Nampak Zimbabwe Limited

NAMPAK ZIMBABWE LIMITED
(Incorporated in Zimbabwe - 1951)

ABRIDGED AUDITED RESULTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016 $ 000 Audited	2015 $ 000 Audited
Revenue	**95 234**	**95 971**
Trading income	7 595	5 614
Other material and non recurring expenses	(799)	(1 485)
Operating profit	**6 796**	**4 129**
Net finance costs	(488)	(300)
Share of net profit/(loss) from joint venture	78	(20)
Profit before tax	**6 386**	**3 809**
Tax expense	(2 077)	(1 418)
Profit for the year	**4 309**	**2 391**
Total comprehensive income attributable to members	**4 309**	**2 391**
Earnings per ordinary share (cents)	0.57	0.32
Headline earnings per ordinary share (cents)	0.65	0.47
Ordinary shares in issue at year end	755 648 101	755 648 101

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	2016 $ 000 Audited	2015 $ 000 Audited
ASSETS		
Non-current assets	**48 093**	**48 988**
Property, plant and equipment	44 744	44 436
Intangible assets	2 535	2 548
Biological assets	214	391
Investments, loans and non-current receivable	600	1 613
Current assets	**58 005**	**48 978**
Inventories	14 635	16 110
Trade and other receivables and prepayments	22 223	22 742
Cash and cash equivalents	21 147	10 126
Assets classified as held for sale	92	-
Total assets	**106 190**	**97 966**
EQUITY AND LIABILITIES		
Capital and reserves	**61 733**	**57 424**
Share capital and share premium	24 810	24 810
Non-distributable reserves	19 769	19 859
Retained earnings	17 154	12 755
Non-current liabilities	**14 866**	**15 219**
Long term borrowings	7 242	7 654
Deferred tax liabilities	7 624	7 565
Current liabilities	**29 591**	**25 323**
Short term borrowings	2 190	3 073
Trade and other payables	27 401	22 250
Total equity and liabilities	**106 190**	**97 966**
Supplementary information		
Capital expenditure	5 943	8 573
Depreciation and amortisation	5 158	4 684
Contingent liabilities - Guarantees	53	53
Corporate guarantees - loan facility limit	-	2 000

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share Capital $ 000 Audited	Share Premium $ 000 Audited	Non Distri-butable Reserve $ 000 Audited	Retained Earnings $ 000 Audited	Total $ 000 Audited
Balance as at 30 September 2014	**320**	**110**	**19 931**	**10 292**	**30 653**
Transfer from asset revaluation reserves	-	-	(72)	72	-
Issue of share capital	436	23 944	-	-	24 380
Total comprehensive income for the year	-	-	-	2 391	2 391
Balance as at 30 September 2015	**756**	**24 054**	**19 859**	**12 755**	**57 424**
Transfer from asset revaluation reserves	-	-	(90)	90	-
Total comprehensive income for the year	-	-	-	4 309	4 309
Balance as at 30 September 2016	**756**	**24 054**	**19 769**	**17 154**	**61 733**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016 $ 000 Audited	2015 $ 000 Audited
Cash flow from operating activities		
Operating profit from operations before interest and tax	6 796	4 129
Non cash adjustments	5 953	4 788
Cash flows from operations	**12 749**	**8 917**
	4 597	**1 788**
Working capital changes	6 573	2 733
Net finance costs	(488)	(300)
Tax paid	(1 488)	(645)
Net cash generated from operating activities	**17 346**	**10 705**
Investing activities	**(5 030)**	**(5 638)**
Purchase of plant and equipment and intangible assets	(5 939)	(8 573)
Proceeds on disposal of plant and equipment	189	199
Increase in non current receivables	(21)	-
Decrease in investment in associate and loans	741	136
Proceeds on issue of new shares	-	2 600
Net cash generated before financing activities	**12 316**	**5 067**
Financing activities	**(1 295)**	**(683)**
Decrease in long term borrowings	(412)	(931)
(Decrease)/increase in short term borrowings	(883)	248
Net increase in cash and cash equivalents	**11 021**	**4 384**
Cash and cash equivalents acquired on acquisition of businesses	-	1 268
Cash and cash equivalents at the beginning of the year	10 126	4 474
Cash and cash equivalents at the end of the year	**21 147**	**10 126**
REPRESENTED BY:		
Bank balances, cash and short term deposits	21 147	10 126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. **BASIS OF PREPARATION**

The abridged consolidated financial statements of Nampak Zimbabwe Limited have been prepared on a historical cost basis, except for property, plant and equipment, intangible assets and biological assets that have been measured at fair value.

2. **CURRENCY OF REPORTING**

The financial results are presented in United States Dollars (USD) which is the functional currency of the Group.

3. **STATEMENT OF ACCOUNTING POLICY**

The accounting policies are consistent with those used in the prior year.

4. **AUDIT REPORT**

The Group's auditors, Deloitte & Touche have issued an unmodified opinion on the consolidated financial statements of the Group. The signed audit opinion is available for inspection at the registered office of the Company at number 68 Birmingham Road, Southerton, Harare, Zimbabwe.

