Nampak
packaging excellence

FINANCIAL STATEMENTS 2017

ADVANCED MANUFACTURING

Contents

Directors' responsibility for annual financial statements

for the year ended 30 September 2017

The directors of the company are responsible for the preparation and integrity of the annual financial statements and related financial information included in this report. The annual financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards and the requirements of the Companies Act, No 71 of 2008, and incorporate full and responsible disclosure in line with the accounting philosophy of the group.

The directors are responsible for the internal controls and management enables the directors to meet these responsibilities. Adequate accounting records and internal controls and systems have been maintained to provide reasonable assurance on the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for the group's assets. Such controls are based on established policies and procedures and are implemented by trained personnel with appropriate segregation of duties.

The board is responsible for ensuring that the company maintains a sound and effective system of internal controls and risk management. The audit committee assessed the effectiveness of the system of internal controls and risk management for the year under review, principally through self-assessment by, and information from, management and reports from the internal and external auditors. Based on these processes and reports, the board is of the opinion that the company's system of internal control and risk management is effective and provides reasonable assurance on the integrity and reliability of the financial statements and the safeguarding of the company's assets.

It is the responsibility of the independent auditors to report on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

The annual financial statements of the year ended 30 September 2017, set out on pages 13 to 79, were approved by the board of directors at its meeting on 28 November 2017 and are signed on its behalf by:

TT Mboweni
Chairman

A de Ruyter
Chief executive officer

Preparer of financial statements

The annual financial statements have been prepared under the supervision of GR Fullerton CA(SA).

GR Fullerton
Chief financial officer

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008, I certify that the company has lodged with the Commissioner all such returns and notices required by the Companies Act and that all such returns and notices are true, correct and up to date.

IH van Lochem
Company secretary

Independent auditor's report

TO THE SHAREHOLDERS OF NAMPAK LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Nampak Ltd ("the group") set out on pages 19 to 78 which comprise the statements of financial position as at 30 September 2017, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nampak Ltd as at 30 September 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors ("IRBA Code") and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters identified relating to the separate financial statements.

Key audit matter	How the matter was addressed in the audit
IMPAIRMENT CONSIDERATIONS OF NAMPAK BEVCAN NIGERIA GOODWILL	
The recovery of the carrying value of goodwill involves significant judgement as it relates to achieving forecasts set by the directors. In addition, it requires the directors to make estimates of assumptions supporting weighted average cost of capital (discount rate) and other related inputs and is therefore a key audit matter. The goodwill recognised on the acquisition of Bevcan Nigeria is R3.1 billion and comprises 32% of the total net assets of the group at year-end. The directors are required by IAS 36, *Impairment of Assets* ("IAS 36"), to conduct annual impairment tests to assess the recoverability of the carrying value of goodwill. In accordance with IFRS, this is performed using discounted cash flow models. As disclosed in notes 2 and 7.2 of the consolidated financial statements, there are a number of key sensitive judgements made in determining the inputs into these models which include: » Revenue growth (which includes pricing, market share and sales volumes); » Forecast operating margins; and » The discount rate applied to the projected future cash flows similar to that of a market participant. The forecasts also take into account the expected recovery of the Nigerian economy coupled with an ease in US dollar liquidity constraints in the medium term.	We assessed the controls designed and implemented by the directors to provide assurance that the assumptions used in preparing the impairment calculations are regularly updated, that changes are monitored, scrutinised and approved by appropriate personnel and that the final assumptions used in impairment testing have been appropriately approved. These include controls implemented by Those Charged with Governance to understand robustness of key assumptions. We focused our testing of the impairment of goodwill on the key assumptions made by the directors. Our audit procedures included: » Analysing the future projected volumes and pricing of products to determine whether they are reasonable and supportable given the current economic environment in Nigeria. » Testing of forecasts to historical performance. » Engaging our internal specialists to assist with: a) Critically evaluating whether the model complies with the requirements of IAS 36; and b) Validating the assumptions used to calculate the discount and growth rates, and recalculating thereof. Specific focus was placed on in-country risk premiums and capital structure of a market participant. » Subjecting the key assumptions to sensitivity analyses. » Considering, where appropriate, contrary evidence. » Reviewing the appropriateness of the disclosure in the financial statements. We challenged certain assumptions based on our understanding of historical performance and market conditions. In aggregate, the assumptions applied appear to be reasonable. We consider the disclosure of the goodwill to be adequate.

Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit

IMPAIRMENT OF NAMPAK GLASS GOODWILL, INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Key audit matter

As a result of the lower than expected financial performance of the Glass business in the past and current financial years, the assessment of the impairment of the Nampak Glass goodwill remains a key judgement. Given the financial performance, risk also exists that intangible assets and/or property, plant and equipment may be impaired.

The calculation of a cash-generating unit's value in use involves significant judgement as it relates to achieving forecasts set by the directors. In addition, it requires the directors to make estimates of assumptions supporting weighted average cost of capital (discount rate) and other related inputs and is therefore a key audit matter.

Prior to impairment, the amount of the Nampak Glass goodwill, as disclosed in note 7.2 of the consolidated financial statements, amounted to R321.1 million which was subsequently impaired following a review of key assumptions used on estimating the value in use of the asset. In addition, intangible assets have also been impaired to the amount of R114.2 million and no impairment to property, plant and equipment was required.

The key assumptions, for the assessment of goodwill, intangibles and property, plant and equipment, with the most significant impact on the cash flow forecast were:

- Revenue growth (which includes pricing, market share and volume growth)
- Margin performance
- Capital maintenance cash flow requirements
- Working capital movements, and
- The discount rate applied to projected cash flows.

How the matter was addressed in the audit

We assessed the controls designed and implemented by the directors to provide assurance that the assumptions used in preparing the impairment calculations are regularly updated, that changes are monitored, scrutinised and approved by appropriate personnel and that the final assumptions used in impairment testing have been appropriately approved.

We focused our testing of the impairment of goodwill, intangible assets and property, plant and equipment on the key assumptions made by the directors. Our audit procedures included the following:

- Analysing the sales volumes and prices with reference and probability of achievement of these targets in the future.
- Testing of forecasts to historical performance.
- Engaging our internal specialists to assist with:
  - a) Critically evaluating whether the model complies with the requirements of IAS 36.
  - b) Validating the assumptions used to calculate the growth and discount rates and recalculating these rates.
  - c) Evaluating expected margin performance to past benchmarks and peer analysis.
  - d) Subjecting the key assumptions to sensitivity analyses.
- Reviewing the appropriateness of the disclosure in the financial statements.

We challenged the appropriateness of the key assumptions in the impairment test (including market size, expected volume gains, pricing, price and cost escalation, margin performance and the discount rate). Our challenge was based on our assessment of the historical accuracy of the group's estimates in previous periods, our understanding of the commercial prospects of key improvements implemented, and being implemented, by management to enhance and achieve forecasts. We challenged changes in assumptions from prior periods where required.

We found that although the assumptions used by the directors were reasonable based on expected plans for the future, it appears more conservative than the prior year.

The discount rates used appear to be aggressive but within a reasonable range.

We consider the disclosure of the goodwill to be adequate.

CASH REPATRIATION AND LIQUIDITY CONSTRAINTS

Key audit matter

During the year the Nigerian Naira weakened by 14% (2016: 23%) against the US dollar. Nigerian liquidity has improved in the current year due to the use of floating exchange rates rather than fixed exchange rates, which has enabled Nampak Ltd to extract cash to settle liabilities.

Liquidity remains a challenge in Angola even though there was no further devaluation in the Angolan Kwanza in the current year (2016: 23%). Furthermore, political uncertainty also led to restrictions on extraction of hard US dollar from Zimbabwe.

As a result, various controls have been implemented by the directors to expedite cash repatriation. The directors have also made investments in US dollar indexed Kwanza bonds to hedge the risk to foreign currency exposure associated with in-country cash balances where extraction from the above-mentioned countries have not been possible.

How the matter was addressed in the audit

We assessed the controls designed and implemented by the directors to provide assurance that the cash management and extraction processes were implemented appropriately during the year.

We focused our testing on the impact of cash repatriation and liquidity constraints including the following:

- Understand entity prepared information as it relates to investments and trade and other accounts per country, including history of payment, by component to the treasury department.
- At a component level, understood the methods of cash repatriation and related hedging activities, and accounting treatment thereof. Hedging activities includes the investment in US dollar indexed Angolan Kwanza bonds.
- Understanding the directors' calculations around cash requirements coupled with a review of available funding facilities.

We found that even though exposure in various countries exist, in particular Angola, Nigeria and Zimbabwe, extraction is taking place. We concur that the directors have implemented adequate controls and processes to ensure that cash repatriation and liquidity is addressed.

Independent auditor's report continued

Key audit matter	How the matter was addressed in the audit
CLASSIFICATION OF THE US DOLLAR INDEXED KWANZA BONDS	
Nampak Ltd has invested in R2.0 billion (USD 144.1 million) US dollar indexed Kwanza bonds to protect Nampak against further devaluation of the local currency. As disclosed in note 6.2, of the consolidated financial statements, the bonds have been classified as loans and receivables in accordance with IAS 39, *Financial instruments: Recognition and Measurement ("IAS 39")*. In addition, the portion maturing 12 months after the reporting period end has been classified as non-current. As a result, the classification thereof and the impact on current period covenant calculations was identified as a key audit matter. Prior year comparatives have been reclassified accordingly.	Our audit procedures included the following: » Understanding the nature of the US dollar indexed Kwanza bonds. » Evaluation the bonds against the requirements of IFRS in terms of the correct classification of the bonds. » Reviewed the disclosure included in the consolidated financial statements. We concur with the disclosure of the US dollar indexed Kwanza bonds as loans and receivables, in accordance with IAS 39 and labelled "Liquid Bonds" in the current year. It was split between current and non-current assets based on the maturity profile of the instruments.
COMPLIANCE WITH DEBT COVENANT CALCULATIONS	
Non-compliance with debt covenants could have a significant impact on the liquidity of the group and company. Classification of all elements of such calculations, identification and disclosure of all guarantees and contingencies are critical to ensure adequate reporting to stakeholders. Given the cash repatriation and liquidity constraints experienced by the group, the impact on covenant calculations was identified as a key audit matter. Funding arrangements are disclosed in note 6.1 of the consolidated financial statements.	Our audit procedures included the following: » Evaluating the design and implementation of key controls that address this key audit matter. » Reviewing of contractual definitions to understand which elements qualify for inclusion in the covenant calculations, specifically as it relates to foreign asset balances. » Reviewing all funding arrangements to ensure all debt covenants, guarantees and contingencies have been identified appropriately. » Recalculating all debt covenants at the year-end. » Considering the impact of breached covenants on the consolidated financial statements. » Reviewing disclosure in the consolidated financial statements of debt covenants, guarantees and contingencies to ensure that it is adequate and appropriate. We have noted the directors' internal legal view as it relates to the definition of cash for net debt calculation purposes. We concur with the directors' assessment that no non-compliance has occurred, and that the disclosure of these arrangements is adequate and complete.

Independent auditor's report continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report, Audit Committee's Report and Company Secretary's Certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report and the Integrated Report, which is expected to be made available to us after that date.

The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

» Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company'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 and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
» Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report continued

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nampak Ltd for 49 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Trushar Kalan
Partner

28 November 2017

Report of the audit committee

for the year ended 30 September 2017

The audit committee (the committee) has the pleasure of presenting its report to shareholders. The committee continues to play an essential role in overseeing the integrity of the company's integrated and financial reporting, the internal and external audit functions and the adequacy and effectiveness of the company's internal and financial controls, governance and risk management processes.

The committee has discharged all its responsibilities and carried out all the functions assigned to it in accordance with section 94(7) of the Companies Act, No 71 of 2008 (the Companies Act) and as contained in the committee's charter for 2017. The committee and its activities are aligned, as appropriate, with the recommendations of the King IV Report on Corporate Governance for South Africa 2016.

MEMBERS OF THE COMMITTEE AND MEETINGS

In compliance with the Companies Act, the Listings Requirements of the JSE Limited (the Listings Requirements) and King IV, all members of the committee are independent non-executive directors. They all have adequate relevant knowledge and the experience to equip the committee to effectively perform its functions.

The committee is required to meet at least three times per year. The committee met six times for the financial year ended 30 September 2017. Membership and attendance details were as follows:

Member	Date first appointed	Normal audit committee meetings 14/11/2016	10/3/2017	19/5/2017	Special audit committee meetings 8/11/2016	10/11/2016	8/9/2017
RC Andersen (appointed as chairman on 1 February 2017)	21 November 2008	✓	✓	✓	✓	✓	✓
NV Lila	27 March 2014	✓	✓	✓	✓	✓	×
IN Mkhari	27 March 2014	✓	✓	✓	✓	✓	✓
J John	5 May 2017	N/A	N/A	✓	N/A	N/A	✓
CWN Molope (resigned as director and chairman on 1 February 2017)	1 June 2007	✓	N/A	N/A	✓	✓	N/A

The overall average attendance at the audit committee meetings held during the year was 95%.

Shareholders will be requested to elect the members of the committee at the annual general meeting to be held on 1 February 2018 to hold office until the end of the next annual general meeting. All members are recommended by the board for election by the shareholders for the financial year ending 30 September 2018. The abridged curricula vitae of the members are included on pages 76 and 77 of the 2017 integrated report. The board must fill any vacancy on the committee within 40 business days after such vacancy arises but may not remove any member elected by shareholders from the committee.

The lead internal auditor, the external auditors, the chief executive officer and the chief financial officer attend and report at all committee meetings by invitation. Due to the importance of risk management in the functioning of the committee, the chairman of the risk and sustainability committee is also a member of this committee. The committee also meets, as appropriate, with the external and internal auditors without management being present.

ROLE OF THE COMMITTEE

The committee is constituted as a statutory committee of Nampak Ltd and acts as the audit committee for all the South African subsidiaries of the company in terms of the Companies Act; the committee is accountable in this regard to both the board and the shareholders. A formal charter, setting out the committee's duties and responsibilities is reviewed regularly by the board.

Refer to the audit committee charter available on our website, www.nampak.com, for full details regarding the duties and functions of the audit committee.

Report of the audit committee continued

for the year ended 30 September 2017

EXECUTION OF FUNCTIONS DURING THE YEAR

Internal audit

- With effect from 1 September 2015, the company extended the outsourced internal audit function of the group to EY Advisory Services Ltd for an additional five years. The relationship between Nampak and EY is governed in accordance with an agreement that sets out the rights and obligation of the parties.
- The committee reviewed the internal audit charter and approved the internal audit plan and assessed the performance of the lead internal auditor who is part of the internal audit outsourced function, as well as the independence and effectiveness of the internal audit function against the plan, and found them to be performing satisfactory.

External audit

- The committee is satisfied that the external auditor is qualified and independent of the group and has nominated Deloitte & Touche (Deloitte) for reappointment by the shareholders as the external auditor of the company and the group for the financial year ending 30 September 2018 with Mr Trushar Kalan as the designated auditor. Mr Trushar Kalan was initially appointed as the individual registered auditor during the financial year ended 30 September 2015. Ordinarily the individual registered auditor rotates after a period of five years. Deloitte has been the auditor of Nampak Ltd for 49 years.
- The committee is satisfied that Deloitte and the individual auditor responsible for performing the functions of auditor, Mr Trushar Kalan, are accredited as such on the JSE list of auditors and their advisers as required by the Listings Requirements.
- The external audit plan, terms of engagement and audit fee have been approved by the committee. The committee also pre-approved permissible non-audit services provided by Deloitte in line with approval thresholds.
- Taking into consideration the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies, the committee is satisfied that Deloitte is independent.
- It was confirmed that no unresolved issues of concern exist between the group and the external auditors.
- The quality and effectiveness of the external audit process was reviewed and the committee concluded it to be satisfactory, taking into consideration the external auditor's internal quality control procedures. No material issues were raised by the most recent internal quality control review, or peer review of the external auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities.

Reporting

- The committee confirmed the going concern as the basis of preparation of the interim and annual financial statements and has reviewed the interim financial results and annual financial statements. The committee is satisfied that they fairly present the consolidated and separate results of the operations, cash flows and financial position of Nampak Ltd and the group for the year ended 30 September 2017 and comply, in all material respects, with the relevant provisions of the Companies Act, the International Financial Reporting Standards (IFRS) and Interpretations of IFRS as issued by the International Accounting Standards Board.
- Together with the going concern assessment, the committee also considered the solvency and liquidity of the company and considered and made recommendations to the board on the dividend policy. The committee also reviewed the company's approach to risks and risk appetite as they pertain to financial reporting and found them to be sound.
- Reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate.
- The committee considered the appropriateness of the accounting policies adopted, accounting treatments, significant unusual transactions and accounting judgements and considered whether any concerns and/or risks were identified regarding significant legal, tax and other matters that could have a material impact on the financial statements.
- Examined and reviewed the interim and annual financial statements and all financial information disclosed to the public prior to submission and approval by the board.
- The external auditor's report was considered and the committee was assured by the auditors that adequate accounting records were being maintained. The committee also considered whether any reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 2005, and determined that there were none.

Report of the audit committee continued

for the year ended 30 September 2017

- Reviewed the representation letter, signed by management, on the consolidated and annual financial statements.
- The committee confirms that it has considered the findings contained in the 2017 proactive monitoring report, published by the JSE Limited, when preparing the annual financial statements for the year ended 30 September 2017 and will also consider the same for the upcoming interim results for the six months ending 31 March 2018.
- The committee is also satisfied with the quality and integrity of the integrated report and the sustainability information published.

ADEQUACY AND FUNCTIONING OF THE GROUP'S INTERNAL CONTROLS AND EFFECTIVENESS OF THE DESIGN AND IMPLEMENTATION OF FINANCIAL CONTROLS

- The committee is of the opinion that there were no material breakdowns in internal control during the financial year. The committee considered reports from the internal and external auditors on the effectiveness of the group's systems of internal control, including internal financial controls, reviewed the findings and significant matters and conclusions reported and considered the adequacy of any corrective action proposed and taken in response to significant findings.
- The committee reviewed the plans and work outputs of the external and internal auditors, and concluded that these were adequate to address the significant financial risks facing the business.
- The committee received and considered tip-offs anonymous reports as far as they related to the financial and reporting affairs of the group.

The committee has satisfied itself that the following areas have been appropriately addressed:

- financial reporting risk;
- internal financial controls;
- fraud risk as it relates to financial reporting; and
- information technology and legal risk as they relate to financial reporting.

KEY AUDIT MATTERS AND SIGNIFICANT AREAS OF JUDGEMENT

After discussion with management and the external auditor, the committee concurred with the key audit matters below and as set out in Deloitte's report on the audit of the consolidated annual financial statements for the year ended 30 September 2017 and were comfortable that the matters were correctly represented:

- Impairment of Nampak Bevcan Nigeria goodwill.
- Impairment of Nampak Glass goodwill, intangible assets and property, plant and equipment.
- Cash repatriation and liquidity constraints.
- Disclosure of the liquid US dollar linked kwanza bonds.
- Compliance with debt covenant calculations.

