Annual Report 2018

Nampak Zimbabwe Limited

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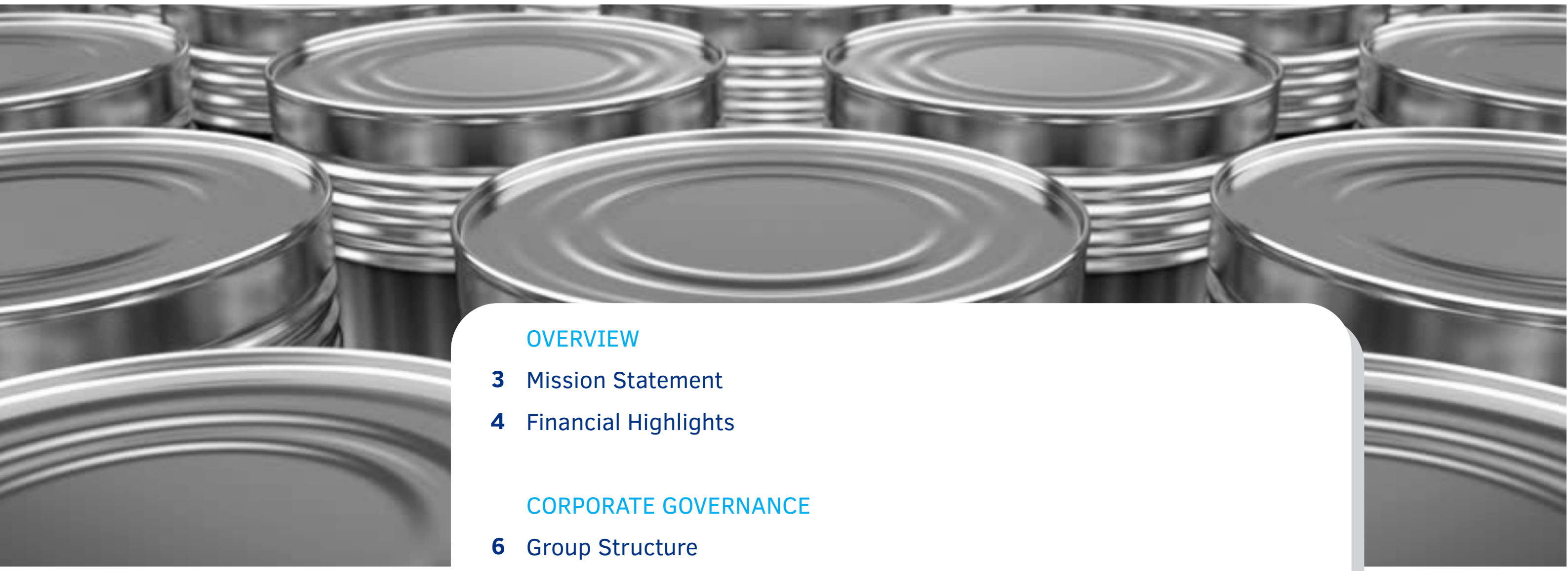


Overview

Mission Statement

Our Mission is:
To deliver sustainable value to stakeholders as a responsible corporate citizen and leader in packaging in Zimbabwe.

Our Values are:
Safety, Responsibility, Teamwork, Integrity and Excellence.

1. **SAFETY:**
We are accountable for a safe workplace, our safety and the safety of others.

2. **RESPONSIBILITY:**
We are accountable for our people, processes and products.

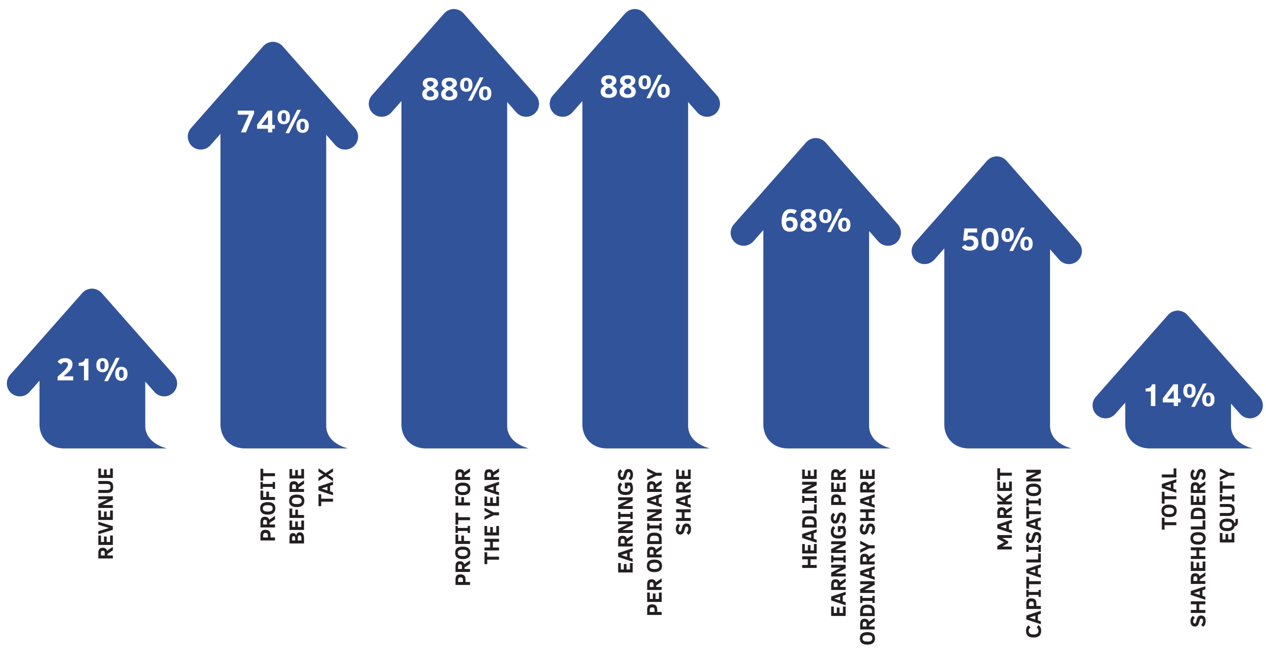
3. **TEAMWORK:**
We recognise that a team's contribution is greater than an individual's.

4. **INTEGRITY:**
Our integrity is paramount.

5. **EXCELLENCE:**
We strive for distinction in all we do.

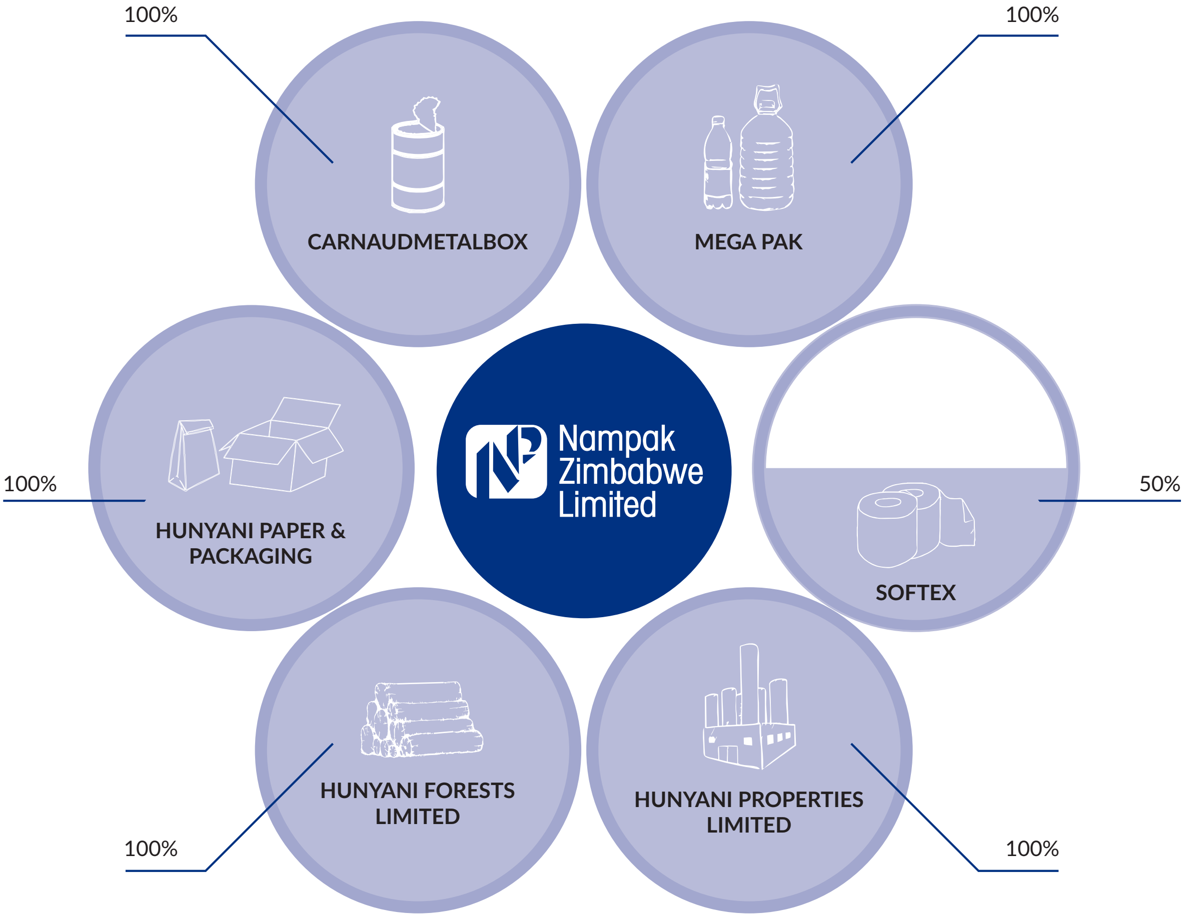
Financial Highlights

	2018 $ 000	2017 $ 000	% Change
Revenue	116,796	96,265	21%
Profit before tax	12,908	7,418	74%
Profit for the year	9,200	4,894	88%
Earnings per ordinary share (cents)	1.22	0.65	88%
Headline earnings per ordinary share (cents)	1.23	0.73	68%
Market capitalisation (based on year-end market prices)	136,017	90,678	50%
Total shareholders equity	75,827	66,627	14%



Corporate Governance

Group Structure



Operating Units and Management Structure

OPERATIONS	MANAGEMENT
PRINTING & CONVERTING SEGMENT	
Hunyani Paper and Packaging (1997) (Private) Limited Manufacturers of paper packaging products through its operating divisions Hunyani Corrugated Products and Hunyani Cartons, Labels & Sacks. **Hunyani Corrugated Products Division** Manufacturers corrugated containers to suit a wide variety of commercial packaging requirements; specialised packaging covering the tobacco, horticulture, floriculture and citrus sectors for local and export markets. Key supplier of the large double-wall board cases for tobacco exports. **Hunyani Cartons, Labels & Sacks Division** Manufactures folding cartons, laminate cartons, paper sacks, self opening bags, open mouth sacks and high quality labels, mainly for the cigarette, detergent, foodstuff, fast foods, pharmaceutical and beverage industries.	A. P. J. Lowe - (Managing) Joined in 1976 M. Matafeni - ACMA , MBA (UZ), AMCT - (Finance) Joined in 1991
Hunyani Forest Limited Commercial leasing of biological assets and timber processing plant.	A. K. Nicholson - B.Sc. Econ (Hons) - (Administration) Joined in 2009 K. Chamboko - B.Sc. (Hons) Applied Acc, FCCA - (Finance) Joined in 2001
Hunyani Properties Limited Property company leasing immovable property to Hunyani Paper and Packaging and external parties.	A. K. Nicholson - B.Sc. Econ (Hons) - (Administration) Joined in 2009 K. Chamboko - B.Sc. (Hons) Applied Acc, FCCA - (Finance) Joined in 2001
Softex Tissue Products (Private) Limited Converting of tissue products, distribution of femcare and hygiene products.	P. Chijokwe - B. Acc (Hons) (UZ), FCCA - (General Manager) Joined in 2013 T. Taruvinga - B. Com (Hons) Economics - (Finance) Joined in 2011
PLASTICS & METALS SEGMENT	
Mega Pak Zimbabwe (Private) Limited Manufacturers of blow moulding, injection moulding, stretch blow moulding and rotational moulding technologies for the food, beverages, domestics and general purposes.	W. Dangarembizi - B Comm, MBA (UZ) - (General Manager) Joined in 2003 S. Nyamhukutu - ACMA, FCIS - (Finance) Joined in 1996
CarnaudMetalbox Zimbabwe(Private) Limited Manufacturers of HDPE, blow moulding and injection moulding, metal cans and pry-off metal crowns for the local food, beverages, paint and floor polish industries.	J. P. Van Gend - B.Comm, ACMA - (Managing) Re-joined in 2010 G. N. Madzima - FCIS, MBA (UZ) - (Finance) Joined in 2008

Chairman's Statement

for the year ended 30 September 2018

OVERVIEW

The Group has turned in a very positive performance to 30 September 2018, despite the worsening economic situation. Order books remained strong and the tobacco season contributed significantly to the good results. New export markets within the region were also established.

The much anticipated economic policy improvements are still to bear results. The persistent foreign exchange shortages continue to create unstable and uncertain business conditions. The recent lifting of import restrictions, which were designed largely to assist the manufacturing industry, operating under constraining circumstances, and to protect jobs will result in many goods being imported which could be made locally.

RESULTS

Group revenue grew by 21% as demand improved across all operating segments. Operating profit was 89% ahead of prior year due to cost containment and volume driven growth. The operating margins improved to 12,4% from 7,9% in the prior year.

