

PRECIS (2696) LIMITED
GROUP STRATEGIC REPORT, DIRECTORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Chanter, Browne & Curry
1 Plato Place
72-74 St Dionis Road
Fulham
London
SW6 4TU



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FOR THE YEAR ENDED 31 DECEMBER 2017**

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PRECIS (2696) LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

DIRECTORS:

H B A J von Pezold
D A Hamilton
R W J Strong
J S Alphin
T J Bartle

SECRETARY:

Plato Business Services Limited

REGISTERED OFFICE:

1 Plato Place
72-74 St Dionis Road
Fulham
London
SW6 4TU

REGISTERED NUMBER:

06201956 (England and Wales)

AUDITORS:

Chanter, Browne & Curry
1 Plato Place
72-74 St Dionis Road
Fulham
London
SW6 4TU

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their strategic report on the group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The company's principal activity during the year was that of a holding company for one holding company, Export Leaf Tobacco Company of Africa (Pvt) Ltd registered in Zimbabwe. Export Leaf Tobacco Company of Africa (Pvt) Ltd has a 70% shareholding in Tobacco Processors Zimbabwe (Pvt) Ltd whose core business is processing tobacco to customer's specification.

REVIEW OF BUSINESS

The directors report a drop in sales volumes compared to 2016 but are expecting an increase in volumes and results in the years to come.

The results of the business for the year ended 31 December 2017 are set out on page 7.

The directors use a range of performance measures to monitor and manage the business. Certain of these are particularly important in the generation of shareholder value and are considered key performance indicators (KPI's). Our KPI's measure past performance and also provide information to allow us to manage the business in the future. Turnover, operating profit and processing quality indicate the activity of the company and the efficiency with which we have turned operating performance into value for the shareholder. KPI's for the year under review are shown in the table below.

Group	2017 £'000	2016 £'000
Turnover	22,020	20,078
Operating profit/(loss)	70	(682)
Leaf final product index	97.52%	97.57%
Overall yield	84.19%	83.78%

FUTURE DEVELOPMENTS

There are no material future developments envisaged other than restoration and upkeep of plant and equipment in Tobacco Processors Zimbabwe (Private) Limited.

The directors consider that the development and performance of the group during the year and state of the group's affairs as at the reporting date are satisfactory and that the outlook for the future performance of the group is favourable.

RESULTS

The group loss for the year after taxation amounted to £373,000 (2016: £1,103,000 loss).

PRINCIPAL RISKS AND UNCERTAINTIES

The future outlook for TPZ is considered to be stable with the company expecting to retain its customer base and existing market share. Adverse weather impacted Zimbabwe country volumes in 2017, which had an adverse impact on company's performance for the year. Favourable growing conditions in 2018 have produced a crop in excess of traditional averages which is anticipated to benefit TPZ's annual performance. Thereafter national volumes are expected to stabilise to balance excess inventories, with a continuing strong demand for local quality flavour tobacco, despite world demand trends showing declines in recent years.

The macro-economic environment will continue to be volatile stemming from post-election policy stabilization implementation effects and some adverse influences coming from global trade wars as well as pressures from South-African and sub-regional economic instability. The environment will continue to be characterized by inflationary pressures coming from the prevalence of multiple exchange rates and pricing systems, challenges in funding government expenditure and balancing the trade account which has led to severe shortages of currency and aggressive monetary tightening, and tough operating conditions in Zimbabwe. Local and foreign investments prospects into the country may be very challenging under these conditions.

TPZ incurred a loss in 2017 mainly due to volume reduction versus those budgeted for the year (due to adverse weather impacts) as well as inflationary pressures on overheads as a consequence of multiple pricing systems in country. An impairment test has been performed as part of the preparation of the year end accounts (as outlined on page 32 of these accounts) and the work performed has concluded that the fair value of the business as verified through third party valuations is in excess of the carrying value of goodwill and tangible assets.

Going forward, TPZ's stable customer base will facilitate a rationalization of key cost drivers and the implementation of proactive measures to respond to the tough macroeconomic environment. We are therefore confident TPZ will be well placed to succeed in these challenging conditions.

**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

TPZ operates in Zimbabwe whose economy is currently experiencing a shortage of foreign currency. In compliance with Zimbabwean law, the accounts have been prepared on the basis that the domestic electronic currency is at parity with the United States Dollar. Whilst it is possible that a new currency is introduced in Zimbabwe in the future, the timing and value is currently unknown. As the operations of TPZ are largely internal, the impact of changes in currency, whilst creating uncertainty, are not anticipated to generate any material foreign exchange risks to TPZ. There will however be a translational impact to the consolidated financial statements of the Company and the results, in the event of future devaluation of any local currency introduced, which may trigger the need for future impairment of goodwill.

Key capital expenditure to replace operational type assets will continue to be a priority although the assets of TPZ are well maintained and no significant investments are planned or considered necessary. We have invested in modern technology and systems upgrade to champion the cause for continual improvement. Our very high attention to safety, cost effective and efficient productivity, quality and accountability will continue to drive policy in all strategic and operational decisions.

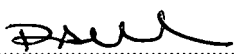
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group's financial assets and liabilities consist of trade receivables and payables, cash balances and bank overdrafts. The directors manage the group's exposure to financial risk by researching the credit worthiness of customers and by seeking advice from the group's providers of finance and its other external financial advisers. Currency risk is restricted to the short term settlement of trading balances with customers and suppliers. The group does not trade speculatively in derivatives or similar instruments.

RESEARCH AND DEVELOPMENT

The group will continue its policy of investment in research and development in order to obtain a competitive position in the market.

ON BEHALF OF THE BOARD:


.....
D A Hamilton - Director

Date: 9.11.2018

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2017.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

H B A J von Pezold
D A Hamilton
R W J Strong
J S Alphin

Other changes in directors holding office are as follows:

S de Alwis - resigned 7 September 2017
T J Bartle - appointed 7 September 2017

OTHER STATUTORY INFORMATION

Certain provisions of the 2006 Act require us to make additional disclosures. A number of these disclosures can be found in the Strategic Report as set out below:

- Future developments
- Financial instruments and risk management
- Research and development activities.

STATEMENT OF DISCLOSURE TO AUDITORS

Each of the directors confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware and


- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s. 418 of the Companies Act 2006.