5. **LONG TERM AND SHORT TERM BORROWINGS**

The long term borrowings relate to unsecured shareholders' loans from the parent company, Nampak International Limited at an interest rate of 5,52% per annum. The short term borrowings comprise of the current portion of the unsecured shareholders' loans.

6. **GROUP OPERATING SEGMENT REPORT**

	Printing & Converting $ 000 Audited	Plastics & Metals $ 000 Audited	Services & eliminations $ 000 Audited	Total $ 000 Audited
As at 30 September 2016				
Sales to external customers	44 200	51 034	-	95 234
Intersegmental sales	533	73	(606)	-
Total Sales	**44 733**	**51 107**	**(606)**	**95 234**
Operating profit / (loss)	2 991	3 857	(52)	6 796
Segment assets	52 628	50 291	3 271	106 190
Segment liabilities	20 011	24 569	(123)	44 457
Capital expenditure	1 025	4 917	1	5 943
Depreciation	1 613	3 511	34	5 158
Biological assets - fair value adjustment	177	-	-	177
Other material and non recurring expenses	48	58	-	106
Impairment	-	516	-	516
As at 30 September 2015				
Sales to external customers	44 107	51 864	-	95 971
Intersegmental sales	482	36	(518)	-
Total Sales	**44 589**	**51 900**	**(518)**	**95 971**
Operating profit / (loss)	1 133	3 309	(313)	4 129
Segment assets	48 975	44 271	4 720	97 966
Segment liabilities	18 623	23 202	(1 283)	40 542
Capital expenditure	3 057	5 349	167	8 573
Depreciation	1 515	3 160	9	4 684
Biological assets - fair value adjustment	56	-	-	56
Other material and non recurring expenses	1 129	(58)	358	1 429

COMMENTARY

OVERVIEW

Industry in general continues to face serious economic challenges. Whilst efforts are being made to overcome these, clearly much more needs to be done, particularly to attract meaningful foreign investment. The restrictions brought on the importation of a wide range of products which can be manufactured locally created some welcome relief to the productive sectors.

The Group's customer base was not spared the stress that is affecting the rest of the economy. Volumes and profit margins were generally affected. Nampak Zimbabwe however benefitted from the major cost cutting measures carried out over the last few years. The buoyant tobacco season also enabled the company to achieve comparatively good results.

GROUP PERFORMANCE

Sales for the year amounted to $95,2 million (2015: $96 million) while the Operating Profit came to $6,8 million (2015: $4,1 million). This, combined with tight controls over working capital, led to a positive cash holding throughout the year. The shortage of foreign currency resulted in the accumulation of foreign trade payables. This also contributed to the higher cash balance of $21,1 million (2015: $10,1 million).

OPERATING UNITS

CarnaudMetalbox
Volumes and net revenue were down on the prior year. The company continued to trade profitably during the year.

Hunyani
Volumes and net revenue were on par with 2015, although varied within the remaining two divisions. The operating profit was substantially ahead of the prior year, partly attributable to lower non-recurring costs and efficiencies from the new tobacco line. There was another solid performance in the tobacco carton market while commercial markets had mixed results.

Mega Pak
Volumes were up while net revenue decreased marginally on prior year. Operating profit was ahead of the prior year on the back of cost containment and production efficiencies. The new preform equipment commissioned in 2015 made a positive contribution and was strategically positioned to meet increased customer demands.

Softex Tissue Products (Associate)
Softex delivered an improved performance and returned to profitability.

CAPITAL EXPENDITURE

The Group continued its efforts to keep abreast of manufacturing technology. This included capital expenditure on advanced closure equipment for Mega Pak which will displace imports and a new blow-moulder for CarnaudMetalbox. Cartons, Labels & Sacks benefitted from the acquisition of litho equipment from Nampak Zambia. The total expenditure amounted to $5,9 million (2015: $8,6 million).

DIVIDEND

The available cash resources are expected to fund future capital expenditure projects, reduce long term debt and pay foreign creditors. In view of this, the Directors have decided not to declare a dividend (2015: Nil).

DIRECTORATE

Apart from the appointment of Mr Francis Dzingirai as Group Finance Director on 11 February 2016, there has been no other change to the Directorate during the year.

OUTLOOK

We believe that with the measures already taken to minimise costs and to source raw materials as competitively as possible, the Group remains well poised to take advantage of an improved economic environment as and when this comes about.

By Order of the Board

A. K. Nicholson
Group Company Secretary

68 Birmingham Road
Southerton
Harare

10 November 2016

DIRECTORS: K. C. Katsande (Chairman), J. P. Van Gend* (Group Managing Director), F. Dzingirai* (Group Finance Director), Mrs. E. Fundira, P. Gowero (M. Valela, Alt), A. H. Howie, W. Matsaira (P. Mujaya. Alt), R. G. Morris
* Executive Directors

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