Nampak Zimbabwe Limited

ABRIDGED AUDITED GROUP RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	INFLATION ADJUSTED		HISTORICAL	
	2019 ZWL 000 Audited	2018 ZWL 000 Audited	2019 ZWL 000 Audited	2018 ZWL 000 Audited
Revenue	**666 307**	**529 397**	**377 368**	**116 796**
Trading income	148 685	65 501	117 620	14 451
Other material (expenses) / income	(1 419 528)	65	(1 050 587)	14
Net monetary gain on hyperinflation	274 725	-	-	-
Operating (loss) / profit	**(996 118)**	**65 566**	**(932 967)**	**14 465**
Net finance costs	(38 857)	(8 109)	(25 431)	(1 789)
Share of net profit from joint venture	7 265	1 052	2 752	232
(Loss) / profit before tax	**(1 027 710)**	**58 509**	**(955 646)**	**12 908**
Income tax credit / (expense)	204 292	(16 807)	166 571	(3 708)
(Loss) / profit for the year	**(823 418)**	**41 702**	**(789 075)**	**9 200**
Other comprehensive (loss) / income for the year				
Items that will not be reclassified to profit or loss				
Share of other comprehensive income from joint venture	-	-	2 847	-
Total other comprehensive income for the year net of tax	**-**	**-**	**2 847**	**-**
Total comprehensive (loss) / income attributable to ordinary members	**(823 418)**	**41 702**	**(786 228)**	**9 200**
(Loss) / earnings per ordinary share (cents)	(108.97)	5.52	(104.42)	1.22
Headline earnings / (loss) per ordinary share (cents)	30.50	5.57	(1.20)	1.23
Ordinary shares in issue at year end	**755 648 101**	**755 648 101**	**755 648 101**	**755 648 101**

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	INFLATION ADJUSTED		HISTORICAL	
	2019 ZWL 000 Audited	2018 ZWL 000 Audited	2019 ZWL 000 Audited	2018 ZWL 000 Audited
ASSETS				
Non-current assets	**553 226**	**225 118**	**371 663**	**49 667**
Property, plant and equipment	192 353	207 935	44 859	45 876
Intangible assets	11 117	11 250	2 453	2 482
Biological assets	976	1 473	976	325
Investments and non-current receivables	136 222	4 460	135 929	984
Deferred tax	212 558	-	187 446	-
Current assets	**296 822**	**555 029**	**251 265**	**122 451**
Inventories	117 058	54 628	76 646	12 052
Trade and other receivables	122 327	117 269	117 182	25 872
Cash and cash equivalents	57 437	383 132	57 437	84 527
Total assets	**850 048**	**780 147**	**622 928**	**172 118**
EQUITY AND LIABILITIES				
Capital and reserves	**(484 539)**	**343 698**	**(710 452)**	**75 827**
Share capital and share premium	112 454	112 454	24 810	24 810
Non-distributable reserves	16 636	16 636	22 307	19 460
Retained (loss) / earnings	(613 629)	214 608	(757 569)	31 557
Non-current liabilities	**1 019 154**	**71 417**	**1 019 154**	**15 756**
Long term borrowings	150 459	35 772	150 459	7 892
Long term trade payables	868 695	-	868 695	-
Deferred tax liabilities	-	35 645	-	7 864
Current liabilities	**315 433**	**365 032**	**314 226**	**80 535**
Short term borrowings	-	8 644	-	1 907
Trade payables	145 026	296 884	144 712	65 500
Other payables	164 855	57 877	163 962	12 769
Current tax liabilities	5 552	1 627	5 552	359
Total equity and liabilities	**850 048**	**780 147**	**622 928**	**172 118**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019