Net finance costs increased due to trade finance facilities secured during the course of the year combined with higher interest charges as a consequence of the compound effect of extended funding provided by the majority shareholder and lower interest rates on short term money market investments.

Tight control over inventory and trade receivables, combined with a significant increase in trade payables primarily due to committed inventory purchases funded by the controlling shareholder on a trade loan basis contributed to year-end cash balances accumulating to $84,5 million (2017: $48,2 million). A consequence of the lack of foreign exchange was that the South African shareholder, who is also the major creditor, reviewed and subsequently limited their support at the commencement of the third quarter, thereby curtailing their escalating exposure.

The consolidated capital expenditure amounted to $8,3 million (2017: $2,8 million). This mainly addressed the security of tenure for Mega Pak through the purchase of the property they were renting and general equipment capacity limitations. The deterioration of foreign exchange availability meant that the purchase of some replacement plant and equipment had to be deferred.

DIRECTORATE

There were no changes to the Directorate during the year under review. However, Mr. W. Matsaira resigned from the board after year –end on 19 October 2018.

DIVIDEND

As with last year, in view of the need to retain sufficient cash reserves to cover outstanding creditors and reduce long term debt which has increased substantially due to the lack of liquidity, as well as to provide for further planned capital expenditure with which to maintain and enhance our manufacturing capacity and technology, the Directors have deemed it prudent to waive declaration of a dividend. (2017: Nil).

OUTLOOK

At the time of writing, the economic crisis is perhaps more challenging than at any time in the past. Unless the relevant authorities resolutely implement policies which address the key causes of the crisis, it is possible that in the year ahead there may be a contraction of the economy, which could impact on manufacturing output.

APPRECIATION

On behalf of the Board I would like to express our gratitude to management and all the employees of the companies that make up the Nampak Zimbabwe Group for their considerable efforts which resulted in such a good performance during an exceptionally challenging year. Appreciation is also due to my fellow directors on the Board for their helpful advice and support during the year.

K. C. Katsande
Chairman

22 November 2018

Group Managing Director's Report

OPERATING PERFORMANCE

I am pleased to report on the results of the year ended 30th September 2018.

The overall demand for packaging was again helped by statutory instrument S.I.64 (amended to S.I.122) and continued to be buoyant. That said, Nampak has not been immune to the challenges faced by the Zimbabwe economy over the past year and our operations have been constrained by the lack of foreign currency liquidity required for raw material imports and settlement of foreign trade payables. Management continued with its focus on cost containment during the year, whilst looking for potential new opportunities to improve both product offerings and quality.

The Group achieved sales for the year of $116,8 million (2017: $96,3 million) and an Operating Profit before Interest and Taxation of $14,5 million (2017: $7,6 million). This operating profit was achieved after taking into account non-recurring income of $14 thousand (2017: $745 thousand expenses). At Hunyani, a biological fair value increase on one of the timber estates was recognised.

Tight control over increases in inventories and trade receivables combined with an exceptionally large increase in trade payables, reflected in cash balances accumulating to $84,5 million (2017: $48,2 million) at year end. The exceptional growth in trade payables reflected a significant increase in support from the South African shareholder during the year, which was subsequently reviewed, and also resulted from an inability to settle foreign liabilities timeously.

Comprehensive Income attributable to Ordinary Members amounted to $9,2 million (2017: $4,9 million). Headline earnings per share at 1.23 cents (2017: 0.73 cents) increased by 68.5% on last year.

INDUSTRIAL RELATIONS

At the close of the financial year, Nampak employed 567 permanent employees compared with 569 the previous year. Overall, industrial relations have remained cordial. At NEC level there is growing pressure from employees for employers to cushion them against the current hostile economy. We are continuously reviewing our manpower structures to ensure they are in line with Group requirements. The Group continues with its training programmes aimed at developing and retaining skills across the board.

CAPITAL EXPENDITURE

Capital expenditure amounted to $8,3 million (2017: $2,8 million), which was a significant investment. The majority of this capital expenditure was incurred on land and buildings and capacity expansion. Of this $3,3 million was spent on acquiring the premises in Ruwa on which Mega Pak operates. A new PET blower, including moulds, was installed at Mega Pak, which further expanded their preform manufacturing capacity. The new board machine stacker at Hunyani was commissioned which will further enhance efficiencies. At CarnaudMetalbox new moulds for the 1,5 litre Chibuku bottle and closures were acquired and upgrades done to the food can lines to make the cans stackable, in line with market requirements. There are some significant capital projects currently being reviewed by management and should foreign exchange become available, it is our intention to implement them. The projects would be funded out of own funds.

ENTITY REVIEWS

Hunyani

Volumes across the operating divisions within Hunyani were improved from the previous year. Commercial carton demand remained strong in spite of two new entrants into the market. Demand for commercial cartons in the Hunyani Corrugated Products Division was high and this was backed up by another solid year in the local tobacco carton market. Exports into the regional markets were on par with the prior year. The Cartons, Labels and Sacks Division experienced higher volumes and turnover and managed to grow its earnings. Management is pursuing opportunities to expand the product offering, and further enhance the division's returns. Hunyani continued to aggressively manage their cost base and efficiencies through the implementation of world class manufacturing programmes.

Mega Pak

Volumes at Mega Pak were significantly improved over the prior year. Demand was particularly strong for the PET preforms used in the beverage sector. Volumes could have been further improved had sufficient foreign exchange been available to import raw materials. It is pleasing to note that the 1881 Closure facility commissioned in 2016 is now running at full capacity, and a project evaluation on expanding this facility is currently underway. Mega Pak have continued to grow their export market into the Democratic Republic of Congo, and will be looking to expand this market further in 2019.

Group Managing Director's Report (continued)

CarnaudMetalbox
CarnaudMetalbox was also affected by the lack of foreign exchange to pay for raw materials, and consequently their volumes were only marginally improved from the prior year. The division traded profitably and trading income was ahead of the prior year. Volumes of food cans have seen continued growth this year, as local canners are offered some import protection. The company has faced periods of reduced output on a number of occasions as the necessary tinplate has run out. CarnaudMetalbox have continued to service a small export market.

Softex Tissue Products
Softex continued to deliver an improved performance and traded profitably as a result of tight cost control and an improved product mix.

APPRECIATION

The 2018 trading year has not been without its challenges, but I believe, given the continual restructuring and capital investment strategy, that the Group is well positioned for the future. This would not have been possible without the commitment and dedication of the management teams and staff at all three operating companies. I would like to take this opportunity to thank all of them for their efforts and for embracing and largely overcoming the challenges they faced during the past financial year.

Our customers and suppliers have continued to support us and I would like to express my gratitude to them. I would also like to thank Nampak Limited for their continued financial and technical support without which these results would not have been achieved.

Finally, I would like to express my thanks to the Chairman and the Board of Directors for their support and encouragement during the past year.

J.P. Van Gend
Group Managing Director

22 November 2018

Directors, Group Management and Administration

DIRECTORS

K. C. Katsande	Chairman
J. P. Van Gend	Group Managing Director, Risk Committee Chairman
F. Dzingirai	Group Finance Director
Mrs. E. Fundira	Non Executive Director, Member of the Audit Committee
P. Gowero (Alt. M. Valela)	Non Executive Director, Member of the Remuneration Committee
A. H. Howie	Non Executive Director, Audit Committee Chairman and Member of the Remuneration Committee
W. Matsaira (resigned 19/10/18)	Non Executive Director , Member of the Audit Committee
R. G. Morris	Non Executive Director, Member of the Remuneration Committee

GROUP MANAGEMENT

J. P. Van Gend	B Comm, ACMA	Joined in 1998	Group Managing Director
F. Dzingirai	B. Acc (Hons), CA (Z)	Joined in 1991	Group Finance Director
A. K. Nicholson	B.Sc. Econ (Hons)	Joined in 2009	Group Company Secretary

ADMINISTRATION

Physical Address	**Postal Address**
68 Birmingham Road, Southerton	P O Box 4351
Harare, Zimbabwe	Harare, Zimbabwe

COMPANY SECRETARY

A. K. Nicholson

LEGAL ADVISERS

Gill, Godlonton and Gerrans
7th Floor Beverley Court
100 Nelson Mandela Avenue
Harare, Zimbabwe

EXTERNAL AUDITORS

Deloitte & Touche
West Block, Borrowdale Office Park, Borrowdale Road, Borrowdale
P. O Box 267, Harare, Zimbabwe

INTERNAL AUDITORS

EY Advisory Services (Proprietary) Limited
102 Rivonia Road
Private Bag X14, Sandton, Johannesburg 2146, South Africa

TRANSFER SECRETARIES

First Transfer Secretaries (Private) Limited
1 Armagh Road, Eastlea
Harare, Zimbabwe

BANKERS

Barclays Bank Zimbabwe Limited
CABS
CBZ Bank
Ecobank Zimbabwe Limited
Nedbank Zimbabwe Limited
Stanbic Bank Zimbabwe
Standard Chartered Bank Zimbabwe Limited

Statement of Corporate Governance and Directors' Responsibility

CORPORATE GOVERNANCE

The Board of Directors is committed to ensuring that the Group adheres to the highest standards of corporate governance in the conduct of its business. The Group's structures and processes are adapted from time to time to reflect best practice standards.

ACCOUNTABILITY AND AUDIT

The Directors of Nampak Zimbabwe Limited are responsible for the overall preparation and the final approval of the annual financial statements. The external auditors are responsible for auditing and providing an opinion on the annual financial statements in the course of executing their statutory duties. The external auditor's report is set out on pages 18 to 21.

The going concern basis has been adopted in preparing these financial statements. The Directors have no reason to believe that the Group will not be a going concern for the foreseeable future.

BOARD OF DIRECTORS

The Board of Directors is comprised largely of non-executive Directors who meet at least four times a year. The Board follows a decentralised approach with regard to the day-to-day running of its businesses but the Board reserves the right to make key decisions to ensure that it retains proper control over the strategic direction of the Group.

BOARD COMMITTEES

During the year under review the Board was assisted by the following formal committees.

AUDIT COMMITTEE

Members:
A. H. Howie - Chairman
Mrs. E. Fundira
W. Matsaira (Resigned 19/10/18)

The Audit Committee assists the Board in the fulfilment of their duties. It is regulated by a specific mandate from the Board and consists of three non-executive Directors. The Audit Committee, which oversees the financial reporting process, is concerned with compliance with Group policies and internal controls within the Group and interacts with the internal and external auditors. It meets at least three times a year with senior management. The internal and external auditors attend these meetings and have unrestricted access to the Audit Committee.

REMUNERATION COMMITTEE

Members:
K. C. Katsande - Chairman
A. H. Howie
P. Gowero
R. G Morris

The Remuneration Committee is chaired by the Chairman of the Board and comprises solely of non-executive Directors. The committee meets at least once a year and the Group Managing Director attends meetings by invitation. The committee is required to determine the Group's broad policy for executive remuneration and the entire individual remuneration terms and package for the executive and non-executive Directors, and other senior executives. In doing so, the committee is required to give executives every encouragement to enhance the Group’s performance and to ensure that they are fairly, but responsibly rewarded for their individual contributions. The objective of the remuneration policy is to provide a remuneration package comprising short term rewards (salary, benefits and annual performance bonus) and long-term rewards competitive with companies of a similar size, activity and complexity, so as to attract, motivate and retain high calibre individuals who will contribute fully to the success of the Group.

RISK MANAGEMENT COMMITTEE

Members:
J. P. Van Gend (Chairman)
G. Ndawana
J. Nhemachena
L. M. Watermeyer

The Risk Management Committee reports to the Audit Committee. It is chaired by the Group Managing Director and comprises the Risk and Safety Officers from the three subsidiary companies – CarnaudMetalBox Zimbabwe Limited, Hunyani Paper and Packaging (1997) (Private) Limited and Mega Pak Zimbabwe (Private) Limited, all of which have their own Risk Committees which meet on a regular basis. The Risk Management Committee meets quarterly and reviews the subsidiary company reports regarding compliance and progress on risk and safety issues as laid down by Nampak Limited. Specifically, this deals with the Willis Blue audits and Lost Time Incident Frequency Rates, as well as all related issues.

The Board reviews all significant Group risks on a quarterly basis, including an assessment of the likelihood and impact of all risks materialising, as well as risk mitigation initiatives and their effectiveness. The Board makes an annual review of the effectiveness of the risk management.

Statement of Corporate Governance and Directors' Responsibility (continued)

MANAGEMENT REPORTING

There are comprehensive management reporting disciplines in place which include the preparation of annual budgets by all operating divisions. The consolidated Group budget, budgeted capital expenditure and divisional budgeted income statements are reviewed and approved by the Board. Monthly results of the Group and the operating entities are reported against approved budgets, quarterly forecasts and prior year. Profit projections and forecast cash flows are updated monthly while working capital and borrowing levels are monitored on an on-going basis.

STAKEHOLDER COMMUNICATION

The Board subscribes to the concept of openness, fairness, relevance and promptness in communications, but believes that the best interest of the Group should be considered in applying the concept of openness, as disclosure may not be appropriate in all circumstances and, in certain instances, may be in conflict with legal or regulatory requirements.

INTERNAL CONTROL

The Directors are responsible for, and ensure that, the Group maintains adequate accounting records and internal controls and systems designed to provide reasonable assurance on the integrity and reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for its assets. Such controls are based on the established policies and procedures and are implemented by trained personnel with appropriate segregation of duties. The effectiveness of these internal controls and systems is monitored and reviewed by an internal audit department, which is provided by EY Advisory Services (Proprietary) Limited, South Africa.