AUDITORS

The auditors, Chanter, Browne & Curry, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


D A Hamilton - Director

Date: 9. 11. 2018

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors are responsible for preparing the strategic report and directors' report and the financial statements in accordance with applicable law and regulations.

United Kingdom company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Going concern

The directors have assessed the ability of the group to continue operating as a going concern and believe that the preparation of these financial statements on a going concern basis is still appropriate. However, the directors believe that under the current economic environment a continuous assessment of the ability of the group to operate as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRECIS (2696) LIMITED**

Opinion

We have audited the financial statements of Precis (2696) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 on pages eight to forty. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report, the Directors' Report and the Statement of Directors' Responsibilities, but does not include the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information, except to the extent otherwise explicitly stated in our report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
PRECIS (2696) LIMITED**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

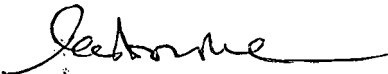
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 (UK) 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Peter Browne (Senior Statutory Auditor)
for and on behalf of Chanter, Browne & Curry
1 Plato Place
72-74 St Dionis Road
Fulham
London
SW6 4TU

Date:

Chanter, Browne & Curry
Statutory auditor

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

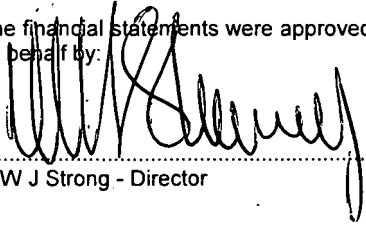
		2017	2016
		£'000	Restated £'000
	Notes		
CONTINUING OPERATIONS			
Revenue		22,020	20,078
Cost of sales		(14,737)	(12,685)
GROSS PROFIT		7,283	7,393
Other operating income	4	234	100
Administrative expenses		(7,447)	(8,175)
OPERATING PROFIT/(LOSS)		70	(682)
Finance costs	6	(592)	(349)
Finance income	6	284	132
LOSS BEFORE INCOME TAX	7	(238)	(899)
Income tax	8	(264)	(118)
LOSS FOR THE YEAR		(502)	(1,017)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(451)	1,206
Non-controlling interests		(172)	-
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		(623)	1,206
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(1,125)	189
(Loss)/profit attributable to:			
Owners of the parent		(373)	(1,103)
Non-controlling interests		(129)	86
		(502)	(1,017)
Total comprehensive income attributable to:			
Owners of the parent		(824)	(228)
Non-controlling interests		(301)	417
		(1,125)	189

The notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

		2017	2016
		£'000	Restated £'000
ASSETS	Notes		
NON-CURRENT ASSETS			
Goodwill	12	5,250	5,250
Intangible assets	13	129	221
Property, plant and equipment	14	4,884	5,664
Investment property	15	917	1,045
Investments	16	-	-
		<u>11,180</u>	<u>12,180</u>
CURRENT ASSETS			
Inventories	17	2,631	1,986
Trade and other receivables	18	3,985	8,079
Tax receivable		113	79
Cash and cash equivalents	19	76	54
		<u>6,805</u>	<u>10,198</u>
TOTAL ASSETS		<u>17,985</u>	<u>22,378</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital		-	-
Share premium	21	10,500	10,500
Translation reserve	21	277	777
Retained earnings	21	(1,109)	(787)
		<u>9,668</u>	<u>10,490</u>
Non-controlling interests	20	1,694	1,995
TOTAL EQUITY		<u>11,362</u>	<u>12,485</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	23	145	-
Deferred tax	25	1,349	1,243
		<u>1,494</u>	<u>1,243</u>
CURRENT LIABILITIES			
Trade and other payables	22	635	1,005
Financial liabilities - borrowings			
Bank overdrafts	23	4,089	7,127
Provisions	24	405	518
		<u>5,129</u>	<u>8,650</u>
TOTAL LIABILITIES		<u>6,623</u>	<u>9,893</u>
TOTAL EQUITY AND LIABILITIES		<u>17,985</u>	<u>22,378</u>

The financial statements were approved by the Board of Directors on 9 November 2018 and were signed on its behalf by:

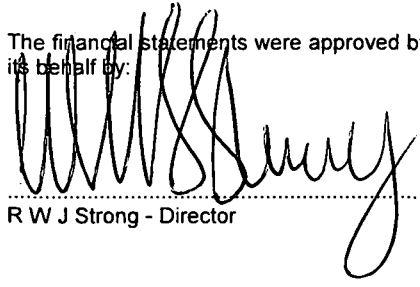

R W J Strong - Director

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	-	-
Intangible assets	13	-	-
Property, plant and equipment	14	-	-
Investment property	15	-	-
Investments	16	10,500	10,500
		<u>10,500</u>	<u>10,500</u>
TOTAL ASSETS		<u>10,500</u>	<u>10,500</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital		-	-
Share premium	21	10,500	10,500
TOTAL EQUITY		<u>10,500</u>	<u>10,500</u>
LIABILITIES			
TOTAL LIABILITIES		-	-
TOTAL EQUITY AND LIABILITIES		<u>10,500</u>	<u>10,500</u>

The financial statements were approved by the Board of Directors on 9 November 2018 and were signed on its behalf by:


R W J Strong - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance at 1 January 2016	-	282	10,500
Deficit for the year	-	(1,103)	-
Other comprehensive income	-	-	-
Total comprehensive income	-	(1,103)	-
Foreign currency exchange difference	-	34	-
Balance at 31 December 2016	-	(787)	10,500
Deficit for the year	-	(373)	-
Other comprehensive income	-	-	-
Total comprehensive loss	-	(373)	-
Foreign currency exchange difference	-	51	-
Balance at 31 December 2017	-	(1,109)	10,500

	Translation reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2016	(63)	10,719	1,578	12,297
Deficit for the year	-	(1,103)	86	(1,017)
Other comprehensive income	840	840	331	1,171
Total comprehensive income	840	(263)	417	154
Foreign currency exchange difference	-	34	-	34
Balance at 31 December 2016	777	10,490	1,995	12,485
Deficit for the year	-	(373)	(129)	(502)
Other comprehensive income	(500)	(500)	(172)	(672)
Total comprehensive loss	(500)	(873)	(301)	(1,174)
Foreign currency exchange difference	-	51	-	51
Balance at 31 December 2017	277	9,668	1,694	11,362

The notes form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Total equity £'000
Balance at 1 January 2016	-	-	10,500	10,500
Changes in equity				
Balance at 31 December 2016	-	-	10,500	10,500
Changes in equity				
Balance at 31 December 2017	-	-	10,500	10,500