	INFLATION ADJUSTED			
	Share Premium Audited ZWL 000	Non Distributable Reserve Audited ZWL 000	Retained Earnings Audited ZWL 000	Total Audited ZWL 000
Balance as at 30 September 2017	**112 454**	**89 755**	**99 787**	**301 996**
Transfer from asset revaluation reserves	-	(1 550)	1 550	-
Total comprehensive income for the year	-	-	41 702	41 702
Elimination of reserves on IAS 29	-	(71 569)	71 569	-
Balance as at 30 September 2018	**112 454**	**16 636**	**214 608**	**343 698**
Effects of IAS 29 on joint venture	-	-	(4 819)	(4 819)
Total comprehensive loss for the year	-	-	(823 418)	(823 418)
Balance as at 30 September 2019	**112 454**	**16 636**	**(613 629)**	**(484 539)**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2019

	HISTORICAL			
	Share Premium Audited ZWL 000	Non Distributable Reserve Audited ZWL 000	Retained Earnings Audited ZWL 000	Total Audited ZWL 000
Balance as at 30 September 2017	**24 810**	**19 802**	**22 015**	**66 627**
Transfer from asset revaluation reserves	-	(342)	342	-
Total comprehensive income for the year	-	-	9 200	9 200
Balance as at 30 September 2018	**24 810**	**19 460**	**31 557**	**75 827**
Loss for the year	-	-	(789 075)	(789 075)
Other comprehensive income for the year	-	2 847	-	2 847
Adoption of IFRS 9 effects for the joint venture -	-	-	(51)	(51)
Balance as at 30 September 2019	**24 810**	**22 307**	**(757 569)**	**(710 452)**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2019

	INFLATION ADJUSTED		HISTORICAL	
	2019 ZWL 000 Audited	2018 ZWL 000 Audited	2019 ZWL 000 Audited	2018 ZWL 000 Audited
Cash (utilised in) / generated from operating activities	**(982 876)**	**86 542**	**(928 476)**	**19 093**
	(181 521)	**111 862**	**25 491**	**24 679**
Working capital changes	(112 368)	134 602	74 501	29 696
Net finance costs	(38 857)	(8 109)	(25 431)	(1 789)
Tax paid	(30 296)	(14 631)	(23 579)	(3 228)
Net cash (utilised in) / generated from operating activities	**(1 164 397)**	**198 404**	**(902 985)**	**43 772**
Investing activities	**(136 036)**	**(36 487)**	**(133 460)**	**(8 050)**
Purchase of plant and equipment and intangible assets	(6 846)	(37 571)	(4 112)	(8 289)
Proceeds on disposal of property, plant and equipment and assets held for sale	126	1 079	49	238
Decrease in investments	3	5	(4)	1
Increase in non current receivables	(129 319)	-	(129 393)	-
Net cash (utilised in) / generated before financing activities	**(1 300 433)**	**161 917**	**(1 036 445)**	**35 722**
Financing activities	**974 738**	**2 510**	**1 009 355**	**554**
Increase in long term borrowings	114 687	35 770	142 567	7 892
Decrease in short term borrowings	(8 644)	(33 260)	(1 907)	(7 338)
Increase in long term trade payables	868 695	-	868 695	-
Net (decrease) / increase in cash and cash equivalents	**(325 695)**	**164 427**	**(27 090)**	**36 276**
Cash and cash equivalents at the beginning of the year	383 132	218 705	84 527	48 251
Cash and cash equivalents at the end of the year	**57 437**	**383 132**	**57 437**	**84 527**
REPRESENTED BY:				
Bank balances, cash and short term deposits	57 437	383 132	57 437	84 527

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

1. BASIS OF PREPARATION

The abridged consolidated financial statements of Nampak Zimbabwe Limited have been prepared in accordance with International Financial Reporting Standards "IFRS" except for non-compliance with IAS 21"Effects of Changes in Foreign Exchange Rates", and in a manner required by the Zimbabwe Companies Act (Chapter 24:03) and the Zimbabwe Stock Exchange Listing Requirements. The Group complied with Statutory Instrument 33 of 2019 (SI 33/2019) and maintained the exchange rate of 1:1 between its functional currency USD and ZWL$ for the period 1 October 2018 to 22 February 2019 and thereafter adopted the interbank exchange rates. Compliance with SI 33/2019 made it impossible to comply with IAS 21 - "Effects of Changes In Foreign Exchange Rates".

