

REVIEWED CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2017 AND DIVIDEND ANNOUNCEMENT



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

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

NET ASSET VALUE PER SHARE 1 708 CENTS ■ HEADLINE EARNINGS PER SHARE 263 CENTS ■ TOTAL DIVIDEND PER SHARE 120 CENTS

INTRODUCTION

Following a stellar 2016 financial year, Transpaco's reduced performance is indicative of the unfavourable prevailing economic conditions.

Selling price deflation, reduced customer spend and a continued softening demand for recycled material all impacted negatively on Transpaco's performance resulting in a decrease in revenue, operating profit and headline earnings for the year to June 2017 ("the year"). Turnover and operating profits declined in both divisions.

Aggressive focus on marketing and sales strategies remain key drivers in mitigating against the current economic environment.

Transpaco's performance was supported by disciplined working capital management and controlled operating costs.

Although the group's gross profit percentage increased slightly, the reduced revenue resulted in a decrease in operating margin to 7,4% (June 2016: 9,2%).

During the year the Mpumalanga production facilities in the Recycling and Flexible operations were consolidated into the Recycling factory in Elandsfontein and the Flexible site in the Western Cape.

The employee costs associated with the consolidation amounting to R6,2 million have been fully accounted for in these results representing 3,7% of the earnings decline which are non-recurring. Notwithstanding Transpaco's trading performance, the balance sheet remains robust with the company ending the year in a net cash positive position.

FINANCIAL RESULTS

Group	June 2017	June 2016	% (decrease)/increase
Turnover (R'm)	1 635,79	1 712,37	(4,5)
Operating profits (R'm)	121,7	157,0	(22,5)
Total comprehensive income (R'm)	86,4	109,2	(21,0)
Headline earnings (R'm)	86,3	108,4	(20,4)
Earnings per share (cents)	262,8	332,7	(21,0)
Headline earnings per share (cents)	262,6	330,1	(20,4)
Diluted headline earnings per share (cents)	262,4	329,6	(20,4)
Net asset value per share (cents)	1 708	1 592	7,3

STATEMENT OF COMPREHENSIVE INCOME

R'000	Reviewed 12 months June 2017	% change	Audited 12 months June 2016
Revenue	1 639 861		1 714 724
Turnover	1 635 790	(4,5)	1 712 376
Cost of sales	(1 046 749)		(1 099 905)
Profit before operating costs and depreciation	589 041	(3,8)	612 471
Operating costs	(422 076)		(412 613)
Depreciation	(45 262)		(42 878)
Operating profit	121 703	(22,5)	156 980
Finance income	4 071		2 348
Finance costs	(6 429)		(6 767)
Profit before taxation	119 345	(21,8)	152 561
Taxation	(32 986)		(43 313)
Profit for the year	86 359		109 248
Other comprehensive income	-		-
Total comprehensive income for the year	86 359	(21,0)	109 248
Weighted average ranking number of shares in issue ('000)	32 858		32 838
Diluted weighted average ranking number of shares in issue ('000)	32 883		32 883
Earnings per share (cents)	262,8	(21,0)	332,7
Diluted earnings per share (cents)	262,6	(21,0)	332,2
Headline earnings per share (cents)	262,6	(20,4)	330,1
Diluted headline earnings per share (cents)	262,4	(20,4)	329,6
Dividend per share (cents)*	120,0	(20,0)	150,0
<i>*Includes interim dividend of 48 cents (June 2016 – 52 cents) and a dividend declared after the period of 72 cents (June 2016 – 98 cents)</i>			
Reconciliation of headline earnings (R'000)			
Basic earnings	86 359		109 248
Profit on disposal of property, plant and equipment	(65)		(851)
Headline earnings	86 294	(20,4)	108 397

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Other reserves	Distributable reserve	Total
Balance at 30 June 2015	328	11 019	4 005	439 824	455 176
Profit for the year	-	-	-	109 248	109 248
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	109 248	109 248
Dividend paid	-	-	-	(41 470)	(41 470)
Balance at 30 June 2016	328	11 019	4 005	507 602	522 954
Profit for the year	-	-	-	86 359	86 359
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	86 359	86 359
Dividend paid	-	-	-	(48 088)	(48 088)
Balance at 30 June 2017	328	11 019	4 005	545 873	561 225

The weighted average number of shares in issue in calculating EPS and HEPS was 32 858 000 (June 2016: 32 838 000).

Additional plant and equipment acquired during the year and the purchase of the property from which the Elandsfontein Recycling business operates, resulted in an increase in long-term borrowings of R9 million.

Cash generated from operations increased to R204,4 million (June 2016: R139,1 million). Cash and cash equivalents at year-end were R99,5 million (June 2016: R85,2 million). Efficient working capital management minimised net interest paid and resulted in Transpaco's net interest-bearing debt-to-equity position remaining cash positive.

PROSPECTS

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

TRANSFORMATION

Transpaco's eighth independent accreditation process in respect of Black Economic Empowerment reflected a Level 5 value added contributor.

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

DIRECTORSHIP

Bonge Mkhondo was appointed as an independent non-executive director on 19 May 2017. Mrs Mkhondo is a member of the Audit & Risk and Remuneration committees.

DIVIDEND

The board has declared a final gross cash dividend out of income reserves of 72,0 cents per share, resulting in total dividends of 120,0 cents per share for the year ended 30 June 2017 (June 2016: 150,0 cents per share). After applying the dividend withholding tax of 20% a net final dividend of 57,60000 cents per share will be paid to those shareholders who are not exempt from the dividends tax. The issued shares at the date of declaration is 33 317 482 ordinary shares. The Income Tax reference number is 9975/1127/1/6.