The notes form part of these financial statements

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

		2017	2016
		£'000	Restated £'000
Cash flows from operating activities	Notes		
Cash generated from operations	1	3,886	(5,038)
Interest paid		(592)	(349)
Tax paid		(78)	(89)
Net cash from operating activities		<u>3,216</u>	<u>(5,476)</u>
Cash flows from investing activities			
Purchase of property, plant & equipment		(630)	(283)
Sale of property, plant & equipment		38	51
Interest received		284	132
Net cash from investing activities		<u>(308)</u>	<u>(100)</u>
Cash flows from financing activities			
New loans in year		152	-
Net cash from financing activities		<u>152</u>	<u>-</u>
Increase/(decrease) in cash and cash equivalents		<u>3,060</u>	<u>(5,576)</u>
Cash and cash equivalents at beginning of year	2	(7,073)	(1,497)
Cash and cash equivalents at end of year	2	<u>(4,013)</u>	<u>(7,073)</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£'000	Restated £'000
Loss before income tax	(238)	(899)
Depreciation charges	939	896
Profit on disposal of fixed assets	(24)	(35)
Amortisation of intangible assets	77	74
Net foreign exchange gains	397	(1,273)
Decrease in provisions	(73)	(46)
Impairment of goodwill	-	1,245
Finance costs	592	349
Finance income	(284)	(132)
	<u>1,386</u>	<u>179</u>
Increase in inventories	(903)	(316)
Decrease/(increase) in trade and other receivables	3,713	(5,159)
(Decrease)/increase in trade and other payables	(310)	258
	<u>3,886</u>	<u>(5,038)</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

	31/12/17	1/1/17
	£'000	£'000
Cash and cash equivalents	76	54
Bank overdrafts	(4,089)	(7,127)
	<u>(4,013)</u>	<u>(7,073)</u>

Year ended 31 December 2016

	31/12/16	1/1/16
	Restated £'000	£'000
Cash and cash equivalents	54	94
Bank overdrafts	(7,127)	(1,591)
	<u>(7,073)</u>	<u>(1,497)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Precis (2696) Limited ('the company') is a non-trading intermediate holding company. Precis (2696) Limited is the parent company of Export Leaf Tobacco Company of Africa (Private) Ltd ('ELT'), a non-trading holding company. ELT in turn owns 70% of Tobacco Processors Zimbabwe (Private) Ltd ('TPZ') which processes and packs tobacco for export. ELT and TPZ are registered and located in Zimbabwe.

The principal accounting policies adopted in the preparation of financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2. STATUTORY INFORMATION

Precis (2696) Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

3. ACCOUNTING POLICIES

BASIS OF PREPARATION

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are presented in UK pounds. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Group and Company's financial statements have been prepared on the historical costs basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 11.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

a) New standards, amendments and interpretations effective for the first time for 31 December 2017 year ends that are relevant to the Group and Company.

The following amendments to IFRSs became mandatorily effective in the current year that are relevant to the Group and Company. All these amendments to IFRSs generally require full retrospective application (i.e. comparative amounts have to be restated), with some amendments requiring prospective application.

IFRS	Effective date	Executive summary
Amendments to IAS7 Disclosure initiative	1 January 2017	<p>The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific format to disclose financing activities; however, an entity may fulfil the disclosure objective by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.</p> <p>The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Entities are not required to present comparative information for earlier periods.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

b) New standards, amendments and interpretations effective for the first time for 31 December 2017 year ends that are not relevant to the Group and Company.

IFRS	Effective date	Executive summary
Amendments to IAS 12 Recognition of Deferred Tax for Assets Unrealised Losses	1 January 2017	<p>The amendments clarify the following:</p> <ol style="list-style-type: none"> 1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows; 2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences; 3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and 4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences. <p>The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted.</p>

c) New standards, amendments and interpretations issued but not effective for 31 December 2017 year ends that are relevant to the Group and Company but have not been early adopted.

The following new standards, amendments and interpretations have been issued but are not yet effective for 31 December 2017 year ends and are relevant to the Group and Company.

IFRS	Effective date	Executive summary
IFRS 15 Revenue from Contracts with Customers	1 January 2018	<p>IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:</p> <p>IAS 18 Revenue; IAS 11 Construction Contracts; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of IFRIC 18 Transfers of Assets from Customers; SIC 31 Revenue-Barter Transactions involving Advertising Services</p> <p>As suggested by the title of the new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from the debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 (or IFRS 9 if early adopted).</p> <p>As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

The new revenue standard introduces a 5-step approach to revenue recognition and measurements.

The five steps in the model are as follows:

- i) Identify the contract with the customer
- ii) Identify the performance obligations in the contract
- iii) Determine the transaction price
- iv) Allocate the transaction price to the performance obligations in the contracts
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the Standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2018 for an entity with a 31 December year-end). The Clarifications to IFRS 15 also introduces additional practical expedients for entities transitioning to IFRS 15 on

- (i) contract modifications that occurred prior to the beginning of the earliest period presented, and
- (ii) contracts that were completed at the beginning of the earliest period presented.

IFRS 9 Financial
Instruments
(as revised in
2014)

1 January 2018

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for

- a) the classification and measurement of financial assets and financial liabilities,
- b) impairment methodology, and
- c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value under IFRS 9.

IFRS9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated at FVTPL attributed to the changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss

IFRS 16 Leases

1 January 2019

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. It will supersede the following lease Standard and Interpretations upon its effective date:

- IAS 17 Leases;
- IFRIC 4 Determining whether an Arrangement contains a Lease;
- SIC-15 Operating Leases - incentives; and
- SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

Identification of a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between leases and service contracts on the basis of the customer. Control is considered to exist if the customer has:

- a) the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- b) the right to direct the use of that asset

The Standard provides detailed guidance to determine whether those conditions are met, including instances where the supplier has substantive substitution of rights, and where the relevant decisions about how and for what purpose the asset is used are pre

Lessor Accounting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

IFRS 16 introduces significant changes to lessee accounting: it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

If a lessee elects not to apply the general requirements of IFRS 16 to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets, the lessee should recognise the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis, similar to the current accounting for operating leases.

Lessor

In contrast to lessee accounting, the IFRS 16 lessor accounting requirements remain largely unchanged from IAS 17, which continue to require a lessor to classify a lease either as an operating lease or a finance lease.