1.1 Hyperinflation

The Group adopted IAS 29 "Financial Reporting in Hyper-Inflationary Economies" with effect from 1 October 2018 as announced by the Public Accountants and Auditors Board (PAAB) through pronouncement 1/2019. These results have been prepared under the current cost basis in line with provisions of IAS 29. The Directors have applied the guidance provided by the PAAB and the accounting bodies and made various assumptions to produce the inflation adjusted financials.

The conversion factors have been computed from the consumer price index (CPI) data prepared by the Zimbabwe Central Statistics Office as reported on the Reserve Bank of Zimbabwe website. The conversion factors used to restate the financial results are as follows:

	Indices	Conversation factor
CPI as at 30 September 2019	290.36	1.00
CPI as at 30 September 2018	64.06	4.53
Average CPI 2019	161.70	
Average CPI 2018	63.60	

1.2 Currency of Reporting

The Group's financial statements are presented in Zimbabwe dollars (ZWL), which became the functional currency of the Company from 22 February 2019. All values are rounded to the nearest thousand except where otherwise stated.

In February 2019, the Government issued Statutory Instrument 33 of 2019 (SI33/19), which directed that all assets and liabilities that were in United States Dollars (US$) before 22 February 2019 be deemed to have become RTGS dollars (and subsequently ZWL as of 24 June 2019) at a rate of 1:1 to the US$. The financial reporting and auditing guidance on currency considerations under the environment prevailing issued by the Public Accountants and Auditors Board (PAAB) on 21 March 2019 urged preparers of the financial statements to comply with the laws and regulations of the country although this would result in an inability to comply with IAS 21. The Company has reported transactions for the period 1 October 2018 to 22 February 2019 in the Statement of Profit or Loss and Other Comprehensive Income on a 1:1 basis in compliance with SI33 of 2019. All transactions post this date are translated to ZWL in accordance with IAS21 at the official interbank rate prevailing at the time of transacting.

As a result of the above, the functional currency of the Company changed in the current year from United States Dollars (US$) to Zimbabwe Dollar (ZWL). Financial statements for the year ended 30 September 2019 are therefore presented in ZWL. The comparative information was translated to ZWL using a rate of 1:1 in line with (SI33/19).

DIRECTORS: K. C. Katsande (Chairman), J. P. Van Gend* (Group Managing Director), F. Dzingirai* (Group Finance Director), Mrs. C. Chetsanga, P. Gowero (M. M. Valela, Alt), A. H. Howie, K. J. Langley, R. G. Morris, Q. Swart (* Executive Directors)

2. STATEMENT OF ACCOUNTING POLICY

The accounting policies are consistent with those used in the prior year, except where modified for new International Financial Reporting Standards (IFRS).

3. LONG TERM BORROWINGS

The long term foreign borrowings relate to unsecured Shareholders' loans from the parent company, Nampak International Limited. The USD loans are for working capital and capital expenditure and bear interest at rates of 7,81% and 5,88% respectively per annum. These long term borrowings are covered by the hedge fund arrangement secured with the Reserve Bank of Zimbabwe.

4. BLOCKED FUNDS DEBT DUE TO NAMPAK INTERNATIONAL LIMITED

During the year under review, an agreement was reached between Nampak Zimbabwe Limited, Nampak International Limited and the Reserve Bank of Zimbabwe, whereby a USD67 million hedge was secured with the Reserve Bank of Zimbabwe to repay blocked funds debt on a 1:1 basis over a period of five years in quarterly payments commencing on 31 March 2021. Nampak Zimbabwe Limited has fully transferred the equivalent ZWL amount to the Reserve Bank of Zimbabwe.

5. AUDIT STATEMENT

These abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2019, which have been audited by Deloitte & Touche Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing. The auditors issued an adverse opinion on the financial statements for non-compliance with IAS 21. The audit report includes a section on Key Audit Matters. The Key Audit Matter is on valuation of the Reserve Bank of Zimbabwe receivable. The auditor's report is available for inspection at the Company's registered address.