INTERNAL AUDIT

The Internal Audit is an independent appraisal function. Weaknesses identified by the internal auditors are reported on and brought to the attention of Directors and management. This independently reviews the adequacy and effectiveness of internal controls and the systems which support them, at various operating entities, as well as business and financial risks which could have an adverse effect on the Group.

SAFETY, HEALTH AND ENVIRONMENTAL STEWARDSHIP

The Group strives to create wealth and sustainable development by operating its business with due regard for economic, social, cultural and environmental issues. Safety and health issues of all employees and contractors are of special concern.

ETHICS

Directors and employees are required to maintain the highest ethical standards, ensuring that business practices are conducted in a manner which, in all reasonable circumstances, is beyond reproach.

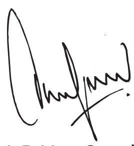
PREPARATION OF FINANCIAL STATEMENTS

The Directors of the Group and Company are required by the Companies Act to maintain adequate accounting records and to prepare financial statements for each financial year which present a true and fair view of the state of affairs of the Group and Company at the end of the financial year and the financial performance and cash flows for the year.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Suitable accounting policies have been used, and applied consistently, and reasonable and prudent judgements and estimates have been made. The financial statements incorporate full and responsible disclosure to assist in corporate performance measurement to enable returns on investment to be assessed against inherent risk and to facilitate appraisal of the full potential of the Group.

The financial statements were approved by the Board of Directors on 22 November 2018 and are signed on its behalf by:



K.C. Katsande
Chairman

22 November 2018

J. P. Van Gend
Group Managing Director

22 November 2018

Directors' Report

The Directors have pleasure in submitting their sixty-eighth Annual Report, together with the Audited Financial Statements of the Group for the year ended 30 September 2018.

FINANCIAL RESULTS

	2018 $ 000	2017 $ 000
The Group results are summarised as follows:		
Profit for the year	9 200	4 894
Earnings attributable to ordinary members	**9 200**	**4 894**

DIVIDENDS

The available cash resources are expected to fund future capital expenditure projects, reduce foreign debt and pay foreign creditors. In view of this, the Directors have decided not to declare a dividend (2017: Nil).

SHARE CAPITAL

Authorised
The authorised share capital is $1 500 000 divided into 1 500 000 000 ordinary shares with a nominal value of $0,001 each.

Issued and fully paid
The issued share capital at 30 September 2018 is $755 648 comprised of 755 648 101 ordinary shares of US$0,001 each.

Director's interests in share capital
The Directors' direct beneficial interests in the shares of the Company are shown below:

	Ordinary shares 2018	Ordinary shares 2017
F. Dzingirai	**-**	**180,000**

Mr. F. Dzingirai disposed of his 180 000 shares in the Company in January 2018 as part of the disposal within the Hunyani Share Purchase Scheme which involved all the allotted beneficiaries. No other Director or their nominee, had any interest, beneficial or non-beneficial, in the share capital of the Company since January 2018.

RESERVES

Details of movements on the non-distributable and distributable reserves are shown in the statement of changes in equity on page 25.

DIRECTORATE

The names of the Directors in office at the date of this report are set out on page 11. However, Mr. W. Matsaira resigned from the Board after year end on 19 October 2018.

Mrs. E. Fundira, Mr. A. H. Howie and Mr. K. C. Katsande were re-appointed to the Board at the Annual General Meeting held on 7 February 2018.

DIRECTORS' FEES

A resolution will be proposed at the Annual General Meeting to approve directors' fees amounting to $30 610 (2017 - $30 580).

BORROWING FACILITIES

Group gross borrowings at 30 September 2018 amounted to $9,8 million (2017 - $9,2 million).

The Articles of Association authorise the Directors to borrow for the purposes of the Company, a sum totalling the nominal amount of the issued share capital of the Company, and the aggregate of the amounts standing to the credit of all capital and revenue reserve accounts as

Directors' Report (continued)

set out in the Consolidated Statement of Financial Position of the Company and its subsidiaries.

GOING CONCERN

The Directors believe that the Group is a going concern and will continue to be for the foreseeable future. This is despite the current difficulties being experienced in sourcing foreign exchange as ongoing development of export markets and engagements with the banks, customers and the Reserve Bank of Zimbabwe are expected to provide sufficient foreign exchange to maintain and continue operations.

BOARD COMMITTEES

These comprise the Audit Committee, the Risk Management Committee and the Remuneration Committee, details of which are included in the Corporate Governance Report on page 12.

The following were re-appointed to the Board's Committees at the Annual General Meeting held on 7 February 2018.

Audit : Mr. A. H. Howie, Mrs E. Fundira and Mr. W. Matsaira.

Remuneration : Mr. K. C. Katsande, Mr R.G. Morris, Mr. A. H. Howie and Mr. P. Gowero.

Chairman : Mr. K. C. Katsande was re-appointed as Chairman of the Company.

AUDITORS

Members will be asked to re-appoint Deloitte & Touche as external auditors of the Company until the conclusion of the next Annual General Meeting.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday 06 February 2019 at 12:00 hours at the Registered Office of the Company, 68 Birmingham Road, Southerton, Harare.

By Order of the Board

A. K. Nicholson
Group Company Secretary

22 November 2018

68 Birmingham Road
Southerton
Harare

Financial Information

Statistics

	2018	2017
Share performance		
Ordinary shares in issue	755 648 101	755 648 101
Earnings per ordinary share (cents)	1.22	0.65
Headline earnings per ordinary share (cents)	1.23	0.73
Closing market price per ordinary share (cents)	18.00	12.00
Net asset value per ordinary share (cents)	10.03	8.82
Solvency		
Interest cover (times)	4.2	7.6
Total current liabilities as a percentage of total shareholders' equity (%)	106	73
Liquidity		
Current ratio	1.52	1.57
Acid test ratio	1.37	1.35
Profitability		
Return on shareholders' equity (%)	12.9	7.6
Operating profit to turnover (%)	12.4	7.9
Asset turnover	0.8	0.8
Capital expenditure		
Capital expenditure ($ 000)	8 289	2 754
Productivity		
Permanent employees	557	569
Revenue per employee ($ 000)	210	169

Definitions used in this report

Asset turnover
Revenue divided by average asset holding for the year.

Current ratio
The ratio of current assets to current liabilities.

Total liabilities
Long term liabilities plus current liabilities.

Net assets
Total assets less total current liabilities and non current liabilities.

Return on shareholders' equity
Earnings after taxation divided by the average of opening and closing shareholders' equity.

Working capital to sales ratio
Inventories plus trade and other receivables less trade and other payables, divided by revenue.

Interest cover
Trading income divided by finance costs.

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REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Nampak Zimbabwe Limited ("the Company") and its subsidiaries ("the Group") which comprise the consolidated and separate statements of financial position as at 30 September 2018, and the consolidated and separate statements of profit or loss and other 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 the notes to the consolidated and separate financial statements, including a summary of significant accounting policies as set out on pages 23 to 69.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nampak Zimbabwe Limited as at 30 September 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act (Chapter 24:03) and Statutory Instruments (SI33/99) and SI 62/96).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants ("The Code") issued by the International Ethics Standards Board for Accountants ("IESBA"), together with other ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements.

Independent Auditor's Report (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of goodwill	
The Group reported goodwill amounting to US$2.4 million arising from past business combinations. The Directors have to assess goodwill for impairment on a yearly basis using a discounted cashflow model to determine the value in use of goodwill balances. This requires the use of a number of key assumptions and judgments, including the estimated future cashflows, long-term growth rates, profitability levels and discount rates applied. Due to the level of judgement and estimation required, we have assessed this to be a key audit matter. The goodwill balance is disclosed in Note 11 of the financial statements, whilst the accounting policy is disclosed in Note 4.2.	To address the key audit matter, we performed the following procedures: • Gained an understanding and assessed the reasonableness of business plans by comparing the assumptions to prior year; • Recalculated the value in use calculations; • Challenged the appropriateness of the key assumptions used to determine the value in use, cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the operation of the cash generating units. We involved our internal valuation specialists to assess the appropriateness of the discount rate applied. We concluded that the goodwill recognised is appropriate.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Mission Statement, Financial Highlights, Group Structure, Operating Units and Management Structure, Chairman's Statement, Group Managing Director's Report, Directors, Group Management and Administration, Statement of Corporate Governance and Directors Responsibility, Directors Report, Statistics, Shareholders' Diary, Notice to Members and Shareholders Analysis, which we obtained prior to the date of this auditors' report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance or 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 in the manner required by the Zimbabwe Companies Act (Chapter 24:03) and the relevant statutory instruments (SI 33/99) and SI 62/96), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's 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 or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's 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 auditors' report. However, future events or conditions may cause the Group 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 auditors' 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.

Independent Auditor's Report (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in accordance with the disclosure requirements of the Companies Act (Chapter 24:03) and the relevant statutory instruments (SI33/99 and SI62/96).

The engagement partner on the audit resulting in this independent auditor's report is Tapiwa Chizana.

Deloitte & Touche

DELOITTE & TOUCHE
Registered Auditor
Per: Tapiwa Chizana
Partner, Harare
PAAB Practising Number :0444
22 November 2018

Preparer of the Annual Financial Statements

The Annual Financial Statements of Nampak Zimbabwe Limited have been prepared under the supervision of Mr Francis Dzingirai.

F. Dzingirai CA (Z)
Group Finance Director
Registered Public Accountant
PAAB Number : P0204

Harare
22 November 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 September 2018

	Note	2018 $ 000	2017 $ 000
Revenue	5	**116 796**	**96 265**
Raw materials and consumables used		(67 784)	(54 806)
Selling and distribution expenses		(811)	(783)
Depreciation and amortisation expenses	6.1	(4 594)	(4 722)
Employee expenses		(14 622)	(14 260)
Other operating expenses	6.2	(16 141)	(14 459)
Other operating income	6.3	1 607	1 151
Trading income		**14 451**	**8 386**
Other material and non recurring income/(expenses)	6.4	14	(745)
Operating profit		**14 465**	**7 641**
Finance income	7.1	1 659	727
Finance costs	7.2	(3 448)	(1 104)
Share of net profit from joint venture	13	232	154
Profit before tax		**12 908**	**7 418**
Taxation	8	(3 708)	(2 524)
Profit for the year		**9 200**	**4 894**
Total comprehensive income attributable to ordinary members		**9 200**	**4 894**
Weighted average number of shares in issue		**755 648 101**	**755 648 101**
Earnings per ordinary share (cents)	9	**1.22**	**0.65**
Headline earnings per ordinary share (cents)	9	**1.23**	**0.73**

Consolidated Statement of Financial Position

as at 30 September 2018

	Note	2018 $ 000	2017 $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	10	45 876	42 480
Intangible assets	11	2 482	2 495
Biological assets	12	325	272
Investment in joint venture	13	961	729
Investments	14	2	3
Non current receivable	15	21	21
Total non-current assets		**49 667**	**46 000**
Current assets		**122 451**	**76 451**
Inventories	16	12 052	10 638
Trade and other receivables	17	25 872	17 562
Cash and cash equivalents	18	84 527	48 251
Assets classified as held for sale	19	-	3
Total current assets		**122 451**	**76 454**
Total assets		**172 118**	**122 454**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	756	756
Share premium	20	24 054	24 054
Non distributable reserves	21	19 460	19 802
Retained earnings		31 557	22 015
Total shareholders' equity		**75 827**	**66 627**
Non current liabilities			
Long term borrowings	23.1	7 892	-
Deferred tax liabilities	22	7 864	7 226
Total non current liabilities		**15 756**	**7 226**
Current liabilities			
Short term borrowings	23.2	1 907	9 245
Trade and other payables	24	78 128	38 746
Provisions	25	141	103
Income tax payable	26	359	507
Total current liabilities		**80 535**	**48 601**
Total equity and liabilities		**172 118**	**122 454**

The financial statements were approved by the Board of Directors and are signed on their behalf by:

K.C. Katsande
Chairman

J. P. Van Gend
Group Managing Director

Registered office
68 Birmingham Road
Southerton
Harare

22 November 2018

Consolidated Statement of Changes in Equity

for the year ended 30 September 2018

	Share Capital $ 000	Share Premium $ 000	Functional Currency Conversion Reserve $ 000	Asset Revaluation Reserve $ 000	Retained Earnings $ 000	Total Equity $ 000
Balance as at 1 October 2016	**756**	**24 054**	**3 934**	**15 835**	**17 154**	**61 733**
Transfer to asset revaluation reserves (note)	-	-	-	33	(33)	-
Total comprehensive income for the year	-	-	-	-	4 894	4 894
Balance as at 30 September 2017	**756**	**24 054**	**3 934**	**15 868**	**22 015**	**66 627**
Transfer from asset revaluation reserves (note)	-	-	-	(342)	342	-
Total comprehensive income for the year	-	-	-	-	9 200	9 200
Balance as at 30 September 2018	**756**	**24 054**	**3 934**	**15 526**	**31 557**	**75 827**
	Note 20	Note 20	Note 21	Note 21		

Note: The transfer (from)/to revaluation reserves to retained earnings amounting to $342 000 (2017: $33 000) is reserves attributable to previously revalued property, plant and equipment which was disposed of during the year.

The functional currency conversation reserve and asset revaluation reserve constitutes the non distributable reserve.

