



# ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

ABRIDGED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	INFLATION	N ADJUSTED	HISTORICAL	
	2020 ZWL 000 Audited	ZWL 000	2020 ZWL 000 Unaudited	ZWL 000
Revenue	5 086 623	5 059 937	2 688 328	377 368
Trading income Other material expenses Net monetary gain	828 130 (474 544) 658 097	(10 779 896)		
Operating profit / (loss) Net finance costs Share of net (loss) / profit from joint venture	<b>1 011 683</b> (55 148) ( 7 186)	( ,	(7 276)	(25 431)
Profit / (loss) before tax Tax (expense) / credit	<b>949 349</b> (1 607 931)	( <b>7 804 425</b> ) 1 551 391		(,
(Loss) / profit for the year	(658 582)	(6 253 034)	776 146	(789 075)
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	(658 582)	(6 253 034)	776 146	(786 228)
(Loss) / earnings per ordinary share (cents)	(87.15)	(827.51)	102.71	(104.42)
Headline (loss) / earnings per ordinary share (cents)	(39.89)	231.65	105.67	(1.20)
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 2020

	INFLATION	INFLATION ADJUSTED		RICAL
	2020 ZWL 000 Audited	2019 ZWL 000 Audited	2020 ZWL 000 Unaudited	2019 ZWL 000 Unaudited
ASSETS				
Non-current assets	1 542 912	4 201 198	172 852	371 663
Property, plant and equipment Intangible assets Biological assets Investment in joint venture Investments - quoted Non current receivables Deferred tax asset	1 403 294 84 233 10 889 44 469 27	1 460 728 84 422 7 412 51 655 46 982 770 1 614 165	116 237 2 447 10 889 19 953 27 - 23 299	44 859 2 453 976 6 509 6 129 414 187 446
Current assets	1 951 574	2 254 066	1 600 778	251 265
Inventories Trade and other receivables Cash and cash equivalents Total assets	789 589 859 821 302 164	888 938 928 951 436 177	579 617 718 997 302 164	76 646 117 182 57 437
lotal assets	3 494 486	6 455 264	1 773 630	622 928
EQUITY AND LIABILITIES				
Capital and reserves	2 285 242	(3 679 587)	1 006 184	(710 452)
Share capital and share premium Non distributable reserves Retained (loss) / earnings	854 078 6 749 745 (5 318 581)	854 078 126 334 (4 659 999)	24 810 962 797 18 577	24 810 22 307 ( 757 569)
Non-current liabilities	321 930	7 739 456	-	1 019 154
Long term borrowings Long term trade payables Deferred tax liabilities	- - 321 930	1 142 586 6 596 870 -	- - -	150 459 868 695 -
Current liabilities	887 314	2 395 395	767 446	314 226
Trade payables Other payables Current tax payable	511 381 278 269 97 664	1 101 324 1 251 909 42 162	391 513 278 269 97 664	144 712 163 962 5 552
Total equity and liabilities	3 494 486	6 455 264	1 773 630	622 928

## ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

reversal through equity (net of tax)

Balance as at 30 September 2020

		INFLATION	N ADJUSTED		
	Share Capital and I Premium Audited ZWL 000	Non Distributable Reserve Audited ZWL 000	Retained Earnings Audited ZWL 000	Total Audited ZWL 000	
Balance as at 30 September 2018	854 078	126 334	1 629 630	2 610 042	
Transfer from asset revaluation reserves Total comprehensive loss for the year Effects of IAS 29 on joint venture	- - -		(6 253 034) ( 36 595)	(6 253 034) (36 595)	
Balance as at 30 September 2019	854 078	126 334	(4 659 999)	(3 679 587)	
Total comprehensive loss for the year Gain on set off of NIL liability and RBZ receivable Impairment reversal of prior year non current receivable through equity (net of tax) Nampak International Limited technical fees and interest	-	1 190 752 4 191 701	( 658 582) - -	( 658 582) 1 190 752 4 191 701	