In arriving at the results disclosed in the financial statements, there are many areas where judgement is required. The committee considered the extent of the assets and liabilities on the statement of financial position and other items that require significant judgement and decided to expand on the following judgements, notwithstanding that there may be other areas where judgement was required:

- Goodwill.
- Asset impairments.
- Property, plant and equipment.
- Onerous contracts.
- Taxation.
- Cash repatriation and liquidity constraints.

Report of the audit committee continued

for the year ended 30 September 2017

In making this assessment, the committee examined the external auditor's report and questioned executive management in arriving at their conclusions.

GOODWILL

Goodwill is assessed annually for impairment. Given the value thereof, the key assumptions relating to the Glass and Bevcan Nigeria goodwill required robust assessment. The key assumptions used are cash flow projections, growth rates and discount rates. The cash flow projections are prepared by divisional management, and approved by executive management. The discount rates are established by the corporate treasury team, taking into account the geographic and other risk factors relating to the particular cash-generating unit being assessed. The committee considered the impairment tests noting the assumptions used, their sensitivities and the headroom. The group has impaired R321 million relating to the goodwill on acquisition of the remaining 50% of the joint venture company Nampak Wiegand Glass (Pty) Ltd in 2012 and R114 million relating to intangible assets. The Committee agreed with the impairment of the goodwill and in light of the current financial performance of the operation believes that the remaining carrying value of the glass business's assets are recoverable.

No further goodwill impairments were considered necessary.

ASSET IMPAIRMENTS

In 2017 additional impairments, other than goodwill, to the value of R259 million were expensed compared to R360 million for the comparative period. Current year impairments include a R112 million impairment related to the UK in-plant (see reference to onerous contracts) and R35 million related to the tinplate can line at the Bevcan operation in Cape Town. It also includes site closures associated with the decision by the major dairies to vertically integrate in the UK resulting in asset impairments of R79 million.

ONEROUS CONTRACTS

During 2015, the plastics business in the UK commenced with the construction of a property attached to a customer's dairy and the installation of an in-plant facility on this customer's site. The company entered into a contract for the supply of bottles for a period of nine years. Given project overruns and certain manufacturing difficulties, the project has been unsuccessful to date with the contract now being assessed as an onerous contract given contracted pricing. Negotiations continue with the customer to find a solution to the pricing mechanisms. However, assets related to the operation of R112 million have been impaired. Furthermore, the unrecoverable portion of the contract amounting to R55 million has been provided for as onerous and disclosed as an abnormal item. This is considered a significant judgement and after careful consideration of the viewpoints of management by the committee, the recognition of the onerous contract is considered prudent and correct.

PROPERTY, PLANT AND EQUIPMENT (PPE)

During the year, the Independent Regulatory Board of Auditors (IRBA) issued its inspections report, which sets out findings following the previous cycle of audit firm and assurance engagement reviews. The objective of this report is to promote sustainable high audit quality by providing an analysis of key findings arising from firm and assurance engagement inspections performed for the financial year ended 31 March 2016. The report is not only aimed at auditors, but also other financial stakeholders, such as audit committees, investors, company directors and chartered accountants, to assist them in their respective roles by encouraging robust discussion around matters affecting audit quality.

The majority of findings per the inspection report related to IAS 16. Management has demonstrated that the group is compliant with IAS 16, in all material aspects, after the detailed review performed in the current year. The group has committed to perform a bi-annual review of residual values and useful lives in order to ensure continued IAS 16 compliance. As such, the recurrence of items of PPE being materially overdepreciated in years to come is unlikely. There will be a continuous drive to remove assets not in use from asset registers. The policy implemented to assess strategic spares and the capitalisation thereof has resulted in divisions correctly booking strategic spares to PPE instead of maintenance and as such ensures the maintenance expense is not overstated. The committee is in agreement with management's judgement related to IAS 16.

Report of the audit committee continued

for the year ended 30 September 2017

TAXATION

The group operates in several jurisdictions with complex tax legislation requiring judgements to be exercised in recognising tax liabilities. There are also judgements required in recognising deferred tax assets. The committee questioned management on the computation and tax risks relating to the group. Where appropriate, the committee also considers the opinions of the group's independent tax advisers. The committee considers the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management. A deferred tax asset was raised amounting to R1 222.2 million based on an assessment of its forecast taxable income and its recoverability. The effective tax rate of 37.5% was up compared to 11.9% in the prior year mainly due to impairments in 2017 and sale and leaseback profit in 2016.

No major tax issues arose during the year.

CASH REPATRIATION AND LIQUIDITY CONSTRAINTS IN THE REST OF AFRICA

For the current year the cash repatriation of US$79 million from Nigeria has exceeded the initial guidance to the market of US$54 million.

The Angolan repatriation in the second half was directly related to the letters of credit (LCs) granted to the group. The group was advised, post a meeting with Angolan Central Bank (Banco Nacional de Angola), that the outstanding LCs would not be honoured resulting in LCs to a value of approximately US$17 million being withdrawn. Of this amount, US$4 million relates to orders for inventory and the balance of US$13 million was intended to fund the conversion of the tinplate line to aluminium. Furthermore, it would appear that they are reverting to the old system, which is that relevant ministries will be responsible for cash allocation. In management's view, this may well be advantageous to the group given that previous requests to Angolan ministries have been met with some success.

The group holds US$144 million in US dollar linked kwanza bonds (bonds). The extent of the liquidity of these bonds is a material judgement. The intention of management in holding the bonds is purely to shield against potential currency devaluation in the Angolan market where US$ liquidity is limited and not to hold these instruments as an investment. As amounts mature and there is an opportunity to repatriate the cash, this will be done. Management has written confirmation from the company's bankers that the US dollar linked kwanza bonds are liquid. These bonds have varying maturity dates from one to three years. However, there is a secondary market that would allow these liquid bonds to be converted back into kwanza in the short term with no significant change in value should this be required. The portion of these bonds with maturity dates within 12 months from 30 September 2017 have been disclosed as liquid bonds as part of current assets with bonds with maturity dates greater than a year being disclosed as liquid bonds but under the non-current asset portion of the statement of financial position. Bevcan Angola holds US$39 million three-year maturity US dollar linked kwanza bonds, which are also considered to be liquid. 44% of the current US dollar linked kwanza bonds convert back to cash in the next 12 months, automatically, with 73% maturing by September 2019.

The committee accepted that the kwanza bonds should be disclosed as set out above.

Report of the audit committee continued

for the year ended 30 September 2017

QUALITY OF EARNINGS

The reconciliation of the attributable profits to headline and core earnings is outlined in note 5 of the annual financial statements.

EXPERTISE AND EXPERIENCE OF THE CHIEF FINANCIAL OFFICER AND THE FINANCE FUNCTION

The committee has satisfied itself that the chief financial officer, Mr GR Fullerton CA(SA), has the appropriate expertise and experience and is supported by a sufficiently experienced finance function.

CONCLUSION

The committee is committed to actively support the company's long-term strategy, ensuring that we improve margins through operational efficiency and cost management and unlock further value. The committee will continue to ensure that the financial systems, processes and controls operate effectively and respond to changes in the operating and regulatory environment. Having considered all material risks and factors that may impact on the integrity of the integrated and financial reporting and following appropriate review, the committee recommended the consolidated and separate annual financial statements and the integrated report for the year ended 30 September 2017 for approval to the board.

RC Andersen
CA(SA)
Chairman of the audit committee

15 November 2017

Directors' report

for the year ended 30 September 2017

BUSINESS OF THE COMPANY

Nampak is Africa's leading diversified packaging manufacturer, and has been listed on the JSE Limited (Johannesburg Stock Exchange) since 1969 offering packaging products across glass, metal, paper and plastic substrates.

Many of our customers are among the world's largest FMCG companies. Our world-class R&D facility in Cape Town assists our factories in achieving operational excellence and supports our customers' varied packaging requirements. Nampak is the market leader in the manufacture of beverage cans in South Africa, Nigeria and Angola and has strong positions in other metal and plastic packaging in South Africa and other parts of the continent. Nampak is a credible second supplier of glass in South Africa, the sole producer of cigarette cartons in Nigeria and a significant manufacturer of paper packaging in several other African countries. Nampak is the leading producer of plastic milk bottles in the United Kingdom, and also has a presence in Ireland.

Nampak's 28 sites in South Africa contribute approximately 40% to group trading profit. The 16 sites in the rest of Africa, contribute 64% to trading profit, whereas the eight sites in the United Kingdom and Republic of Ireland made a negative contribution of 4% to trading profit.

More detail on the nature of Nampak's businesses can be found in our integrated report on pages 58 to 69.

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, No 71 of 2008. The principal accounting policies have been applied consistently with the previous year.

BORROWING FACILITIES

Group gross borrowings at 30 September 2017 amounted to R8.8 billion (2016: R7.5 billion). In terms of the company's memorandum of incorporation, the borrowing powers are unlimited. Details of the borrowings and facilities are set out in notes 6.1, 6.5 and 6.6 to the full annual financial statements.

REVIEW OF OPERATIONS AND RESULTS

Group revenue at R18.8 billion was 2% down while trading profit increased by 3%. The group benefited from a strong performance by the Metals division attributable to stellar results from Bevcan Angola and improved beverage can sales in the second half in South Africa. Volume growth in the Glass division and growth in overall revenue was offset by electricity supply issues in the second half that adversely impacted production. Disappointing performances by the Plastics and Paper divisions were reported for the year resulting from tough trading conditions, the adverse impacts of vertical integration by one of our UK customers, certain asset impairments and an onerous lease provision. Revenue growth was also adversely impacted by the strengthening of the rand against foreign currencies including US dollar, pound sterling and the majority of local currencies in the Rest of Africa.

Trading margins from operations increased to 11.2% from 10.5% in 2016 due to the strong performance by the Metals division. Group trading margin rose to 10.4% from 10.0%.

Headline earnings per share (HEPS) for the year ended 30 September 2017 increased by 15% while EPS decreased 86% compared to the comparative period. In the prior year, EPS was materially assisted by a once-off capital profit on the sale and leaseback of various South African properties. In the current year, EPS has been adversely impacted by foreign exchange losses albeit at a significantly reduced level compared to the prior year, an onerous contract provision and asset, goodwill and intangible asset impairments.

Group gearing has reduced to 45% from 49% in the prior year with a concomitant 19% reduction in net finance costs and adequate headroom in covenants. Short-term liquidity ratios support a strengthened balance sheet.

Nampak experienced losses from the currency devaluation of financial instruments in Nigeria where the naira depreciated by 14% during the year from 315 to 359 to the US dollar, resulting in additional foreign exchange losses of R160 million compared to R507 million in the prior period. The foreign exchange loss of R174 million in Angola in 2016 was not repeated in 2017. Abnormal foreign exchange losses of R160 million for the year represent a significant improvement from the losses of R681 million incurred during 2016.

Significant attention continues to be placed on the liquidity issues in the Nigerian, Angolan and Zimbabwean foreign exchange markets. Our businesses in these respective countries continue to produce cash with growing cash balances in Angola and Zimbabwe and a 16% reduction in the cash balances held in Nigeria.

During the year US$127 million was extracted from Nigeria and Angola with cash repatriations of US$79 million and US$48 million respectively. 94% of the cash extracted from Nigeria was used to repay the offshore group treasury company and the balance to settle South African funding provided on the trade account. This was a pleasing result in challenging market conditions with the offshore treasury company being adequately funded.

After a promising first half of the financial year, cash repatriations from Angola slowed in the second half as a consequence of the government elections. The group continues to procure US dollar linked kwanza bonds (bonds) that provide a hedge against the potential devaluation of the kwanza against the dollar. On maturity, or should the bonds be sold before maturity, the group will receive kwanza. Accordingly,

Directors' report continued

for the year ended 30 September 2017

these bonds are not intended to be investments but rather a mechanism of providing downside protection in the event of a devaluation of the kwanza. Pleasing progress made during the year in increasing the group hedging position in Angola from 61% at 30 September 2016 to 89% at the end of the current financial year. These bonds have varying maturity dates ranging from one to three years. However, there is a secondary liquid market that would allow these bonds to be converted back into kwanza in the short term with no significant change in value should this be required. This has been confirmed with several of our Angolan banking partners. In terms of IFRS the portions of these liquid bonds that mature within 12 months from 30 September 2017 have been disclosed as liquid bonds as part of current assets with the balance that mature in more than a year being disclosed as liquid bonds but non-current assets.

Cash on hand and liquid bonds held in Angola, Nigeria and Zimbabwe increased from R2.3 billion at 30 September 2016 to R3.7 billion at 30 September 2017. Cash balances in Angola have increased from R1.0 billion in the prior year to R2.2 billion at the year-end. Given strong cash generation in Zimbabwe, cash balances have increased from R290 million to R654 million at 30 September 2017. No hedges have been taken in Nigeria given the liquidity provided by the NAFEX market. No economic hedges were available in Zimbabwe.

The lock-in period of the Nampak Black Management Trust (the BMT) which was established in October 2005 as part of Nampak's B-BBEE transaction, expired on 31 December 2015. Nampak originally provided a founding grant to the BMT which purchased 27 369 195 Nampak shares at a price of R15.13 per share. The shares were allocated to 679 black managers in the employ of Nampak (the beneficiaries) and the BMT required these shares to be released to the beneficiaries on expiry of the 10-year lock-in period at 31 December 2015. On expiry of the lock-in period, the BMT was required to sell sufficient shares to pay Nampak an amount equal to the founding grant plus a notional return equal to 85% of the prime overdraft rate, less any dividends received by the BMT on the shares that it owned (the hurdle rate).

At 31 December 2015, 189 beneficiaries were still in the employ of Nampak, while 490 of the beneficiaries had left Nampak. The share price at 31 December 2015 was above the hurdle rate, and all the beneficiaries that were no longer active employees of Nampak either sold all their shares or sold sufficient shares to pay the income tax that was due with the balance of the shares transferred into their own names.

Active employees were provided the same options as the beneficiaries that left Nampak but were also provided with an additional option that allowed them to extend their participation in the BMT to 15 February 2017. As at 15 February 2017, the share price was below the hurdle rate and participation was extended to 31 December 2017. The decision to provide extended participation to active employees was premised on the basis that managers still in the employ of Nampak could contribute significantly to Nampak's performance and profitability during the period of the extension, thereby helping to improve the Nampak share price and potentially their own personal reward. Fifty-eight managers elected to extend their participation in the BMT. As at 30 September 2017, the hurdle rate was higher than the share price. The Trust will unwind on 31 December 2017.

SHARE CAPITAL

	Authorised		Issued	
	Number of shares	R million	Number of shares	R million
Ordinary shares of 5 cents each	776 857 200	38.8	689 404 454	34.5
6.5% cumulative preference shares of R2 each	100 000	0.2	100 000	0.2
6% cumulative preference shares of R2 each	400 000	0.8	400 000	0.8
Redeemable preference shares of 5 cents each	100	–	–	–
		39.8		35.5

Note:
The issued ordinary share capital includes 45 070 854 treasury shares of which 3 743 770 are held by the Nampak BMT.

Share premium as at 30 September 2017: R262.4 million.

There were no changes to the 6.5% and 6% preference shares.

Directors' report continued

for the year ended 30 September 2017

During the year the issued ordinary share capital was increased as follows:

	Ordinary shares of 5 cents each
Issued at 30 September 2016	688 668 338
Ordinary shares allotted to employees other than directors in terms of the Nampak Deferred Bonus Plan (DBP)	27 232
Ordinary shares allotted to directors in terms of the DBP	–
Ordinary shares allotted to employees other than directors in terms of the Nampak Ltd Performance Share Plan (PSP)	608 121
Ordinary shares allotted to directors in terms of the PSP	100 763
Ordinary shares allotted to employees other than directors in terms of the Nampak Ltd Share Appreciation Plan (SAP)	–
Ordinary shares allotted to directors in terms of the SAP	–
Issued at 30 September 2017	689 404 454

There were no changes to the issued 6.5% and 6% preference shares.

SHARE PLANS

The Nampak Ltd PSPs and the Nampak Ltd SAPs

No further allocations of awards have been made in terms of the PSP and the SAP since 2009.

Details of the share plans are included in the remuneration report appearing on pages 80 to 91.

The tables below show the number of shares under award and the maximum number of shares which may be delivered. However, the actual number of shares which will be delivered to participants will depend on the extent to which performance conditions will be satisfied and, consequently, may be less than the number stated below:

The Nampak Ltd Performance Share Plan 2009 (PSP 2009)

	2017	2016
Balance at the commencement of the financial year	2 774 457	2 876 176
Number of conditional shares awarded during the year:	2 094 012	1 208 391
Executive directors	907 522	573 026
Senior executives	1 186 490	635 365
Forfeitures/cancellations	–	–
Retirements	(323 938)	(38 822)
PSP rights forfeited due to under-achievement of performance criteria	(461 263)	(439 969)
PSP rights exercised	(778 714)	(831 319)
Balance at the end of the financial year	3 304 554	2 774 457
Number of participants	32	25

The Nampak Ltd Share Appreciation Plan 2009 (SAP 2009)

	2017	2016
Balance at the commencement of the financial year	5 952 250	3 426 011
Number of conditional shares awarded during the year:	3 300 284	3297 395
Executive directors	306 116	256 694
Senior executives	2 994 168	3 040 701
Forfeitures/cancellations	(452 500)	(222 133)
Retirements	(157 109)	(149 955)
SAP rights forfeited due to under-achievement of performance criteria	(2 376 854)	(392 168)
Rights exercised	(0)	(6 900)
Balance at the end of the financial year	6 266 071	5 952 250
Number of participants	230	171

The Nampak Ltd Deferred Bonus Plan 2009 (DBP 2009)

Selected employees are able to apply up to a maximum of 50% of their after tax annual bonus to purchase bonus shares. Employees will receive a matching award, which is a conditional right to receive shares equal in value to the bonus shares held as at the respective vesting dates on a 1:1 basis. Vesting of the matching award is dependent on continued employment and is not subject to the satisfaction of performance targets.