Consolidated Statement of Cash Flows

for the year ended 30 September 2018

	Note	2018 $ 000	2017 $ 000
Cash generated from operating activities	30.1	19 093	12 288
Decrease in working capital	30.2	29 696	20 381
Cash generated from operations		**48 789**	**32 669**
		(5 017)	**(3 067)**
Finance income	7.1	1 659	727
Finance costs	7.2	(3 448)	(1 104)
Tax paid	26	(3 228)	(2 690)
Net cash generated from operating activities		**43 772**	**29 602**
Investing activities		**(8 050)**	**(2 311)**
Purchase of property, plant and equipment and intangible assets for maintaining operations		(5 412)	(1 103)
Purchase of plant and equipment and intangible assets for expanding operations		(2 877)	(1 651)
Decrease in investments		1	1
Proceeds on disposal of property, plant and equipment and intangible assets		136	440
Proceeds on disposal of land		100	-
Proceeds on disposal of assets held for sale		2	2
Net cash generated before financing activities		**35 722**	**27 291**
Financing activities		554	(187)
Increase / (decrease) in long term borrowings	30.3	7 892	(7 242)
(Decrease) / increase in short term borrowings	30.4	(7 338)	7 055
Net increase in cash and cash equivalents		**36 276**	**27 104**
Cash and cash equivalents at the beginning of the year		48 251	21 147
Cash and cash equivalents at the end of the year		**84 527**	**48 251**
REPRESENTED BY:			
Bank balances, cash and short term deposits	**18**	**84 527**	**48 251**

1. CORPORATE INFORMATION

The consolidated financial statements of Nampak Zimbabwe Limited for the year ended 30 September 2018 were authorised for issue in accordance with a resolution of the Directors on 22 November 2018. Nampak Zimbabwe Limited is a limited Company incorporated and domiciled in Zimbabwe. The Company was first incorporated in 1951 and was listed on the Zimbabwe Stock Exchange in September 1952. The shares have been publicly traded since then. The shareholding of the Company is on page 73. The address of the registered offices is on page 11.

The Group is principally engaged in the manufacturing of paper, plastic and metal packaging products as well as leasing biological assets. The principal activities of the Group are described on page 7.

2. BASIS OF PREPARATION AND COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which includes standards and interpretations approved by the IASB and Standing Interpretations Committee (SIC) interpretations issued under previous constitutions (IFRS). The financial statements have been prepared in compliance with the Zimbabwe Companies Act (Chapter 24:03) and the relevant statutory instruments (SI 33/99 and SI 62/96).

The consolidated financial statements of the Group have been prepared on a historical cost bases except where otherwise indicated. The accounting policies are consistent with the prior year and have been applied throughout the Group.

The Group financial statements are presented in United States Dollars ($), which is the Group's functional and presentation currency. All values are rounded to the nearest thousand except where otherwise stated.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3.1 New and revised IFRS mandatorily effective at the end of the reporting period with no material impact on the reported amounts and disclosures in the current period or prior period.

In the current year the Group adopted the following new and revised IFRS and annual improvements to IFRS with no material impact on the consolidated financial statements.

- **IFRS 7 Statements of cash flows:** clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. (Effective for annual periods beginning on or after 1 January 2017 with earlier adoption being permitted).

- **IAS 12 Income taxes:** Effective for annual periods beginning on or after 1 January 2017 (with earlier adoption being permitted). The standard clarifies the following;
  a. Unrealised loss on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
  b. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
  c. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

Annual Improvements 2014-2016 Cycle - (Effective for annual periods beginning on or after 1 January 2017)

- **IFRS 12 Disclosure of interests in other entities** – clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

  The directors of the Company assessed that the new and revised IFRS have no material impact on the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

3.2 New and revised IFRS in issue but not yet effective

This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group expects that adoption of these standards, amendments and interpretations in most cases may not have any significant impact on the Group's financial position or performance in the period of initial application but additional disclosures will be required.

- **IFRS 15 Revenue from Contracts with Customers:** Establishes a single comprehensive model for entities to use on the accounting for revenue arising from contracts with customers. It will supersede the current revenue recognition guidance including IAS 18 Revenue. (Effective for annual periods beginning on or after 1 January 2018 with earlier adoption being permitted).
- **IFRS 16 Leases:** addresses issues raised by users on the need to record operating lease assets and related depreciation and interest expense. Previously, the operating lease contracts were recorded off balance sheet, with the lease payments being straight-lined over the lease period. (Effective for annual periods beginning on or after 1 January 2019).
- **IFRS 9 Financial Instruments:** IFRS 9 introduces new requirements for the classification and measurement of financial instruments. (Effective on annual periods beginning on or after 1 January 2018 with earlier application permitted).
- **IFRS 2 Share Based Payments:** clarifies the standard in relation to the accounting for cash settled share based payment transactions that include a performance condition, the classification of share based payment transactions with net settlement features, and the accounting modifications of share based payment transactions from cash settled to equity settled. (Effective for annual periods beginning on or after 1 January 2018).
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** – addresses foreign currency transactions or parts of transactions where:

  a) there is consideration that is denominated or priced in foreign currency;
  b) the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  c) the prepayment asset or deferred income liability is non-monetary.
  (Effective for annual periods beginning on or after 1 January 2018).
- **Transfers of Investment Property (Amendments to IAS 40)** – The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A change in management's intentions for the use of a property does not provide evidence of a change in use.

Annual Improvements 2014 – 2016 Cycle (Effective for annual periods beginning on or after 1 January 2018)

- **IFRS 1 First Time Adoption of IFRS** – deletes the short term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their purpose.
- **IAS 28 Investments in Associates and Joint Ventures** – clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

  The directors are still assessing the impact of these standards, amendments and interpretations on the consolidated financial statements in the period of initial adoption.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 September 2018, together with appropriate share of post-acquisition results and reserves of its material associated and joint venture companies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intragroup transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss

4.2 Business combinations and goodwill

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any cost directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Asset Held for Sale and Discontinued Operations, which are recognised and measured at a fair value less cost of sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities recognised. If after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of business combination, the excess is recognised immediately in profit or loss.

Goodwill is reviewed for impairment annually and any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a cash generating unit to which goodwill was allocated, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The interest of non-controlling shareholders in the acquiree is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4.3 Investments in joint ventures

A joint venture is a joint arrangement in which the parties with joint control have rights/exposures to the net assets of the arrangements. The Group's interest in joint ventures are accounted for by using the equity method of accounting, and the investments are accounted for at cost less accumulated impairment in the separate financial statements of the venture companies.

Under the equity method, an investment is carried in the statement of financial position at a cost plus post-acquisition changes in the Group's share of the net assets of the joint venture. The statement of profit or loss and other comprehensive income reflects the Group's share of the results of the joint venture operations. This is the profit attributable to the equity holding and therefore is profit after tax and non-controlling interests of the joint venture. Any dividend received by the Group is credited against the investment in the joint venture.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Investments in joint ventures (continued)

Where there has been a change recognised directly in the other comprehensive income or equity of the joint venture, the Group recognises its share of any changes and discloses this, where applicable, in the statement of profit or loss and other comprehensive income or the Group statement of changes in equity.

Financial results of the joint venture are prepared for the same reporting period as the parent Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in a joint venture. The Group determines at each statement of financial position date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

4.4 Investments in associates

Associates are those companies in which the Group holds a long term equity interest and is in a position to exercise significant influence , but not control, and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those polices.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments . Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the net identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss .

4.5 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, and have made efforts to locate a buyer and the asset (or disposal group) must be actively marketed for sale at a reasonable price in relation to its current fair value. The sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal group) classified as held for sale are measured at lower of the assets' previous carrying amount and fair value less costs to sell. Impairment losses on the initial classification as held for sale and subsequent reassessments are accounted for in profit or loss. Non-current assets (and disposal groups) classified as held for sale are not depreciated or amortised.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that has been sold or is part of a single co-ordinated plan to be disposed of.

In the consolidated statement of profit or loss and other comprehensive income, income and expenses from discontinuing operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the profit or loss.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Biological assets

Biological assets are timber plantations that are owned by the Group. Biological assets are initially recorded at cost and subsequently recognised at fair value at each subsequent reporting date. Fair value is determined by reference to market value less costs to sell. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value is determined with reference to the tree ageing and available market prices. On that basis, an indicative value is computed with reference to local market prices. Changes in the fair value of biological assets are recorded in profit or loss.

4.7 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and for qualifying assets, borrowing costs in accordance with the Group's accounting policy are included in the carrying value of the asset. Costs also include an estimate of costs of dismantling and removing the item and restoring the site on which it is located. When parts of an item of property, plant and equipment have different useful lives or residual values, they are accounted for as separate items (major components).

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its costs can be measured reliably. The cost of day to day servicing, repair and maintenance of property, plant and equipment are recognised in profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation.

Property, plant and equipment, which are retired from active use and are held for disposal, are accounted for in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Depreciation commences when the assets are ready for their intended use. Depreciation is charged so as to write off the cost to residual value over the intended useful lives, using the straight line method. Depreciation is not provided in respect of land.

The average rates of depreciation used are:

Buildings	50 - 60 years
Plant and equipment	5 - 25 years
Motor vehicles	3 - 5 years
Office furniture and fittings	3 - 10 years
Office equipment	3 - 5 years

Depreciation methods, residual values and useful lives are reviewed annually or when there is an indication that they have changed and they are prospectively adjusted if appropriate. Where residual values exceed the carrying amount of the assets, depreciation will cease to be charged.

The gain or loss on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.8 Investment property

Investment property which is property held to earn rentals and/ or capital appreciation is stated at cost less accumulated depreciation and any accumulated impairment losses. The average rate of depreciation used is 50 - 60 years.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Intangible assets excluding goodwill

Included in intangible assets are system costs and computer software costs.

Acquired computer software licences are capitalised on the basis of the costs incurred to bring to use the specific software.

Cost associated with development or maintaining computer software programmes are recognised as the expense is incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and these comprise direct costs and an appropriate portion of relevant overheads. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets are stated at cost less accumulated amortisation and impairment losses and are amortised over their expected useful lives (three to nine years) on a straight line basis.

4.10 Impairment of tangible and intangible assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in expense categories consistent with the function of the impaired asset, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date 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 assets or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss 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. Such reversal is recognised in profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

4.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

4.13 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and position. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs to be in incurred in marketing, selling and distribution.

Provision for obsolete inventory is done where management believes the book value of the inventory exceeds the lower of cost or net realisable value. The assessment is done on an item by item basis.

4.14 Taxation

Income tax expense represents the sum of the tax paid, currently payable and deferred tax.

Current tax
Current 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 currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and Company's asset and liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Current tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognised for all taxable 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 interests in joint ventures, when 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, the 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:

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Taxation (continued)

Deferred tax (continued)

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition 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 deductible temporary differences associated with investments in subsidiaries, associates and interests 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 profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or subsequently enacted at the reporting date.

Deferred income tax relating to items recognised directly outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation 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 either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit and loss.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

a) When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
b) When receivables and payables are stated with the amount of VAT, the net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

4.15 Foreign currency translation

The Group's consolidated financial statements are presented in United States Dollars, which is the Group's functional and presentation currency.

Transactions in foreign currencies are translated to the functional currency at exchange rates prevailing at the date of the transaction. Subsequent to initial measurement, monetary assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Non-monetary items carried at cost are translated using the exchange rate at the date of the initial transaction whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translation of monetary items at rates different from those at which they were translated at initial recognition are recognised in profit or loss. Exchange differences on non-monetary items carried at fair value are recognised in profit or loss, except where the fair value adjustments are recognised in other comprehensive income, in which case the differences arising are recognised in other comprehensive income.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial instruments

Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Group has become party to the contractual provisions of the instruments. Purchase and sales of financial instruments are recognised on trade date, being the date on which the Group commits to purchase or sell the instrument.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

4.16.1 Financial assets

Financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss, and subsequently as set out below.

Trade and other receivables

Trade receivables are measured at fair value and are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The allowance for credit losses is established and recognised in profit or loss when there is objective evidence that the Group will not be able to collect all amounts due in accordance with the original terms of the credit given and includes an assessment of the recoverability based on historical trend analyses and events that exist at reporting date. Bad debts are written off to profit or loss when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are subsequently measured at amortised cost. For the purposes of the consolidated statement of cash flows, cash and cash equivalents consists of cash and short term investments.

Available for sale investments (AFS)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

AFS financial assets for which fair value can be reliably determined are stated at fair value with the change in value being credited or debited to other comprehensive income.

Unquoted investments and financial assets regarded as held for trading, but for which fair value cannot be reliably determined, are shown at cost unless the directors are of the opinion that there has been impairment in value, in which case provision is made and charged to profit or loss. The Group's investments are unquoted AFS investments measured at cost.

Where the Group has financial instruments which have a legally enforceable right of offset and the Group intends to settle them on a net basis or to realise the asset and liability simultaneously, the financial asset and liability and related revenues and expenses are offset and the net amount reported in the statement of financial position and statement of comprehensive income respectively.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

4.16.1 Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date where they are classified as non-current receivables. These are classified as non-current assets. Loans and receivables are included in trade and other receivables on the balance sheet

De-recognition of financial assets

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

The rights to receive cash flows from the asset have expired or

- When the Group has transferred the financial asset and substantially all the risks and rewards of ownership of the asset to another party, or the Group has neither transferred nor retained 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 recognised in profit and loss.
- On de-recognition of a financial asset other than 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 continual involvement, and the part it no longer recognises on the basis of the relative fair value of these 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 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 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.

4.16.2 Financial liabilities

Financial liabilities include trade and other accounts payables and interest bearing borrowings, and these are recognised initially at fair value including transaction costs and subsequently carried at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Trade and other payables

Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.

Borrowings

Interest-bearing borrowings are initially measured at a fair value and are subsequently measured at amortised cost using the effective-interest rate method. Any difference between the proceeds (net of the transaction cost) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy of borrowing cost.