- 1 240 958

854 078 6 749 745 (5 318 581) 2 285 242

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

		HISTORICAL			
	Share Capital and Premium Unaudited ZWL 000	Non Distributable Reserve Unaudited ZWL 000	Retained Earnings Unaudited ZWL 000	Total Unaudited ZWL 000	
Balance as at 30 September 2018	24 810	19 460	31 557	75 827	
Loss for the year Total comprehensive income for the year Adoption of IFRS 9 effects on the joint venture	- - -	2 847 -	( 789 075) - (51)	( 789 075) 2 847 ( 51)	
Balance as at 30 September 2019	24 810	22 307	( 757 569)	( 710 452)	
Profit for the year Gain on set off of NIL liability and RBZ receivable	-	- 156 801	776 146 -	776 146 156 801	
Impairment reversal of prior year non current receivable through equity (net of tax) Nampak International Limited technical fees and interest	-	551 973	-	551 973	
reversal through equity (net of tax)	-	231 716	-	231 716	
Balance as at 30 September 2020	24 810	962 797	18 577	1 006 184	

## ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2020

	INFLATION	ADJUSTED	HIST	ORICAL
	2020 ZWL 000 Audited	2019 ZWL 000 Audited	2020 ZWL 000 Unaudited	2019 ZWL 000 Unaudited
Cash generated from / (utilised in) operating activities	229 801	(7 463 962)	993 940	(928 476)
	(267 500)	(1 378 473)	(671 501)	25 491
Working capital changes Net finance costs Tax paid	195 141 (55 148) (407 493)	(853 322) (295 083) (230 068)	(441 951) (7 276) (222 274)	74 501 (25 431) (23 579)
Net cash (utilised in) / generated from operating activities	(37 699)	(8 842 435)	322 439	(902 985)
Investing activities	(96 314)	(1 033 057)	(77 712)	(133 460)
Purchase of plant and equipment and intangible assets Proceeds on disposal of property, plant and equipment and other assets Decrease / (increase) in investments Increase in non current receivables	(97 379) 1 046 19	(51 989) 957 23 (982 048)	(77 827) 136 (21)	(4 112) 49 (4) (129 393)
Net cash (utilised in) / generated before financing activities	(134 013)	(9 875 492)	244 727	(1 036 445)
Financing activities	-	7 402 164	-	1 009 355
Increase in long term borrowings Decrease in short term borrowings Increase in long term trade payables	- - -	870 936 ( 65 642) 6 596 870		142 567 (1 907) 868 695
Net (decrease) / increase in cash and cash equivalents	(134 013)	(2 473 328)	244 727	(27 090)
Cash and cash equivalents at the beginning of the year	436 177	2 909 505	57 437	84 527
Cash and cash equivalents at the end of the year	302 164	436 177	302 164	57 437
REPRESENTED BY: Bank balances, cash and short term deposits	302 164	436 177	302 164	57 437

### NOTES TO THE INFLATION ADJUSTED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 1. CORPORATE INFORMATION

Nampak Zimbabwe Limited is a public limited Company incorporated and domiciled in Zimbabwe. The main activities of the Group are manufacturing of paper, plastic and metal packaging products and leasing of biological assets and property. The abridged inflation adjusted consolidated financial statements for Nampak Zimbabwe Limited and its subsidiaries ("the Group") for the financial year ended 30 September 2020 were authorised for issue in accordance with a resolution of the directors on 25 January 2021.

### 2. BASIS OF PREPARATION

These abridged inflation adjusted consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of the Zimbabwe Stock Exchange Listing Rules and the Companies and Other Business Entities Act (Chapter 24:31).

The inflation adjusted consolidated financial statements of the Group have been prepared based on historic cost basis and adjusted for effects of IAS 29 'Financial Reporting in Hyperinflationary Economies'. Comparative inflation adjusted consolidated financial statements are restated using the general inflation indices in terms of the measuring unit current at the balance sheet date. The primary financial statements of the Group are the inflation adjusted numbers and the historical numbers are given as supplementary information only.

The conversion factors have been adopted from the Consumer Price Index ("CPI") data prepared by the Zimbabwe National Statistics Agency (ZIMSTAT). The indices and conversion factors used to restate the financial results are as follows:

	Indices	Conversion factor
CPI as at 30 September 2020	2 205.2	1.00
CPI as at 30 September 2019	290.4	7.594

### 3. FUNCTIONAL AND PRESENTATION CURRENCY

These inflation adjusted consolidated financial statements are presented in Zimbabwe dollars ("ZWL"), which is the functional and presentation currency of the Group. All values are rounded to the nearest thousand except where otherwise stated.