6. GROUP OPERATING SEGMENT REPORT

Segment reporting for the year ended 30 September 2019

	INFLATION ADJUSTED			
	Printing & Converting ZWL 000	Plastics & Metals ZWL 000	Services & Eliminations ZWL 000	Total ZWL 000
Sales to local customers	279 797	299 217	-	579 014
Sales to export customers	63 491	23 128	-	86 619
Other sales	674	-	-	674
Intersegmental sales	4 738	2 322	(7 060)	-
Total Sales	**348 700**	**324 667**	**(7 060)**	**666 307**
Results				
Trading income / (loss)	76 138	75 621	(3 074)	148 685
Operating loss	(257 255)	(726 548)	(12 315)	(996 118)
Finance income	1 971	2 030	(194)	3 807
Finance costs	(6 870)	(35 989)	195	(42 664)
Net profit from joint venture	-	-	7 265	7 265
Taxation charge	35 951	168 222	119	204 292
Loss for the year	**(226 203)**	**(592 285)**	**(4 930)**	**(823 418)**
Other information				
Segment assets	329 334	504 109	16 605	850 048
Segment liabilities	376 995	970 808	(13 216)	1 334 587
Capital expenditure	2 482	79	4 285	6 846
Depreciation and amortisation	7 442	14 297	300	22 039
Biological assets - fair value adjustment	(651)	-	-	(651)
Impairment cost non current assets and receivable	135 495	597 732	-	733 227
Impairment plant and equipment	-	339	-	339
Other material expenses / (income)	313 085	372 951	(74)	685 962
Monetary (gain) / loss on hyperinflation	(114 536)	(169 505)	9 316	(274 725)

Segment reporting for the year ended 30 September 2018

	INFLATION ADJUSTED			
	Printing & Converting ZWL 000	Plastics & Metals ZWL 000	Services & Eliminations ZWL 000	Total ZWL 000
Sales to local customers	220 721	268 348	-	489 069
Sales to export customers	26 444	13 421	-	39 865
Other sales	463	-	-	463
Intersegmental sales	2 221	1 577	(3 798)	-
Total Sales	**249 849**	**283 346**	**(3 798)**	**529 397**
Results				
Trading income / (loss)	32 372	33 238	(109)	65 501
Operating profit / (loss)	32 599	33 184	(217)	65 566
Finance income	3 000	3 962	558	7 520
Finance costs	(1 909)	(13 720)	-	(15 629)
Net profit from joint venture	-	-	1 052	1 052
Taxation charge	(9 097)	(7 619)	(91)	(16 807)
Profit for the year	**24 593**	**15 807**	**1 302**	**41 702**
Other information				
Segment assets	444 848	424 533	(89 234)	780 147
Segment liabilities	135 839	298 952	1 658	436 449
Capital expenditure	5 058	32 513	-	37 571
Depreciation and amotisation	5 784	14 727	312	20 823
Biological assets - fair value adjustment	(240)	-	-	(240)
Impairment of plant and equipment	263	-	-	263
Other material expenses / (income)	(249)	54	109	(86)

Segment reporting for the year ended 30 September 2019

	HISTORICAL			
	Printing & Converting ZWL 000	Plastics & Metals ZWL 000	Services & Eliminations ZWL 000	Total ZWL 000
Sales to local customers	170 714	160 466	-	331 180
Sales to export customers	32 067	13 680	-	45 747
Other sales	441	-	-	441
Intersegmental sales	2 029	1 076	(3 105)	-
Total Sales	**205 251**	**175 222**	**(3 105)**	**377 368**
Results				
Trading income / (loss)	61 023	59 119	(2 522)	117 620
Operating loss	(205 144)	(725 375)	(2 448)	(932 967)
Finance income	499	626	(89)	1 036
Finance costs	(4 345)	(22 333)	211	(26 467)
Net profit from joint venture	-	-	2 752	2 752
Taxation charge	52 008	114 064	499	166 571
(Loss) / profit for the year	**(156 982)**	**(633 018)**	**925**	**(789 075)**
Other information				
Segment assets	252 190	365 335	5 403	622 928
Segment liabilities	364 691	970 647	(1 958)	1 333 380
Capital expenditure	1 216	2 869	27	4 112
Depreciation and amortisation	1 659	3 350	67	5 076
Biological assets - fair value adjustment	(651)	-	-	(651)
Impairment cost non current assets and receivable	135 495	597 807	-	733 302
Impairment of plant and equipment	-	75	-	75
Other material expenses / (income)	130 672	186 612	(74)	317 210