De-recognition of financial liabilities

A financial liability is de-recognised when, and only when, the Group's obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

4.16.2 Financial liabilities (continued)

Provisions and contingent liabilities (continued)
The expense relating to any provision is recognised in profit or loss net of any certain reimbursements. If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects, where appropriate, the risks specific to those provisions. Where discounting is used, the increase in the provision due to passage of time is recognised in profit or loss as a finance cost. Contingent liabilities are not recognised as liabilities in the Group financial statements but are disclosed separately in the notes.

Provision for leave pay
Leave pay for employees is provided on the basis of leave days accumulated at an expected rate of payment. The timings of the cash out-flows are by their nature uncertain.

4.17 Borrowing powers

Authority is granted in the Articles of Association for the Directors to borrow a sum not exceeding the share capital and reserves of the Company.

4.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is recognised when the buyer takes title provided it is probable that delivery will be made, the item is on hand, identifiable and ready for delivery to the buyer at the time the sale is recognised, the buyer specifically acknowledges the deferred instructions and the usual payment terms apply. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts and Value Added Tax. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Services
Revenue on services is recognised when the services has been performed.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is included in finance income in profit and loss.

Rental income
Rental income arising from operating leases on biological assets is accounted for on a straight line basis over the lease terms and is included in revenue. Revenue arising from lease of excess space is included in other income.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Employee benefits

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees.

Short-term employee benefits
The cost of short-term employee benefits (those payable within 12 months after service is rendered, such as paid vacation and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of incentive and or bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be measured reliably.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Employee benefits (continued)

Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have entered in return for their service in the current and prior periods.

Termination benefits are expensed when the Group recognises costs for a restructuring.

Long service awards are recognised as a liability and an expense for long service where cash is paid to employees at certain dates in their employment with the Group. The accruals of longer service awards are discounted to reflect the present values of the future payments.

Pensions and other post-employment benefits

The Group operates a defined contribution scheme which requires contributions to be made to an administered fund. Contributions are recognised as an expense when incurred. In addition the Group contributes towards the National Social Security Scheme and such contributions are recognised as an expense when incurred in accordance with the rules of the scheme.

4.20 Critical accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and disclosure of contingent liabilities at the end of the reporting period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Uncertainty about these assumptions and estimates could result in outcomes, that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimates of useful lives, residual lives and depreciation methods

Property, plant and equipment are depreciated over their useful life taking into account residual values. Useful lives and residual values are assessed annually. Useful lives are affected by technology innovations, maintenance programmes and future productivity. Future market conditions determine the residual values. Depreciation is calculated on a straight line basis which may not represent actual usage of the asset.

b) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arms' length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

c) Impairment tests of assets and intangibles

Impairment tests on property, plant and equipment are only done if there is an impairment indicator. Goodwill is tested for impairment annually. Future cash flows are based on management estimate of future market conditions. These cash flows are then discounted and compared to the current carrying value and, if lower, the assets are impaired to the present value of cash flows. Impairment tests are based on information available at the time of testing. These conditions may change after year end.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Critical accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

d) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments disclosed and may differ from the realised value.

e) Biological assets

The biological assets have been valued at fair value less any anticipated costs to sell. The key assumptions used in the valuation of biological assets are disclosed in note 12.

f) Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share based payment transactions requires determining the most appropriate inputs to the valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected useful life of the share scheme and making assumptions about them. The value of the share scheme has been determined by the market value of the share price at date of granting. Due to the nature of the scheme management is of the opinion that the terms and conditions are market related and hence no share based payment expense has been recognised in the financial statements.

g) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates, and competitive forces.

h) Determination of the functional currency

The Group operates in an economy which is experiencing a shortage of foreign currency and consequently has exchange control regulations that impact the timing of payment of foreign payables among other matters. Given the context of the environment, management has assessed if there has been a change in the functional currency used by the company. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. It was observed that whether cash, bond notes, electronic money transfers or point of sale transactions, the unit of measure across all these payment modes remains US Dollars. Management concluded that the US dollar is still the functional currency as presented in the prior year financial statements.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the Group's management in order to allocate resources to the segment and assess the segment's performance.

The basis of the segmental allocation is determined as follows:

Segment revenue
Revenue that can be directly attributed to a segment and the relevant portion of revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments of the group.

Segment trading profit
Trading profit that can be directly attributed to a segment and a relevant portion of the profit that can be allocated on a reasonable basis to a segment, including profit relating to external customers and expenses relating to transactions with other segments in the group. Segment profits exclude profits that arise at a Group level and relate to the Group as a whole.

Segments assets
Segments assets are those that are employed by a segment in its operating activities and that are either directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets exclude tax assets, deferred tax assets, bank balances, deposits and cash.

Segment liabilities
Segment liabilities are those liabilities that results from the operating activities of a segment and that are either directly attributed to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities exclude loans, borrowings and overdrafts, tax liabilities, deferred tax liabilities and the retirement benefit obligation.

Geographical information
Geographical information for revenues to external customers are disclosed on note 32.3.

5 REVENUE

	2018 $ 000	2017 $ 000
The following is an analysis of Group's revenue for the year:		
Sale of goods - Local	107 899	89 156
Sale of goods - Export	8 795	6 989
Other sales	102	120
Total	**116 796**	**96 265**

6 OPERATING PROFIT

		2018 $ 000	2017 $ 000
	Operating profit is stated after taking into account the following items;		
6.1	**Depreciation and amortisation expenses consists of:**		
	Land and buildings	361	356
	Plant and equipment	4 220	4 325
	Intangible assets	13	41
	Total	**4 594**	**4 722**
6.2	**Major expenses included in other operating expenses:**		
	Audit fees	153	149
	Directors' fees	31	31
	Rentals and rates	1 248	1 165
	Energy	3 297	2 943
	Maintenance	4 530	4 313
	Risk control	1 823	1 566
	Corporate charges	2 844	1 291
	Professional services	498	785
	(Reversal) / provision of credit losses	(199)	81
	Loss on disposal of plant and equipment and intangible assets	117	-
	Loss on disposal of assets held for sale	1	87
6.3	**Included in other operating income**		
	Gain on disposal of plant and equipment and intangible assets	-	121
	Rentals received	23	17
	Recovery of bad debts	52	40
	Sundry waste paper and scrap sales	689	539
	Insurance proceeds	24	2
	Export incentive - Government grant income	819	432
	Total	**1 607**	**1 151**
6.4	**Included in other material and non recurring (income)/expenses**		
	Retrenchment, termination and restructuring costs	81	797
	Fair value gain on biological assets	(53)	(58)
	Impairment of plant and machinery	58	6
	Profit on disposal of land	(100)	-
	Total	**(14)**	**745**

7 FINANCE COSTS AND INCOME

		2018 $ 000	2017 $ 000
7.1	**Finance income**		
	Interest received - short term investments	1 626	699
	Interest received - other	33	28
	Total	**1 659**	**727**
7.2	**Finance costs**		
	Interest paid	3 448	1 104
	Total	**3 448**	**1 104**

Finance income comprise mainly interest earned on short term investments. Finance costs comprise of interest on borrowings and trade finance.

8 TAXATION

	2018 $ 000	2017 $ 000
Income tax	3 053	2 913
Deferred tax charge / (credit)	638	(398)
Withholding tax	12	9
Capital gains tax	5	-
Total	**3 708**	**2 524**

Zimbabwean income tax is calculated at 25.75% (2017: 25.75%) of the estimated taxable profit for the year. Withholding taxes are paid on cross-border dividends, fees and finance interest received.

Reconciliation of the rate of taxation

	2018 %	2017 %
Standard rate	25.75	25.75
Adjusted for:		
Other taxes	0.12	0.12
Effects of joint venture income	(0.46)	(0.53)
Exempt income	(5.05)	(1.01)
Non deductible expenses	8.37	9.19
Prior year adjustments	-	0.51
Effective rate	**28.73**	**34.03**

9 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders by the number of ordinary shares in issue. Headline earnings is based on net profit for the year attributable to members after adjusting for the surplus on disposal of property, plant and equipment and derecognition of property, plant and equipment and other material and non recurring expenses.

Basic and headline earnings per share are based on a weighted average of 755 648 101 (2017 : 755 648 101) ordinary shares in issue during the year.

	2018 $ 000	2017 $ 000
Determination of headline earnings		
Profit for the year	9 200	4 894
Adjust for:		
Loss on disposal of property, plant and equipment - net of tax	87	18
Loss on disposal of assets held for sale - net of tax	1	65
Other material and non recurring expenses - net of tax (note 6.4)	(10)	553
Headline earnings	**9 278**	**5 530**
Earnings per share		
Earnings attributable to ordinary members	9 200	4 894
Ordinary shares in issue at year end	755 648 101	755 648 101
Earnings per ordinary share (cents)	**1.22**	**0.65**
Headline earnings per share		
Headline earnings attributable to ordinary members	9 278	5 530
Ordinary shares in issue at year end	755 648 101	755 648 101
Headline earnings per ordinary share (cents)	**1.23**	**0.73**

10 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $ 000	Plant and machinery $ 000	Total $ 000
Cost or Valuation			
At cost or valuation as at 1 October 2016	**15 800**	**64 008**	**79 808**
Additions on expansions	5	1 642	1 647
Additions on replacement	-	1 103	1 103
Disposals	(10)	(1 424)	(1 434)
Impairment	-	(6)	(6)
Reclassification of assets from intangible assets	-	1	1
Capital work in progress assets reclassified to maintenance	-	(11)	(11)
As at 30 September 2017	**15 795**	**65 313**	**81 108**
Additions on expansions	70	2 807	2 877
Additions on replacement	3 300	2 112	5 412
Disposals	-	(1 107)	(1 107)
Impairment	-	(108)	(108)
Capital work in progress assets reclassified to maintenance	-	(3)	(3)
As at 30 September 2018	**19 165**	**69 014**	**88 179**
Accumulated Depreciation			
At 1 October 2016	**1 092**	**33 972**	**35 064**
Charge for the year	356	4 325	4 681
Disposals	(5)	(1 112)	(1 117)
As at 30 September 2017	**1 443**	**37 185**	**38 628**
Charge for the year	361	4 220	4 581
Disposals	-	(856)	(856)
Impairment	-	(50)	(50)
As at 30 September 2018	**1 804**	**40 499**	**42 303**
Carrying amount			
At 30 September 2017	**14 352**	**28 128**	**42 480**
At 30 September 2018	17 361	28 515	45 876

11 INTANGIBLE ASSETS

	Goodwill $ 000	Software $ 000	Total $ 000
Cost or Valuation			
At cost or valuation as at 1 October 2016	2 441	210	2 651
Additions on expansions	-	4	4
Disposals	-	(6)	(6)
Reclassification of asset to non current assets	-	(1)	(1)
As at 30 September 2017	**2 441**	**207**	**2 648**
As at 30 September 2018	**2 441**	**207**	**2 648**
Accumulated Depreciation			
As at 1 October 2016	-	116	116
Charge for the year	-	41	41
Disposal	-	(4)	(4)
As at 30 September 2017	**-**	**153**	**153**
Charge for the year	-	13	13
As at 30 September 2018	**-**	**166**	**166**
Carrying amount			
As at 30 September 2017	**2 441**	**54**	**2 495**
As at 30 September 2018	2 441	41	2 482

The Directors of the Company have assessed the goodwill and believe that no impairment is required as at 30 September 2018 (2017: No impairment was done).

12 BIOLOGICAL ASSETS

Hunyani Forests Limited, a subsidiary of the Group, is engaged in the commercial property lease of its biological assets and pole treatment plant. The value of the biological assets has been stated at fair value less estimated costs to sell. The fair value of standing timber is determined based on the market prices in the local area.

Valuation of biological assets

An independent valuation was carried out as at 30 September 2018 by an accredited independent valuer to arrive at estimated fair values. In line with IAS 41 - Agriculture, the Directors have a valuation model that takes into account market prices, volume, fire damage and insect damage of standing timber at the date of the agreement in order to determine fair values. In arriving at their estimates of fair values, the Directors have used market knowledge, professional judgement and historical transactional comparables. All timber plantations remain designated for compulsory acquisition.

	2018 $ 000	2017 $ 000
Reconciliation of carrying amounts of biological assets		
Carrying amount as at the beginning of the year	272	214
Fair valuation	**53**	**58**
Gain from physical growth of plantation	53	58
Carrying amount as at the end of the year	**325**	**272**

The assumptions made in estimating the fair value of the assets are; the age profile of standing timber, the current use of timber for example, currently usable as firewood only and not for poles, and the current state of timber material.

13 INVESTMENT IN JOINT VENTURE

The Group has a 50% interest in Softex Tissue Products (Private) Limited, a jointly controlled entity involved in the conversion of tissue products and distribution of femcare and hygiene products. The joint venture is accounted for using the equity accounting method in these consolidated financial statements. Details of the Group's joint venture at the end of the year are shown below.

	2018 $ 000	2017 $ 000
The joint venture's statement of financial position		
Non current assets	391	379
Current assets	2 007	1 520
Total liabilities	(477)	(442)
Equity	**1 921**	**1 457**
Group's percentage of ownership	50%	50%
Carrying amount of the investment	961	729
Joint venture's revenue and profit		
Revenue	9 781	7 114
Cost of sales	(7 232)	(5 312)
Administrative expenses	(1 940)	(1 416)
Abnormal costs	-	(52)
Finance costs	(1)	-
Profit before tax	**608**	**334**
Tax expense	(144)	(27)
Profit after tax	**464**	**307**
Reconciliation of carrying amount of the investment		
Opening balance at the beginning of the year	729	575
Share of net profit after tax for the year	232	154
Balance as at the end of the year	**961**	**729**

The Directors of the Company have assessed the investment in the joint venture Softex Tissue Products (Private) Limited and believe that no impairment is required as at 30 September 2018 (2017: No impairment was done).