In addition, IFRS 16 also provides guidance on the accounting for sale and leaseback transactions.

A lessee can apply IFRS 16 either by full retrospective approach. If the latter approach is comparative information and the cumulative effect of initially applying IFRS 16 must be presented as an adjustment to opening retained earnings (or other component).

Due to the prominence of leasing transactions in the economy, many entities across different industries will be affected by IFRS 16.

In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

IFRIC 22 Foreign
Currency
Transactions and
Advance
Consideration

1 January 2018

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

The directors of the Group and Company do not anticipate that the application of the amendments in the future will have an impact on the Group and Company's financial statements. This is because the Group and Company already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

Amendments to
IAS 40 Transfers of
Investment
Property

1 January 2018

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

The directors of the Group and Company anticipate that the application of these amendments may have an impact on the Group and Company's financial statements in future periods should there be a change in use of any of its properties.

d) New standards, amendments and interpretations, issued but not effective for 31 December 2017 year ends that are not relevant to the Group and Company

The following new standards, amendments and interpretations have been issued but are not yet effective for 31 December 2017 year ends and are not relevant to the Group and Company.

IFRS	Effective date	Executive summary
Amendments to IFRS 10, 'Consolidated financial statements' and Investments in associates and joint ventures' IAS 28, on sale or contribution of assets	Postponed to a date to be advised (initially 1 January 2016)	<p>The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. IAS 28 and IFRS 10 are amended, as follows:</p> <p>IAS 28 has been amended to reflect the following:</p> <p>" Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognised to the extent of unrelated investors' interests in the associate or joint venture.</p> <p>" Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associates or joint venture should be recognised in full and the IFRS 10 has been amended to reflect the following:</p> <p>" Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only</p> <p>In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Earlier application of these amendments is still permitted.</p>
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018	<p>The amendments clarify the following:</p> <ol style="list-style-type: none"> 1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. 2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. 3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: <ul style="list-style-type: none"> (i) the original liability is derecognised; (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately. <p>The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply.</p>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

IFRS 9 Financial Instruments (as revised in 2014): Hedge accounting	1 January 2018	The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.
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e) Annual Improvements to IFRSs 2012-2014 Cycle

The IASB issued annual improvements to IFRSs 2012-2014 Cycle, which contains an amendment to IAS 12. The amendment is effective for annual periods beginning on or after 1 January 2017.

IFRS	Effective Date	Executive Summary
Annual Improvements 2014	1 January 2017	IFRS 12 - States that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. This amendment is not relevant to the Group and Company.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the (considered) acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances, unrealised gains and losses on transactions amongst Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Changes in ownership interests in subsidiaries without change in control

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES - continued

c) Disposal of subsidiaries

When the Group ceases to have control in a subsidiary, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Common control transactions

A combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Common control transactions are excluded from the scope of IFRS 3: "Business Combinations". The Directors made a policy choice to use predecessor accounting for common control transactions. No assets or liabilities are restated to their fair values, the acquirer incorporates predecessor carrying values. These are the carrying values that are related to the acquired entity. They are generally the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill recorded at the highest consolidation level in respect of the acquired entity. If no consolidated financial statements are produced, the values used are those from the financial statements of the acquired entity.

The acquired entity's results and statement of financial position are incorporated retrospectively from the date on which the business combination between entities under common control occurred. Consequently, the financial statements reflect the results of the acquired entity for the period before the transaction occurred.

GOING CONCERN

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financing.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered, stated net of discounts, returns, rebates and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities, as described below.

a) Provision of services

The Group earns revenue from processing green leaf tobacco. This revenue is recognised when the Group has processed the green leaf.

b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit and loss and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Negative goodwill is recognised in the income statement.

INTANGIBLE ASSETS - COMPUTER SOFTWARE

Separately acquired computer software licences are shown on the basis of the costs incurred to acquire and bring to use specific software. The computer software licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using a straight line method to allocate the cost of computer software licences over their estimated useful life of 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES - continued

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition and installation of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Plant and machinery	10 - 35 years
Pallets	10 years
Furniture and equipment	3 - 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other operating income in the statement of comprehensive income.

INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical costs less depreciation and any impairment losses. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the cost model. Gains and losses on disposals are determined by comparing proceeds to the carrying amount of the asset and are included in other operating income or expenses in the statement of comprehensive income.

Depreciation on the investment property (excluding land) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	40 years
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An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

FINANCIAL ASSETS

a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At the year end, the Group held only loans and receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES - continued

b) 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 are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and bank balances and cash. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using observable market price.

c) Recognition and measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method less any impairment.

d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

e) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

FINANCIAL LIABILITIES

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

3. ACCOUNTING POLICIES - continued

CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group and Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The current income tax charge is calculated on the basis of the tax laws enacted by the end of the reporting period in Zimbabwe. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

FOREIGN CURRENCY TRANSACTION**(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UK pounds, which is the company's functional and the group's presentation currency. The subsidiaries' functional currency is the United States of America dollar (US\$).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss within the finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

(c) Group companies

The results and financial position of the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES - continued

TRADE RECEIVABLES

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

CASH AND CASH EQUIVALENTS

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity, as a deduction net of tax, from the proceeds.

PROFIT SHARING AND BONUS PLAN

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's employees after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NATIONAL SOCIAL SECURITY AUTHORITY SCHEME

The Group and its employees contribute to the National Social Security Authority Scheme in Zimbabwe. The Group's obligations under the scheme are limited to specific contributions as legislated from time to time.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

PENSION OBLIGATIONS

The Group contributes to a defined contribution pension scheme. The scheme is funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Under the defined contribution plan, the Group pays contributions to a privately administered pension insurance plan on a contractual basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES - continued

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

4. OTHER OPERATING INCOME

	2017	2016
	£'000	Restated £'000
Miscellaneous income	210	65
Profit on sale of tangible fixed assets	24	35
	<u>234</u>	<u>100</u>

5. EMPLOYEES AND DIRECTORS

Group	2017	2016
	£'000	£'000
Wages and salaries	8,976	8,206
Social security costs	230	209
Pension costs - defined contribution plans	365	356
Medical aid	<u>403</u>	<u>308</u>
	<u>9,974</u>	<u>9,079</u>
	=====	=====

The average number of employees during the year, including directors, was made up as follows:

Production	1,444	891
Administration	<u>82</u>	<u>97</u>
	<u>1,526</u>	<u>988</u>
	=====	=====

Tobacco Processors Zimbabwe (Private) Ltd operates and contributes to a defined contribution scheme which is funded and administered through a life assurance company. The fund provides pensions for all employees on the permanent staff. Membership of the pension fund is compulsory, except for those employees over the age of 55 joining the payroll.