6. GROUP OPERATING SEGMENT REPORT (continued)

Segment reporting for the year ended 30 September 2018

	HISTORICAL			
	Printing & Converting ZWL 000	Plastics & Metals ZWL 000	Services & Eliminations ZWL 000	Total ZWL 000
Sales to local customers	48 696	59 203	-	107 899
Sales to export customers	5 834	2 961	-	8 795
Other sales	102	-	-	102
Intersegmental sales	490	348	(838)	-
Total Sales	**55 122**	**62 512**	**(838)**	**116 796**
Results				
Trading income / (loss)	7 142	7 333	(24)	14 451
Operating profit / (loss)	7 192	7 321	(48)	14 465
Finance income	662	874	123	1 659
Finance costs	(421)	(3 027)	-	(3 448)
Net profit from joint venture	-	-	232	232
Taxation charge	(2 007)	(1 681)	(20)	(3 708)
Profit for the year	**5 426**	**3 487**	**287**	**9 200**
Other information				
Segment assets	98 144	93 661	(19 687)	172 118
Segment liabilities	29 970	65 955	366	96 291
Capital expenditure	1 116	7 173	-	8 289
Depreciation and amortisation	1 276	3 249	69	4 594
Biological assets - fair value adjustment	(53)	-	-	(53)
Impairment of plant and equipment	58	-	-	58
Other material expenses / (income)	(55)	12	24	(19)

7. OTHER MATERIAL EXPENSES

	INFLATION ADJUSTED		HISTORICAL	
	2019 ZWL 000 Audited	2018 ZWL 000 Audited	2019 ZWL 000 Audited	2018 ZWL 000 Audited
Retrenchment, termination and restructuring costs	173	367	173	81
Fair value gain on biological assets	(651)	(242)	(651)	(53)
Impairment of plant and machinery	339	263	75	58
Profit on disposal of land	-	(453)	-	(100)
Net exchange loss on foreign currency	686 440	-	317 763	-
Impairment of non current receivable	733 227	-	733 227	-
Total	**1 419 528**	**(65)**	**1 050 587**	**(14)**

8. GOING CONCERN

The Directors believe that the Group is a going concern and will continue to be for the foreseeable future. Continuing engagements with the banks, customers, local suppliers and the further development of export markets are expected to provide sufficient foreign exchange and raw materials to maintain and continue day to day operations. The Board is evaluating various options to address the negative equity position brought about by the material expenses which arose through the failure of the country to have sufficient foreign exchange to meet the requirements of liquidating the blocked funds debt.

COMMENTARY

TRADING ENVIRONMENT

The Fiscal and Monetary Policy measures implemented during the financial year significantly altered the operating economic landscape in Zimbabwe. The exchange rate has depreciated by over 594% since the introduction of the Zimbabwe dollar against the United States dollar in February.

The continuing scarcity of foreign exchange coupled with rising inflation has presented a major challenge to the Group. Power shortages have had a severe impact on production schedules necessitating increased use of on-site generators and adaption of working hours at plants to make use of power when it is available. This has led to rising operating costs. However, agreements have been entered into with the power supply authorities to try and alleviate this situation.

PERFORMANCE

The Group achieved sales for the year of $666,3 million (2018: $529,4 million) and a Trading Income before adjustments of $148,7 million (2018: $65,5 million). A Loss before Tax of $1,03 billion was incurred (2018: Profit Before Tax $58,5 million).

The Loss Before Tax was incurred after taking into account the other material expenses of $1,4 billion and a net monetary gain on hyperinflation of $274.7 million. The other material expenses comprised net foreign exchange losses of $686,4 million, arising largely from the Blocked Funds (Legacy Debt) foreign trade payables; and an impairment of the Reserve Bank of Zimbabwe Non-Current Receivable by $733,2 million. The impairment was based on an expected credit loss provision of 85%, on the financial instrument hedge held with the Reserve Bank. The decision to impair the financial hedge was in line with the approach adopted by the major shareholder, Nampak Limited, and was guided by the prevailing economic challenges and financial uncertainty.