14 INVESTMENTS - AVAILABLE FOR SALE

	2018 $ 000	2017 $ 000
Balance at the beginning of the year	3	4
Fair value adjustment	(1)	(1)
Closing balance at the end of the year	**2**	**3**

The investments available for sale are quoted investments. The movement during the year reflects the adverse movement on the share price of the investments. There in no intention to dispose the quoted investments in the short term.

15 NON CURRENT RECEIVABLES

	2018 $000	2017 $000
Non current receivable	21	21

The non current receivable relates to tradable class C debentures bearing an interest rate of 5% which is paid bi-annually and are redeemable at 12.5% within five years. These were issued on 30 September 2015 and will mature on 30 September 2020. The interest received during the year amounts to $514 dollars.

16 INVENTORIES

	2018 $000	2017 $000
Raw materials	5 667	4 715
Finished goods	1 906	1 927
Work in progress	435	220
Stores and consumables	4 044	3 776
Total	**12 052**	**10 638**

The amount of inventory provision reversal recognised as a credit under other operating expenses is $178 000 (2017 provision expense - $303 000). The cost of inventory expensed due to sales which is included in cost of sales is $67,8 million (2017 - $54,8 million).

17 TRADE AND OTHER RECEIVABLES

	2018 $000	2017 $000
Trade receivables	17 325	15 784
Other receivables	8 547	1 778
Total	**25 872**	**17 562**

Trade receivables are non-interest bearing and normally settled on 30 and 60 day terms for local and foreign customers respectively. Other receivables are non-interest bearing and are normally settled on 60 day terms. The Directors consider that the carrying amount of trade and other receivables approximates their fair value due to their short term nature. There is one major debtor whose aggregated balance exceed 10% of the total trade receivables. In the prior year the same debtor's aggregated balances exceeded 10% of the total trade receivables.

During the year the Group entered into trade finance facilities with various financial institutions for the provision of trade finance through irrevocable letters of credit. A cash cover of $5,9 million has been placed with the financial institutions and is classified under prepayments in other receivables.

During the year there was a decrease of $199 000 in estimated irrecoverable allowances for credit losses from sale of goods (2017: net increase of $81 000). This was net of provisions done during the year, reversals and utilisation of the provisions done during the prior year. The provisions, reversals and utilisations are customer specific and have been determined by reference to the age of the debt, the liquidity position and payment history of the customers and the nature of challenges facing the counterparty.

17 TRADE AND OTHER RECEIVABLES (continued)

	2018 $000	2017 $000
Movements in the allowance for credit losses:		
Balance at the beginning of the year	712	631
Charge for the year	112	491
Amounts reversed during the year	(23)	(28)
Amounts utilised during the year	(288)	(382)
Balance at the end of the year	**513**	**712**

The ageing analysis of trade receivables for the year ended 30 September 2018 is as follows:

	2018 $000	2017 $000
Neither past due nor impaired	12 342	9 283
Past due but not impaired		
- Less than 30 days	3 024	2 447
- 30-60 days	1 577	2 016
- 61-90 days	258	966
- 91-120 days	124	587
- above 120 days	-	485
Total	**17 325**	**15 784**

See note 28.6 on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired

18 CASH AND CASH EQUIVALENTS

	2018 $000	2017 $000
Cash on hand	30	28
Short term bank investments	51 511	26 566
Bank balances	32 986	21 657
Total	**84 527**	**48 251**

Cash and cash equivalents comprise bank balances and cash held by the Group and other short term bank deposits with an original maturity of three months or less. The carrying amount of these balances approximates their fair value due to their short term nature.

The average interest rate on short term bank deposits is 3.4% (2017: 4%). The average maturity of these deposits is 30 days (2017: 30 days) from the end of the reporting period.

19 ASSETS CLASSIFIED AS HELD FOR SALE

The plant and equipment classified as held for sale were approved for disposal by management in 2016. The decision to dispose was primarily driven by the obsolete condition of the assets. The balance as at 30 September 2017 was eventually sold during the the year.

	Motor Vehicles $ 000	Plant & Equipment $ 000	Total $ 000
Cost			
At cost or valuation as at 1 October 2016	30	126	156
Disposals	(15)	(126)	(141)
As at 30 September 2017	**15**	**-**	**15**
Disposals	(15)	-	(15)
As at 30 September 2018	**-**	**-**	**-**
Depreciation			
As at 1 October 2016	26	38	64
Disposals	(14)	(38)	(52)
As at 30 September 2017	**12**	**-**	**12**
Disposals	(12)	-	(12)
As at 30 September 2018	**-**	**-**	**-**
Carrying amount			
At 30 September 2017	**3**	**-**	**3**
At 30 September 2018	**-**	**-**	**-**

20 SHARE CAPITAL

	2018 $ 000	2017 $ 000
Authorised share capital		
1 500 000 000 ordinary shares of $0.001 each	1 500	1 500

The authorised ordinary share capital at 30 September 2018 is US$1 500,000 comprising 1 500 000 000 ordinary shares of $0.001 each.

Issued and fully paid share capital	**2018**	**2017**
Number of shares issued	755 648 101	755 648 101
	$ 000	**$ 000**
Share capital	756	756
Share premium	24 054	24 054

Subject to the limitations imposed by the Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange regulations, 6 500 000 ordinary shares were placed at the disposal of Directors at an Extraordinary General Meeting on 6 March 2008 to be issued to the Employee Share Purchase Scheme.

2 500 000 shares were issued in February 2010 under a share purchase scheme at a price of $0.045 per share being the prevailing market prices at that date. After re-denomination of the share price to $0.001 per share, $110 000 of the proceeds on these shares were allocated to share premium. During the current year the employees disposed their shares. The balance of 4 000 000 ordinary shares remain unissued and are under the control of the Directors.

The Directors' direct beneficial interest in the shares of the Company are shown on page 14.

21 NON DISTRIBUTABLE RESERVES

	2018 $ 000	2017 $ 000
Balance at the beginning of the year	19 802	19 769
Transfer (to) / from retained earnings	(342)	33
Balance at the end of year	**19 460**	**19 802**
Non Distributable Reserve relates to the following		
Asset revaluation reserve	15 526	15 868
Functional currency reserve (At conversion from ZWD to USD)	3 934	3 934
Balance at the end of the year	**19 460**	**19 802**

The non distributable reserve consists of two reserves and the nature and purpose of the reserves are detailed below :

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity.

Functional currency conversion reserve

This arose as a result of a change in functional currency from the Zimbabwe Dollar to the United States Dollar in 2009. It represents the residual equity in existence as at the date of the change over and has been designated as Non-Distributable Reserve.

22 DEFERRED TAX LIABILITIES

	2018 $ 000	2017 $ 000
Balance at the beginning of the year	7 226	7 624
Charge / (credit) to the statement of profit or loss and other comprehensive income	638	(398)
Balance at the end of year	**7 864**	**7 226**
Deferred tax liability relates to the following:		
Property, plant & equipment	9 074	8 819
Biological assets	84	70
Prepayments	-	13
Provisions	(1 165)	(1 115)
Deferred income	30	(76)
Assessed loss	-	(354)
Other	(159)	(131)
Net deferred tax liability	**7 864**	**7 226**
The deferred tax ageing of the assessed loss is as follows:		
2015 assessed loss	-	(71)
2014 assessed loss	-	(188)
2013 assessed loss	-	(95)
Total	**-**	**(354)**

23 BORROWINGS

23.1 Long term borrowings

	2018 $ 000	2017 $ 000
Nampak International Limited - Working capital	-	8 466
Nampak International Limited - Capital expenditure	-	779
Current portion of long term borrowings	-	(9 245)
Prior year short term borrowings reclassified to long term borrowings	7 892	-
Total	**7 892**	**-**

The Group has various long term borrowings from Nampak International Limited, a subsidiary of the majority shareholder Nampak Limited, which are for working capital and capital projects. The loans are unsecured. The average interest rate for working capital loans is 7,1% and for capital expenditure loans is 6,2%. The loans could not be paid in the current year due to shortages of foreign exchange. The terms were renegotiated and the tenure was extended for two years.

23.2 Short term borrowings

	2018 $ 000	**2017 $ 000**
Short term borrowings	1 907	-
Current portion of long term borrowings	-	9 245
Total	**1 907**	**9 245**

The short term borrowings are unsecured. The average interest rate for working capital loans is 7,1% and for capital expenditure loans is 6,2%.

Borrowing Powers
The Articles of Association authorise the Directors to borrow for the purposes of the Company, a sum totalling the nominal amount of the issued capital of the Company and the aggregate of the amounts outstanding to the credit of all capital and revenue reserve accounts as set out in the consolidated statement of financial position of the Company and its subsidiaries.

24 TRADE AND OTHER PAYABLES

	2018 $ 000	**2017 $ 000**
Trade payables	65 500	29 861
Other payables	12 628	8 885
Total	**78 128**	**38 746**

Trade payables are non-interest bearing and are normally settled after 30 days. Other payables are non-interest bearing and have varying settlement dates between 10 days and 120 days. The Group has financial risk management policies in place to ensure that payables are paid within the pre-agreed credit terms but also taking into account prevailing business and economic conditions.

The Group imports paper raw materials from Sappi on credit terms under a 60 day Sappi / Nedbank credit facility. The Sappi / Nedbank facility is underwritten by Sappi who acts as guarantors to Nedbank in case of default by Hunyani Paper & Packaging (1997) (Private) Limited. The facility has a nominal interest rate of 1,4% per annum. The amount outstanding under Sappi / Nedbank facility at year end was $5,9 million (2017 - $7,2 million) and has been included under trade payables.

During the year the Group entered into trade finance arrangements with various financial institutions for the provision of trade finance through irrevocable letters of credit and export advance facilities. The facilities limit amount is $16,8 million and as at 30 September 2018, $7,8 million had been utilised and $5,9 million cash cover has been placed with the financial institutions to support these facilities. These facilities have a tenor of six months and the finance cost ranges from 7% to 9%. The cash cover of $5,9 million is classified under prepayments.

25 PROVISIONS

	2018 $000	2017 $000
Balance at the beginning of the year	103	107
Utilised	38	(4)
Balance at the end of the year	**141**	**103**

The above provisions are mainly retrenchment and terminations provisions and are expected to be utilised in the next 12 months.

26 INCOME TAX PAYABLE

	2018 $000	2017 $000
Balance at the beginning of the year	**507**	**275**
Charge for the year	**3 065**	**2 922**
- income tax expense (note 8)	3 053	2 913
- withholding tax	12	9
Other adjustments	15	-
Tax paid	(3 228)	(2 690)
- income tax expense	(3 216)	(2 622)
- withholding tax	(12)	(68)
Balance at the end of the year	**359**	**507**

27 COMMITMENTS AND CONTINGENCIES

	2018 $000	2017 $000
Contracted commitments of purchase of plant and machinery	103	1 464

Contracted commitments of $103 000 (2017: $1,5 million) relate to plant and equipment for Hunyani Paper and Packaging of $68 000 (2017: $668 000) and Mega Pak Zimbabwe Limited of $35 000 (2017 : $796 000)

	2018 $000	2017 $000
Contingent liabilities		
Guarantees (unsecured)	52	53

Prior year bank guarantee related to value added tax payable on default of an inward processing bond arrangement with the Zimbabwe Revenue Authority. The guarantee was replaced by an insurance cover of $52 thousand.

Operating lease commitment- Group as a lessor.
The Group has entered into a commercial property lease on its biological assets plantation. The lease include a clause to enable upward revision of the rental charges on an annual basis according to prevailing conditions. No revisions were done in the current year. Future minimum rentals receivables under the non-cancellable operating lease at 30 September 2018 are as follows:

	2018 $000	2017 $000
Not later than one year	101	107
Later than one year and not later than five years	303	428

27 COMMITMENTS AND CONTINGENCIES (continued)

Operating lease commitment - Group as a lessee

The Group has entered into various commercial leases which mainly includes property lease for warehousing, sales and exhibition, factory premises and forklifts. The lease rentals are reviewed regularly. Future minimum rentals payable under non-cancellable operating leases at 30 September 2018 are as follows:

	2018 $ 000	2017 $ 000
Not later than one year	354	724
Later than one year and not later than five years	425	1 638

28 FINANCIAL RISK MANAGEMENT

28.1 Capital risk management

The Group manages its capital to ensure that entities in the Group are able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

The Group's objectives when managing capital are to provide an adequate return to shareholders, to appropriately gear the business, to safeguard the ability of the Group to continue as a going concern and to take advantage of opportunities that are expected to provide an adequate return to shareholders.

In order to optimise the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue or buy back shares or sell assets to reduce debt.

The Group seeks to ensure that it maintains a strong credit rating and healthy capital ratios for the above to be realised.

No changes were made in the objectives, policies or processes during the year ended 30 September 2018. The Group monitors capital using the gearing ratio, which is net debt divided by total capital plus debt. The Group's policy is to keep the gearing ratio below 30%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes retained earnings and other reserves.

	2018 $ 000	2017 $ 000
Analysis of debt		
Short term borrowings	1 907	9 245
Long term borrowings	7 892	-
Trade and other payables	78 128	38 746
Less cash and short term deposits	(84 527)	(48 251)
Net debt	**3 400**	**(260)**
Equity		
Share capital	756	756
Share premium	24 054	24 054
Non distributable reserves	19 460	19 802
Retained earnings	31 557	22 015
Equity	**75 827**	**66 627**
Capital and net debt	**79 227**	**66 367**
Gearing ratio	4%	0%

28 FINANCIAL RISK MANAGEMENT (continued)

28.2 Treasury risk management

The Group's corporate treasury department provides service to the business, coordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risks and interest rate risk), credit risk and liquidity risk.

