9 558	18 684	**28 242**

22. 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.

	GROUP June 2019	GROUP June 2018
Customer A		
Total amount of revenue from Customer A (R'000)	**294 776**	225 193
Extent of reliance on this customer (%)	**26,7%**	20,0%
Segment reporting this revenue	**Plastics**	Plastics

	Plastic products R'000	Paper and board products R'000	Properties and group services R'000	**Total group operations R'000**
Revenue from all customers - 2019	**1 102 473**	**882 666**	**-**	**1 985 139**
Revenue from all customers	**1 182 391**	**938 566**	**-**	**2 120 957**
Less revenue from internal customers	**(79 918)**	**(55 900)**	**-**	**(135 818)**
Revenue from all customers - 2018	1 126 945	594 931	-	1 721 876
Revenue to all customers	1 182 480	637 172	-	1 819 652
Less revenue from internal customers	(55 535)	(42 241)	-	(97 776)
Operating profit - 2019	**35 495**	**36 904**	**17 469**	**89 868**
Operating profit - 2018	83 980	43 214	12 015	139 209
Depreciation - 2019	**30 042**	**10 367**	**3 028**	**43 437**
Depreciation - 2018	27 456	10 058	3 142	40 656
Finance income - 2019	**19**	**465**	**800**	**1 284**
Finance income - 2018	3	138	3 096	3 237
Finance costs - 2019	**3 277**	**975**	**8 093**	**12 345**
Finance costs - 2018	2 741	1 279	3 384	7 404
Profit before tax - 2019	**32 237**	**36 394**	**10 176**	**78 807**
Profit before tax - 2018	81 242	42 073	11 727	135 042
Capital expenditure - 2019	**27 662**	**10 425**	**8 950**	**47 037**
Capital expenditure - 2018	26 044	7 660	5 033	38 737
Total assets - 2019	**582 899**	**341 887**	**152 412**	**1 077 198**
Total assets - 2018	562 791	365 469	154 549	1 082 809
Total liabilities - 2019	**202 878**	**130 899**	**105 565**	**439 342**
Total liabilities - 2018	210 443	134 141	118 094	462 678
Taxation - 2019	**8 606**	**10 004**	**3 009**	**21 619**
Taxation - 2018	22 770	11 784	3 002	37 556

Geographical segment disclosures have not been provided because the group operates mainly in South Africa only.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

23. OPERATING LEASE COMMITMENTS

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:				
Property, plant and machinery				
Due within one year	**35 130**	27 242	**-**	-
Due after one year but not later than five years	**74 364**	36 663	**-**	-
	109 494	63 905	**-**	-

The group has entered into commercial property, plant and equipment leases. These non-cancellable leases have remaining terms of between 1 and 5 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.

24. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
Commitments in respect of capital expenditure approved by the directors and contracted for:				
Plant and equipment	**6 146**	12 812	**-**	-

Capital expenditure will be funded by the group's cash resources.

The group has provided for local third party guarantees to the value of R3 569 303 (2018: R17 448 003) Refer to note 26 for the detail regarding the loan committed to Cirebelle (Pty) Ltd.

25. 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 inprofit and loss for the year, amounted to R25 185 536 (2018: R21 376 683).

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

26. RELATED PARTIES

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

	% of equity interest	
	2019	2018
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 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 Films (Pty) Ltd	**100**	100
Propateez 62 (Pty) Ltd	**100**	100
Future Packaging and Machinery (Pty) Ltd	**100**	100
Future Packaging and Machinery Cape (Pty) Ltd	**100**	100
Future Packaging and Machinery (Kwa-Zulu Natal) (Pty) Ltd	**100**	100
Transpaco 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 R1 503 947 (2018: R552 712) was paid by Future Packaging and Machinery (Kwa-Zulu Natal) (Pty) Ltd to DuelCo Investments (Pty) Ltd, a company of which V A 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 R547 125 (2018: R159 909) was paid by Future Packaging and Machinery Cape (Pty) Ltd to Leopont 150 (Pty) Ltd, a company of which C R Hennings is a director and trustee of the Justlaur Property 4 Trust which is a shareholder.