Remuneration payable to the company's directors has been borne by the parent company of Precis (2696) Limited.

6. NET FINANCE COSTS

	2017	2016
	£'000	Restated £'000
Finance income:		
Interest on overdue trade receivable balances	<u>284</u>	<u>132</u>
Finance costs:		
Interest on bank borrowings	<u>592</u>	<u>349</u>
Net finance costs	<u>308</u>	<u>217</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

7. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	2017	2016 Restated
	£'000	£'000
Cost of inventories recognised as expense	1,454	1,060
Depreciation - owned assets	939	897
Profit on disposal of fixed assets	(24)	(35)
Computer software amortisation	77	74
Impairment of goodwill	-	1,245
Employee benefit expense	9,571	8,771
Operating lease rentals:- hire of warehouse space	895	981
	<u>14,737</u>	<u>12,685</u>

Fees of £15,000 (2016: £14,500) payable to the company's auditor for the audit of the company and consolidated financial statements have been borne by the parent company of Precis (2696) Limited.

Expenses by nature

	2017	2016
	£'000	£'000
Cost of sales		
Employee benefit expense	4,873	4,270
Canteen costs	919	589
Production expenses	133	106
Depreciation	606	573
Electricity, steam, coal and water	1,354	1,315
Spares and consumables used	1,819	1,469
Warehousing and handling costs	5,033	4,363
Total cost of sales	<u>14,737</u>	<u>12,685</u>
Administrative expenses		
Employee benefit expense	4,698	4,501
Canteen costs	207	167
Audit fees	33	41
Depreciation and amortisation charges	411	397
ICT maintenance and licenses	657	524
General and cleaning expenses	340	322
Telephone expenses	30	27
Stationery	113	109
Security expenses	454	408
Vehicle running expenses	51	40
Impairment of goodwill	-	1,245
Other expenses	453	394
Total administration expenses	<u>7,447</u>	<u>8,175</u>
Total cost of sales and administration expenses	<u>22,184</u>	<u>20,860</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

8. INCOME TAX

	2017		2016	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Current tax charge	36	-	61	-
Deferred tax charge/(credit)	228	-	57	-
	264		118	-
Tax rate reconciliation				
Accounting profit/(loss)	(238)	-	(899)	-
Tax @ 25.75% (2016: 25.75%) (tax rates in Zimbabwe)	(61)	-	(231)	-
Tax effect of:				
Expenses not deductible for tax purposes	321	-	19	-
Income not subject to tax	-	-	-	-
Other	(224)	-	273	-
	36	-	61	-
	=====		=====	
Current income tax paid				
Current income tax liability/(tax asset) at the beginning of the year	(79)		(40)	
Income statement charge	36	-	60	-
Current income tax paid	(78)	-	(89)	-
Exchange differences	8	-	(10)	-
Current income tax liability/(tax asset) at the year end	(113)	-	(79)	-
	=====		=====	

9. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £0 ((2016: £0)

10. FINANCIAL RISK MANAGEMENT

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest risk, credit risk and investment of excess liquidity. The group does not enter into or trade financial instruments for speculative purposes.

(a) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The Group's market risks arise from open market positions in (i) foreign currencies and (ii) interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's subsidiaries do not have any exposure to the risk of changes in foreign exchange rates as all their assets and liabilities are denominated in the subsidiaries' functional and presentation currency which is the United States Dollar "USD".

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings in the form of bank overdrafts. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has borrowings issued at variable rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

Interest rate risk sensitivity analysis

The table below indicates the sensitivity of the Group's statement of comprehensive income to a 5% change in interest rates, with all other variables held constant:

		Effect on profit before income tax 2017 £'000	Effect on profit before income tax 2016 £'000
Interest expense		592	349
5% increase or decrease	plus or minus	30	17
Interest income		284	132
5% increase or decrease	plus or minus	14	7

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge a contract. The Group's credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks, only those with a strong capital base and international shareholder support, as well as good independently-rated scores are used. For receivables, senior management assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	2017 £'000	2016 £'000
Trade receivables	980	6,048
Staff debtors	271	367
Cash at bank	<u>76</u>	<u>54</u>
	<u>1,327</u>	<u>6,469</u>

No collateral is held for the above amounts with the exception of staff loans that are salary based.

	2017 £'000	2016 £'000
Amounts that are neither past due nor impaired		
Trade receivables	212	807
Staff debtors	271	367
Cash at bank	<u>76</u>	<u>54</u>
	<u>559</u>	<u>1,228</u>

The loans and other amounts due above are neither past due nor impaired. They are repayable on demand and do not have specified maturity dates.

	2017 £'000	2016 £'000
Amounts that are past due but not impaired		
Trade receivables - over two months overdue	768	5,241

These relate to a number of credit customers for whom there is no recent history of default. No collateral is held for these amounts.

	2017 £'000	2016 £'000
Individually impaired financial assets		
Trade receivables	2	2

No collateral is held for these amounts.

c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, using a liquidity risk management policy for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking and inter-Group facilities, and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

A maturity analysis of financial instruments is as follows:

	On demand and less than one month £'000	More than one month £'000	Total £'000
At 31 December 2017			
Assets			
Cash and bank	76	-	76
Trade receivables	10	135	145
Trade receivables from related parties	141	695	836
Other receivables (excluding prepayments)	901	-	901
Total assets	1,128	830	1,958
Liabilities			
Trade payables	328	-	328
Amount due to related parties	-	25	25
Other payables (excluding statutory liabilities)	47	-	47
Borrowings	-	145	145
Bank overdraft	4,089	-	4,089
Total liabilities	4,464	170	4,634
Liquidity position	(3,336)	660	(2,676)
Cumulative liquidity gap	(3,336)	(2,676)	(2,676)
At 31 December 2016			
Assets			
Cash and bank	54	-	54
Trade receivables	5	159	164
Trade receivables from related parties	156	5,730	5,886
Other receivables (excluding prepayments)	869	-	869
Total assets	1,084	5,889	6,973
Liabilities			
Trade payables	374	-	374
Amount due to related parties	-	22	22
Other payables (excluding statutory liabilities)	317	-	317
Borrowings	-	-	-
Bank overdraft	7,127	-	7,127
Total liabilities	7,818	22	7,840
Liquidity position	(6,733)	5,867	(867)
Cumulative liquidity gap	(6,733)	(867)	(867)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust capital structure, the Group may adjust dividends paid to the shareholders, issue new shares or sell assets to reduce debt. During 2016, following the cash shortages experienced in Zimbabwe, the Reserve Bank of Zimbabwe re-established some controls on current and capital account transactions. Zimbabwe's central bank established a foreign exchange priority list to guide banks in the distribution of foreign currency towards competing demands.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