Treasury management, reporting to the Group Finance Director, is responsible for considering and managing the Group's day to day financial market risks by adopting strategies within the guidelines set by the Audit Committee as outlined in the Nampak treasury policy manual. Board approval is sought on certain transactions.

Compliance with policies and exposure limits are periodically reviewed by the internal auditors while the Nampak Zimbabwe Limited Board meets on a regular basis to analyse currency and interest rate exposures and re-evaluate treasury management strategies against revised economic forecasts.

28.3 Currency risk management

Currency risk is the possibility that the Group may suffer financial loss as a consequence of the depreciation in the measurement currency relative to the foreign currency prior to payment of a commitment in that foreign currency or the measurement currency strengthening prior to receiving payment in that foreign currency.

The Group's exposure to the risk is managed by having most monetary assets and liabilities denominated in United States Dollars. The Group also seeks to mitigate the effects of its structured currency exposures by matching pre-shipment borrowings to exports. However due to the shortages of foreign currency in nostro accounts, foreign obligations were being settled in the currency of the supplier's country. This has resulted in some exchanges losses being realised. On the foreign currency denominated monetary liabilities held at the reporting date, the Group estimates that a 10% increase or decrease in the Euro and Rand exchange rates against the United States Dollar is immaterial. The rate of 10% represents the Directors' assessment of a reasonable possible change.

Exposures to exchange rate fluctuations and foreign loans are limited by the Group treasury policy and are monitored by the Board.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities		Net Exposure	
	2018 $ 000	2017 $ 000	2018 $ 000	2017 $ 000	2018 $ 000	2017 $ 000
Rand	-	-	(1 716)	(945)	(1 716)	(945)
Euro	-	-	(1 320)	(451)	(1 320)	(451)

28.4 Liquidity risk management

Liquidity risk is the possibility that the Group may suffer financial loss through liquid funds not being available or that excessive finance costs must be paid to obtain funds to meet payment requirements. The ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk through forecasting and monitoring cash flow requirements on a regular basis.

The Group 's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group generally borrows short term and total borrowings are limited by the clauses in the Memorandum and Articles of Association. The Board also monitors the Group's exposure to interest rates on a quarterly basis. As at 30 September 2018, the Group had cash and cash equivalents of $85 million (2017: $48 million) which is sufficient to meet its obligations. Due to the shortage foreign exchange, foreign payments are subject to a priority list, refer to note 28.6.

28 FINANCIAL RISK MANAGEMENT (continued)

28.4 Liquidity risk management (continued)

	Within 3 months $ 000	3 to 12 months $ 000	More than 12 months $ 000	Total $ 000
Year ended 30 September 2018				
Liabilities				
Borrowings	783	1 124	7 892	9 799
Trade and other payables	78 128	-	-	78 128
Total	**78 911**	**1 124**	**7 892**	**87 927**
Assets				
Non current receivable	-	-	21	21
Trade and other receivables	25 827	12	33	25 872
Cash and cash equivalents	84 527	-	-	84 527
Total	**110 354**	**12**	**54**	**110 420**
Year ended 30 September 2017				
Liabilities				
Borrowings	320	8 925	-	9 245
Trade and other payables	38 746	-	-	38 746
Total	**39 066**	**8 925**	**-**	**47 991**
Assets				
Non current receivable	-	-	21	21
Trade and other receivables	17 489	11	62	17 562
Cash and cash equivalents	48 251	-	-	48 251
Total	**65 740**	**11**	**83**	**65 834**

The above maturity profiles have been disclosed at carrying amounts which the Directors consider approximate their fair values.

28.5 Interest rate risk management

Interest rate risk is the possibility that the Group may suffer financial loss due to adverse movements in interest rates.

Interest rate sensitivity analysis

The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 5% increase or decrease in interest rates, assuming all variables were unchanged. The sensitivity rate of 5% represents the Directors' assessment of a reasonably possible change.

	Income statement		Equity	
	2018 $ 000	2017 $ 000	2018 $ 000	2017 $ 000
Interest rate increases by 5%	(464)	(423)	(464)	(423)
Interest rate decreases by 5%	464	511	464	511

28 FINANCIAL RISK MANAGEMENT (continued)

28.6 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily from trade receivables and deposits with financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures at the Group's subsidiary level. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. Credit risk in respect of trade receivables is limited due to a large customer base operating in different economic sectors and geographical areas. However the Group is exposed to one customer who contributes over 10% of trade receivables balances. This customer is a related party. Management exercises close liaison with senior management at customer level as well as through the Nampak Zimbabwe Limited Board. Directors believe that trade receivables that are past due but have not been impaired are recoverable in the short term. The assesement is based on the customers' payment history, close engagements with the senior managements and assessing the customers' liquidity position.

Bank and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group policy. Investments of surplus funds are made only with approved counterparties and within credits limits assigned to each counterparty. Counterparty limits are reviewed regularly by the Board.

Cash and cash equivalents include balances held in our accounts with local banks which we use in settling local and foreign obligations. The Reserve Bank of Zimbabwe, through Exchange Control Operational Guide 8 (ECOGAD8) issued in May 2016, introduced a foreign payments priority list which our bankers consider when processing foreign payments. Such payments are subject to the availability of funds in our bankers' Nostro accounts, which may result in the possible delay of settlement of amounts due by us. This has resulted in the increase in cash and cash equivalents balance and the corresponding increase in foreign payables balances compared to prior year.

We do not anticipate a delay in our ability to settle obligations that we have arising from local transactions that are settled through the Real Time Gross Settlement system.

28 FINANCIAL RISK MANAGEMENT (continued)

28.7 Fair value of financial instruments

The estimated net fair values of all financial instruments approximate the carrying amount shown in the financial statements due to the short term nature of the financial instruments.

	Carrying Amount 2018 $ 000	Fair Value 2018 $ 000	Carrying Amount 2017 $ 000	Fair Value 2017 $ 000
Financial assets				
Trade and other receivables	25 872	25 872	17 562	17 562
Bank balances, cash and short term investments	84 527	84 527	48 251	48 251
Available for sale investments	2	2	3	3
Total financial assets	**110 401**	**110 401**	**65 816**	**65 816**
Financial liabilities				
Trade and other payables	78 128	78 128	38 746	38 746
Borrowings	9 799	9 799	9 245	9 245
Total financial assets	**87 927**	**87 927**	**47 991**	**47 991**

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 which have a significant effect on the recorded fair value are observable, either directly or indirectly

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

The Group held the following financial instruments at fair value:

	Total	Level 1	Level 2	Level 3
As at 30 September 2018				
Financial assets - available for sale	2	2	-	-
As at 30 September 2017				
Financial assets - available for sale	3	3	-	-

28 FINANCIAL RISK MANAGEMENT (continued)

28.8 Biological assets risk management policies

Biological assets represents timber plantations that are owned by the Group which have been leased out to third parties. These plantations are exposed to various risks which include fire, price fluctuations, theft and marketing risk.

The Group has put in measures and controls which include the physical return of the timber or its equivalent in monetary compensation at the end of the commercial property lease. The lessees are required to implement these measures and controls, that include physical protection against fire, insect damage and theft.

29 RELATED PARTY DISCLOSURES

29.1 Compensation of key management personnel of the Group

	2018 $ 000	2017 $ 000
Short-term employee benefits	2 044	2 434
Post -employment pension and medical benefits	207	217
Termination benefits of former management	-	493
Total compensation paid to key management personnel	**2 251**	**3 144**

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel. The Group considers the Executive Directors and Senior Head Office and Divisional Management as key management personnel.

Directors' interests in an Employee Share Purchase Scheme

Directors were empowered to grant 6 500 000 shares to key employees within the Group. During 2010, 2 500 000 shares were issued at $0.045 per share, being the prevailing market price at the time, refer to Note 20.

29.2 Interests in Operating Subsidiaries and Joint Ventures

The consolidated financial statements include the financial statements of Nampak Zimbabwe Limited, its subsidiaries and joint venture listed below.

Name of Subsidiary / Joint venture	Nature of Relationship	Country of Incorporation	Effective % holding 2018	2017
Hunyani Paper and Packaging (1997) (Private) Limited	Subsidiary	Zimbabwe	100%	100%
Mega Pak Zimbabwe (Private) Limited	Subsidiary	Zimbabwe	100%	100%
CarnaudMetalbox Zimbabwe Limited	Subsidiary	Zimbabwe	100%	100%
Hunyani Forests Limited	Subsidiary	Zimbabwe	100%	100%
Hunyani Properties Limited	Subsidiary	Zimbabwe	100%	100%
Softex Tissue Products (Private) Limited	Joint Venture	Zimbabwe	50%	50%

Hunyani Paper and Packaging (1997) (Private) Limited is the parent company of the following divisions: Hunyani Corrugated Products, Hunyani Cartons, Labels & Sacks and Hunyani Management Services.

29 RELATED PARTY DISCLOSURES (continued)

29.3 The following table provides the total amount of transactions, which have been entered into for the financial year with related parties in which the majority shareholder Nampak South Africa has significant influence. Nampak South Africa owns 51,43% of the Group and has also majority shareholding in the entities below which the Group transacts with.

Fellow subsidiaries	Sales to related parties $ 000	Purchases from related parties $ 000	Amounts owed by related parties $ 000	Amounts owed to related parties $ 000
2018				
Fellow Subsidiaries:				
Nampak Malawi Limited	3 444	179	1 516	179
Nampak Kenya Limited	-	12	-	119
Nampak Zambia Limited	-	90	-	90
Nampak South Africa (all companies)	-	631	-	829
Nampak International Limited	-	37 351	-	69 556
Joint Venture in which the parent is a venturer:				
Softex Tissue Products (Private) Limited	3	26	-	2
Total	**3 447**	**38 289**	**1 516**	**70 775**
2017				
Fellow Subsidiaries:				
Nampak Malawi Limited	827	-	141	-
Nampak Tanzania Limited	52	-	-	-
Nampak Kenya Limited	-	169	-	120
Nampak Zambia Limited	-	-	-	74
Nampak South Africa (all companies)	-	1 628	-	695
Nampak International Limited	-	17 332	-	36 189
Joint Venture in which the parent is a venturer:				
Softex Tissue Products (Private) Limited	9	4	2	-
Total	**888**	**19 133**	**143**	**37 078**

Sales and purchases of goods were carried out at an arm's length basis. Amounts owed are interest free and are unsecured and will be settled on normal terms.

30 CONSOLIDATED CASH FLOW INFORMATION

		2018 $ 000	2017 $ 000
30.1	**Cash generated from operating activities**		
	Operating profit	14 465	7 641
	Non cash adjustments to reconcile profit before tax to net cash flows		
	Depreciation of property, plant and equipment and amortisation of intangible assets	4 594	4 722
	Loss / (gain) on disposal of land, property, plant and equipment	17	(121)
	Loss on disposal of assets held for sale	1	87
	Fair value increase of biological assets	(53)	(58)
	Impairment of plant and machinery	58	6
	Other non cash items	11	11
	Cash generated from operating activities	**19 093**	**12 288**
30.2	**Decrease in working capital**		
	(Increase) / decrease in inventories	(1 414)	3 997
	(Increase) / decrease in trade and other receivables and prepayments	(8 310)	4 661
	Increase in trade, other payables and provisions	39 420	11 723
	Decrease in working capital	29 696	20 381
30.3	**Movement in long term borrowings**		
	Interest capitalised to principal amount	633	510
	Prior year short term loans not paid reclassified to long term loans	7 259	1 493
	Less: current portion of long term borrowings	-	(9 245)
	Increase / (decrease) in long term borrowings	7 892	(7 242)
30.4	**Movement in short term borrowings**		
	Short term borrowings raised	1 000	-
	Short term borrowings paid	(1 079)	(697)
	Current short term loan not paid reclassfied to long term loans	(7 259)	(1 493)
	Add: current portion of long term borrowings	-	9 245
	(Decrease) / increase in short term borrowings	**(7 338)**	**7 055**

31 RETIREMENT BENEFIT PLANS

Defined contribution plans

Group operating companies in Zimbabwe and all related employees contribute to several defined contribution pension schemes: CarnaudMetalbox Pension Fund is managed by Comarton Consultants (Private) Limited, the Hunyani Holdings Pension Fund and Mega Pak Pension Fund are managed by Old Mutual Zimbabwe Limited. The assets of the pension schemes are held separately from those of the Group in funds under the control of trustees.

All Zimbabwean employees are also required by legislation to be members of the National Social Security Authority. The Group's obligations under the National Social Security Authority are limited to specific contributions as legislated from time to time. The Group's contributions are 3.5% of pensionable emoluments to a maximum pensionable salary of $700 for each employee. The only obligation of the Group with respect to the retirement contribution plans is to make the specified contributions.

	2018 $ 000	2017 $ 000
Contribution to pension schemes during the year		
Private Pension Schemes	762	774
National Social Security Authority	244	239
	1 006	**1 013**

Notes to the Financial Statements (continued)

for the year ended 30 September 2018

32 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows; Printing and Converting, Plastics & Metals and Services. The divisions in each business unit are; Printing and Converting (Hunyani Corrugated Products Division, Hunyani Cartons, Labels & Sacks Division, Hunyani Management Services Division, Hunyani Forests Limited, Hunyani Properties Limited and Softex Tissue Products), Plastics & Metals (Mega Pak Zimbabwe (Private) Limited and CarnaudMetalbox Zimbabwe Limited) and Services (Nampak Zimbabwe Limited - Company). Detailed divisional activities are described on page 7.