Management worked hard on limiting unnecessary expenses for the year and improving the working capital. The Comprehensive Loss Attributable to Members amounted to $823,4 million (2018: $41,7 million income). Headline earnings per share at 30,50 cents (2018: 5.57 cents) were up on the prior year.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging
Volumes for the full year declined by 8% compared to the prior year. Local commercial volumes declined by 54%; however these were mitigated by improved local tobacco packaging volume growth of 34% due to a higher crop size. Furthermore, exports grew by 65% on prior year, driven by tobacco packaging exports to Malawi and ad-hoc orders from Mozambique. The commercial segment experienced a loss of volumes due to pricing challenges and a decline in the cartons segment due to raw material sourcing limitations.

PLASTICS AND METALS SEGMENT

CarnaudMetalbox
Volumes for the full year declined by 40% compared to the prior year as major customers recorded a reduction in their market segment demand.

Mega Pak
The full year volumes declined by 27% due to falling consumer demand in the beverage and cordials sectors and raw material supply constraints.

CAPITAL EXPENDITURE

Capital expenditure amounted to $6,8 million (2018: $37,6 million) which was a significant reduction on prior year and reflects the constrained operating environment. There are some significant capital projects currently being reviewed by management and should funds become available, it is our intention to implement them.

DIRECTORATE

The board wishes to thank Mrs. Emma Fundira and Mr. Washington Matsaira who resigned during the year for their valuable service to the Board during their tenure. Their contributions to our affairs were significant. We welcomed the appointment, in May 2019, of Mr. Quinton Swart from Nampak South Africa as a non-executive director. We also welcomed to the Board Mrs. Chido Chetsanga and Mr. Kenneth Langley, both Chartered Accountants with wide business experience. They were appointed as independent non-executive directors in July 2019.

OUTLOOK

The economic climate is likely to continue in negative territory unless the Authorities do more to change course in favour of fundamental market realities. Although some positive efforts have been made in this direction these have been insufficient to attract sorely needed foreign direct investment. This will only come about if, and when, investor confidence is restored in the overall affairs of Zimbabwe.

By Order of the Board

J. P. Van Gend
Group Managing Director

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12 February 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NAMPAK ZIMBABWE LIMITED

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the inflation adjusted consolidated financial statements of Nampak Zimbabwe Limited and its subsidiaries ("the Group") set out on pages 22 to 68 which comprise the inflation adjusted consolidated statement of financial position as at 30 September 2019, and the inflation adjusted consolidated statement of profit or loss and other comprehensive income, the inflation adjusted consolidated statement of changes in equity and the inflation adjusted consolidated statement of cash flows for the year then ended, and the notes to the inflation adjusted consolidated financial statements, including a summary of significant accounting policies.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion* section of our report, the financial statements do not present fairly, the inflation adjusted consolidated statement of financial position of Nampak Zimbabwe Limited as at 30 September 2019, and its inflation adjusted consolidated financial performance and its inflation adjusted consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Chapter 24:03), the relevant Statutory Instruments ("SI") 5133/99 and SI 62/96.

Basis for Adverse Opinion

The Group transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year, there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates."

As a result of these factors the Directors performed an assessment on the functional currency of the Group in accordance with IAS 21 and acknowledged that the functional currency of the Group is no longer USD.

On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 22 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency.

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Basis for Adverse Opinion (continued)

The Directors used the same date to effect the change in functional currency. Because the Group transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from 1 October 2018 to 22 February 2019, the decision to change the functional currency on 22 February 2019 in accordance with SI 33/19 results in material misstatement to the inflation adjusted financial performance and cash flows of the Group, as transactions denominated in USD were not appropriately translated during that period.