### 4. STATEMENT OF ACCOUNTING POLICY

The accounting policies are consistent with those used in the prior year, except where International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") have been amended or adopted and these amendments and adoptions have had no significant impact.

### 5. NAMPAK INTERNATIONAL LIMITED LOAN AND TRADE PAYABLES LIABILITIES

The debt owed to Nampak International Limited was derecognised from the books of Nampak Zimbabwe Limited through the recognition of the transactions as being settled as a consequence of the agreement between the Reserve Bank of Zimbabwe and the relevant Nampak Group entities. This has resulted in the Reserve Bank of Zimbabwe being the effective debtor to Nampak International Limited.

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## **ABRIDGED AUDITED RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2020**

#### 6. NON DISTRIBUTABLE RESERVES

The major movement in non distributable reserves arose following the cancellation of various agreements between Nampak International Limited ("NIL") and Nampak Zimbabwe Limited ("NZL"). This resulted in the derecognition in the books of NZL of the various liabilities owed to NIL in the form of loans and trade payables, interest and technical fees and their credit to equity through the consolidated statement of changes in equity

#### 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation and fair presentation of the Group's inflation adjusted consolidated financial statements for the year ended 30 September 2020 as contained in the full Annual Report.

These audited abridged inflation adjusted consolidated financial statements are presented in accordance with the disclosure requirements of the Zimbabwe Stock Exchange ("ZSE"), the International Financial Reporting Standards (IFRS) and the Companies and Other Business Entities Act (Chapter 24:31).

The principal accounting policies applied in the preparation of these inflation adjusted consolidated financial statements are consistent with those applied in the previous annual financial statements, except where International Financial reporting Standards ("IFRS") and International Accounting Standards ("IAS") have been amended or adopted.

The Directors caution stakeholders and users in their interpretation of these financial statements following the change in the functional currency effective February 2019 and the requirement in 2019 from the Public Accountants and Auditors Board ("PAAB") and Institute of Chartered Accountants Zimbabwe ("ICAZ") to publish inflation- adjusted accounts in accordance with International Accounting Standard (IAS 29 - Financial Reporting in Hyperinflationary Economies).

The Directors have reviewed the performance and financial position of the Group and are satisfied that the Group has sufficient financial resources to continue as a going concern notwithstanding the effects of the COVID-19 Pandemic on the Group.

#### 8. AUDITORS STATEMENT

These abridged financial results should be read in conjunction with the complete set of financial statements for the year ended 30 September 2020, which have been audited by Deloitte & Touche Chartered Accountants (Zimbabwe) in accordance with International Standards on Auditing. The auditors issued a qualified opinion on the financial statements for the carryover effects of non-compliance with IAS 21 - "The Effects of changes in Foreign Exchange Rates" from the prior year. The audit report includes a section on Key Audit Matters. The Key Audit Matters are on appropriate accounting of legacy debt transaction and reversal of technical fees liability. The auditor's report is available for inspection at the Company's registered address. The Engagement Partner responsible for the audit was Tapiwa Chizana.

#### 9. GROUP OPERATING SEGMENT REPORT

 $Segment\ reporting\ for\ the\ year\ ended\ 30\ September\ 2020$ 

	INFLATION ADJUSTED			
	Printing & Converting ZWL 000	Plastics & Metals ZWL 000	Services & Eliminations ZWL 000	Total ZWL 000
Sales to local customers Sales to export customers Other sales Intersegmental sales	2 132 102 378 350 6 683 6 183	2 533 542 99 738 - 7 309	(63 792) - - (13 492)	4 601 852 478 088 6 683
Total Sales	2 523 318	2 640 589	(77 284)	5 086 623
Result Trading income Operating profit Finance income Finance costs Net loss from joint venture Tax expense	409 220 728 372 16 619 (27 395) - (783 737)	391 439 138 518 72 346 (119 021) - (819 663)	27 471 144 793 (3 362) 5 665 (7 186) (4 531)	828 130 1 011 683 85 603 (140 751) (7 186) (1 607 931)
Loss for the year	(66 141)	(727 820)	135 379	(658 582)
Other information Segment assets Segment liabilities Capital expenditure Depreciation and amortisation Biological assets - fair value adjustment Impairment reversal of plant and equipment Other material expenses Monetary gain	1 851 855 798 255 28 616 53 219 (9 913) - 102 082 411 321	1 424 000 338 374 77 045 113 245 (293) 368 304 115 089	218 631 72 615 (8 282) (12 084) - 14 364 131 687	3 494 486 1 209 244 97 379 154 380 (9 913) (293) 484 750 658 097