The gearing ratio as at 31 December 2017 is as follows:

	2017 £'000	2016 £'000
Total borrowings	4,234	7,127
Less cash and bank	76	54
Net borrowings	4,158	7,073
Total equity	11,362	12,485
Total capital	15,520	19,558
Gearing ratio	27%	36%

The Group's strategy is to maintain the gearing ratio at below 50%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

11. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Determination of functional currency

The group's subsidiaries in Zimbabwe operate 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 subsidiary companies. The assessment included consideration of whether the various modes of settlement may represent different forms of currency. It is 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 subsidiaries' financial statements for the year ended 31 December 2017.

(b) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact deferred and current income tax assets and liabilities in the period in which such determination is made.

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for its vehicles, furniture and equipment. This estimate is based on project life cycles for these assets. It could change significantly as a result of technical innovation and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the impairment loss calculation are set out in note 12.

(e) Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in existence for the foreseeable future. The directors have assessed the ability of the Group to continue operating as a going concern and believe that the preparation of the financial statements on a going concern basis is still appropriate. However, the directors believe that under the current economic environment, a continuous assessment of the ability of the Group to continue operating as a going concern will need to be performed to determine the continued appropriateness of the going concern assumption that has been applied in the preparation of these financial statements.

12. GOODWILL

Group	£'000
COST	
At 1 January 2017	
and 31 December 2017	5,250
NET BOOK VALUE	
At 31 December 2017	5,250
At 31 December 2016	5,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

12. GOODWILL - continued

Group

Goodwill has been allocated for impairment testing purposes to Tobacco Processing Zimbabwe Limited ('TPZ'). The board considers annually whether there is evidence of impairment of goodwill. The recoverable amount of this cash-generating unit was arrived at by professional valuers IH Advisory and their report is dated 15 October 2018. A weighted valuation approach was used, based on the valuations obtained from discounted cash flow ('DCF'), earnings value ('EV/EBITDA') and price earnings ('P/E') valuation in order to take into consideration the implied value of the company. The valuations are based on historical financial statements, forecasts covering a five-year period supplied by management and assumptions by IH Advisory. The valuations contemplate facts and conditions existing at the valuation date.

Impairment tests are performed using prevailing exchange rates. The recoverable amount of the goodwill on consolidation was found to exceed the carrying value by £2,510K, indicating that no impairment was appropriate for the 2017 financial year.

Over the last ten years Tobacco Processors Zimbabwe (the cash generating unit for Export Leaf Tobacco) has been continuously upgrading its plant with a lot of bias towards mechanical and process control systems improvements to make it a fully automated plant that conforms to the latest processing standards and methodologies. Total capital expenditure related to plant only spend over the years including the budget year 2018 is thirteen million United States dollars (US\$13 million) which shows a high level of commitment to have a state of the art unit.

The plant undergoes extensive annual maintenance in order to restore its longevity, improve operational efficiencies and quality of product. Plant downtime is consistently showing a downward trend which is proof of its reliability coming in the back drop of both capital expenditure and annual maintenance. Management is of the view that fifteen years is a reasonable indication of the useful economic life.

The five year forecast indicates a profitability trend backed by a solid customer base and guaranteed volume contribution from stakeholders. This does not represent an impaired cash generating unit, hence the need to maintain goodwill at the current value.

The plant's life span cannot be limited to an absolute number of years due to the level of capital expenditure and annual maintenance and it is management's opinion that the goodwill continues to be supportable. The book value of goodwill will continue to be reassessed in light of business developments.

13. INTANGIBLE ASSETS

Group

	Computer software £'000
COST	
At 1 January 2017	544
Exchange differences	(49)
At 31 December 2017	495
AMORTISATION	
At 1 January 2017	323
Amortisation for year	77
Exchange differences	(34)
At 31 December 2017	366
NET BOOK VALUE	
At 31 December 2017	129
At 31 December 2016	221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

14. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £'000	Capital WIP £'000	Plant and machinery £'000
COST			
At 1 January 2017	824	-	9,167
Additions	-	151	166
Exchange differences	(73)	(7)	(828)
At 31 December 2017	<u>751</u>	<u>144</u>	<u>8,505</u>
DEPRECIATION			
At 1 January 2017	139	-	4,930
Charge for year	24	-	606
Eliminated on disposal	-	-	-
Exchange differences	(13)	-	(469)
At 31 December 2017	<u>150</u>	<u>-</u>	<u>5,067</u>
NET BOOK VALUE			
At 31 December 2017	<u>601</u>	<u>144</u>	<u>3,438</u>
At 31 December 2016	<u>685</u>	<u>-</u>	<u>4,237</u>
	Fixtures and fittings £'000	Motor vehicles £'000	Totals £'000
COST			
At 1 January 2017	1,533	697	12,221
Additions	51	262	630
Disposals	-	(181)	(181)
Exchange differences	(139)	(74)	(1,121)
At 31 December 2017	<u>1,445</u>	<u>704</u>	<u>11,549</u>
DEPRECIATION			
At 1 January 2017	1,057	431	6,557
Charge for year	172	101	903
Eliminated on disposal	-	(168)	(168)
Exchange differences	(102)	(43)	(627)
At 31 December 2017	<u>1,127</u>	<u>321</u>	<u>6,665</u>
NET BOOK VALUE			
At 31 December 2017	<u>318</u>	<u>383</u>	<u>4,884</u>
At 31 December 2016	<u>476</u>	<u>266</u>	<u>5,664</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

15. INVESTMENT PROPERTY

Group	Total £'000
FAIR VALUE	
At 1 January 2017	1,646
Exchange differences	(147)
At 31 December 2017	<u>1,499</u>
DEPRECIATION	
At 1 January 2017	601
Charge for year	36
Exchange differences	(55)
At 31 December 2017	<u>582</u>
NET BOOK VALUE	
At 31 December 2017	<u>917</u>
At 31 December 2016	<u>1,045</u>