Directors' report continued

for the year ended 30 September 2017

The DBP may be summarised as follows:

	2017	2016
Balance at the commencement of the financial year	**210 894**	307 560
Number of bonus shares purchased by employees during the year:	**129 513**	74 672
Executive directors	**14 409**	32 871
Senior executives	**115 104**	41 801
Number of bonus shares transferred/sold to/by employees during the year:	**(27 232)**	(171 338)
Executive directors	**–**	(18 104)
Senior executives	**(27 232)**	(153 234)
Forfeitures	**–**	–
Retirements	**(8 608)**	–
Balance at the end of the financial year	**304 567**	210 894
Number of participants	**27**	16

Placement of unissued shares under the control of the directors for purposes of the share plans

In terms of resolutions passed by shareholders of the company at the annual general meeting held on 8 February 2006, no more than 7.13% of the total issued ordinary shares as at 24 January 2006 (46.4 million shares) may be set aside from the unissued share capital of the company for purposes of all share plans. The total unissued shares under the control of the directors for purposes of all share plans at 30 September 2017 is summarised below:

Balance at the commencement of the financial year		**14 909 744**
Less:	Awards granted in terms of the PSP 2009 during the current financial year	**(2 094 012)**
Less:	Awards granted in terms of the SAP 2009 during the current financial year	**(3 300 284)**
Less:	Number of conditional shares awarded during the year and prior financial years in terms of DBP	**(304 567)**
Less:	Shares allotted in respect of dividends declared and paid during the current and prior financial years	**(93 628)**
Add:	Options forfeited during the current financial year	**–**
Add:	Awards forfeited in terms of the PSP during the current financial year	**785 201**
Add:	Awards forfeited in terms of the SAP during the current financial year	**2 986 463**
		12 888 917

Maximum available for future allocations

The above calculation illustrates the maximum potential available shares for future allocations of all the share plans and it is unlikely that the maximum limit will be reached, this is because the SAP and the SAP 2009 are much less dilutive than conventional option plans, as only the appreciation in the share price is settled in shares. One award granted will therefore never result in a full share being issued.

In respect of the SAP 2009, the company will be limited to issuing no more than 18 000 000 (eighteen million) shares. This limit also takes into account awards granted under the SAP Trust in 2006.

In respect of the PSP 2009, the company will be limited to issuing no more than 9 000 000 (nine million) shares. This limit also takes into account awards already granted under the PSP Trust in 2006.

In respect of the DBP, the company will be limited to issuing no more than 5 000 000 (five million) shares.

Taking all the Plans together, the company will be limited to issuing no more than 32 000 000 (thirty-two million) shares. This is the limit previously approved in respect of the SAP Trust and PSP Trust and does not increase the overall dilution of shareholders through the operation of the Plans.

Directors' report continued

for the year ended 30 September 2017

DIVIDENDS

Details of dividends paid, dealt with in the financial statements, are shown below:

Class of share	Dividend number	Cents per share (gross)	Declaration date	Last day to trade	Payment date
6% cumulative preference	96	6.00	01/12/2016	31/01/2017	06/02/2017
	97	**6.00**	**18/07/2017**	**01/08/2017**	**07/08/2017**
6.5% cumulative preference	96	6.50	01/12/2016	31/01/2017	06/02/2017
	97	**6.50**	**18/07/2017**	**01/08/2017**	**07/08/2017**

ORDINARY DIVIDEND

In line with the prior year's decision to suspend the payment of an ordinary dividend, the group maintained its stance for 2017 in the interests of further strengthening the balance sheet and taking into account the geographic profile of the group's available cash.

Future dividends will be linked to cash generated in non-cash restricted countries and will be based on cash generated from operations after taking into account net working capital requirements, interest paid, replacement capital expenditure and will be based on a dividend cover considered appropriate at the time.

DIRECTORS AND SECRETARY

The names of the directors and secretary in office at 30 September 2017 are set out on pages 76 to 79 of the integrated annual report.

Ms J John was appointed as independent non-executive director of the company on 5 May 2017.

Ms MMF Seleoane was appointed on 1 July 2017 as the executive human resources director to replace Mr FV Tshiqi who retired as the executive human resources director on 30 June 2017.

Ms IN Mkhari, and Messrs RJ Khoza, TT Mboweni and E Ikazaboh retire by rotation in terms of the company's memorandum of incorporation but, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Ms IN Mkhari, and Messrs RJ Khoza, TT Mboweni and E Ikazaboh do not have service contracts as non-executive directors.

Mmes DC Moephuli and CWN Molope stepped down from the board on 1 February 2017 at the company's annual general meeting.

INTERESTS OF DIRECTORS AND PRESCRIBED OFFICERS

The total direct and indirect beneficial and non-beneficial interests of the directors and prescribed officers of Nampak Ltd in the issued ordinary share capital of the company at 30 September 2017 are shown below:

	Ordinary shares	
	2017	2016
Beneficial interests		
Executive directors		
AM de Ruyter	**103 713**	94 576
GR Fullerton	**15 517**	1 108
FV Tshiqi	**130 012**	190 726
Non-executive directors		
RC Andersen	**31 000**	31 000
Non-beneficial interests of directors	**8**	8
Beneficial interests		
Prescribed officers		
C Burmeister	**186 782**	144 917
M Khutama	**11 554**	791
RG Morris	**433 989**	350 833
EE Smuts	**147 550**	116 967
NP O'Brien	**15 368**	122 078

Dr RJ Khoza, an independent non-executive director, had an indirect, beneficial shareholding through his family trust in the ordinary share capital of the company at 30 September 2017:

Name of director	2017	2016
RJ Khoza Family Trust	**26 000**	26 000

Directors' report continued

for the year ended 30 September 2017

There have been no changes to the directors' shareholding outlined above since the end of the financial year and to the date of this report.

LITIGATION STATEMENT

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of Nampak Ltd are aware) which may have a material effect on the financial position of the group.

GOING CONCERN

The directors believe that the company will be a going concern for the foreseeable future.

RETIREMENT FUNDS

Details of retirement funds are reflected in note 8.1 to the annual financial statements.

SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

Details of the company's significant subsidiaries, joint ventures and associates are given in note 9.7 on pages 65 to 67.

Consolidated statement of comprehensive income

for the year ended 30 September 2017

	Notes	2017 R million	2016 R million
Revenue	3.1	18 821.7	19 138.9
Raw materials and consumables used		(9 391.9)	(10 041.5)
Employee benefit expense		(3 086.7)	(3 122.7)
Depreciation and amortisation expense		(831.4)	(911.7)
Other operating expenses		(4 725.4)	(3 156.2)
Other operating income		174.7	256.0
Operating profit	3.2	961.0	2 162.8
Finance costs	6.2	(508.8)	(527.5)
Finance income	6.2	117.7	42.0
Share of net profits in associates and joint ventures		0.1	0.1
Profit before tax		570.0	1 677.4
Income tax expense	4.1	(214.0)	(199.1)
Profit for the year		356.0	1 478.3
Other comprehensive income/(expense) for the year, net of tax			
Items that will not be reclassified to profit or loss			
Net actuarial gain/(loss) from retirement benefit obligations		19.5	(491.0)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		(122.1)	(509.4)
Loss on cash flow hedges		(14.1)	(34.3)
Other comprehensive expense for the year, net of tax		(116.7)	(1 034.7)
Total comprehensive income for the year		239.3	443.6
Profit/(loss) attributable to:			
Owners of Nampak Ltd		234.8	1 610.4
Non-controlling interest in subsidiaries		121.2	(132.1)
Total		356.0	1 478.3
Total comprehensive income/(expense) attributable to:			
Owners of Nampak Ltd		120.3	572.6
Non-controlling interest in subsidiaries		119.0	(129.0)
Total		239.3	443.6
Earnings per share			
Basic (cents per share)	5.1	36.6	254.5
Diluted (cents per share)	5.2	36.5	253.9

Consolidated statement of financial position

at 30 September 2017

	Notes	2017 R million	Restated 2016 R million
ASSETS			
Non-current assets			
Property, plant, equipment and investment property[1]	7.1	**10 151.4**	10 573.4
Goodwill	7.2	**3 374.4**	3 734.4
Other intangible assets	7.3	**194.4**	309.0
Investments in associates and joint ventures[1]		**21.8**	27.7
Deferred tax assets	4.2	**49.3**	70.6
Liquid bonds and other loan receivables[2]	6.3	**1 164.0**	673.9
		14 955.3	15 389.0
Current assets			
Inventories	7.4	**3 980.3**	3 376.7
Trade receivables and other current assets[2]	7.5	**3 009.9**	3 101.2
Tax assets		**17.3**	11.2
Liquid bonds and other loan receivables – current[2]	6.3	**882.1**	7.8
Bank balances and deposits[2]	6.6	**2 385.0**	2 217.9
		10 274.6	8 714.8
Total assets		**25 229.9**	24 103.8
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9.2	**35.5**	35.4
Capital reserves	9.3	**(116.4)**	(121.4)
Other reserves	9.4	**(84.4)**	51.0
Retained earnings		**9 476.9**	9 238.5
Shareholders' equity		**9 311.6**	9 203.5
Non-controlling interest	9.5	**369.5**	241.0
Total equity		**9 681.1**	9 444.5
Non-current liabilities			
Loans and other borrowings	6.4	**6 007.2**	6 202.1
Retirement benefit obligation	8.1	**1 558.0**	1 855.7
Deferred tax liabilities	4.2	**294.5**	230.1
Other non-current liabilities		**64.8**	37.0
		7 924.5	8 324.9
Current liabilities			
Trade payables and other current liabilities	7.6	**4 406.4**	4 668.7
Provisions	7.7	**359.6**	269.0
Tax liabilities		**82.6**	73.9
Loans and other borrowings – current[3]	6.5	**221.9**	329.4
Bank overdrafts[3]	6.6	**2 553.8**	993.4
		7 624.3	6 334.4
Total equity and liabilities		**25 229.9**	24 103.8

[1] As part of the redesign of the consolidated financial statements in line with the Disclosure Initiative (Amendments to IAS 1), investment property of R6.3 million in the prior year has now been combined with property, plant and equipment and the comparative restated. In addition, investments in associates (amounting to R19.8 million in the prior year) have been combined with investments in joint ventures (R7.9 million in the prior year).

[2] During the year, the US dollar indexed kwanza bonds (described as "liquid bonds") were reclassified from cash equivalents to loan receivables after a reassessment of their nature in terms of IAS 7: Statement of Cash Flows. As a result of this reclassification, these bonds (amounting to R617.5 million and being all non-current) were removed from "bank balances, deposits and cash equivalents" where they had been presented in the prior year and presented together with other non-current loan receivables (previously described as "other non-current assets") as "liquid bonds and other loan receivables". In addition, the current portion of loan receivables, which was previously presented as part of "trade receivables and other current assets" has now been separately presented as "liquid bonds and other loan receivables – current" due to a portion of the liquid bonds being current at the end of the current year.

[3] In light of current loan receivables being presented separately (above), current loans and other borrowings have been removed from "bank overdrafts and loans" as previously presented, and separately disclosed as such for the purposes of consistency.

Consolidated statement of changes in equity

for the year ended 30 September 2017

	Notes	2017 R million	2016 R million
Opening balance		**9 444.5**	9 172.4
Net shares issued during the year		**11.8**	28.9
Share-based payment expense		**5.0**	13.9
Share grants exercised		**(11.7)**	(28.8)
Share of movement in associate's and joint venture's non-distributable reserves		**–**	0.9
Shares repurchased and cancelled		**–**	(0.8)
Treasury shares disposed		**–**	384.2
Acquisition of business		**(7.7)**	–
Total comprehensive income for the year		**239.3**	443.6
Dividends paid	9.6	**(0.1)**	(569.8)
Closing balance		**9 681.1**	9 444.5
Comprising:			
Share capital	9.2	**35.5**	35.4
Capital reserves	9.3	**(116.4)**	(121.4)
Share premium		**262.4**	250.7
Treasury shares		**(557.9)**	(557.9)
Share-based payments reserve		**179.1**	185.8
Other reserves	9.4	**(84.4)**	51.0
Foreign currency translation reserve		**1 375.0**	1 494.9
Financial instruments hedging reserve		**4.7**	18.8
Recognised actuarial losses		**(1 447.1)**	(1 466.6)
Share of non-distributable reserves in associates and joint ventures		**–**	3.7
Other		**(17.0)**	0.2
Retained earnings		**9 476.9**	9 238.5
Shareholders' equity		**9 311.6**	9 203.5
Non-controlling interest	9.5	**369.5**	241.0
Total equity		**9 681.1**	9 444.5

Consolidated statement of cash flows

for the year ended 30 September 2017

	Notes	2017 R million	Restated 2016 R million
Cash flows from operating activities			
Cash receipts from customers		**18 903.2**	19 161.6
Cash paid to suppliers and employees		**(16 834.9)**	(16 336.3)
Cash generated from operations	3.4	**2 068.3**	2 825.3
Interest received		**96.0**	40.1
Interest paid		**(501.8)**	(561.5)
Retirement benefits, contributions and settlements		**(119.1)**	(161.0)
Income tax paid		**(152.7)**	(201.3)
Cash flows from operations		**1 390.7**	1 941.6
Dividends paid		**(0.1)**	(575.5)
Cash generated from operating activities		**1 390.6**	1 366.1
Cash flows from investing activities			
Capital expenditure[1]		**(735.3)**	(1 443.6)
Replacement		**(377.0)**	(479.3)
Expansion		**(358.3)**	(964.3)
Proceeds from sale and leaseback transaction		**–**	1 701.1
Proceeds from disposal of property, plant, equipment, investments and non-current assets held for sale		**38.1**	186.7
Disposal of business	9.7	**57.8**	–
Post-retirement medical aid buy-out	8.1	**(569.2)**	–
Increase in liquid bonds for hedging purposes[2]		**(1 336.5)**	(617.5)
Increase in other non-current financial assets		**(26.1)**	(28.5)
Cash utilised in investing activities		**(2 571.2)**	(201.8)
Cash flows from financing activities			
Non-current borrowings raised		**2 000.0**	2 665.5
Non-current borrowings repaid		**(2 000.2)**	(1 036.8)
Net current borrowings (repaid)/raised		**(250.0)**	339.7
Proceeds from disposal of treasury shares		**–**	384.2
Capital raised from issue of shares		**11.8**	28.9
Shares repurchased and cancelled		**–**	(0.8)
Cash (repaid)/raised in financing activities		**(238.4)**	2 380.7
Net (decrease)/increase in cash and cash equivalents		**(1 419.0)**	3 545.0
Net cash and cash equivalents/(overdraft) at beginning of year		**1 224.5**	(2 084.9)
Translation of cash in foreign subsidiaries		**25.7**	(235.6)
Net (overdraft)/cash and cash equivalents at end of year	6.6	**(168.8)**	1 224.5

[1] *Following the JSE's proactive monitoring process, the replacement capital expenditure cash flow has been reclassified from cash flows from operations to cash flows from investing activities and the comparatives restated. The result of this reclassification is an increase in cash generated from operating activities of R475.7 million in the prior year and a decrease in cash generated from investing activities of R475.7 million in the prior year. In addition, capital expenditure relating to intangible assets (R16.2 million) in the prior year has been removed from "capitalised expenditure on group ERP systems and the intangible assets" and presented together with capital expenditure relating to tangible assets being classified accordingly as replacement expenditure (R3.6 million) and expansion expenditure (R12.6 million) respectively.*

[2] *As indicated on the consolidated statement of financial position, US dollar indexed Angolan kwanza bonds were reclassified from cash equivalents to loan receivables after a reassessment of their nature in terms of IAS 7:* Statement of Cash Flows. *As a result of this reclassification, the movement in these assets is now presented as investing activities.*

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for the year ended 30 September 2017

Notes to the consolidated financial statements

for the year ended 30 September 2017

1. BASIS OF PREPARATION

The consolidated and separate financial statements (hereafter referred to as "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner as required by the Companies Act, No 71 of 2008, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The group annual financial statements are presented in South African rand, which is the currency in which the majority of the group and company's transactions are denominated. The group annual financial statements have been prepared on the going concern and historical cost basis, except for financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

The accounting policies set out below have been applied, in all material respects, consistently by all group entities to all periods presented in these consolidated and separate financial statements.

During the year, the group embarked on a process to make changes to the way it organises and presents its explanatory notes to the financial statements motivated by the need to make financial statements easier to understand. These changes include removing accounting policies and disclosures that are immaterial.

Accounting policies which are useful to users, especially where particular accounting policies are based on judgement regarding choices within IFRS, have been disclosed. Accounting policies for which no choice is permitted in terms of IFRS have been included only if management concluded that the disclosure would assist users in understanding the financial statements as a whole, taking into account the materiality of the item being discussed. Accounting policies which are not applicable from time to time have been removed, but will be included if the type of transaction occurs in future.

There have been no subsequent events from the reporting date up to the date of the financial statements.

2. CRITICAL JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts and related disclosures.

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

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

» Onerous lease
During 2015, the plastics business in the UK commenced with the construction of a property attached to a customer's dairy and the installation of an in-plant facility on this customer's site. The company entered into a contract for the supply of bottles for a period of nine years. Given project overruns and certain manufacturing difficulties, the project has been unsuccessful to date with the contract now being assessed as an onerous contract given contracted pricing. Negotiations continue with the customer to find a solution to the pricing mechanisms, however, assets related to the operation of R112.0 million have been impaired. Furthermore, the unrecoverable portion of the contract amounting to R54.4 million has been provided for as onerous and disclosed as an abnormal item.

» Deferred tax asset
The group operates in several jurisdictions with complex tax legislation requiring judgements to be exercised in recognising tax liabilities. There are also judgements required in recognising deferred tax assets – in particular, the probability of the recovery of significant deferred tax assets, based on forecasts prepared by management. A deferred tax asset was raised amounting to R1 222.2 million based on an assessment of its forecast taxable income and its recoverability. The effective tax rate of 37.5% was up compared to 11.9% in the prior year mainly due to impairments in 2017 and sale and leaseback in 2016.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

2. CRITICAL JUDGEMENTS continued

- **US dollar linked kwanza bonds**

  The group holds US$144.1 million in US dollar linked kwanza bonds (bonds). The extent of the liquidity of these bonds is a material judgement. The intention of management in holding the bonds is purely to shield against potential currency devaluation in the Angolan market where US$ liquidity is limited and not to hold these instruments as an investment. As amounts mature and there is an opportunity to extract the cash, this will be done. Management has written confirmation from the company's bankers that the US dollar linked kwanza bonds are liquid. These bonds have varying maturity dates from one to three years, however, there is a secondary market that would allow these liquid bonds to be converted back into kwanza in the short term with no significant change in value should this be required. The portion of these bonds with maturity dates within 12 months from 30 September 2017 have been disclosed as "liquid bonds" as part of current assets, with bonds with maturity dates greater than a year being disclosed as "liquid bonds" but under the non-current asset portion of the statement of financial position. Bevcan Angola holds US$39 million three-year maturity US dollar linked kwanza bonds, which are also considered to be liquid. In total, 44% of the current US dollar linked kwanza bonds convert back to cash in the next 12 months, automatically, with 73% maturing by September 2019.

- **Estimates of asset useful lives and depreciation methods**

  Property, plant and equipment are depreciated over their useful life taking into account residual values. Useful lives are assessed annually. Useful lives are affected by technology innovations, maintenance programmes and future productivity. Future market conditions determine the residual values.