### 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	2 124 780	2 272 250	-	4 397 030	
Sales to export customers	482 153	175 632	-	657 785	
Othersales	5 122	-	-	5 122	
Intersegmental sales	35 977	17 637	(53 614)	-	
Total Sales	2 648 032	2 465 519	(53 614)	5 059 937	
Result					
Trading income / (loss)	578 194	574 263	(23 340)	1 129 117	
Operating loss	(1 953 591)	(5 517 403)	(93 520)	(7 564 514)	
Finance income	14 969	15 419	(1 480)	28 908	
Finance costs	(52 169)	(273 303)	1 481	(323 991)	
Net profit from joint venture	-	-	55 172	55 172	
Tax credit	273 011	1 277 478	902	1 551 391	
Loss for the year	(1 717 780)	(4 497 809)	(37 445)	(6 253 034)	
Other information					
Segment assets	2 500 963	3 828 205	126 096	6 455 264	
Segment liabilities	2 862 898	7 372 315	(100 362)	10 134 851	
Capital expenditure	18851	597	32 541	51 989	
Depreciation and amortisation	56 515	108 572	2 277	167 364	
Biological assets - fair value adjustment	(4944)	-	-	(4944)	
Impairment of non current receivables	1 028 948	4 539 178	-	5 568 126	
Other material expenses / (income)	2 382 508	2 834 766	( 560)	5 216 714	
Monetary gain / (loss)	869 784	1 287 223	(70 742)	2 086 265	

### Segment reporting for the year ended 30 September 2020

		HISTORICAL				
	Printing & Converting ZWL 000	Plastics & Metals ZWL 000	Services & Eliminations ZWL 000	Total ZWL 000		
Sales to local customers	1 115 820	1 290 667	-	2 406 487		
Sales to export customers	234 824	43 597	-	278 421		
Other sales	3 420	-	-	3 420		
Intersegmental sales	32 810	2 375	(35 185)	-		
Total Sales	1 386 874	1 336 640	(35 185)	2 688 328		
Result						
Trading income / (loss)	683 410	504 457	(159 859)	1 028 008		
Operating income / (loss)	693 771	479 051	(174 537)	998 285		
Finance income	5 3 2 2	26 597	(408)	31 511		
Finance costs	(9 086)	(32 236)	2 535	(38 787)		
Net profit from joint venture	-	-	13 444	13 444		
Tax expense	(148 942)	(76 605)	(2 760)	(228 307)		
Profit / (loss) for the year	541 065	396 807	(161 726)	776 146		
Other information						
Segment assets	1 050 190	706 870	16 570	1773630		
Segment liabilities	572 662	195 575	( 791)	767 446		
Capital expenditure	25 697	62 120	(9990)	77 827		
Depreciation and amortisation	6 5 9 1	2 949	(3085)	6 455		
Biological assets - fair value adjustment	(9913)	-	-	(9913)		
Impairment of plant and equipment	-	(75)	-	(75)		
Other material (income) / expenses	(449)	25 480	14 679	39 710		

### 9. GROUP OPERATING SEGMENT REPORT (continued)

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	170714	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	
Result					
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 3 4 5)	(22 333)	211	(26 467)	
Net profit from joint venture	-	-	2 752	2 752	
Tax credit	52 008	114 064	499	166 571	
Loss 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 2 1 6	2 869	27	4112	
Depreciation and amortisation	1 659	3 350	67	5 0 7 6	
Biological assets - fair value adjustment	(651)	-	-	(651)	
Impairment of non current receivables	135 495	597 807	-	733 302	
Impairment of plant and equipment	-	75	-	75	
Other material expenses	130 672	186 612	(74)	317 210	

#### 10. OTHER MATERIAL EXPENSES

	INFLATION ADJUSTED		HISTORICAL	
	2020 ZWL 000 Audited	2019 ZWL 000 Audited	2020 ZWL 000 Unaudited	2019 ZWL 000 Unaudited
Retrenchment, termination and restructuring costs	7 053	1314	5 951	173
Fair value gain on biological assets	(9 913)	(4 944)	(9 913)	(651)
Impairment reversal of plant and equipment	(293)	2 574	(75)	75
Net exchange losses on foreign currency	477 697	5 212 826	33 760	317 763
Impairment of non current receivable	-	5 568 126	-	733 227
Total	474 544	10779896	29 723	1 050 587

#### **COMMENTARY**

The overall demand for packaging remained subdued this year, compared to previous years. Nampak has not been immune to the social and economic impact of the COVID 19 pandemic and the resulting effects on the Zimbabwe economy over the past year.