Had the Group applied the requirements of IAS 21, many of the elements of the accompanying inflation adjusted consolidated financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the inflation adjusted consolidated financial statements of this departure have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Inflation Adjusted Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) Code together with the ethical requirements that are relevant to our audit of financial statements in Zimbabwe. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 34 in the inflation adjusted financial statements which indicates that as at 30 September 2019, the Group's current liabilities exceeded its current assets by ZWL$18.6 million (2018: current assets exceeded current liabilities by ZWL$190.0 million). The Group also incurred a loss for the year of ZWL$823.4 million (2018: profit for the year of ZWL$41.7 million).These conditions as set out in note 34, indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not further modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the inflation adjusted consolidated financial statements of the current period. These matters were addressed in the context of our audit of the inflation adjusted consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Adverse Opinion section of our report and the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NAMPAK ZIMBABWE LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Valuation of the Reserve Bank of Zimbabwe (RBZ) receivable	
Effective 2 January 2019, Nampak Zimbabwe Limited (NZL) entered into an agreement with the Reserve Bank of Zimbabwe (RBZ) and Nampak International Limited (NIL). NIL which is the main holding company. The initial agreement provides for a payment of RTGS 57 million by NZL to RBZ. This would allow for the subsequent settlement on a trade account by NZL to NIL of USD 57 million on a RTGS 1:USD 1 basis over a three-year period. The settlement was to be made directly from RBZ to NIL. A new agreement was signed effective 27 September 2019, superseding the initial agreement, which increased the settlement amount to USD 66.8 million and provided for repayment over a five-year period commencing 31 March 2021. At 30 September 2019, NZL had paid ZWL$ 66.8 million to RBZ in accordance with the new agreement. As reflected in note 15 of the inflation adjusted consolidated financial statements, the directors have applied an expected credit loss rate of 85% against this receivable, based on a key judgement related to the current economic situation in Zimbabwe. Given the materiality and significant nature of the judgement applied in determining the valuation of the receivable, we have determined this to be a key audit matter.	To address this matter, we performed the following audit procedures: • We have evaluated the relevant controls designed and implemented by the Directors to conclude on the valuation of the RBZ receivable. • We reviewed the agreements entered into between NZL, RBZ and NIL effective 2 January 2019 and 27 September 2019 respectively. • We further reviewed the Directors' detailed fact pattern and representations relating to the timeline of events surrounding the agreements as well as payments made to RBZ. • We critically reviewed the Directors' key judgements applied in determining credit loss (ECL). • We have verified the approach applied by the directors in estimating the ECL, the estimates of the economic indicators used as well as any contradictory evidence available. Furthermore, we also considered the judgements presented by the Directors. • We obtained Legal advice on the validity of the legal agreements and clarity pertaining to the responsibilities of each party.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NAMPAK ZIMBABWE LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other Information

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

Our opinion on the inflation adjusted consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the inflation adjusted consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Adverse Opinion section above, the Group changed their functional currency to the RTGS$ effective 22 February 2019. The date of change in functional currency that complies with IFRS is 1 October 2018. Consequently, the USD transactions between the period 1 October 2018 to 22 February 2019 do not comply with the requirements of IAS 21 as they have not been appropriately translated. We have determined that the other information is misstated for that reason.

Responsibilities of the Directors for the Inflation Adjusted Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the inflation adjusted consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), the Companies Act (Chapter 24:03), the relevant statutory instruments (SI 33/99, SI 33/19 and SI 62/96), and for such internal control as the Directors determine is necessary to enable the preparation of the inflation adjusted consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NAMPAK ZIMBABWE LIMITED (CONTINUED)

REPORT ON THE AUDIT OF THE INFLATION ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Inflation Adjusted Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the inflation adjusted consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these inflation adjusted consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the inflation adjusted consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the inflation adjusted consolidation financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the inflation adjusted consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the inflation adjusted consolidated financial information of the entities or business activities within the Group to express an opinion on the inflation adjusted consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the inflation adjusted consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche

Deloitte & Touche
Chartered Accountants (Zimbabwe)
Per: Tapiwa Chizana
Partner
Registered Auditor
PAAB Practice Certificate Number: 0444

Date: 20 February 2020