16. INVESTMENTS

Company	Shares in group undertakings £'000
COST	
At 1 January 2017 and 31 December 2017	<u>10,500</u>
NET BOOK VALUE	
At 31 December 2017	<u>10,500</u>
At 31 December 2016	<u>10,500</u>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

Export Leaf Tobacco Company of Africa (Private) Ltd
Registered office: 4-12 Paisley Road, Harare, Zimbabwe
Nature of business: Dormant

	% holding	2017 £'000	2016 £'000
Class of shares:			
Ordinary shares	100.00	207	236
Aggregate capital and reserves		<u>(11)</u>	<u>(4)</u>
Loss for the year			

The investment in Export Leaf Tobacco Company of Africa (Private) Limited ('ELT') was acquired in 2007 from a then fellow group undertaking. Tobacco Processors Zimbabwe (Private) Limited is a subsidiary of ELT. The investment in subsidiary is stated at cost. The asset was tested for impairment using prevailing exchange rates and it was found that the fair value of its net assets including attributable goodwill exceeded the cost of the subsidiary at year-end and there was no requirement to recognise any impairment amount in the company's statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

16. INVESTMENTS - continued

Company

Tobacco Processors Zimbabwe (Private) Ltd

Registered office: 4-12 Paisley Road, Harare, Zimbabwe

Nature of business: Tobacco processing

	% holding	2017 £'000	2016 £'000
Class of shares:			
Ordinary shares	70.00		
Aggregate capital and reserves		5,648	6,824
(Loss)/profit for the year		(430)	285

ELT also has shareholdings in the following dormant subsidiaries, all incorporated in Zimbabwe.

	Shareholding	2017 £'000	2016 £'000
Zimbabwe Tobacco Growing Company (Private) Limited	50%	-	-
Heemraad (Private) Limited	100%	-	-
Severally Constituted Consultants (Private) Limited	100%	-	-
Any Quotation (Private) Limited	100%	-	-

The directors are of the opinion that the individual investments in the subsidiary undertakings have a value not less than the amount at which they are shown in the company's statement of financial position.

17. INVENTORIES

	Group 2017 £'000	2016 Restated £'000
Spares	2,399	1,806
Consumables	232	180
	<u>2,631</u>	<u>1,986</u>

The cost of inventory recognised as an expense and included in cost of sales amounted to £1,454,000 (2016: £1,060,000).

18. TRADE AND OTHER RECEIVABLES

	Group 2017 £'000	2016 Restated £'000	Company 2017 £'000	2016 £'000
Current:				
Trade receivables - external to the group	146	164	-	-
Provision for impairment of trade receivables	(2)	(2)	-	-
Related party receivables	836	5,886	-	-
Staff debtors	271	367	-	-
VAT	630	502	-	-
Prepayments and accrued income	2,104	1,162	-	-
	<u>3,985</u>	<u>8,079</u>	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

19. CASH AND CASH EQUIVALENTS

	Group	
	2017	2016
	£'000	£'000
Cash at bank	75	54
Cash in hand	1	-
	<u>76</u>	<u>54</u>
	=====	=====
Cash and cash equivalents include the following for the purpose of the statement of cash flows:		
Bank overdraft	(4,089)	(7,127)
Cash at bank	75	54
Cash in hand	1	-
	<u>(4,013)</u>	<u>(7,073)</u>
	=====	=====

20. NON-CONTROLLING INTERESTS

The non-controlling interest is the 30% portion of equity ownership in the subsidiary Tobacco Processors Zimbabwe (Private) Limited not attributable to the parent company, who has a 70% controlling interest and consolidates the subsidiary's financial results with its own.

21. RESERVES

Group	Retained earnings £'000	Share premium £'000	Translation reserve £'000	Totals £'000
At 1 January 2017	(787)	10,500	777	10,490
Deficit for the year	(373)			(373)
Translation reserve movement	-	-	176	176
Foreign currency exchange difference	-	-	(676)	(676)
Foreign currency exchange difference	51	-	-	51
At 31 December 2017	<u>(1,109)</u>	<u>10,500</u>	<u>277</u>	<u>9,668</u>
Company	Retained earnings £'000	Share premium £'000	Totals £'000	
At 1 January 2017	-	10,500	10,500	
Profit for the year	-	-	-	
At 31 December 2017	<u>-</u>	<u>10,500</u>	<u>10,500</u>	

22. TRADE AND OTHER PAYABLES

	Group	
	2017	2016
	£'000	Restated £'000
Current:		
Trade payables	328	374
Payable to related parties	25	23
Social security and other taxes	234	291
Accruals and deferred income	48	317
	<u>635</u>	<u>1,005</u>
	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

23. FINANCIAL LIABILITIES - BORROWINGS

	Group 2017 £'000	2016 £'000
Current:		
Bank overdraft repayable one year or less	4,089	7,127
	=====	=====

The bank overdraft is secured by shareholders and related party guarantees and bears interest at 6.5% to 7% per annum (2016: 6.5% to 7% per annum).

	2017 US\$'000	2016 US\$'000
Borrowing facilities:		
Merchant Bank of Central Africa overdraft facility	5,000	5,000
Barclays Bank of Zimbabwe Limited overdraft facility	6,000	6,000
	<u>11,000</u>	<u>11,000</u>

	£'000	£'000
Non-current:		
CABS loan	145	-

	US\$'000	US\$'000
Borrowing facilities:		
CABS loan facility	1,200	-

Reconciliation of liabilities arising from financing activities

	2016 £'000	Cashflows £'000	2017 £'000
Long term borrowings	-	145	145
Total liabilities from financing activities	-	145	145

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

24. PROVISIONS

	Legal claims £'000	Gratuity £'000	Bonuses £'000	Other £'000	Total £'000
Balance at 1 January 2016	188	45	41	202	476
Charged to the income statement	-	70	46	41	157
Used during the year	(113)	(49)	(45)	-	(207)
Exchange differences	<u>27</u>	<u>11</u>	<u>8</u>	<u>46</u>	<u>92</u>
Balance at 31 December 2016	102	77	50	289	518
Charged to the income statement	-	-	56	46	102
Used during the year	(81)	(43)	(48)	-	(172)
Exchange differences	<u>(5)</u>	<u>(5)</u>	<u>(5)</u>	<u>(28)</u>	<u>(43)</u>
Balance at 31 December 2017	<u>16</u>	<u>29</u>	<u>53</u>	<u>307</u>	<u>405</u>
	=====	=====	=====	=====	=====

(a) Legal claims

The amount represents a provision for certain legal claims brought against the Group. The provision charge is recognised in profit or loss within administrative expenses. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided.