#### Hunyani

Volumes for the full year declined by 28% compared to the prior year. The Hunyani Corrugated Division decline was driven by the tobacco case market where the local tobacco crop output was significantly down on the prior year and the delayed start of this year's tobacco marketing season due to COVID-19 concerns. There was also a decline in regional exports. The Cartons, Labels and Sacks division remained profitable despite stiff competition and reduced volumes

### Mega Pak

The full year volumes declined by 12% against the prior year, mainly due to constrained consumer demand in the preforms market in the first half of the year. However, local demand increased in the final quarter of the year. Regional export demand was depressed, especially in the Democratic Republic of Congo.

### CarnaudMetalbox

Volumes for the full year declined by 34% compared to the prior year. The shortage of foreign exchange and reduced disposable incomes in the first half of the year negatively impacted demand. There was improved product demand in the final quarter, and access to needed foreign exchange improved through the auction system.

### Softex Tissue Products

 $Softex \ continued \ to \ trade \ profitability \ as \ a \ result \ of \ tight \ cost \ control \ and \ an \ improved \ product \ mix.$ 

#### Estates We mai

We maintained our engagement with the relevant Authorities to regain effective control of our Estates in terms of the BIPPA agreement with South Africa. Our intention is to rehabilitate them for timber and agricultural purposes, in support of the current Government policy thrust in this direction. We remain hopeful for the restoration of title or long term leases which will provide the security required for new investment and job creation.

### Dividend

The available cash resources are expected to fund future capital expenditure projects and meet working capital requirements. In view of this, the Directors have decided not to declare a dividend (2019: Nil).

### Outlook

The 2020 trading year has certainly not been without its challenges but, we believe, given the continual focus on cost control and margin preservation, that the Group is well positioned to prosper in the coming year. Nampak looks forward to continuing cooperation with Government and all stakeholders towards achieving further much-needed reforms in Zimbabwe's macro-economic environment.



Group Managing Direr

25 January 2021

**DIRECTORS:** K. C. Katsande (Chairman), J. P. Van Gend\* (Group Managing Director), F. Dzingirai\* (Group Finance Director), P. Crause, P. Gowero (M. Valela, Alt), A. H. Howie, K. J. Langley, Q. Swart

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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

#### **Qualified 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 2020, 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.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the inflation adjusted consolidated financial statements present fairly, in all material respects, the inflation adjusted consolidated financial position of the Group as at 30 September 2020, and its inflation adjusted consolidated financial performance and inflation adjusted consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Other Businesses Entities Act (Chapter 24:31), the relevant Statutory Instruments ("SI") SI33/99 and SI62/96.

#### **Basis for Qualified Opinion**

Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information and property, plant and equipment

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 and coins into the basket of multi currencies. The below 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":

- 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).

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

#### **Basis for Qualified Opinion (continued)**

Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information and property, plant and equipment (continued)

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.

For the period up to 22 February 2019, the Group maintained its functional currency as the USD, with transactions and balances reflected using an exchange rate of 1:1 in compliance with S1 33/19. From 22 February 2019, balances and transactions were retranslated at the legislated inaugural exchange rate of 1:2.5 between the USD and the ZWL in compliance with the requirements of SI33/19.

Whilst the timing of this conversion was in line with the dictates of SI 33/19 it constituted a departure from the requirements of IAS 21, and therefore the 2019 financial statements were not prepared in conformity with IFRS. Had the Group applied the requirements of IAS 21, the 30 September 2019 comparative inflation adjusted consolidated financial statements and property, plant and equipment balance as at 30 September 2020 would have been materially impacted. The financial effects of this departure on the inflation adjusted consolidated financial statements have not been determined.

Our opinion on the current year's inflation adjusted consolidated financial statements is modified because of the possible effects of the matter on comparability of the current year's inflation adjusted consolidated financial statements with that of the prior year and the carry over effect on the property, plant and equipment balance as at 30 September 2020.

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 (including International Independence Standards) (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 qualified opinion.