Management monitors 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.

Intersegment sales between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

32.1 Segment reporting for the year ended 30 September 2018

	Printing & Converting $ 000	Plastics & Metals $ 000	Services & Eliminations $ 000	Total $ 000
Sales to external customers	54 632	62 164	-	116 796
Intersegmental sales	490	348	(838)	-
Total Sales	**55 122**	**62 512**	**(838)**	**116 796**
Result				
Trading income / (loss)	7 142	7 333	(24)	14 451
Operating profit / (loss)	7 192	7 321	(48)	14 465
Finance income	662	874	123	1 659
Finance costs	(421)	(3 027)	-	(3 448)
Net profit from joint venture	-	-	232	232
Taxation charge	(2 007)	(1 681)	(20)	(3 708)
Profit for the year	**5 426**	**3 487**	**287**	**9 200**
Other information				
Segment assets	98 144	93 661	(19 687)	172 118
Segment liabilities	29 970	65 955	366	96 291
Capital expenditure	1 116	7 173	-	8 289
Depreciation	1 276	3 249	69	4 594
Biological assets - fair value adjustment	(53)	-	-	(53)
Impairment cost	58	-	-	58
Other material and non recurring (income) / expenses	(55)	12	24	(19)

32 OPERATING SEGMENT INFORMATION (continued)

32.2 Segment reporting for the year ended 30 September 2017

	Printing & Converting $ 000	Plastics & Metals $ 000	Services & Eliminations $ 000	Total $ 000
Sales to external customers	50 460	45 805	-	96 265
Intersegmental sales	451	155	(606)	-
Total Sales	**50 911**	**45 960**	**(606)**	**96 265**
Result				
Trading income	5 431	2 902	53	8 386
Operating profit	4 972	2 616	53	7 641
Finance income	430	297	-	727
Finance costs	(52)	(1 052)	-	(1 104)
Net profit from joint venture	-	-	154	154
Taxation charge	(1 593)	(919)	(12)	(2 524)
Profit for the year	**3 757**	**942**	**195**	**4 894**
Other information				
Segment assets	82 021	60 263	(19 830)	122 454
Segment liabilities	19 261	36 061	505	55 827
Capital expenditure	976	1 769	9	2 754
Depreciation	1 604	3 077	41	4 722
Biological assets - fair value adjustment	(58)	-	-	(58)
Impairment cost	6	-	-	6
Other material and non recurring expenses	453	286	-	739

32 OPERATING SEGMENT INFORMATION (continued)

32.3 Geographical Information

	2018 $ 000	2017 $ 000
Revenue by destination		
Zimbabwe	107 907	89 276
Zambia	2 109	3 709
Malawi	3 856	2 564
Mozambique	15	47
Tanzania	227	23
Democratic Replubic of Congo	2 562	476
Kenya	92	-
South Africa	17	-
Other	11	170
Total	**116 796**	**96 265**

The Group has a diverse customer base in different sectors. However there is dependence on one external customer who contributed more than 10% of the current and prior year total sales revenue.

	2018 $ 000	2017 $ 000
Non-current assets		
Zimbabwe	49 667	46 000
	49 667	**46 000**

Non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.

33 SUBSEQUENT EVENTS

Subsequent to the year end, on the 1st of October 2018, the Governor of the Reserve Bank issued a Mid-Term Monetary Policy which separated bank balances into RTGS FCA accounts and Nostro FCA accounts and re-confirmed that the exchange rate between the two accounts is 1:1. The Minister of Finance and Economic Development simultaneously issued a Fiscal Policy Statement which introduced an Intermediate Money Transfer Tax of 2% per every dollar transacted above $10 and up to a ceiling of $500 000. Above $500 000 a flat intermediate money transfer tax of $10 000 is paid. These measures brought a lot of uncertainty in the country with respect to the mechanisms of transacting that will apply with having two separate types of FCA accounts. As a result, certain suppliers of goods and services adopted a two tier pricing structure.

34 GOING CONCERN

The Directors believe that the Group is a going concern and will continue to be for the foreseeable future. This is despite the current difficulties being experienced in sourcing foreign exchange as ongoing development of export markets and engagements with the banks, customers and the Reserve Bank of Zimbabwe are expected to provide sufficient foreign exchange to maintain and continue operations.

Company Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 September 2018

	2018 $ 000	2017 $ 000
Revenue - management fees	1 272	1 082
Employee expenses	(780)	(623)
Depreciation expenses	(69)	(68)
Directors fees	(31)	(31)
Other administrative expenses	(416)	(307)
Trading (loss) / income	**(24)**	**53**
Other material and abnormal items	(24)	-
(Loss) / profit from operations	**(48)**	**53**
Finance income	123	87
Share of net profit from joint venture	232	154
Profit before taxation	**307**	**294**
Tax expense	(20)	(12)
Profit for the year	**287**	**282**

Revenue relates to management fees received by the Company from its subsidiaries.

Other administrative expenses relates to expenses incurred by the Company in the normal course of trading.

Company Statement of Financial Position

as at 30 September 2018

	Note	2018 $ 000	2017 $ 000
ASSETS			
Non current assets			
Plant and equipment	A	209	278
Investments in subsidiaries	B	22 340	22 340
Investment in joint venture	C	961	729
Total non current assets		**23 510**	**23 347**
Deferred tax asset		**31**	**1**
Current assets			
Inventory		6	7
Other receivables	E	30	167
Income tax		6	-
Bank and cash		3 070	2 993
Total current assets		**3 112**	**3 167**
Total assets		**26 653**	**26 515**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	756	756
Share premium	20	24 054	24 054
Non distributable reserves		786	786
Retained earnings		691	404
Total shareholders' equity		**26 287**	**26 000**
Current liabilities			
Other payables	F	328	326
Amounts due from Group companies	D	38	176
Income tax payable		-	13
Total current liabilities		**366**	**515**
Total equity and liabilities		**26 653**	**26 515**

The financial statements were approved by the Board and were authorised for issue on 22 November 2018.

K.C. Katsande
Chairman

J. P. Van Gend
Group Managing Director

Company Statement of Financial Position (continued)

as at 30 September 2018

A. Plant and equipment

The plant and equipment comprise of motor vehicles of $195 000 (2017: $250 000) and furniture and fittings of $14 000 (2017:$28 000)

B. Investment in subsidiaries

This relates to investments of the Company in its subsidiaries which are recognised at cost. Details of the Company's subsidiaries are provided on note 29.2.

C. Investment in joint venture

This relates to the investment of the Company in joint venture company Softex Tissue (Private) Limited which is recognised at its carrying amount. Refer to note 13 on interest in joint venture.

D. Amounts due from group companies

This is revenue received by the Company net of any expenses paid on its behalf by the subsidiaries. The amounts due are non interest bearing and are normally settled within 30 days. The carrying amount of the balances approximates fair value due to their short term nature.

E. Other receivables

Other receivables relate mainly to prepayments and outstanding balances on the Company's business operating transactions. These balances are non interest bearing and are normally settled within 60 days.

F. Other payables

Other payables relates to accruals for expenses incurred in the normal trading of the Company. These are non interest bearing an have varying settlement dates. The carrying amounts of the balances approximates fair value due to their short term nature.

G. Accounting Policies

The Company financial statements have been prepared in accordance with policies detailed in notes 1 to 4 of this annual report.

Company Statement of Changes in Equity

for the year ended 30 September 2018

	Issued Capital $ 000	Share Premium $ 000	Functional Currency Conversion Reserve $ 000	Retained Earnings $ 000	Total Equity $ 000
Balance as at 1 October 2016	**756**	**24 054**	**786**	**122**	**25 718**
Profit for the year	-	-	-	282	282
Balance as at 30 September 2017	**756**	**24 054**	**786**	**404**	**26 000**
Profit for the year	-	-	-	287	287
Balance as at 30 September 2018	**756**	**24 054**	**786**	**691**	**26 287**

Company Statement of Cash Flows

for the year ended 30 September 2018

	2018 $ 000	2017 $ 000
Cash generated from operating activities		
Operating (loss) / profit	(48)	53
Depreciation	69	68
Loss on disposal of plant and equipment	-	65
Decrease / (increase) in working capital	**140**	**(2)**
Decrease / (increase) in inventory	1	(7)
Decrease / (increase) in other receivables	137	(130)
Increase in other payables	2	135
Cash generated from operations	**161**	**184**
	54	36
Finance income	123	87
Tax paid	(69)	(51)
Net cash generated from operating activities	**215**	**220**
Cash flow from investing activities	**(138)**	**705**
Purchase of plant and equipment maintaining operations	-	(9)
Inter group asset transfers	-	(210)
Proceeds on disposal of plant and equipment	-	11
(Decrease)/increase in amounts due from group companies	(138)	913
Net cash generated before financing activities	**77**	**925**
Net increase in cash and cash equivalents	77	925
Cash and cash equivalents at the beginning of the year	**2 993**	**2 068**
Cash and cash equivalents at the end of the year	**3 070**	**2 993**
REPRESENTED BY:		
Bank balances, cash and short term investments	3 070	2 993

Supplementary Information

Shareholder's Diary

Financial year end	30 September 2018
Annual Report for 2018	Published December 2018
Annual General Meeting	06 February 2019
Reports and profit statements for 2019	
• Half-year interim report	To be published May 2019
• Year end profit announcement	To be released in November 2019

Notice to Members

Notice is hereby given that the sixty eighth Annual General Meeting of the Company will be held in the Boardroom, 68 Birmingham Road, Southerton, Harare, on Wednesday 06 February 2019 at 12:00 hours for the purposes of transacting the following business:

AGENDA

1. To receive, consider and adopt the Financial Statements for the year ended 30 September 2018 together with the Report of the Auditors.

2. To approve the remuneration of the Directors.

3. To elect the following Directors: Mr. F. Dzingirai, Mr. R Morris and Mr. J. P. Van Gend retire by rotation but being eligible offer themselves for re-election. Members of the Audit, Remuneration and Risk Committees as detailed in the Corporate Governance Statement on page 12 are also standing for re-election with the exception of Mr. W. Matsaira.

4. To appoint Deloitte & Touche as external auditors of the Company until the conclusion of the next Annual General Meeting and to approve their remuneration for the past financial year.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company. All proxies must be lodged at the company's registered office not less than forty-eight hours before the meeting. A form of proxy is enclosed for the convenience of any shareholder who may be unable to attend.

By Order of the Board

A. K. Nicholson
Group Company Secretary

22 November 2018

68 Birmingham Road
Southerton
P.O. Box 4351
Harare

Shareholder's Analysis

	as at 30 September 2018			as at 30 September 2017		
	Number of Share-holders	Number of Shares held	% of total issued shares	Number of Share-holders	Number of Shares held	% of total issued shares
Classification						
Employees and Directors	3	224 750	0.03	26	2 509 750	0.33
Employees Trust	1	2 961 655	0.39	2	11 497 295	1.52
Corporate holders - local	179	165 032 775	21.84	188	293 039 252	38.78
- external	2	388 636 939	51.43	2	388 636 939	51.43
Banks and nominees	46	2 682 616	0.36	34	840 287	0.11
Insurance companies	9	127 615 909	16.89	4	30 862 948	4.08
Individuals - resident	1 248	4 324 383	0.57	1 237	3 576 512	0.47
- non-resident	44	148 395	0.02	45	645 411	0.09
Investment, trusts and property companies	26	2 984 104	0.39	33	3 553 673	0.47
Pension funds	61	61 036 575	8.08	9	20 486 034	2.72
Total	**1 619**	**755 648 101**	**100.00**	**1 580**	**755 648 101**	**100.00**
1 - 500	842	119 560	0.02	843	119 781	0.02
501 - 1 000	185	150 690	0.02	183	149 018	0.02
1 001 - 5 000	302	727 121	0.10	300	713 832	0.09
5 001 - 10 000	87	671 520	0.09	87	665 875	0.09
10 001 - 50 000	101	2 402 710	0.32	102	2 483 349	0.33
50 001 & over	102	751 576 500	99.45	65	751 516 246	99.45
Total	**1 619**	**755 648 101**	**100.00**	**1 580**	**755 648 101**	**100.00**

TOP TEN SHAREHOLDERS

	30 September 2018			30 September 2017	
	Number of Shares held	% of total issued shares		Number of Shares held	% of total issued shares
Nampak Holdings Limited	388 636 739	51.43	Nampak Holdings Limited	388 636 739	51.43
Delta Corporation Limited	162 177 175	21.46	Delta Corporation Limited	162 177 175	21.46
Old Mutual Life Ass. Comp. Zimbabwe	105 709 008	13.99	TSL Limited	124 902 307	16.53
National Social Security Authority	20 100 000	2.66	Old Mutual Life Ass. Comp. Zimbabwe	29 500 138	3.90
Old Mutual Zimbabwe Limited	14 404 843	1.91	National Social Security Authority	20 100 000	2.66
Mega Pak Zimbabwe Employee Trust	8 576 613	1.14	Mega Pak Zimbabwe Employee Trust	8 535 640	1.13
SCB Nominees	8 084 475	1.07	Hunyani Workers Trust	2 961 655	0.39
Stanbic Nominees	7 948 010	1.05	Guramatunhu Family Trust	2 843 954	0.38
Delta Beverages Pension Fund	6 003 374	0.79	Hunyani Share Purchase Scheme	2 500 000	0.33
Old Mutual Insurance Company	5 063 194	0.67	Wigglet Nominees (Private) Limited	1 436 937	0.19
Total	**726 703 431**	**96.17**	**Total**	**743 594 545**	**98.40**

Nampak
Zimbabwe
Limited

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