- **Impairment tests of assets**

  Impairment tests on property, plant and equipment are only done if there is an impairment indicator. Goodwill is tested for impairment annually. Future cash flows are based on management's estimate of future market conditions. These conditions may change after year-end.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

3. OPERATIONAL PERFORMANCE

3.1 Revenue

	2017 R million	2016 R million
Sale of goods	**18 425.0**	19 099.9
Rendering of services	**4.4**	5.7
Other	**392.3**	33.3
Total	**18 821.7**	19 138.9

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales-related taxes. Revenue is measured net of cash discounts, settlement discounts and rebates given to customers.

Sales of goods are generally recognised when goods are delivered and title has passed. In isolated cases, goods are exported free on board. Revenue on services is recognised when the service has been performed.

Other revenue relates to transactions that do not form part of core business sales. Other revenue is recognised in accordance with the sale of goods principle.

3.2 Operating profit

Operating profit is stated after taking into account the following items:

	2017 R million	2016 R million
Cost of goods sold	**12 040.7**	12 771.6
Employee benefit expense includes:		
Retrenchment costs	**57.4**	29.7
Defined benefit plan expense	**115.0**	107.7
Pension fund curtailment gain on restructure	**(64.5)**	(91.2)
Share-based payments expense	**6.9**	19.3
Depreciation and amortisation consists of:		
Investment properties	**0.4**	0.7
Freehold and leasehold buildings	**45.7**	62.0
Plant, equipment and vehicles	**752.9**	800.4
Intangible assets	**32.4**	48.6
Total	**831.4**	911.7
Other operating expenses and income include:		
Auditors' remuneration		
Audit and professional fees	**21.3**	26.4
Tax services	**1.1**	2.2
Other services	**2.8**	1.3
Total	**25.2**	29.9

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

3. OPERATIONAL PERFORMANCE continued

3.2 Operating profit continued

	2017 R million	2016 R million
Impairments losses		
Investment properties	5.0	–
Plant and equipment	232.3	347.2
Intangible assets	114.2	8.5
Goodwill	321.1	–
Other investments	–	5.1
Total	672.6	360.8
Reversal of impairment losses		
Plant and equipment	(4.8)	–
Loans to non-controlling shareholders	–	(0.4)
Total	(4.8)	(0.4)
Rentals in respect of operating leases		
Property	234.7	107.7
Plant, equipment and vehicles	9.5	8.8
Total	244.2	116.5
Net (gain)/loss on financial instruments		
Derivatives	(62.7)	108.9
Other financial Instruments*	338.4	546.3
Total	275.7	655.2

* *Includes devaluation losses arising from Angolan and Nigerian exchange losses.*

	2017 R million	2016 R million
Net (profit)/loss on disposals		
Net profit on disposal of property – sale and leaseback	–	(1 318.9)
Net profit on disposal of other property	(3.0)	(15.2)
Net (profit)/loss on disposal of plant, equipment and intangible assets	(4.4)	22.0
Net profit on disposal of businesses and investments	(25.4)	(3.5)
Total	(32.8)	(1 315.6)
Other expenses/(income)		
Administration and technical fees	56.7	47.6
Selling expenses	44.0	53.9
Distribution expenses	591.6	563.2
Research and development expenditure	4.4	7.5
Gain on acquisition of business	(27.0)	–
Onerous contract and related losses	81.8	–
Production losses due to electrical supply and fire	79.2	–
Restructuring costs	15.7	4.4

Directors and prescribed officers' remuneration

Full details of remuneration are included in note 8.3.

No contributions were made in respect of past directors and prescribed officers.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

3. OPERATIONAL PERFORMANCE continued

3.3 Segmental performance

	External revenue		Internal revenue		Trading profit[1]		Trading margin		EBITDA[2]	
	2017 R million	2016 R million	2017 R million	2016 R million	2017 R million	2016 R million	2017 %	2016 %	2017 R million	2016 R million
Segment analysis										
Metals	11 280.8	10 510.1	24.3	39.8	1 694.9	1 284.9	15.0	12.2	1 862.6	918.7
Glass	1 419.9	1 322.7	–	–	62.5	104.5	4.4	7.9	191.3	305.5
Plastics	4 623.8	5 556.6	7.1	9.9	166.3	392.2	3.6	7.1	267.6	616.8
Paper	1 497.2	1 749.5	12.1	7.9	177.2	235.9	11.8	13.5	220.7	299.9
Operations	18 821.7	19 138.9	43.5	57.6	2 100.9	2 017.5	11.2	10.5	2 542.2	2 140.9
Corporate	–	–	2 634.1	2 828.0	(134.1)	(112.4)	–	–	(82.0)	1 294.0
Eliminations	–	–	(2 677.6)	(2 885.6)	–	–	–	–	–	–
Total	18 821.7	19 138.9	–	–	1 966.8	1 905.1	10.4	10.0	2 460.2	3 434.9
Geographical analysis										
South Africa	11 303.0	10 958.8	717.9	322.7	908.4	942.0	8.0	8.6	1 280.8	1 341.2
Rest of Africa	6 082.7	5 949.8	56.6	83.8	1 256.7	990.2	20.7	16.6	1 350.0	627.1
Europe	1 436.0	2 230.3	–	–	(64.2)	85.3	(4.5)	3.8	(88.6)	172.6
Operations	18 821.7	19 138.9	774.5	406.5	2 100.9	2 017.5	11.2	10.5	2 542.2	2 140.9
Corporate	–	–	2 634.1	2 828.0	(134.1)	(112.4)	–	–	(82.0)	1 294.0
Eliminations	–	–	(3 408.6)	(3 234.5)	–	–	–	–	–	–
Total	18 821.7	19 138.9	–	–	1 966.8	1 905.1	10.4	10.0	2 460.2	3 434.9

[1] *Operating profit before abnormal items.*
[2] *EBITDA calculation is before net impairment losses.*

	2017 R million	2016 R million
Revenue to external customers by customer location		
South Africa	10 149.5	9 967.6
United Kingdom	1 398.9	2 115.2
Angola	2 474.3	1 664.3
Nigeria	1 659.6	2 267.4
Zimbabwe	1 206.3	1 182.5
Rest of the world	1 933.1	1 941.9
Total	18 821.7	19 138.9
Reconciliation of operating profit and trading profit		
Operating profit	961.0	2 162.8
Profit on disposal of property subject to sale and leaseback	–	(1 318.9)
Operating profit – adjusted	961.0	843.9
Net abnormal losses* – excluding profit on disposal of property subject to sale and leaseback	1 005.8	1 061.2
Net impairment losses on property, plant, equipment, intangible assets, investments and shareholder loans	667.8	360.4
Devaluation loss arising from Angolan and Nigerian exchange rate movements	160.0	681.0
Onerous contract and related losses	81.8	–
Production losses due to electrical supply and fire	79.2	–
Retrenchment and restructuring costs	73.1	34.1
Profit on disposal of other property	(3.0)	(15.2)
Net profit on disposal of businesses and investments	(25.4)	(3.5)
Gain on acquisition of business	(27.0)	–
Other	(0.7)	4.4
Trading profit	1 966.8	1 905.1

* *Abnormal losses/(gains) are defined as losses and gains which do not arise from normal trading activities or are of such a size, nature or incidence that their disclosure is relevant to explain the performance for the period.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

3. OPERATIONAL PERFORMANCE continued

3.3 Segmental performance continued

Operating segments are identified on the same basis that financial information is reported internally for the purpose of allocating resources between segments and assessing their performance by the group's chief operating decision maker, defined as the group executive committee. Reportable segments have been identified after applying the quantitative thresholds per IFRS 8: *Operating Segments*, and after aggregating operating segments with similar economic characteristics.

The principal activities of the segments are as follows:
- Metals – manufacture of beverage cans, food cans, aerosol cans and other metal packaging.
- Glass – manufacture of various types of glass packaging.
- Plastics – manufacture of plastic bottles, crates, drums and tubes.
- Paper – manufacture of corrugated boxes and folding cartons.
- Corporate – head office activities, procurement, treasury, property services and consolidation adjustments including goodwill.

The differences between the measurements of the reportable segments' profit and losses and assets and liabilities, and the group's profit and losses and assets and liabilities are as follows:
- Reportable segments' contributions to post-retirement medical aid funds and pension funds are expensed as and when incurred, while at group these funds are actuarially valued and accounted for as per the group accounting policy (refer to note 8.1).
- Reportable segments' account for profit and loss on close out of forward exchange contracts while at group forward exchange contracts are fair valued and the fair value adjustments are accounted for as per the group accounting policy (refer to note 6.1).

There is no individual customer who contributes more than 10% to the group's total revenue.

In addition, the businesses are grouped by geographical location. The main geographical regions identified are South Africa, Rest of Africa and Europe.

3.4 Cash generated from operations

	2017 September	2016 September
Reconciliation of profit before tax to cash generated from operations		
Profit before taxation	**570.0**	1 677.4
Adjustment for:		
Depreciation and amortisation	**831.4**	911.7
Net profit on disposal of businesses, property, plant, equipment and intangible assets	**(32.8)**	(1 315.6)
Financial instruments fair value adjustment	**(62.7)**	108.9
Gain on acquisition of business	**(27.0)**	–
Net defined benefit plan expense	**50.5**	16.5
Impairment losses	**672.6**	360.8
Reversal of impairment losses	**(4.8)**	(0.4)
Share of profit in associates and joint ventures	**(0.1)**	(0.1)
Share-based payments expense	**6.9**	19.3
Net finance costs	**391.1**	485.5
Cash generated from operations before working capital changes	**2 395.1**	2 264.0
(Increase)/decrease in inventories	**(621.4)**	487.8
Decrease in trade receivables and other current assets	**167.7**	119.1
Increase/(decrease) in trade payables and other current liabilities	**126.9**	(45.6)
Cash generated from operations	**2 068.3**	2 825.3

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

4. TAXATION

4.1 Income tax

		2017 R million	2016 R million
Current tax			
Current year		**120.2**	132.7
Prior year		**(13.1)**	(6.8)
Deferred tax			
Current year		**72.7**	160.9
Prior year		**(19.1)**	(130.9)
Change in tax rate		**5.0**	(7.7)
Withholding and foreign tax		**48.3**	50.9
Total		**214.0**	199.1

The company tax rate in South Africa is 28% (2016: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those relevant jurisdictions.

Reconciliation of rate of tax			
Statutory tax rate	%	**28.0**	28.0
Reduction in tax rate due to:			
– profit on disposal of sale and leaseback properties		**–**	(21.4)
– exempt income	%	**(1.6)**	(0.9)
– associate profit	%	**(1.1)**	(0.1)
– government incentives	%	**(21.1)**	(6.4)
– deferred tax asset created previously not raised	%	**(11.1)**	–
– adjustment for prior year	%	**(5.6)**	(8.2)
– tax rate reduction	%	**–**	(0.5)
– foreign tax rate differential	%	**(20.1)**	(10.3)
Increase in tax rate due to:			
– deferred taxation not recognised	%	**13.2**	0.4
– exchange losses not protected	%	**7.9**	21.2
– tax rate reduction	%	**0.9**	–
– withholding and other foreign taxes	%	**8.5**	3.0
– impairments and other disallowable expenses	%	**39.6**	7.1
Effective tax rate	%	**37.5**	11.9

The group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date.

In addition to the income tax charge to profit or loss, a deferred tax charge of R33.8 million (2016: R58.9 million credit) has been recognised in equity during the year.

Disallowable expenses primarily relate to the impairment of goodwill, intangible assets and other group impairments for which there is no tax shield.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

4. TAXATION continued

4.2 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation R million	Provisions R million	Prepayments R million	Retirement benefit obligation R million	Tax losses R million	Other R million	Total R million
At 1 October 2015	961.5	(247.8)	9.9	(481.6)	(178.7)	120.6	183.9
Credit to other comprehensive income for the year	–	–	–	(8.4)	–	(50.5)	(58.9)
Charge/(credit) to profit for the year	312.7	3.8	7.4	20.0	(243.7)	(77.9)	22.3
Translation differences	(24.3)	2.4	0.1	24.5	(2.3)	11.8	12.2
At 30 September 2016	**1 249.9**	**(241.6)**	**17.4**	**(445.5)**	**(424.7)**	**4.0**	**159.5**
Charge/(credit) to other comprehensive income for the year	**–**	**–**	**–**	**55.9**	**–**	**(22.1)**	**33.8**
Charge/(credit) to profit for the year	**197.5**	**(53.7)**	**(8.4)**	**143.9**	**(266.3)**	**45.6**	**58.6**
Translation differences	**(19.8)**	**1.4**	**0.1**	**(0.1)**	**8.6**	**3.1**	**(6.7)**
At 30 September 2017	**1 427.6**	**(293.9)**	**9.1**	**(245.8)**	**(682.4)**	**30.6**	**245.2**

	2017 R million	2016 R million
Analysed between:		
Deferred tax assets	**49.3**	70.6
Deferred tax liabilities	**294.5**	230.1
Total	**245.2**	159.5

Deferred tax is recognised on the liability method, on all temporary differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding bases used in the calculation of taxable profit.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

At year-end, the group had unused tax losses of R2 832.7 million (2016: R1 690.6 million) available for offset against future taxable profits. Deferred tax assets have been recognised in respect of R2 476.3 million (2016: R1 566.1 million) of such losses based on the assessment of budgets prepared by management of the entities concerned. No deferred tax asset has been recognised on the remaining R356.4 million (2016: R124.5 million) due to the unpredictability of future profit streams. The group has tax losses amounting to R73.5 million that are subject to an expiry period in a number of countries. Deferred tax has been raised on R56.5 million of these losses.

In addition, the group had capital losses available for utilisation against future capital gains to the value of R2 742.5 million (2016: R2 084.4 million).

During the year R86.3 million (2016: R864.3 million) of the capital losses were utilised.

Deferred tax has been raised on R100.7 million (2016: R188.9 million) of the capital losses.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

5. BASIC AND HEADLINE EARNINGS PER SHARE

5.1 Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the profit of the group.

	2017 R million	2016 R million
Basic earnings		
Profit attributable to equity holders of the company for the period	234.8	1 610.4
Less: Preference dividend	(0.1)	(0.1)
Total	234.7	1 610.3
Weighted average number of shares in issue ('000)	640 496	632 667
Basic earnings per share (cents)	36.6	254.5

5.2 Diluted basic earnings per share

The diluted basic earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2017 R million	2016 R million
Diluted earnings*	234.7	1 610.3
Weighted average number of ordinary shares for the purpose of diluted basic earnings per share ('000)	642 630	634 335
Weighted average number of ordinary shares for the purpose of basic earnings per share	640 496	632 667
Effect of dilutive potential ordinary shares:		
Other share incentive plans	2 134	1 668
Diluted basic earnings per share (cents)	36.5	253.9

**No dilution of basic earnings.*

5.3 Headline earnings per share

	2017 R million	2016 R million
Headline earnings		
Basic earnings	234.7	1 610.3
Adjusted for:		
Net impairment losses on property, plant, equipment, goodwill, intangible assets and investments	667.8	360.8
Net gain on disposal of investments and businesses	(25.4)	(3.5)
Gain on acquisition of business	(27.0)	–
Profit on disposal of property subject to sale and leaseback	–	(1 318.9)
Net (profit)/loss on disposal of other property, plant, equipment and intangible assets	(7.4)	6.8
Tax effects and outside shareholders' interest	(49.9)	25.4
Total	792.8	680.9
Weighted average number of shares in issue ('000)	640 496	632 667
Headline earnings per share (cents)	123.8	107.6

5.4 Diluted headline earnings per share

	2017 R million	2016 R million
Diluted headline earnings*	792.8	680.9
Weighted average number of ordinary shares for the purpose of diluted headline earnings per share ('000)**	642 630	634 335
Diluted headline earnings per share (cents)	123.4	107.3

** No dilution of headline earnings.*
*** Per diluted earnings per share calculation.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT

6.1 Financial risk management

Financial risk management objectives

The main risk areas to which the group is exposed are capital risk, liquidity risk, market risk (including interest rates, currency and commodity prices) and credit risk.

The group's corporate treasury provides services to the business, coordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the group. These risks include liquidity risk and market risk. Treasury management, reporting to the chief financial officer, is responsible for considering and managing the group's day-to-day financial market risks by adopting strategies within the guidelines set by the treasury policy manual and approved by the risk committee.

Selected derivative and non-derivative hedging instruments are used to hedge risks. Hedging instruments are used to cover risks that affect the group's cash flows and are not used for trading or speculative purposes. Compliance with policies and exposure limits are periodically reviewed by the internal auditors.

There has been an improvement to the group and company's exposure to market risk or the manner in which these risks are managed and measured.

Carrying amount and maturity profile of financial instruments

The carrying amount and maturity profile of financial assets and liabilities at 30 September were as follows:

	Notes	Carrying amount R million	Current year R million	1 – 2 years R million	2 – 3 years R million	3 – 4 years R million	Over 4 years R million
At 30 September 2017							
Financial assets							
At amortised cost							
Liquid bonds and other loan receivables	6.3	**2 046.1**	**882.1**	**568.4**	**551.2**	**8.5**	**35.9**
Trade receivables and other current assets[1]	7.5	**2 835.6**	**2 835.6**	**–**	**–**	**–**	**–**
Bank balances and deposits	6.6	**2 385.0**	**2 385.0**	**–**	**–**	**–**	**–**
At fair value – level 2							
Derivative asset[3]	7.5	**19.1**	**19.1**	**–**	**–**	**–**	**–**
Total		**7 285.8**	**6 121.8**	**568.4**	**551.2**	**8.5**	**35.9**
Financial liabilities							
At amortised cost							
Loans and other borrowings	6.5	**6 229.1**	**221.9**	**3 211.2**	**1 699.1**	**284.2**	**812.7**
Trade payables and other current liabilities[2]	7.6	**4 383.8**	**4 383.8**	**–**	**–**	**–**	**–**
Bank overdrafts	6.6	**2 553.8**	**2 553.8**	**–**	**–**	**–**	**–**
At fair value – level 2							
Derivative liabilities[3]	7.6	**22.6**	**22.6**	**–**	**–**	**–**	**–**
Total		**13 189.3**	**7 182.1**	**3 211.2**	**1 699.1**	**284.2**	**812.7**

[1] *Excludes derivative assets and prepayments.*
[2] *Excludes derivative liabilities and shareholders for dividends.*
[3] *Derivative financial assets and liabilities classified as level 2 consist of forward exchange contracts and commodity futures as their fair value is determined using the contract exchange rate at measurement date, with the resulting value discounted back to the present value.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

	Notes	Carrying amount R million	Current year R million	1 – 2 years R million	2 – 3 years R million	3 – 4 years R million	Over 4 years R million
At 30 September 2016							
Financial assets							
At amortised cost							
Liquid bonds and other loan receivables	6.3	681.7	7.8	624.7	5.6	5.9	37.7
Trade receivables and other current assets[1]	7.5	2 890.1	2 890.1	–	–	–	–
Bank balances and deposits	6.6	2 217.9	2 217.9	–	–	–	–
At fair value – level 2							
Derivative assets[3]	7.5	–	–	–	–	–	–
Total		5 789.7	5 115.8	624.7	5.6	5.9	37.7
Financial liabilities							
At amortised cost							
Loans and other borrowings	6.4, 6.5	6 531.5	329.4	2 320.2	1 052.2	1 720.6	1 109.1
Trade payables and other current liabilities[2]	7.6	4 628.0	4 628.0	–	–	–	–
Bank overdrafts and loans	6.6	993.4	993.4	–	–	–	–
At fair value – level 2							
Derivative liabilities[3]	7.6	40.7	40.7	–	–	–	–
Total		12 193.6	5 991.5	2 320.2	1 052.2	1 720.6	1 109.1

[1] *Excludes derivative assets and prepayments.*
[2] *Excludes derivative liabilities and shareholders for dividends.*
[3] *Derivative financial assets and liabilities classified as level 2 consist of forward exchange contracts and commodity futures as their fair value is determined using the contract exchange rate at measurement date, with the resulting value discounted back to the present value.*

Financial risk management techniques

(a) Capital risk management

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

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

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

The group monitors capital based on its gearing ratio and net interest-bearing debt to EBITDA ratio. These ratios are calculated as net interest-bearing debt divided by total equity and EBITDA respectively.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

(b) Liquidity risk management

Liquidity risk is the possibility that the group may suffer financial loss through liquid funds not being available or that excessive finance costs must be paid to obtain funds to meet payment requirements. The ultimate responsibility for liquidity risk management rests with the board of directors. The group manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis, and by maintaining sufficient undrawn facilities.