#### **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 Qualified Opinion section of our report, we have determined the matters below to be the key audit matters.

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

#### **Key Audit Matters (continued)**

#### 1. Appropriate accounting of legacy debt transaction

During the 2019 financial year, Nampak Zimbabwe Limited (NZL) entered into an agreement with the Reserve Bank of Zimbabwe (RBZ) and Nampak International Limited (NIL) encompassing the undertaking by the RBZ to provide foreign currency to pay off the debt held by NZL payable to NIL amounting to US\$66.8 Million.

Furthermore during the 2019 Financial year there was a contract entered into between NZL and NIL ("recourse agreement"), which stipulated that NZL would remain liable for the obligation until such a time that the RBZ had made payment.

During the current year, a revocation agreement was entered into between Nampak International Limited ("NIL") and Nampak

Zimbabwe Limited ("NZL") subsidiaries in terms of which NIL waived its rights under the recourse agreement. The result of this is that the recourse agreement between NIL and NZL's subsidiaries was cancelled in order for de-recognition of the financial asset and US dollar based liability to be recognised in the NZL books.

Given the material impact of the consequences of this revocation agreement on the accounting records, we assessed this as a key audit matter.

The details of the transaction have been disclosed in Notes 15, 22 and 23 of the inflation adjusted consolidated financial statements.

To address this matter, we performed the following audit procedures:

- We assessed the controls designed and implemented by the directors to ensure that the transaction had been appropriately accounted for in the inflation adjusted consolidated financial statements.
- We assessed the business rationale of the transaction for reasonableness.
- We reviewed the accounting for the revocation agreement with respect to the following areas:
  - The effective date of the transaction;
  - The treatment of the foreign exchange losses on the liability; and
  - The de-recognition entries processed.
- We reviewed the taxation opinion obtained by management to ensure that the tax treatment has been appropriately accounted for in the books of NZL.

We considered the accounting treatment and disclosures included in the inflation adjusted consolidated financial statements to be appropriate.

#### 2. Reversal of technical fees liability

During the current year, NZL subsidiaries entered into an agreement with NIL in which NIL agreed to write off the accrued Technical fees as at 1 April 2020. NIL also agreed that any Technical fees that were invoiced for the current year be reversed.

The result of this is that the technical fees agreement between NIL and NZL's subsidiaries was cancelled in order for de-recognition of the liability to be recognised in the NZL books.

As reflected in note 20 of the inflation adjusted consolidated financial statements, the directors have reversed the technical fees

Given the material impact of the consequences of this cancelation agreement on the accounting records, we assessed this as a key audit matter.

To address this matter, we performed the following audit procedures:

- We assessed the controls designed and implemented by the directors to ensure to ensure that the transaction had been appropriately accounted for in the inflation adjusted consolidated financial statements.
- We assessed the business rationale of the transaction for reasonableness.
- We reviewed the accounting for the cancelation agreement with respect to the following areas:
  - The effective date of the transaction; and
  - o The de-recognition entries processed.
- We reviewed the taxation opinion obtained by management to ensure that the tax treatment had been appropriately accounted for in the books of NZL.

We considered the accounting treatment and disclosure included in the inflation adjusted consolidated financial statements to be appropriate.

#### 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, Shareholders' Diary, Notice to Members, Shareholders' 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 inflation adjusted 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 inflation adjusted 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 Qualified 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 comparative other information and current year property, plant and equipment 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

#### 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.

#### 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 (continued)

- 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 inflation adjusted 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, actions taken to eliminate threats or safeguards applied.

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.

#### **Report on Other Legal and Regulatory Matters**

In fulfilment of the requirements of Section 193 of the Companies and Other Business Entities Act (Chapter 24:31) ("the Act"), we report to the shareholders as follows:

#### Section 193(1)

With exception of the effects of the matter described in the Basis for Qualified Opinion section of our report, the inflation adjusted financial statements of the Group are properly drawn up in accordance with the Act and therefore give a true and fair view of the state of the Group's affairs as at 30 September 2020.

#### Section 193(2)

We have no matters to report in respect of the Section 193(2) requirements of the Act.

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

Deloitte & Touche

**Chartered Accountants (Zimbabwe)** 

Per: Tapiwa Chizana

Partner

Registered Auditor

PAAB Practice Certificate Number: 0444

Date: 31 January 2021