Rental of R749 972 (2018: R268 543) was paid by Future Packaging and Machinery Cape (Pty) Ltd to Erf 1320 Montague Gardens (Pty) Ltd a company of which C R Hennings is a director and trustee of the Justlaur Property 6 Trust which is a shareholder.

CR Henning and VA van Rensburg are directors of Future Packaging and Machinery Pty) Ltd, Future Packaging and Machinery Cape (Pty) Ltd and Future Packaging and Machinery (Kwa-Zulu Natal) (Pty) Ltd.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

26. RELATED PARTIES (CONTINUED)

LOAN TO RELATED PARTY

	2019 R'000	2018 R'000
Cirebelle (Pty) Ltd	**3 000**	3 000

As part of our BEE strategy we have loaned R3 000 000 (2018: R3 000 000) to Cirebelle (Pty) Ltd of which DJJ Thomas is both a director and shareholder. This is for enterprise and supplier development and is disclosed under sundry receivables (refer to note 13). The loan is interest free and has no fixed terms of repayment.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2019 R'000	2018 R'000
Short-term employee benefits	**77 905**	64 054
Post-employment pension	**8 660**	6 959
Total compensation paid to key personnel	**86 565**	71 013

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

	2019 R'000	2018 R'000
Britepak Trading (Pty) Ltd	**-**	15 000
Transpaco Cores and Tubes (Pty) Ltd	**-**	10 000
Transpaco Flexibles Mpumalanga (Pty) Ltd	**11 000**	15 000
Transpaco Sheet Extrusion (Pty) Ltd	**-**	107
Transpaco Specialised Films (Pty) Ltd	**30 000**	-
	41 000	40 107
Amounts owing to subsidiaries		
Transpaco Administration and Financial Services (Pty) Ltd (see Note 15)	**(18 774)**	(16 862)

27. 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 from 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 R103 749 000 (2018: R132 601 000). 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 17 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
2019	**+100**	**(785)**
	-50	**392**
2018	+ 100	(294)
	-50	147

Company

The company has no exposure to interest rate risk. 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).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Increase/ decrease in US dollar/Euro/GBP	Effect on profit before tax R'000	Effect on equity R'000
2019	**+10%**	**(986)**	**(710)**
	-5%	**493**	**355**
2018	+10%	(1 077)	(775)
	-5%	540	389

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

Imports	Settlement	Average contract rate	2019 R'000	2018 R'000
US dollars	July 2019 to September 2019	14,45	**5 832**	
US dollars	July 2018 to August 2018	12,71		6 749
Euro	July 2019 to September 2019	16,88	**1 591**	
Euro	July 2018 to August 2018	15,68		3 379
GBP	July 2019 to October 2019	18,77	**2 434**	
GBP	July 2018 to August 2018	17,83		642

FEC Liability is included in trade payable and accruals.

Company

The company has no exposure to foreign currency risk.

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 R361 008 000 (2018: R307 434 000).

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 30% 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.

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 installment 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 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 2019					
Interest-bearing loans and borrowings	-	9 358	26 949	92 211	**128 518**
Trade payables and accruals	-	240 217	-	-	**240 217**
Other liabilities	-	11 017	-	-	**11 017**
Guarantees	-	-	-	3 569	**3 569**
	-	260 592	26 949	95 780	**383 321**

	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	147 088	**427 721**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 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 2019					
Trade payables and accruals	-	2 730	-	-	**2 730**
Other liabilities	-	391	-	-	**391**
Amounts owing to subsidiaries	18 774	-	-	-	**18 774**
	18 774	3 121	-	-	**21 895**

	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**

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 2019 and 30 June 2018.

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.