To reduce credit risk, banking facilities are entered into only with leading financial institutions.

Nigerian liquidity has improved considerably during the year due to the introduction of the Nigeria Autonomous Foreign Exchange (NAFEX) in April 2017. This move resulted in fixed exchange rates effectively being changed to floating exchange rates and the consequent improvement in liquidity and the ability to settle offshore US dollar denominated liabilities.

Liquidity remains a challenge in Angola. However, in light of the recent change in the central bank administration and renewed support from the International Monetary Fund, it is expected that the Angolan kwanza will be devalued in the near future with a resulting improvement in liquidity. In order to protect the group against the potential devaluation, the group has substantially increased its investment in US dollar indexed kwanza bonds during the year. At 30 September the kwanza equivalent of US$144.1 million (2016: US$45.0 million) has been hedged representing a hedged position of 89% of cash and liquid bonds at year-end (2016: 61%).

The floating rate introduced by the NAFEX in Nigeria has been considerably higher than the previous fixed rate resulting in exchange losses of R160.0 million for the year ended September 2017, a considerable improvement over the R681.0 million devaluation losses for both Nigeria and Angola in the previous year.

The group extracted US$79 million from Nigeria during the year with 94% being used to repay the offshore group treasury company and the balance to settle South African funding provided on the trade account. Cash repatriations from Angola slowed in the second half of the year as a consequence of the government elections with a total of US$48 million being extracted for the year.

The group remains committed to the operations in these countries with the overall long-term investment rationale based on the demographics underpinning growth in packaging being sound. The group has adequate funding for operations in the Rest of Africa and is well positioned to benefit in the medium to long term.

Significant liquid resources were held at year-end. The group had the following undrawn facilities available at 30 September:

	South Africa R million	Rest of Africa R million	Europe R million	Total R million
Expiry period at 30 September 2017				
One year	**3 760.6**	**680.3**	**745.8**	**5 186.7**
Total	**3 760.6**	**680.3**	**745.8**	**5 186.7**
Expiry period at 30 September 2016				
One year	5 730.0	112.4	851.0	6 693.4
Total	5 730.0	112.4	851.0	6 693.4

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

(c) Market risk management

Interest rate risk management

Interest rate risk is the possibility that the group may suffer financial loss due to adverse movements in interest rates. The group is exposed to interest rate risks mainly in South Africa and the Isle of Man through SA rand and US dollar funding respectively. To minimise the effects of interest rate fluctuations in these countries, the group manages the interest rate risk for net debt denominated in rand and dollar separately. Interest rate hedging activities are reviewed regularly to ensure compliance with acceptable risk tolerance levels.

The rand and dollar interest rate risks are mainly managed on a floating rate basis using derivative instruments, where appropriate, to limit the effects of adverse movements in rates.

There were no interest rate derivatives in place during the year.

The risk profile of interest-bearing financial assets and liabilities at 30 September:

	Floating rate liabilities R million	Fixed rate liabilities R million	Floating rate assets R million	Fixed rate assets R million	Net liability/(asset) R million
At 30 September 2017					
SA rand	**3 170.1**	**–**	**(241.9)**	**(10.8)**	**2 917.4**
UK pound	**–**	**–**	**(208.3)**	**–**	**(208.3)**
US dollar	**3 147.1**	**2 454.5**	**(771.9)**	**(0.3)**	**4 829.4**
Nigerian naira	**–**	**–**	**(827.7)**	**–**	**(827.7)**
Angolan kwanza	**–**	**–**	**(234.4)**	**(1 954.0)**	**(2 188.4)**
Other currencies	**11.2**	**–**	**(181.8)**	**–**	**(170.6)**
Total	**6 328.4**	**2 454.5**	**(2 466.0)**	**(1 965.1)**	**4 351.8**
At 30 September 2016					
SA rand	1 827.1	–	(83.3)	–	1 743.8
UK pound	–	–	(52.5)	–	(52.5)
US dollar	3 291.2	2 393.2	(719.6)	–	4 964.8
Nigerian naira	–	–	(984.0)	–	(984.0)
Angolan kwanza	–	–	(386.6)	(617.5)	(1 004.1)
Other currencies	13.4	–	(56.1)	–	(42.7)
Total	5 131.7	2 393.2	(2 282.1)	(617.5)	4 625.3

	2017		2016	
	Bank balances %	**Borrowings* %**	Bank balances %	Borrowings* %
Weighted average interest rates are as follows:				
SA rand	**5.5**	**8.1**	6.7	8.2
UK pound	**0.2**	**–**	0.1	–
US dollar	**0.8**	**3.9**	4.3	3.9

* *Borrowings include overnight call facilities.*

If the market interest rates had been 100 basis points higher/lower at 30 September 2017 profit or loss would have been R63.8 million lower/higher (2016: R51.3 million).

The amount of R63.8 million (2016: R51.3 million) is calculated based on the assumption that the daily average weighted cost of borrowings was higher/lower by 100 basis points throughout the year and such rate was applied to the borrowings as at year-end. This would not necessarily equate to the actual profit or loss as year-end borrowings do not reflect actual borrowings throughout the year.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

(c) Market risk management continued

Currency risk management

Currency risk is the possibility that the group may suffer financial loss as a consequence of the depreciation in the measurement currency relative to the foreign currency prior to payment of a commitment in that foreign currency or the measurement currency strengthening prior to receiving payment in that foreign currency. The group also has translation risk arising from the consolidation of foreign operations into South African rand. Risks from foreign currencies for trading purposes are hedged to the extent that they influence the group's cash flows.

It is group policy that all foreign exchange exposures of the South African divisions are hedged. Net currency exposures and hedging positions are centrally controlled and managed for South African operations. The currency exposure of the group's Rest of Africa and European operations is centrally controlled and managed by the operations themselves. Speculative positions are not permitted.

The group uses forward contracts (FECs) in particular, together with other hedging instruments such as swaps and options, to manage transactional currency risks. Specific translation risks are managed through the selective use of options and hedge positions. In South Africa, all capital commitments and high value inventory purchases are required to be designated as a cash flow hedge. These hedges are tested for hedge effectiveness on a regular basis. In the current year a loss on the fair value of FEC contracts amounting to R14.1 million (2016: R34.3 million loss) was taken to equity. When risks and rewards of ownership transfer to the group, a basis adjustment will be made against the assets. There were no adjustments against the cost of assets during the year (2016: nil).

Material concentrations of currency risk exist within the group's Angola and Nigeria operations which are responsible for forex losses on the devaluation of currencies against the US dollar. These currency risks mainly affect cash and cash equivalents and trade receivables.

The amounts were calculated with reference to the financial instruments, exposed to currency risk at the reporting date and does not reflect the group's exposure throughout the reporting period as these balances may vary significantly due to the self-funding nature of the group's required working capital and cyclical nature of cash received from the sale of merchandise. The possible currency movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

	2017	2016
Currency conversion guide at 30 September		
Statement of comprehensive income (average)		
Rand/UK pound	16.96	21.07
Rand/euro	14.78	16.43
Rand/US dollar	13.38	14.79
Kwanza/US dollar	171.74	161.57
Naira/US dollar	321.90	229.60
Statement of financial position (spot)		
Rand/UK pound	18.17	17.80
Rand/euro	15.98	15.42
Rand/US dollar	13.56	13.72
Kwanza/US dollar	171.75	171.72
Naira/US dollar	358.99	315.00

The primary currency risk relates to movements in the exchange rates with the US dollar, UK pound and euro.

If the exchange rates with these currencies had weakened by 5% at 30 September 2017, with all other variables held constant, the impact on profit and loss for the year would have been a decrease of R23.7 million (2016: R35.5 million). Conversely, if the exchange rates with these currencies strengthened by 5%, profit and loss would increase by R23.7 million (2016: R35.5 million).

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

(c) Market risk management continued

Currency risk management continued

In South Africa all imports, exports and capital commitments are fully hedged once they are firm and ascertainable. The values of open forward contracts entered into at 30 September and their expected maturity profiles are:

	Average contract rate		Notional amount		Fair value (liability)/asset	
	2017 R	2016 R	**2017 R million**	2016 R million	**2017 R million**	2016 R million
US dollar						
Less than 3 months	**13.41**	14.68	**(125.1)**	(136.0)	**(7.4)**	(22.0)
3 to 6 months	**13.61**	14.96	**(41.6)**	(98.1)	**4.5**	(4.5)
6 to 9 months	**13.78**	15.31	**(57.4)**	(145.4)	**3.4**	(9.3)
Greater than 9 months	**13.96**	14.95	**(0.1)**	(29.9)	**0.1**	(0.4)
Euro						
Less than 3 months	**15.75**	16.43	**(109.2)**	(202.9)	**5.7**	(6.8)
3 to 6 months	**16.37**	17.23	**(15.2)**	(62.2)	**3.4**	(3.9)
6 to 9 months	**16.46**	17.73	**(4.1)**	(29.5)	**1.0**	(2.5)
UK pound						
Less than 3 months	**17.73**	21.84	**(7.1)**	(5.9)	**0.6**	10.0
3 to 6 months	**18.42**	–	**(0.6)**	–	**0.1**	–
Other						
Less than 3 months	**0.77**	4.35	**(12.1)**	2.5	**0.2**	(1.1)
Total					**11.6**	(40.5)

Commodity price risk managements

Commodity price risk is the risk that the group may suffer financial loss when a fluctuating price contract is entered into and commodity prices increase or when a fixed price agreement is entered into and commodity prices fall. The group uses derivative instruments, including forward agreements and futures, to hedge commodity risk.

The values of open future contracts entered into at 30 September and their expected maturity profiles are:

	Average contract rate		Notional amount		Fair value (liability)/asset	
	2017 R	2016 R	**2017 R million**	2016 R million	**2017 R million**	2016 R million
Less than 3 months	**27 085**	23 669	**(76.5)**	(33.3)	**(6.6)**	(1.0)
3 to 6 months	**27 663**	23 222	**(75.1)**	(28.4)	**(6.7)**	0.5
6 to 9 months	**27 663**	23 225	**(23.4)**	(9.9)	**(1.8)**	0.3
Total					**(15.1)**	(0.2)

At year-end the primary commodity exposure that the group had related to the purchase price of aluminium.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

Potential concentrations of credit risk consist principally of bank balances and deposits, derivative financial instruments and trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the group's counterparties are major banks of high standing.

Trade receivables comprise a large, widespread customer base. Ongoing credit evaluations on the financial condition of customers are performed, taking into account financial position and past experience.

The group does not consider there to be any significant concentration of credit risk which has not been insured or adequately provided for at the year-end.

6.2 Net finance costs

	2017 R million	2016 R million
Finance costs		
Interest paid – short-term facilities	**508.6**	565.1
Interest paid – long-term facilities	**0.2**	0.2
Interest paid – other	**–**	0.1
Less: Interest capitalised	**–**	(37.9)
Total	**508.8**	527.5
Borrowing costs included in the cost of qualifying assets in the prior year were calculated by applying a capitalisation rate of 7.7% to expenditure on those assets.		
Finance income		
Interest received – short-term facilities	**104.9**	37.4
Interest received – other	**12.8**	4.6
Total	**117.7**	42.0

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.3 Liquid bonds and other loan receivables

	2017 R million	2016 R million
Liquid bonds[1]	**1 954.0**	617.5
Equipment sales receivables[2]	**68.7**	62.3
Other loans and receivables	**23.4**	1.9
Total liquid bonds and other loan receivables	**2 046.1**	681.7
Less: Amounts receivable within one year reflected as current	**882.1**	7.8
Liquid bonds	**867.0**	–
Equipment sales receivables	**10.7**	7.1
Other loan receivables	**4.4**	0.7
Net non-current liquid bonds and other loan receivables	**1 164.0**	673.9

[1] Liquid bonds relate to US dollar indexed Angolan kwanza bonds. As at 30 September the Angolan kwanza equivalent of US$144.1 million (2016: US$45.0 million) had been hedged through these bonds in order to protect the group against further Angolan kwanza devaluation. Interest rates charged are between 5.0% and 7.8%.
[2] Equipment sales receivables are repayable from 2018 to 2025. Interest rates charged are between 5.8% to 14.0%.

Liquid bonds and other loan receivables are measured at amortised cost.

Their fair values approximate their carrying values.

6.4 Loans and other borrowings

	Redeemable/ repayable	Year-end interest rates	2017 R million	2016 R million
Secured loans[1]				
Local	2018	9.0%	**1 000.0**	–
Foreign[2]	2018 – 2023	2.7% to 5.3%	**5 140.9**	5 192.0
Unsecured loans				
Local	2018	8.7%	**–**	1 000.0
Capitalised finance leases[3]				
Local	2017	7.5%	**0.1**	0.1
Foreign	2019	11.0%	**–**	0.2
			6 141.0	6 192.3
Less: Instalments due for repayment within one year, reflected as current (note 6.5)			**133.8**	(9.8)
Net non-current loans and borrowings			**6 007.2**	6 202.1

[1] Loans and borrowings are secured as follows:
R6 140.9 million (2016: R5 192.0 million) debt is secured by guarantees issued by the Nampak Ltd group. These facilities are subject to covenants relating to interest cover and liquidity of the Nampak Ltd group.
The Nampak Ltd group was within the covenant requirements at the measurement dates.
No liabilities have been recognised for the outstanding guarantees.
[2] A loan in the amount of US$86 million is repayable on 1 October 2018. The group is reviewing its long-term maturity debt profile with a view to securing term funding with profiles that are more appropriate to the group's requirements.
[3] Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. Interest rates are fixed at the contract date. The fair value of the group's lease obligations approximates the carrying amount.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.4 Loans and other borrowings continued

Summary of loans and other borrowings by year of redemption or payment

		Total R million	Local R million	Foreign R million
Total owing at 30 September 2017		**6 141.0**	**1 000.1**	**5 140.9**
Repayable during the year ending 30 September	2018	133.8	0.1	133.7
	2019	3 211.2	1 000.0	2 211.2
	2020	1 699.1	–	1 699.1
	2021	284.2	–	284.2
	2022 onwards	812.7	–	812.7
Included above are minimum lease payments due on capitalised finance leases which are all repayable during the year ended 30 September 2017:		0.1	0.1	–

Loans and other borrowings are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the loan or borrowing, and are subsequently measured at amortised cost, using the effective interest rate method.

6.5 Loans and other borrowings – current

	2017 R million	2016 R million
Note programme – unsecured	**–**	250.0
Other current loans – unsecured	**88.1**	89.2
Current portion of loans (note 6.4)	**133.7**	(10.0)
Current portion of finance leases (note 6.4)	**0.1**	0.2
Total	**221.9**	329.4

Loans and other borrowings are measured at amortised cost.