The salient dates for the dividend are as follows:

Last date to trade shares <i>cum</i> dividend	Tuesday, 12 September 2017
Shares trade <i>ex</i> dividend	Wednesday, 13 September 2017
Record date	Friday, 15 September 2017
Payment date	Monday, 18 September 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 September 2017 and Friday, 15 September 2017, both days inclusive.

STATEMENT OF FINANCIAL POSITION

R'000	Reviewed 12 months June 2017	Audited 12 months June 2016
R'000		
ASSETS		
Non-current assets	382 035	311 664
Property, plant and equipment	338 406	267 823
Intangibles	17 855	17 855
Goodwill	23 195	23 195
Deferred taxation	2 579	2 791
Current assets	541 469	558 051
Inventories	204 006	212 704
Trade and other receivables	237 929	259 524
Taxation receivable	-	656
Cash and cash equivalents	99 534	85 167
TOTAL ASSETS	923 504	869 715
EQUITY AND LIABILITIES		
Capital and reserves	561 225	522 954
Issued share capital	328	328
Share premium	11 019	11 019
Other reserve	4 005	4 005
Distributable reserve	545 873	507 602
Non-current liabilities	106 303	99 345
Interest-bearing borrowings	65 259	58 733
Deferred income	13 153	12 007
Deferred taxation	27 891	28 605
Current liabilities	255 976	247 416
Trade payables and accruals	208 813	201 221
Provisions	27 929	29 462
Current portion of interest-bearing borrowings	16 916	14 077
Deferred income	2 113	2 098
Taxation payable	205	558
TOTAL EQUITY AND LIABILITIES	923 504	869 715
Number of shares in issue ('000)		
Number of shares (net of treasury shares)	32 841	32 821
Net movement in treasury shares	20	20
Ranking number of shares	32 861	32 841
Salient features		
Net asset value per share (cents)	1 708	1 592
Operating margin %	7,4%	9,2%
Net interest-bearing debt:equity ratio %	Net cash positive	Net cash positive

CAPITAL COMMITMENTS

R'000	Reviewed 12 months June 2017	Audited 12 months June 2016
Capital expenditure authorised and contracted		
Property, plant and equipment	6 386	39 665

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The group's annual financial results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) issued by the International Auditing Standards Board (IASB), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act. The principal accounting policies are consistent in all material respects with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2017. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2017. The presentation and disclosure complies with International Accounting Standard (IAS) 34.

REVIEW OF INDEPENDENT AUDITORS

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

APPROVAL AND PREPARATION

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

ON BEHALF OF THE BOARD

DJJ Thomas Non-executive Chairman	PN Abelheim Chief Executive	L Weinberg Financial Director
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DIRECTORS

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

*non-executive *independent non-executive

Date 22 August 2017

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

Auditors Ernst & Young Inc. Company secretary HJ van Niekerk Sponsor Investec Bank Limited

Registered office 331 6th Street, Wynberg, Sandton Transfer secretaries Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg Website www.transpaco.co.za

STATEMENT OF CASH FLOWS

R'000	Reviewed 12 months June 2017	Audited 12 months June 2016
Cash flow from operating activities		
Cash generated from operations	204 387	139 091
Dividends paid	(48 088)	(41 470)
Finance income received	4 071	2 348
Finance costs paid	(6 429)	(6 767)
Taxation paid	(33 185)	(41 370)
Net cash inflow from operating activities	120 756	51 832
Cash flow used in investing activities		
Proceeds on disposal of property, plant and equipment	2 615	2 777
Acquisition of business	-	(109 650)
Expansion and replacement of property, plant and equipment	(118 369)	(56 120)
Net cash outflow from investing activities	(115 754)	(162 993)
Cash flow used in financing activities		
Proceeds from borrowings	59 929	90 622
Repayment of borrowings	(50 564)	(47 894)
Net cash inflow from financing activities	9 365	42 728
Net movement in cash for the year	14 367	(68 433)
Cash and cash equivalents at the beginning of the year	85 167	153 600
Cash and cash equivalents at the end of the year	99 534	85 167

SEGMENT ANALYSIS

R'000	Plastic Products	Paper and Board Products	Properties and Group Services	Total Group
Turnover – 2017	1 168 733	467 057	-	1 635 790
Turnover to all customers	1 215 968	500 084	-	1 716 052
Less turnover to internal customers	47 235	33 027	-	80 262
Turnover – 2016	1 231 286	481 090	-	1 712 376
Turnover to all customers	1 279 154	509 897	-	1 789 051
Less turnover to internal customers	47 868	28 807	-	76 675
Operating profit – 2017	71 403	41 253	9 047	121 703
Operating profit – 2016	99 626	50 929	6 425	156 980
Profit before tax – 2017	68 207	40 250	10 888	119 345
Profit before tax – 2016	95 436	49 299	7 826	152 561
Capital expenditure – 2017	57 424	6 764	54 181	118 369
Capital expenditure – 2016	33 798	17 645	4 677	56 120
Assets – 2017	541 339	185 420	196 745	923 504
Assets – 2016	549 871	192 446	127 398	869 715
Liabilities – 2017	218 928	92 381	50 970	362 279
Liabilities – 2016	217 105	97 766	31 890	346 761