	2019 R'000	2018 R'000
Interest-bearing borrowings	**103 749**	132 601
Bank balance	**(36 683)**	(60 448)
Net debt	**67 066**	72 153
Equity	**637 856**	620 131
Total capital	**637 856**	620 131
	%	%
Net interest-bearing debt: equity ratio	**10,5**	11,6

28. FINANCIAL INSTRUMENTS

CATEGORISATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Fair value through profit and loss R'000	Assets at Amortised cost R'000	Other liabilities Amortised cost R'000	**Total R'000**
GROUP 2019				
Assets				
Trade and other receivables	-	362 078	-	**362 078**
Cash and cash equivalents	-	47 898	-	**47 898**
Total	**-**	**409 976**	**-**	**409 976**
Shareholders' equity and liabilities				
Interest-bearing borrowings	-	-	75 597	**75 597**
Trade payables and accruals	292	-	240 316	**240 608**
Current portion of interest-bearing borrowings	-	-	28 152	**28 152**
Bank overdraft	-	-	11 215	**11 215**
Total	**292**	**-**	**355 280**	**355 572**
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**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

28. FINANCIAL INSTRUMENTS (CONTINUED)

	Assets at Amortised cost R'000	Other liabilities Amortised cost R'000	Total R'000
COMPANY 2019			
Shareholders' equity and liabilities			
Amounts owing to subsidiary	-	18 774	**18 774**
Trade payables and accruals	-	3 121	**3 121**
Total	**-**	21 895	**21 895**
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**

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 2019, 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, the group held the following financial instruments carried at fair value in the statement of financial position:

	30 June 2019 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial instrument				
Foreign exchange forward contracts (Gross: R9 857 000)	**(292)**	**-**	**(292)**	**-**

	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	-

29. NOTES TO THE CASH FLOW STATEMENTS

	GROUP		COMPANY	
	June 2019 R'000	June 2018 R'000	**June 2019 R'000**	June 2018 R'000
29.1 CASH GENERATED FROM/(UTILISED IN) OPERATIONS	**132 594**	177 867	**-**	-
Operating profit/(loss) before net interest paid and dividends received	**89 868**	139 209	**-**	(5 541)
Impairment	**-**	-	**-**	5 541
Depreciation	**43 437**	40 656	**-**	-
Profit on disposal of property, plant and equipment	**(711)**	(642)	**-**	-
Other non-cash items	**-**	(1 356)	**-**	-
Movement in working capital	**(8 143)**	(52 154)	**(1 537)**	98 996
Decrease/(increase) in inventory	**44 128**	(9 532)	**-**	-
Increase in trade and other receivables	**(47 062)**	(26 268)	**-**	-
Increase/(decrease) in trade payables and accruals	**770**	(18 019)	**(3 449)**	26
Decrease in deferred income	**(2 076)**	(2 110)	**-**	-
(Decrease)/increase in provisions	**(3 903)**	3 775	**-**	-
Decrease in amount owing from subsidiary	**-**	-	**-**	82 112
Increase in amount owing to subsidiary	**-**	-	**1 912**	16 858
	124 451	125 713	**(1 537)**	98 996
29.2 TAXATION PAID				
Net taxation refundable/(payable) at beginning of year	**74**	(205)	**-**	-
Taxation receivable at beginning of year	**888**	-	**-**	-
Taxation payable at beginning of year	**(814)**	(205)	**-**	-
Acquisition of business	**-**	(1 531)	**-**	-
Taxation excluding deferred taxation	**(22 863)**	(33 599)	**-**	-
Net taxation refundable at end of year	**(631)**	(74)	**-**	-
Taxation receivable at end of year	**(1 872)**	(888)	**-**	-
Taxation payable at end of year	**1 241**	814	**-**	-
	(23 420)	(35 409)	**-**	-

30. SUBSEQUENT EVENTS

On the 30th of September the Board of Directors approved a decision to discontinue all its recycling operations which are carried out by Transpaco Recycling (Pty) Ltd and included in the Plastic Products reportable segment. Subsequent to 30 June 2019 the international and local market forces in the plastic recycling industry have deteriorated which have prevented Transpaco from deriving any benefit from remaining in the post-consumer recycling market. Selling price levels have been further restricted due to prevailing virgin polymer prices while energy, labour and distribution costs, amongst others, keep rising. With no likelihood of the situation improving in the short to medium term, and in order to stem losses, the board has decided to discontinue the operation for the 2020 financial year.

The loss after tax for the year to 30 June 2019 for the recycling operations was R5 090 200.