6.6 Net (overdraft)/cash and cash equivalents

	2017 R million	2016 R million
Net (overdraft)/cash and cash equivalents in the statement of cash flows consist of the following amounts on the statement of financial position:		
Bank balances and deposits	**2 385.0**	2 217.9
Bank overdrafts	**(2 553.8)**	(993.4)
Total	**(168.8)**	1 224.5

Bank balances and deposits and bank overdrafts are measured at amortised cost.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS

7.1 Property, plant, equipment and investment property

	Freehold land and buildings R million	Leasehold buildings R million	Plant, equipment and vehicles R million	Capitalised leased plant and vehicles R million	Investment properties R million	Total property, plant, equipment and investment property R million
Gross carrying amount						
At 1 October 2015	1 393.4	1 038.7	14 999.4	18.7	14.7	17 464.9
Additions	6.7	6.7	1 414.0	–	–	1 427.4
Interest capitalised	–	–	37.9	–	–	37.9
Disposals – sale and leaseback*	(354.8)	–	(119.8)	–	(4.0)	(478.6)
Disposals – other	(15.6)	(0.4)	(406.0)	(3.4)	–	(425.4)
Impairment loss	–	–	(347.2)	–	–	(347.2)
Translation differences	(109.7)	(11.1)	(599.6)	–	–	(720.4)
Other movements	57.8	3.9	(84.2)	–	(0.3)	(22.8)
At 30 September 2016	**977.8**	**1 037.8**	**14 894.5**	**15.3**	**10.4**	**16 935.8**
Additions	**0.3**	**3.5**	**696.2**	**3.0**	**–**	**703.0**
Acquisition of business	**–**	**–**	**36.5**	**–**	**–**	**36.5**
Disposals	**(9.6)**	**(10.1)**	**(281.4)**	**(0.9)**	**–**	**(302.0)**
Disposal of business	**–**	**–**	**(241.2)**	**–**	**–**	**(241.2)**
Impairment loss	**–**	**–**	**(232.3)**	**–**	**(5.0)**	**(237.3)**
Reversal of impairment loss	**–**	**–**	**4.8**	**–**	**–**	**4.8**
Translation differences	**(16.6)**	**(12.2)**	**(84.7)**	**–**	**–**	**(113.5)**
Other movements	**13.4**	**0.1**	**(16.2)**	**–**	**–**	**(2.7)**
At 30 September 2017	**965.3**	**1 019.1**	**14 776.2**	**17.4**	**5.4**	**16 783.4**
Accumulated depreciation						
At 1 October 2015	341.2	132.0	5 943.6	16.5	5.9	6 439.2
Depreciation charge for the year	30.5	31.5	800.2	0.2	0.7	863.1
Disposals – sale and leaseback*	(92.9)	–	(9.2)	–	(1.9)	(104.0)
Disposals – other	(4.8)	(0.4)	(370.2)	(3.2)	–	(378.6)
Translation differences	(37.6)	(3.5)	(408.2)	–	0.1	(449.2)
Other movements	5.9	(2.4)	(11.0)	0.1	(0.7)	(8.1)
At 30 September 2016	**242.3**	**157.2**	**5 945.2**	**13.6**	**4.1**	**6 362.4**
Depreciation charge for the year	**17.4**	**28.3**	**752.6**	**0.3**	**0.4**	**799.0**
Disposals	**(0.1)**	**(10.1)**	**(260.3)**	**(0.9)**	**–**	**(271.4)**
Disposal of business	**–**	**–**	**(215.4)**	**–**	**–**	**(215.4)**
Translation differences	**(6.9)**	**(1.3)**	**(36.1)**	**–**	**–**	**(44.3)**
Other movements	**(0.2)**	**–**	**1.9**	**–**	**–**	**1.7**
At 30 September 2017	**252.5**	**174.1**	**6 187.9**	**13.0**	**4.5**	**6 632.0**
Net book value at 30 September 2017	**712.8**	**845.0**	**8 588.3**	**4.4**	**0.9**	**10 151.4**
Net book value at 30 September 2016	735.5	880.6	8 949.3	1.7	6.3	10 573.4

** The group entered into a sale and leaseback transaction for the sale and leaseback of 15 of its industrial properties effective 1 September 2016.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.1 Property, plant, equipment and investment property continued

	2017 September	2016 September
Property rental income earned by the group from its investment property under operating leases	**0.2**	5.5

Property, plant and equipment and investment property are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost over its estimated useful life, using the straight-line method – other than for the Bevcan operations where the units of production method is applied. Depreciation is not provided in respect of land.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The average straight-line rates of depreciation used are:

Freehold buildings and investment property	30 to 50 years
Leasehold buildings	Shorter of asset life or the lease term
Plant and equipment	2 to 25 years
Furniture and equipment	4 to 10 years
Motor vehicles	2 to 10 years

Depreciation methods, useful lives and residual values are reassessed annually or when there is an indication that they have changed.

Impairment losses have been recognised on certain plant and equipment where the carrying value exceeded the higher of value in use or fair value less cost to sell.

Impairment losses

Included in the current year impairment loss are the following:

- R111.7 million: factory machinery and equipment in the Plastics segment. The assets relate to a site development that is no longer profitable. The recoverable amount (ie value in use) of these assets is estimated at R nil as no economic benefits are expected to be generated from these assets;
- R38.0 million: plant and equipment in the Plastics segment that is expected to be sold for an amount that is below their carrying amount. The recoverable amount of these assets is R37.0 million and was based on their fair value less costs to sell;
- R23.0 million: blow moulding machine in the Plastics segment. The asset was internally developed and has been written off as it is not operational. Its recoverable amount (ie value in use) is R nil; and
- R35.0 million: an operation's plant and equipment in the Metals segment. This is attributable to lower production volumes that are expected from these assets in future. The recoverable amount, based on its value in use, is R101.3 million.

The value in use amounts were determined using the discount rates and assumptions detailed in note 7.2.

Change in accounting estimate

During the year, the group reassessed the useful lives of its property, plant and equipment as required by IAS 16. The useful lives of the assets were extended as the adjusted useful lives reflect more appropriately the pattern of the consumption of the future economic benefits embodied in the assets concerned. In accordance with IAS 16: *Property, Plant and Equipment*, this represents a change in an accounting estimate and is therefore applied prospectively in terms of IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the change in useful lives for the year ended 30 September 2017 is a decrease in the depreciation expense of R52.4 million with a similar amount expected to be incurred annually in the future.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.2 Goodwill

	R million
Carrying amount	
At 1 October 2015	3 769.0
Translation differences	(34.6)
At 30 September 2016	**3 734.4**
Impairment loss – Glass	**(321.1)**
Translation differences	**(38.9)**
At 30 September 2017	**3 374.4**

The allocation of goodwill by cash-generating unit (CGU) is presented below:

	Cost R million	Cumulative Impairment	Net carrying value R million
At 30 September 2016			
Metals	3 340.5	(18.4)	3 322.1
Glass	321.1	–	321.1
Plastics	114.0	(60.1)	53.9
Paper	37.3	–	37.3
Total	3 812.9	(78.5)	3 734.4
At 30 September 2017			
Metals	**3 302.1**	**(18.4)**	**3 283.7**
Glass	**321.1**	**(321.1)**	**–**
Plastics	**114.0**	**(60.1)**	**53.9**
Paper	**36.8**	**–**	**36.8**
Total	**3 774.0**	**(399.6)**	**3 374.4**

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined using value in use calculations. These calculations use cash flow projections based on the most recent financial budgets approved by management for the next five years. Cash flows beyond the five-year period are extrapolated using the growth rates below:

Key assumptions used for value in use calculations

	South Africa %	Rest of Africa %	Nigeria %	Europe %
2016				
Growth rate*	5.6	2.3 – 13.5	2.3 – 12.8	2.2
Discount rate (post-tax)	11.8	7.5 – 18.0	10.3 – 21.7	5.2
Discount rate (pre-tax)	14.2	9.6 – 21.5	12.5 – 21.8	5.4
2017				
Growth rate*	**5.4**	**2.3 – 14.9**	**2.5 – 12.0**	**2.2**
Discount rate (post-tax)	**11.9**	**9.3 – 20.9**	**9.7 – 21.8**	**6.2**
Discount rate (pre-tax)	**13.4**	**11.9 – 25.0**	**12.8 – 21.8**	**6.2**

* *The growth and discount rates are obtained from external sources of information and are used in the calculation of the terminal value after the five-year management estimate of cash flows.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.2 Goodwill continued

Management estimates discount rates using the post-tax average weighted cost of capital for the group, adjusted for risks associated with the geographical markets in which the CGUs operate. A post-tax rate is used due to the different tax rates applicable in the tax jurisdictions concerned. Growth rates are based on industry growth rate forecasts.

Nigeria's calculated discount rate specifically includes a premium of 1.2% (2016: 1.5%) to accommodate for the risk associated with illiquidity in the market. The adjustment has, however, been excluded from the terminal year as the risk associated with illiquidity is assessed as minimal from the said year.

Additionally, management considers the impact of sales volumes both from a market and customer variation point of view, production efficiencies and the impact of fluctuations in overhead when determining the cash flow projections used in value in use calculations. Sensitivity in the calculation of headroom, being the difference between the value in use and the net asset value (including goodwill) is assessed through the value in use calculation process and it is the determination of management that headroom is not adversely affected by these movements.

Impairment charge on goodwill

At the end of the year, the group assessed the performance of the Glass CGU and consequently impaired R321.1 million relating to the goodwill arising on the acquisition of the remaining 50% of the joint venture company Nampak Wiegand Glass (Pty) Ltd in 2012.

In determining the value in use of the division in the current year, management revised downwards the projected sales volume over the next five years and beyond, when compared to the review performed in the prior year. The decrease in the expected sales volume is due to the expected reduction in customer demand over the valuation period. In the light of the current financial performance of the operation, management believes that the remaining carrying value of the Glass business's assets are recoverable.

The present value of the future cash flows expected to be derived from the Bevcan Nigeria operation exceed the carrying amount of its CGU. Cash flow projections are supported by reasonable assumptions. There has been no deterioration in the capability of assets within this CGU to generate cash flows and further to this there is no persuasive evidence that the assets associated with the goodwill can no longer demonstrate the financial results that were expected from them at the time of purchase. Therefore, no impairment of goodwill is required for Bevcan Nigeria.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.3 Other intangible assets

	ERP systems and software R million	Other* R million	Total R million
Cost			
At 1 October 2015	374.3	435.9	810.2
Additions	15.6	0.6	16.2
Disposals	(170.7)	–	(170.7)
Impairment loss	(8.5)	–	(8.5)
Translation differences	(3.5)	(1.0)	(4.5)
Other movements	11.3	(4.0)	7.3
At 30 September 2016	**218.5**	**431.5**	**650.0**
Additions	**32.3**	**–**	**32.3**
Disposals	**(35.0)**	**–**	**(35.0)**
Impairment loss	**–**	**(114.2)**	**(114.2)**
Translation differences	**(0.5)**	**(1.7)**	**(2.2)**
Other movements	**1.8**	**–**	**1.8**
At 30 September 2017	**217.1**	**315.6**	**532.7**
Amortisation			
At 1 October 2015	342.7	117.9	460.6
Charge for the year	14.2	34.4	48.6
Disposals	(170.7)	–	(170.7)
Translation differences	(1.7)	(0.3)	(2.0)
Other movements	5.8	(1.3)	4.5
At 30 September 2016	**190.3**	**150.7**	**341.0**
Charge for the year	**8.7**	**23.7**	**32.4**
Disposals	**(34.9)**	**–**	**(34.9)**
Translation differences	**(0.4)**	**–**	**(0.4)**
Other movements	**0.1**	**0.1**	**0.2**
At 30 September 2017	**163.8**	**174.5**	**338.3**
Net carrying value at 30 September 2017	**53.3**	**141.1**	**194.4**
Net carrying value at 30 September 2016	28.2	280.8	309.0

** Other intangible assets consist of patents, trademarks, licences and customer relationships.*

Acquired computer software licences, patents and trademarks are measured at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Costs associated with development or maintaining computer software programs are recognised as the expense is incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

The average straight-line rates of amortisation used are three to four years.

Impairment charge on intangible assets

During the year, management assessed the intangible assets recognised on the acquisition of the remaining 50% Nampak Wiegand Glass (Pty) Ltd in 2012 for impairment. At the date of the assessment, it was determined that these assets would no longer generate economic benefits in the future. The carrying amount of the assets being R114.2 million at the date of the assessment was consequently impaired as the recoverable amount (ie value in use) of these assets was estimated at Rnil.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.4 Inventories

	2017 R million	2016 R million
Raw materials	1 946.0	1 457.6
Work in progress	29.1	41.3
Finished goods	1 239.5	1 137.8
Consumables	765.7	740.0
Total	3 980.3	3 376.7

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

	2017 R million	2016 R million
Carrying amount of inventories included at net realisable value	98.8	154.2
Amount of write-down of inventory to net realisable value included in raw materials and consumables used	12.3	51.1
Amount of reversals of previous inventory write-downs included in raw materials and consumables used	1.4	–

7.5 Trade receivables and other current assets

	2017 R million	2016 R million
Trade receivables	2 450.9	2 594.9
Prepayments	155.2	211.1
Derivative financial instruments (note 6.1)	19.1	–
Royalties receivable	248.9	164.5
Other	135.8	130.7
Total	3 009.9	3 101.2

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Derivative financial assets are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The resulting gain or loss is recognised in profit or loss as it arises, unless the derivative is designated and effective as a hedging instrument.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gain or loss on the derivative that had previously been recognised in equity is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedge item affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.5 Trade receivables and other current assets continued

The directors consider that the carrying amounts of trade receivables and other current assets approximate their fair values due to the short-term nature of these assets. The total amount receivable represents the maximum exposure to credit risk for trade receivables and other current assets, before any credit enhancements or collateral that may be held.

The average credit term on the sale of goods is 30 days. The group does not permit general provisions for doubtful debts based solely on the age of receivables. The allowance for doubtful debt is provided for on the basis of the estimated irrecoverable amounts from the sale of goods, determined by historical trend analysis for similar classes of receivables.

Included in the group's trade receivable balance are debtors with a carrying value of R839.5 million (2016: R635.5 million) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances.

Ageing of past due but not impaired trade receivables

	2017 R million	2016 R million
30 days and less	**541.8**	425.2
30 – 60 days	**192.6**	106.7
60 – 90 days	**39.2**	38.0
90 – 180+ days	**65.9**	65.6
Total	**839.5**	635.5

An allowance of R54.5 million (2016: R46.0 million) has been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default.

Analysis of the allowance for doubtful debts

	2017 R million	2016 R million
Balance at beginning of year	**46.0**	57.3
Impairment losses recognised on receivables	**26.0**	21.0
Amounts written off during the year	**(1.1)**	(15.2)
Impairment losses reversed	**(19.2)**	(12.1)
Translation differences	**2.8**	(5.0)
Balance at end of year	**54.5**	46.0

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. With the exception of a few multinationals, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the board of directors believes that there is no further credit provision required in excess of the allowance for doubtful debts.

7.6 Trade payables and other current liabilities

	2017 R million	2016 R million
Trade payables	**2 612.4**	2 431.9
Accruals	**1 504.2**	1 632.6
Derivative financial instruments (note 6.1)	**22.6**	40.7
Value added tax	**90.3**	380.7
Other	**176.9**	182.8
Total	**4 406.4**	4 668.7

Trade payables and accruals mainly consist of amounts outstanding for trade purchases and ongoing costs.

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

The directors consider that the carrying amounts of trade payables and other current liabilities approximates their fair values.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.7 Provisions

	Restructuring R million	Customer claims R million	Other R million	Total R million
At 1 October 2015	225.9	9.3	2.7	237.9
Additions	26.2	47.2	97.0	170.4
Usage	(74.9)	(1.5)	1.4	(75.0)
Reversals	(42.9)	(5.7)	–	(48.6)
Translation differences	(1.8)	(1.2)	(9.8)	(12.8)
Other	(3.1)	–	0.2	(2.9)
At 30 September 2016	**129.4**	**48.1**	**91.5**	**269.0**
Additions	**85.2**	**8.1**	**94.5**	**187.8**
Usage	**(33.0)**	**(36.1)**	**–**	**(69.1)**
Reversals	**(6.5)**	**(6.1)**	**–**	**(12.6)**
Translation differences	**1.3**	**(2.3)**	**2.3**	**1.3**
Other	**44.6**	**–**	**(27.6)**	**17.0**
At 30 September 2017	**221.0**	**11.7**	**160.7**	**393.4**

	2017 R million	2016 R million
Analysed as:		
Current	**359.6**	269.0
Non-current (included with “other non-current liabilities”)	**33.8**	–
Total	**393.4**	269.0

Restructuring

Provisions for restructuring are recognised when the group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Restructuring provisions only include those direct expenditures which are necessarily entailed by the restructuring and are not associated with the ongoing activities of the group.

Customer claims

Amounts expected to be payable under customer claims in respect of packaging already supplied. The provision is based on historical customer claims data and a weighting of all possible outcomes against their associated probabilities.

Other

These provisions mainly relate to onerous leases on property.

7.8 Contingent liabilities

	2017 R million	2016 R million
Guarantees in respect of property leases	**5.0**	5.0
Customer claims and other	**1.8**	1.7
Tax contingent liability	**–**	76.9
Total	**6.8**	83.6

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.9 Segmental operating assets and liabilities

	Operating assets[1]		Operating liabilities[2]		Capital expenditure	
	2017 R million	2016 R million	**2017 R million**	2016 R million	**2017 R million**	2016 R million
Segment analysis						
Metals	**10 072.4**	9 802.5	**3 497.4**	3 138.4	**295.9**	843.8
Glass	**2 437.4**	2 390.1	**183.6**	197.6	**177.6**	150.7
Plastics	**2 574.3**	2 966.4	**1 113.8**	944.2	**153.8**	375.0
Paper	**991.1**	1 132.6	**377.3**	514.9	**37.2**	52.9
Operations	**16 075.2**	16 291.6	**5 172.1**	4 795.1	**664.5**	1 422.4
Corporate	**6 569.6**	6 336.2	**1 490.4**	1 876.4	**70.8**	21.2
Eliminations	**(1 912.6)**	(1 505.4)	**(1 831.7)**	(1 696.8)	**–**	–
Total	**20 732.2**	21 122.4	**4 830.8**	4 974.7	**735.3**	1 443.6
Geographical analysis						
South Africa	**10 534.8**	9 729.3	**2 316.1**	2 237.5	**503.2**	1 061.2
Rest of Africa	**5 872.1**	6 019.1	**3 437.4**	2 523.0	**94.0**	235.9
United Kingdom	**572.5**	871.0	**323.0**	342.1	**67.3**	125.3
Operations	**16 979.4**	16 619.4	**6 076.5**	5 102.6	**664.5**	1 422.4
Corporate	**6 569.6**	6 336.2	**1 490.4**	1 876.4	**70.8**	21.2
Eliminations	**(2 816.8)**	(1 833.2)	**(2 736.1)**	(2 004.3)	**–**	–
Total	**20 732.2**	21 122.4	**4 830.8**	4 974.7	**735.3**	1 443.6

[1] Operating assets consist of all assets other than tax and deferred tax assets, liquid bonds and other loan receivables, and bank balances and deposits.
[2] Operating liabilities consist of other non-current liabilities, trade payables and other current liabilities, and provisions.

Geographical information

	Non-current assets*	
	2017 R million	2016 R million
South Africa	**6 034.6**	5 995.1
Angola	**1 955.1**	2 072.7
Nigeria	**1 052.5**	1 142.0
United Kingdom	**315.8**	520.5
Rest of the world	**4 384.0**	4 914.2
Total	**13 742.0**	14 644.5

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

7. NET OPERATING ASSETS continued

7.10 Operating lease commitments

Sale and leaseback

During the prior year, the group entered into a significant sale and leaseback transaction for 15 of its industrial properties at their carrying amount. The group accounted for the transaction as an operating sale and leaseback as the significant risks and rewards of ownership were transferred to, and remained with, the purchaser. The sales price for the properties was equal to their fair value and the profit on the sale was recognised in profit or loss in the prior period.

Fourteen of the properties are leased for a period of 15 years with an option to renew the lease agreements for one additional period of 10 years, and an option to repurchase the properties at market-related prices on termination of the lease agreements. One of the properties is leased for a period of three years. Escalation of lease payments is provided for in the agreements at inflation-related rates.

In terms of the lease agreements, the group remains responsible for all maintenance, insurance, rates and taxes (triple net lease).