(b) Bonuses

Bonuses are payable within three months of the finalisation of the audited financial statements.

(c) Gratuity

This is gratuity payable to seasonal workers who have worked for more than three or more seasons consecutively, without a break. Management have estimated the gratuity expected to be paid out to the current seasonal workers.

(d) Other

The other provision relates to certain obligations that arose from providing certain services. This might become payable in future if the beneficiary lodges a claim against the company.

25. DEFERRED TAX

The gross movement on the deferred income tax account is as follows:

Group

	2017 £'000	2016 Restated £'000
Balance at 1 January	1,243	980
Statement of comprehensive income charge	228	56
Exchange differences	<u>(122)</u>	<u>207</u>
Balance at 31 December	<u>1,349</u>	<u>1,243</u>

The analysis of deferred tax assets and deferred tax liabilities is as follows:-

	2017 £'000	2016 £'000
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months -	-	-
- Deferred tax assets to be recovered within 12 months	<u>(33)</u>	<u>(66)</u>
	(33)	(66)
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	1,261	1,080
- Deferred tax liability to be recovered within 12 months	<u>121</u>	<u>229</u>
	<u>1,382</u>	<u>1,309</u>
Deferred tax liabilities (net)	<u>1,349</u>	<u>1,243</u>
	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

25. DEFERRED TAX - continued

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:-

	Accelerated tax depreciation £'000	Other £'000	Total £'000
Deferred tax liabilities			
At 1 January 2016	955	138	1,093
(Credited)/charged to statement of comprehensive income	143	(82)	61
Exchange differences	209	20	229
At 31 December 2016	<u>1,307</u>	<u>76</u>	<u>1,383</u>
At 1 January 2017	1,307	76	1,383
(Credited)/charged to statement of comprehensive income	84	120	204
Exchange differences	(121)	(12)	(133)
At 31 December 2017	<u>1,270</u>	<u>184</u>	<u>1,454</u>
	Provisions £'000	Tax losses £'000	Total £'000
Deferred tax assets			
At 1 January 2016	(108)	(5)	(113)
(Credited)/charged to statement of comprehensive income	(3)	(1)	(4)
Exchange differences	(23)	(1)	(24)
At 31 December 2016	<u>(134)</u>	<u>(7)</u>	<u>(141)</u>
At 1 January 2017	(134)	(7)	(141)
(Credited)/charged to statement of comprehensive income	18	-	18
Write down of deferred tax assets	-	6	6
Exchange differences	11	1	12
At 31 December 2017	<u>(105)</u>	<u>-</u>	<u>(105)</u>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25.75%.

26. CONTINGENT LIABILITIES

	2017 Group £'000	Company £'000	2016 Group £'000	Company £'000
Pay as you earn	30	-	33	-
Labour disputes	<u>15</u>	<u>-</u>	<u>155</u>	<u>-</u>
	<u>45</u>	<u>-</u>	<u>188</u>	<u>-</u>

a) Pay as you earn

The Zimbabwe Revenue Authority raised assessments for late payment and non-payment of pay as you earn for the year ended 31 December 2009 amounting to \$333,057. This has since been reviewed downwards to \$86,361. Management's assessment of the potential liability in the event of an adverse adjustment including penalties and interest is \$40,000. However, the assessment is being contested by the Group through its lawyers and directly by management with the latest indication from various engagements with the authority showing that the amount has already been reduced although this has not been formalised through revised assessments.

b) Labour disputes

The Group is defending, through its lawyers, a number of claims from former employees. However, the directors believe that no material liability will arise from these claims.

27. CAPITAL COMMITMENTS

Capital expenditure authorised as at 31 December 2017 amounts to £2,009,000 (2016: £457,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

28. RELATED PARTY DISCLOSURES

On 10 March 2008 the company issued 98 £1 ordinary shares to Allied Foresters Limited (incorporated in Jersey) which consequently became the company's parent and ultimate parent undertaking. The other 2 shares are held by Weston Investment Company Limited, a subsidiary of British American Tobacco plc.

Transactions between the company and its subsidiaries, which are related parties, have been eliminated in consolidation.

The following transactions were carried out with other related parties:

	2017 Group £'000	Company £'000	2016 Group £'000	Company £'000
Provision of services (tobacco processing)				
Northern Tobacco (Private) Limited (common directors)	9,205	-	7,406	-
Inter-Continental Leaf Tobacco (Private) Ltd	2,505	-	2,545	-
Premium Leaf Zimbabwe/Tribac (Private) Ltd	8,334	-	2,060	-
Year end balances arising from sales/purchases of services				
<u>Amounts due from related parties</u>				
Northern Tobacco (Private) Limited	75	-	4,392	-
Inter-Continental Leaf Tobacco (Private) Ltd	761	-	1,484	-
Premium Leaf Zimbabwe/Tribac (Private) Ltd	-	-	11	-
<u>Amounts due to related parties</u>				
Northern Tobacco (Private) Limited	25	-	25	-
Key management compensation				
Salaries and other short term benefits	646	-	597	-

29. PRIOR PERIOD ERROR

The deferred and income tax computations in prior years contained errors in the inputs used in the computations. In addition, there was an error in not recognising a provision for an obligation that arose from providing certain services. The financial statements for the year ended 31 December 2016 have been restated to correct these errors. The effect of the restatement is summarized below, and there is no effect on the current year financial statements.

	2016 £'000
Effect on profit/loss	
Provisions	42
Income tax expense	(11)
Total effect on profit/loss	<u>31</u>
Effect on assets	
Income tax receivable	59
Total effect on assets	<u>59</u>
Effect on equity	
Retained earnings	(335)
Non controlling interest	(52)
Total effect on equity	<u>(387)</u>
Effect on liabilities	
Provisions	289
Deferred tax liability	157
Total effect on liabilities	<u>446</u>
Total effect on equity and liabilities	59

30. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred between the end of the reporting period and the date when the financial statements were authorised for issue that require adjustments to be effected on the reported amounts or disclosure made in the financial statements.