06 SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS

SHAREHOLDER SPREAD	No of shareholdings	%	No of shares	%
1 - 1 000 shares	406	52,80	100 536	**0,30**
1 001 - 10 000 shares	245	31,86	818 939	**2,49**
10 001 - 100 000 shares	83	10,79	2 761 170	**8,40**
100 001 - 1 000 000 shares	28	3,64	9 897 391	**30,10**
1 000 001 shares and over	7	0,91	19 308 323	**58,71**
Totals	**769**	**100,00**	**32 886 359**	100,00

DISTRIBUTION OF SHAREHOLDERS	No of shareholdings	%	No of shares	%
Banks/brokers	17	2,21	166 967	**0,51**
Close corporations	11	1,43	393 149	**1,20**
Individuals	629	81,80	7 701 106	**23,42**
Insurance companies	4	0,52	3 463 518	**10,53**
Mutual funds	20	2,60	5 150 614	**15,66**
Other corporations	6	0,78	646 567	**1,96**
Private companies	23	2,99	12 725 574	**38,70**
Public companies	2	0,26	1 900	-
Retirement funds	10	1,30	2 235 987	**6,80**
Trusts	47	6,11	400 977	**1,22**
Totals	**769**	**100,00**	**32 886 359**	100,00

PUBLIC / NON - PUBLIC SHAREHOLDERS	No of shareholdings	%	No of shares	%
Non - public shareholders	**11**	**1,43**	**19 473 614**	**59,22**
Directors and associates of the company holdings	7	0,91	8 177 499	**24,87**
Strategic holdings (more than 10%)	4	0,52	11 296 115	**34,35**
Public shareholders	**758**	**98,57**	**13 412 745**	**40,78**
Totals	**769**	**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	4 634 890	14,09
Phillip Abelheim	3 515 871	10,69
Samuel Abelheim Holdings (Pty) Ltd	2 054 639	6,25
Letsema Strategy Services (Pty) Ltd	1 611 787	4,90
Totals	**18 478 412**	**56,19**

DEFINITIONS

"the board"	The board of directors of Transpaco Limited, as set out on page 14.
"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
"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 2018
"SAPRO"	South African Plastic Recycling Organisation
"SHEQ"	Safety, Health, Environment and Quality
"the year" or "the year under review"	The year ended 30 June 2019

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

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

SIXTY-SEVENTH 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 Friday, 6 December 2019 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 2019;
- 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, 18 October 2019. The record date to participate in and vote at the annual general meeting is Friday, 29 November 2019.

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 88.
- Share capital of the company – page 72.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on pages 14 - 15 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 2019 annual general meeting, be authorised:

Non-executive directors	Fee (2018/19) R	Proposed fee (2019/20) R	Board	Audit & risk committee	Board governance & remuneration	Transformation, social & ethics committee
HA Botha	278 653	295 372	Member	Chairman	Member	
B Mkhondo	268 540	284 652	Member	Member	Member	Member
DJJ Thomas	387 642	410 900	Chairman		Chairman	Member
SP van der Linde	268 540	284 652	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.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

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 2019 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 2019."

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 2019."

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

"H A Botha and is re-elected as a director of the company."

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

ORDINARY RESOLUTION 7: RE-ELECTION OF DIRECTOR

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

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

ORDINARY RESOLUTION 8: RE-ELECTION OF DIRECTOR

"DJJ Thomas be and is re-elected as a director of the company."

An abridged curriculum vitae for DJJ Thomas is set on page 15 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
10 October 2019

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

SHAREHOLDERS' DIARY

Financial year-end	30 June 2019
67th annual general meeting	6 December 2019

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

FORM OF PROXY

FOR USE AT THE ANNUAL GENERAL MEETING ON FRIDAY 6 DECEMBER 2019 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 Friday, 6 December 2019, 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 Friday, 6 December 2019 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 2019			
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. 5.1 To approve the company's remuneration policy			
5.2 To approve the company's implementation report			
6. To re-elect HA Botha as a director of the company			
7. To re-elect SP van der Linde as a director of the company			
8. To re-elect DJJ Thomas 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 ______________________ 2019.

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.

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