The lease commitments in terms of the sale and leaseback are payable as follows:

	2017 R million	2016 R million
2017		145.9
2018	**158.9**	158.9
2019 – 2022	**711.9**	713.6
2023 onwards	**2 601.0**	2 518.4
Total	**3 471.8**	3 536.5

Other leases

The group has other lease commitments in respect of land and buildings, plant, equipment and vehicles, which are payable as follows:

	2017 R million	2016 R million
Year ending 30 September		
2017		57.2
2018	**47.0**	42.7
2019 – 2022	**66.7**	123.1
2023 onwards	**–**	–
Total	**113.7**	223.0
Comprising:		
Land and buildings	**70.8**	195.7
Vehicles	**12.1**	3.3
Other	**30.8**	24.0
Total	**113.7**	223.0

7.11 Capital commitments

	2017 R million	2016 R million
Capital commitments for acquisition of property, plant and equipment		
Contracted	**256.4**	276.3
Approved but not yet contracted	**333.5**	178.1
Total	**589.9**	454.4

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION

8.1 Retirement benefit information

The group operates a number of defined contribution and defined benefit funds in compliance with relevant local legislation. The assets of the funds are held separately from those of the group and are administered either by trustees, which include elected employee representatives, or in some cases, by independent experts.

The group does not provide post-retirement medical benefits for employees who joined the company after 1 June 1996. The obligation in respect of medical benefits to employees and pensioners employed before that date is treated as a defined benefit plan.

Defined contribution funds

The total number of members for all defined contribution funds operated by the group as at 30 September 2017 is 7 658 (2016: 7 802). Total contribution costs for the year ended 30 September 2017 are R192.5 million (2016: R191.0 million).

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement plan.

Defined benefit funds

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	Pension plans		
	South Africa	United Kingdom	Post-retirement medical
2017			
Assumptions (%)			
Discount rate	**9.3**	**2.7**	**9.3**
Consumer price inflation (long term)	**6.5**	**2.7**	**6.5**
Expected return on funds' assets	**–**	**2.7**	**–**
Rate of compensation increase	**–**	**3.6**	**–**
Pension increase	**4.3**	**2.2/2.4/3.4**	**–**
Rate of medical inflation	**–**	**–**	**8.0**
Membership data			
Total membership	**25**	**1 437**	**1 611**
2016			
Assumptions (%)			
Discount rate	9.5	2.2	9.2
Consumer price inflation (long term)	7.0	1.9	7.0
Expected return on funds' assets	–	2.2	–
Rate of compensation increase	–	3.0	–
Pension increase	4.7	1.8/2.2/2.9	–
Rate of medical inflation	–	–	8.5
Membership data			
Total membership	27	1 451	1 882

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION continued

8.1 Retirement benefit information continued

Defined benefit funds continued

The amounts recognised in the statement of financial position are as follows:

	Pension funds South Africa R million	Pension funds United Kingdom R million	Post-retirement medical South Africa R million	Total R million
2017				
Valuation results				
Fair value of plan assets	**–**	**(1 721.4)**	**–**	**(1 721.4)**
Present value of benefit obligations	**2.3**	**2 338.0**	**939.1**	**3 279.4**
Net liability	**2.3**	**616.6**	**939.1**	**1 558.0**
2016				
Valuation results				
Fair value of plan assets	–	(1 670.3)	–	(1 670.3)
Present value of benefit obligations	2.4	2 383.2	1 140.4	3 526.0
Net liability	2.4	712.9	1 140.4	1 855.7

Changes in the fair value of plan assets are as follows:

	Pension funds South Africa R million	Pension funds United Kingdom R million	Post-retirement medical South Africa R million	Total R million
At 1 October 2015	–	1 759.9	–	1 759.9
Movements recognised in profit or loss:				
Interest income	–	64.9	–	64.9
Actuarial gains recognised in other comprehensive income:				
Return on plan assets (excluding amounts included in net interest expense)	–	147.0	–	147.0
Contributions by employers	–	61.1	–	61.1
Translation difference on foreign plans	–	(278.1)	–	(278.1)
Benefits paid	–	(84.5)	–	(84.5)
At 30 September 2016	**–**	**1 670.3**	**–**	**1 670.3**
Movements recognised in profit or loss:				
Interest income	**–**	**33.4**	**–**	**33.4**
Curtailment gain (adjustment)		**(13.1)**		**(13.1)**
Actuarial gains recognised in other comprehensive incomes:				
Return on plan assets (excluding amounts included in net interest expense)	**–**	**9.7**	**–**	**9.7**
Contributions by employers	**–**	**49.1**	**–**	**49.1**
Translation difference on foreign plans	**–**	**36.8**	**–**	**36.8**
Benefits paid	**–**	**(64.8)**	**–**	**(64.8)**
At 30 September 2017	**–**	**1 721.4**	**–**	**1 721.4**

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION continued

8.1 Retirement benefit information continued

Defined benefit funds continued

Changes in the present value of the defined benefit obligation are as follows:

	Pension funds South Africa R million	Pension funds United Kingdom R million	Post-retirement medical South Africa R million	Total R million
At 1 October 2015	2.1	2 233.1	1 533.1	3 768.3
Movements recognised in profit or loss:				
Current service cost	–	–	5.7	5.7
Past service cost (adjustment)	–	(46.5)	–	(46.5)
Interest cost	0.2	81.5	131.7	213.4
Remeasurement gain – curtailment*	–	–	(91.2)	(91.2)
Actuarial (gains)/losses recognised in other comprehensive income:				
Actuarial (gains)/losses arising from changes in demographic assumptions	–	(8.1)	9.9	1.8
Actuarial losses arising from changes in financial assumptions	0.1	587.0	81.1	668.2
Actuarial gains arising from experiences adjustments	–	(23.6)	–	(23.6)
Translation difference on foreign plans	–	(355.7)	–	(355.7)
Benefits paid	–	(84.5)	(99.9)	(184.4)
Settlements*	–	–	(430.0)	(430.0)
At 30 September 2016	**2.4**	**2 383.2**	**1 140.4**	**3 526.0**
Movements recognised in profit or loss:				
Current service cost	**–**	**–**	**3.4**	**3.4**
Interest cost	**0.2**	**47.8**	**97.0**	**145.0**
Curtailment gain	**–**	**(17.6)**	**(60.0)**	**(77.6)**
Actuarial (gains)/losses recognised in other comprehensive income:				
Actuarial gains arising from changes in demographic assumptions	**–**	**(65.2)**	**14.6**	**(50.6)**
Actuarial (gains)/losses arising from changes in financial assumptions	**(0.3)**	**18.5**	**17.3**	**35.5**
Actuarial gains arising from experiences adjustments	**–**	**(10.0)**	**(40.6)**	**(50.6)**
Translation difference on foreign plans	**–**	**46.3**	**–**	**46.3**
Benefits paid	**–**	**(65.0)**	**(69.8)**	**(134.8)**
Settlements*		**–**	**(163.2)**	**(163.2)**
At 30 September 2017	**2.3**	**2 338.0**	**939.1**	**3 279.4**
Expected contributions to defined benefit plans in 2018	**0.3**	**52.7**	**63.5**	**116.5**

The total unfunded pension liability is R2.3 million (2016: R2.4 million) and the unfunded post-retirement medical liability is R939.1 million (2016: R1 140.4 million).

** During the previous financial year, Nampak Products Ltd offered continuation members in receipt of a monthly medical scheme contribution subsidy the option of converting the monthly subsidy into an annuity secured in the pensioner's own individual name. As at the effective date of the post-retirement medical valuation, a total of 475 continuation members had accepted this offer from Nampak Products Ltd. The result of the offer is that the Nampak Ltd liability in respect of continuation members who accepted this offer has been replaced by the purchase of an annuity in the continuation members' individual names. During the current financial year, a further 222 pensioners accepted the annuity offer over the course of the financial year. These were mainly pensioners who did not accept the offer prior to 30 September 2016 hence were not accounted for in the 2016 financial year. The liability has therefore been extinguished for the additional members accepting the offer and the transaction has led to a curtailment gain of R58.6 million in the 2017 financial year. The curtailment gain was calculated as the difference between the cost of the annuities and the value of the liabilities on an individual basis and summed to provide a total. The curtailment gain was based on the 31 December 2016 valuation liability for the bulk of the members that accepted the offer. During the year qualifying active members accepted the cash offer made in 2014 which led to a curtailment gain of R1.4 million.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION continued

8.1 Retirement benefit information continued

Defined benefit funds continued

Prior to the review date of the UK Pension Fund liability, Nampak Plastics Europe Ltd completed a trivial commutation exercise in respect of this fund. Letters were issued to 102 members who were potentially eligible for a trivial commutation payment (ie those members over 55 with benefits valued at less than £30 000 using the relevant HMRC test) at the end of July 2017. The offer was accepted by 27 members prior to the review date. The net curtailment gain resulting from the exercise on trivial commutations was R4.5 million.

Post-retirement medical plans

Assumed healthcare cost trends have a significant effect on the amounts recognised in the income statement. The effect of a one percentage point change in assumed healthcare cost trend rates would be as follows:

	One % point increase R million	One % point decrease R million
Effect on aggregate of the service costs and interest cost	9.0	7.8
Effect on defined benefit obligation	92.8	80.2
Pension Fund UK		
The effect of a 0.1 percentage point change in the following significant assumptions will affect the liability recognised as follows:		
Discount rate	34.5	34.5
Inflation rate	20.0	20.0

The statutory actuarial valuations of the defined benefit funds are as follows:

	Valuation date	Fair value of assets R million	Fair value of liabilities R million	Valuation basis
Nampak plc Pension Plan	05/4/2016	1 053.5	1 509.1	PUC
Nampak plc Staff Pension Plan	05/4/2016	881.0	1 066.3	PUC
Nampak Post-retirement Medical Aid Fund	30/9/2017	–	939.1	PUC

PUC: Project unit cost

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a triennial basis with interim valuations performed on an annual basis.

Consideration is given to any event that could impact the funds up to the reporting date where interim valuations are performed at an earlier date using an independent valuation expert.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs, and reduced by the fair value of plan assets.

The latest actuarial valuations in respect of the defined benefit funds found them in sound financial condition. In arriving at their findings, the actuaries have taken into account reasonable long-term estimates of inflation, future increases in wages, salaries and pensions and sustainable investment returns. Funds denominated in foreign currency have been translated at the rate ruling at year-end.

The valuations listed above are not necessarily the valuations used in determining the surplus or obligation recognised on the statement of financial position.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION continued

8.2 Share based payments

Share based payment expenses recognised:

	2017 R million	2016 R million
Performance Share Plan	**0.8**	11.9
Share Appreciation Plan	**3.8**	5.0
Deferred Bonus Plan	**2.3**	2.4
Total	**6.9**	19.3

All share schemes are treated as equity-settled share schemes. Equity-settled share-based payments are measured at fair value, excluding the effect of non-market vesting conditions, at the date of grant.

The fair values are measured using various models. The expected lives used in the models have been adjusted, based on management's best estimate, for the effects of estimated forfeitures, exercise restrictions and behavioural considerations.

Grants issued to employees of subsidiaries are treated as equity-settled share-based payments, with the subsidiaries recognising a corresponding increase in equity as a contribution from parent. In the company annual financial statements, this contribution is treated as an investment in subsidiaries.

The detailed rules of the schemes, the movements pertaining to each allocation in terms of the schemes, as well as the significant inputs into the valuation models used for each scheme are available for inspection at the company's registered office. A summary of the movements pertaining to each scheme is contained in the directors' report on pages 15 and 16.

The detailed allocations made to each executive director and each member of the group executive committee are included in the remuneration report which is available for inspection on the company's website.

Performance Share Plan

Overview

Participation in this scheme is restricted to senior executives and executive directors and is subject to approval by the remuneration committee. The scheme's allocations are made on condition that certain performance criteria will be satisfied during the specific performance period for the allocation concerned.

The expense for the scheme is recognised proportionately so that after the third year of the grant a participant will be entitled to a third of the shares, after the fourth year another third, and the final third at the end of the fifth year so that after five years the participant will be entitled to receive full rights under the plan.

An award under this scheme can lapse under certain circumstances.

Performance criteria

Three performance conditions are imposed under this scheme:

- 30% of the performance shares will be subject to the total shareholder return (TSR) condition. The threshold performance criterion is that the company obtains an improvement in TSR of CPI plus 9% over the three-year performance period, with the full performance criterion being an improvement in TSR of CPI + 24%;
- 40% of the performance shares will be subject to the headline earnings per share (HEPS) condition. The threshold performance criterion is that the cumulative HEPS of the company for the financial year in which the shares vest exceeds the HEPS for the financial year in which the awards were granted by the percentage change in the CPI over the performance period, plus 9%, with the full performance criterion being CPI plus 24%.
- 30% of the performance shares will be subject to the return on net assets (RONA) condition. The condition ranges from 60% of the shares vesting on the achievement of a RONA of 11.5% to 100% vesting on a RONA of 13.5%.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION continued

8.2 Share based payments continued

Share Appreciation Plan

Overview

Participation in the scheme is restricted to senior management and executive directors and is subject to approval by the remuneration committee. The scheme's allocations are made on condition that certain performance criteria will be satisfied during the specific performance period for the allocation concerned.

The expense for the scheme is recognised proportionately so that after the third year of the grant a participant will be entitled to a third of the shares, after the fourth year another third, and the final third at the end of the fifth year so that after five years the participant will be entitled to receive full rights under the plan.

All share appreciation rights (SARs) shall lapse if not exercised within seven years from the award date.

Performance criteria

The performance target is that the company's cumulative HEPS for the financial year in which the rights vest, exceeds the HEPS for the financial year in which the rights were granted by the percentage change in the CPI over the vesting period plus 6%. Performance below the performance target will result in no SARs vesting and all SARs will lapse and be of no further force or effect.

Deferred Bonus Plan

Overview

Participation in the plan is limited to executive directors and senior executives of the group and its divisions. Participants are entitled to use a maximum of 50% of their annual bonus after tax to purchase shares (bonus shares) in Nampak Ltd.

A matching award, which is based on the number of bonus shares acquired and still held at the vesting date, is made to all participants. For example if 100 bonus shares were acquired and are still held at the vesting date, the matching award will consist of 100 matching shares.

Performance criteria

No performance criteria are applicable.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION continued

8.3 Remuneration of directors and prescribed officers

In terms of total guaranteed packages, plus other benefits for 2017, this detail is set out in the table below.

Table 1 (a)

Executive directors and group executive committee members' total remuneration 2017

	Basic salary Rand	Company contribution to retirement Rand	Guaranteed package Rand	Value of other benefits[1] Rand	Retention/ termination Rand	STI[2] Rand	Total remuneration Rand	Gain on share schemes Rand
Columns	1	2	3 = 1+2	4	5	6	7 = 3 + 4 + 5 + 6	8
Executive directors								
AM de Ruyter[3]	7 028 250	248 950	7 277 200	22 180	7 277 200	8 165 018	22 741 598	285 324
GR Fullerton[3]	4 545 573	333 627	4 879 200	14 871	4 879 200	5 046 313	14 819 584	–
MMF Seleoane[4]	875 500	74 500	950 000	2 834	–	902 500	1 855 334	–
FV Tshiqi[5]	2 121 163	177 812	2 298 975	7 082	961 448	2 085 745	5 353 250	1 458 151
Total	14 570 486	834 889	15 405 375	46 967	13 117 848	16 199 576	44 769 766	1 743 475
Group executive committee								
C Burmeister	2 654 880	236 020	2 890 900	8 812	–	1 194 664	4 094 376	306 441
M Khutama	2 530 874	240 726	2 771 600	8 448	–	1 465 671	4 245 719	–
LD Kidd[6]	206 413	18 587	225 000	606	–	186 660	412 266	–
RG Morris	3 296 813	231 287	3 528 100	10 753	–	1 900 428	5 439 281	1 575 353
NP O'Brien[7]	2 334 363	211 037	2 545 400	7 841	1 041 418	2 029 812	5 624 471	784 378
EE Smuts	3 314 434	193 666	3 508 100	10 692	–	3 168 227	6 687 019	469 634
IH van Lochem[6]	182 654	17 346	200 000	538	–	170 000	370 538	–
Total	14 520 431	1 148 669	15 669 100	47 690	1 041 418	10 115 462	26 873 670	3 135 806

[1] *Other benefits refers to group personal accident cover.*
[2] *STI disclosed is based on performance during the 2017 financial year, but actual STI payments will only be made in December 2017.*
[3] *Cash retention awards made to CEO and CFO, with a three-year retention period. Total payment is included in the table. The expense is recognised over the retention period.*
[4] *MMF Seleone appointed with effect 1 June 2017.*
[5] *FV Tshiqi retired with effect 30 June 2017. Termination pay comprises a gratuity of R500 000, leave pay of R453 948 and a farewell gift to the value of R7 500.*
[6] *LD Kidd and IH van Lochem appointed to the group executive committee with effect 1 September 2017.*
[7] *NP O'Brien retired with effect 31 August 2017. Termination pay comprises a gratuity of R500 000, leave pay of R533 918 and a farewell gift to the value of R7 500.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

8. STAFF REMUNERATION continued

8.3 Remuneration of directors and prescribed officers continued

Table 1 (b)

Executive directors and group executive committee members' total remuneration 2016

	Basic salary Rand	Company contribution to retirement Rand	Guaranteed package Rand	Value of other benefits[1] Rand	STI[2] Rand	Total remuneration Rand	Gain on share schemes Rand
Columns	1	2	3 = 1+2	4	5	6 = 3+4+5	7
Executive directors							
AM de Ruyter	6 369 501	431 589	6 801 090	20 273	2 442 045	9 263 408	–
GR Fullerton	3 831 392	31 941	3 863 333	11 516	1 436 400	5 311 249	–
FV Tshiqi	2 642 421	249 346	2 891 767	8 620	766 463	3 666 850	3 133 817
Total	12 843 314	712 876	13 556 190	40 409	4 644 908	18 241 507	3 133 817
Group executive committee							
C Burmeister	2 475 833	246 307	2 722 140	8 114	1 664 371	4 394 625	625 032
M Khutama	1 992 114	207 886	2 200 000	6 558	721 050	2 927 608	–
RG Morris	3 067 042	273 958	3 341 000	9 959	1 823 117	5 174 076	3 101 917
NP O'Brien	2 375 665	241 519	2 617 184	7 801	599 087	3 224 072	1 874 044
EE Smuts	2 730 966	252 738	2 983 704	8 894	988 680	3 981 278	782 115
Total	12 641 620	1 222 408	13 864 028	41 326	5 796 305	19 701 659	6 383 108

[1] *Other benefits refers to group personal accident cover.*
[2] *STI disclosed is based on performance during the 2016 financial year, but actual STI payments will only be made in December 2016.*

Table 2

Non-executive directors' remuneration

The non-executive remuneration paid during the year under review (as approved by shareholders) and the total comparative figure for 2017 are disclosed below.

Name	Directors' fees Rand	Audit committee total fees Rand	Remuneration committee total fees Rand	Nomination committee total fees Rand	Investment committee total fees Rand	Risk and sustainability total fees Rand	Social, ethics and transformation committee total fees Rand	Total 2017 Rand	Total 2016 Rand
RC Andersen[4]	265 700	300 773	104 400	69 450	113 420	51 783	–	905 526	799 750
E Ikazoboh	265 700	–	–	–	86 800	–	–	352 500	315 300
J John[5]	107 382	72 004	–	–	–	–	–	179 386	–
RJ Khoza	247 400	–	–	63 150	–	–	–	310 550	339 450
NV Lila[3]	265 700	179 250	–	–	–	187 400	–	632 350	623 101
PM Madi	247 400	–	–	–	78 000	95 600	187 400	608 400	590 600
TT Mboweni[1]	1 767 450	–	–	–	–	–	–	1 767 450	1 667 400
IN Mkhari[6]	265 700	196 250	–	–	145 680	–	95 600	703 230	616 100
DC Moephuli[2]	76 851	–	–	–	26 217	35 017	–	138 085	397 200
CWN Molope[7]	95 151	166 256	–	–	–	35 017	–	296 424	727 802
PM Surgey	285 100	17 000	202 500	69 450	–	95 600	95 600	765 250	710 900
Total	3 889 534	931 533	306 900	202 050	450 117	500 417	378 600	6 659 151	6 787 603

Directors' fees are shown including VAT where applicable.
[1] *Fee includes participation in board sub-committee meetings.*
[2] *Fee donated to Transnet Foundation. DC Moephuli resigned from the Board and all committees with effect 1 February 2017.*
[3] *NV Lila took over chairman role of the risk and sustainability committee from CWN Molope with effect from 3 November 2016.*
[4] *RC Andersen took over chairman role of the audit committee from CWN Molope with effect 1 February 2017 and joined the risk and sustainability committee on the same day.*
[5] *J John appointed to the board and audit committee with effect 5 May 2017.*
[6] *IN Mkhari took over the role of chairman of the investment committee from RC Andersen with effect 1 February 2017.*
[7] *CWN Molope resigned from the board and all committees with effect 1 February 2017.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION

9.1 Reconciliation of movement in capital and reserves

	Notes	Capital reserves			
		Share capital R million	Share premium R million	Treasury shares R million	Share-based payments reserve R million
At 1 October 2015		36.1	221.9	(827.6)	200.7
Employee share option scheme:					
Value of employee services		–	–	–	13.9
Share grants exercised		–	–	–	(28.8)
Proceeds from shares issued		0.1	28.8	–	–
Share of associate's non-distributable reserves		–	–	–	–
Shares repurchased and cancelled		(0.8)	–	–	–
Treasury shares disposed		–	–	269.7	–
Disposal of investments		–	–	–	–
Currency translation differences		–	–	–	–
Loss on cash flow hedges		–	–	–	–
Net actuarial loss		–	–	–	–
Profit for the year		–	–	–	–
Dividends paid	9.6	–	–	–	–
At 30 September 2016		**35.4**	**250.7**	**(557.9)**	**185.8**
Employee share option scheme:					
Value of employee services		**–**	**–**	**–**	**5.0**
Share grants exercised		**–**	**–**	**–**	**(11.7)**
Proceeds from shares issued		**0.1**	**11.7**	**–**	**–**
Disposal of investment		**–**	**–**	**–**	**–**
Acquisition of business		**–**	**–**	**–**	**–**
Currency translation differences		**–**	**–**	**–**	**–**
Loss on cash flow hedges		**–**	**–**	**–**	**–**
Net actuarial gain		**–**	**–**	**–**	**–**
Profit for the year		**–**	**–**	**–**	**–**
Dividends paid	9.6	**–**	**–**	**–**	**–**
At 30 September 2017		**35.5**	**262.4**	**(557.9)**	**179.1**

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

Other reserves									
Foreign currency translation reserve R million	Financial instruments hedging reserve R million	Recognised actuarial gains/ (losses) R million	Share of non-distributable reserves in associates and joint ventures R million	Available-for-sale financial assets revaluation reserve R million	Other R million	Retained earnings R million	Total attributable to owners of Nampak Ltd R million	Non-controlling interest R million	Total equity R million
2 017.8	53.1	(975.6)	4.5	(38.3)	0.2	8 109.6	8 802.4	370.0	9 172.4
–	–	–	–	–	–	–	13.9	–	13.9
–	–	–	–	–	–	–	(28.8)	–	(28.8)
–	–	–	–	–	–	–	28.9	–	28.9
–	–	–	0.9	–	–	–	0.9	–	0.9
–	–	–	–	–	–	–	(0.8)	–	(0.8)
–	–	–	–	–	–	114.5	384.2	–	384.2
(10.4)	–	–	(1.7)	38.3	–	(26.2)	–	–	–
(512.5)	–	–	–	–	–	–	(512.5)	3.1	(509.4)
–	(34.3)	–	–	–	–	–	(34.3)	–	(34.3)
–	–	(491.0)	–	–	–	–	(491.0)	–	(491.0)
–	–	–	–	–	–	1 610.4	1 610.4	(132.1)	1 478.3
–	–	–	–	–	–	(569.8)	(569.8)	–	(569.8)
1 494.9	**18.8**	**(1 466.6)**	**3.7**	**–**	**0.2**	**9 238.5**	**9 203.5**	**241.0**	**9 444.5**
–	**–**	**–**	**–**	**–**	**–**	**–**	**5.0**	**–**	**5.0**
–	**–**	**–**	**–**	**–**	**–**	**–**	**(11.7)**	**–**	**(11.7)**
–	**–**	**–**	**–**	**–**	**–**	**–**	**11.8**	**–**	**11.8**
–	**–**	**–**	**(3.7)**	**–**	**–**	**3.7**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**(17.2)**	**–**	**(17.2)**	**9.5**	**(7.7)**
(119.9)	**–**	**–**	**–**	**–**	**–**	**–**	**(119.9)**	**(2.2)**	**(122.1)**
–	**(14.1)**	**–**	**–**	**–**	**–**	**–**	**(14.1)**	**–**	**(14.1)**
–	**–**	**19.5**	**–**	**–**	**–**	**–**	**19.5**	**–**	**19.5**
–	**–**	**–**	**–**	**–**	**–**	**234.8**	**234.8**	**121.2**	**356.0**
–	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
1 375.0	**4.7**	**(1 447.1)**	**–**	**–**	**(17.0)**	**9 476.9**	**9 311.6**	**369.5**	**9 681.1**

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.2 Share capital

	2017 R million	2016 R million
Authorised:		
776 857 200 ordinary shares of 5 cents each	**38.8**	38.8
100 000 6.5% cumulative preference shares of R2 each	**0.2**	0.2
400 000 6% cumulative preference shares of R2 each	**0.8**	0.8
100 redeemable preference shares of 5 cents each	**–**	–
Total	**39.8**	39.8
Issued:		
689 404 454 (2016: 688 668 338) ordinary shares of 5 cents each	**34.5**	34.4
100 000 6.5% cumulative preference shares of R2 each	**0.2**	0.2
400 000 6% cumulative preference shares of R2 each	**0.8**	0.8
Total	**35.5**	35.4

13 029 479 (2016: 14 909 744) ordinary shares have been set aside for employees' share schemes.

Preference shares

There were no changes to the issued 6.5% and 6% preference shares.

9.3 Capital reserves

	2017 R million	2016 R million
Share premium	**262.4**	250.7
Treasury shares	**(557.9)**	(557.9)
3 713 207 ordinary shares held by the Nampak Black Management Share Trust[1]	**(42.3)**	(42.3)
45 070 855 ordinary shares held by Nampak Products Ltd	**(515.6)**	(515.6)
Share-based payments reserve	**179.1**	185.8
Total	**(116.4)**	(121.4)
Reconciliation of number of ordinary shares issued		
Number of ordinary shares issued at beginning of year	**688 668 338**	702 496 655
Repurchase and cancellation of ordinary shares[2]	**–**	(14 969 114)
Ordinary shares allotted to employees, former employees and directors in terms of Nampak Ltd share schemes	**736 116**	1 140 797
Number of ordinary shares issued at end of year	**689 404 454**	688 668 338
Treasury shares	**(48 784 062)**	(48 784 062)
Net number of ordinary shares	**640 620 392**	639 884 276

[1] *The Black Management Trust (BMT) issued shares to certain employees. All shares had vested as at 30 September 2010 in accordance with the scheme's rules applicable, and subsequently no related share-based expense has been recognised since the financial year ended 30 September 2010. The shares under the scheme were to be held in a trust until 31 December 2015, at which time the founding grant would be settled and the balance of the benefit would be released to the beneficiaries. The company had the discretion to extend the lock-in period by a further two years should the value of the trust shares be less than the outstanding grant. At 31 December 2015 the lock-in period of the BMT came to an end per the trust deed. At this date, the shares necessary to repay the grant made by Nampak Ltd were sold and the proceeds repaid to Nampak. Current Nampak employees were given an option to roll their share rights to 15 February 2017 at which date they may choose to receive the shares. A further extension to 31 December 2017 was granted as the shares were "under water" at the extension date of 15 February 2017. Of the total shares held, 23 655 988 shares have either been sold or transferred to the beneficiaries of the trust.*

[2] *In November 2015 Nampak Ltd exercised its option in terms of the preferred ordinary share subscription agreement between Nampak Ltd and Red Coral Investments 23 (Pty) Ltd (Red Coral) to repurchase 14 969 114 of its ordinary shares from Red Coral as calculated in terms of the formula provided in the agreement.*

Treasury shares

Treasury shares represent Nampak Ltd shares held by group subsidiary companies.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.4 Other reserves

	2017 R million	2016 R million
Foreign currency translation reserve	**1 375.0**	1 494.9
Financial instruments hedging reserve	**4.7**	18.8
Recognised actuarial losses	**(1 447.1)**	(1 466.6)
Share of non-distributable reserves in associates and joint ventures	**–**	3.7
Other	**(17.0)**	0.2
Total	**(84.4)**	51.0

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Financial instruments hedging reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions in terms of which risk of ownership has not yet passed.

Recognised actuarial gains/(losses)

Actuarial gains/(losses) comprise:

(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
(b) the effects of changes in actuarial assumptions.

The group policy is to recognise all actuarial gains/(losses) in the period in which they occur in equity.

Share of non-distributable reserves in associates and joint ventures

Non-distributable reserves of associates and joint ventures arise out of associate companies and joint ventures being equity accounted. These reserves are not available for distribution by way of dividends.

Available-for-sale financial assets revaluation reserve

The available-for-sale financial assets revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised.

Other reserves

Other reserves mainly relate to a put option in favour of the Botswana Development Corporation created on the acquisition of the group's interest in Nampak DivFood Botswana (Pty) Ltd during the year (see note 9.7).

9.5 Non-controlling interests

Non-controlling interests represent the value of the remaining ownership in the subsidiary investments that are not wholly owned by the group.

The following subsidiaries have non-controlling interests:

Subsidiary	Principal place of business	Operating segment	Ownership interest held by NCI (%) 2017	2016
Nampak Bevcan Angola Lda (Bevcan Angola)	Angola	Metals	**30.00**	30.00
Nampak Zimbabwe Ltd (Nampak Zimbabwe)	Zimbabwe	Plastics/Paper	**48.57**	48.57
Nampak DivFood Botswana (Pty) Ltd (DivFood Botswana)	Botswana	Metals	**26.00**	–

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.5 Non-controlling interests continued

The financial information for Bevcan Angola, Nampak Zimbabwe and DivFood Botswana is set out below:

	Bevcan Angola		Nampak Zimbabwe		DivFood Botswana		Total	
	2017 R million	2016 R million	2017 R million	2016 R million	2017 R million	2016 R million	2017 R million	2016 R million
Revenue	2 463.4	1 664.3	1 287.2	1 398.8	8.6	–	3 759.2	3 063.1
Net profit for the year	307.2	(535.5)	62.7	58.8	(5.5)	–	364.4	(476.7)
Attributable to:								
Owners of Nampak Ltd	215.0	(374.8)	32.3	30.2	(4.1)	–	243.2	(344.6)
Non-controlling interests in subsidiaries	92.2	(160.7)	30.4	28.6	(1.4)	–	121.2	(132.1)
Other comprehensive income	6.8	33.9	(9.6)	(14.5)	1.5	–	(1.3)	19.4
Total comprehensive income	314.0	(501.6)	53.1	44.3	(4.0)	–	363.1	(457.3)
Attributable to								
Owners of Nampak Ltd	219.8	(351.1)	27.3	22.8	(3.0)	–	244.1	328.3
Non-controlling interests in subsidiaries	94.2	(150.5)	25.8	21.5	(1.0)	–	119.0	(129.0)
Total assets	4 871.1	3 609.2	1 722.4	1 540.1	58.6	–	6 652.1	5 149.3
Total liabilities	5 228.2	4 280.3	758.4	629.4	26.2	–	6 012.8	4 909.7
Total equity	(357.1)	(671.1)	964.0	910.7	32.4	–	639.3	239.6
Attributable to:								
Owners of Nampak Ltd	(250.0)	(469.8)	495.8	468.4	24.0	–	269.8	(1.4)
Non-controlling interests in subsidiaries	(107.1)	(201.3)	468.2	442.3	8.4	–	369.5	241.0

9.6 Dividends and cash distributions

	2017 R million	2016 R million
Dividends paid		
No final dividend paid (2016: number 87 – 92.0 cents per share)	–	633.6
No interim dividend paid (2016: Nil)	–	–
Dividend attributable to treasury shares	–	(66.7)
	–	566.9
Other dividends	0.1	2.9
Total	0.1	569.8

No dividend was declared for the year ended 30 September 2017.

6.5% and 6% cumulative preference dividends

Preference dividends totalling R0.1 million (2016: R0.1 million) were declared on 1 December 2016 and 18 July 2017, and paid on 6 February 2017 and 7 August 2017 respectively.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.7 Group composition

The consolidated financial statements include the accounts of Nampak Ltd (the company) and all of its subsidiaries at 30 September 2017.

The subsidiaries, associates, joint ventures and unconsolidated investments of Nampak Ltd fall under two main holding companies, namely Nampak Products Ltd and Nampak International Ltd.

Nampak Products Ltd is registered in South Africa and operates primarily in South Africa, Nigeria and Angola. Nampak International Ltd is registered in the Isle of Man and operates in the United Kingdom, Ireland, Botswana, Ethiopia, Kenya, Malawi, Tanzania, Zambia and Zimbabwe.

The group holds a majority voting rights in all of its subsidiaries. Non-controlling shareholders have significant interests in three of the group's subsidiaries.

The group also holds interests in one associate and one joint venture. These are not material to the group.

O – Operating, I – Investment holding, D – Dormant

Interest of holding company

	Type	Country of incorporation	Issued share capital	Effective percentage holding 2017 %	2016 %	Shares at cost 2017 Rm	2016 Rm	Indebtedness 2017 Rm	2016 Rm
Subsidiaries									
Direct holdings									
Malbak Ltd	O	RSA	R100	**100**	100	**1 482.9**	1 482.9	**–**	–
Nampak International Ltd	O/I	Isle of Man	US$113 664	**100**	100	**1 889.3**	1 889.3	**–**	–
Nampak Products Ltd	O	RSA	R3 758 641	**100**	100	**93.7**	93.7	**79.8**	79.8
Indirect holdings									
Auspac Ltd	D	UK	£4 050 000	**100**	100				
Bullpak Ltd	O	Kenya	KES4760 000	**100**	100				
CarnaudMetalbox Zimbabwe Ltd	O	Zimbabwe	US$98 994	**51.43**	51.43				
EPS (Foston) Ltd	D	UK	£100	**100**	100				
Four Four Two Ltd	I	UK	£1 000	**100**	100				
Hunyani Forests Ltd	O	Zimbabwe	US$110 000	**51.43**	51.43				
Hunyani Paper and Packaging (Pvt) Ltd	O	Zimbabwe	US$24 000	**51.43**	51.43				
Hunyani Properties Ltd	P	Zimbabwe	US$426 000	**51.43**	51.43				
International Cartons & Packaging Ltd	Deregistered	Zambia	ZMK77 526 000	**–**	100				
Megapak Swaziland (Pty) Ltd	O	Swaziland	R1 000	**100**	100				
Megapak Zimbabwe (Pty) Ltd	O	Zimbabwe	US$20 100	**51.43**	51.43				
Megaplastics Ltd	I	Zimbabwe	US$0	**51.43**	51.43				
Metal Box (Namibia) (Pty) Ltd	D	Namibia	N$1	**100**	100				
Metal Box South Africa Ltd	D	RSA	R100	**100**	100				
Nampak Bevcan Angola Lda	O	Angola	K4580 650	**70**	70				
Nampak Bevcan Nigeria Ltd	O	Nigeria	US$5 402 000	**100**	100				
Nampak Consumer Goods Ltd	O	UK	£100	**100**	100				
Nampak Cartons Nigeria Ltd	O	Nigeria	NGN14 000 000	**100**	100				

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.7 Group composition continued

Interest of holding company continued

	Type	Country of incorporation	Issued share capital	Effective percentage holding 2017 %	Effective percentage holding 2016 %	Shares at cost 2017 Rm	Shares at cost 2016 Rm	Indebtedness 2017 Rm	Indebtedness 2016 Rm
Nampak DivFood Botswana (Pty) Ltd[1]	O	Botswana	BWP120	**74**	–				
Nampak Glass (Pty) Ltd	D	RSA	R1	**100**	100				
Nampak Holdings (UK) Ltd	I	UK	US$184	**100**	100				
Nampak Holdings Ltd	I	Mauritius	US$37 094	**100**	100				
Nampak Insurance Company Ltd	Insurance	Isle of Man	£100 000	**100**	100				
Nampak Kenya Ltd	O	Kenya	KES40 280 000	**100**	100				
Nampak Liquid Botswana (Pty) Ltd	O	Botswana	BWP100	**100**	100				
Nampak Liquid Cartons (Pty) Ltd	D	RSA	R280	**100**	100				
Nampak Metal Packaging Ltd	D	RSA	R1	**100**	100				
Nampak Nigeria Ltd	O	Nigeria	NGN107 044 183	**100**	100				
Nampak Packaging Pvt Ltd	O	Ethiopia	ETB3 848 000	**100**	100				
Nampak Paper Ltd	D	RSA	R2 037 533	**100**	100				
Nampak Petpak (Namibia) (Pty) Ltd	O	Namibia	N$100	**100**	100				
Nampak Plastics Europe Ltd[2]	O	UK	£4 863 028	**100**	100				
Nampak Properties (Isle of Man) Ltd	P	Isle of Man	£100	**100**	100				
Nampak Properties Nigeria Ltd	P	Nigeria	NGN14 000 000	**100**	100				
Nampak Southern Africa Holdings Ltd	I	Mauritius	US$4 726 922	**100**	100	**52.5**	52.5	**–**	–
Nampak Tanzania Ltd	O	Tanzania	TZS304 638 620	**100**	100				
Nampak Technical Services Ltd	O	Isle of Man	£1	**100**	100				
Nampak Tissue (Pty) Ltd	D	RSA	R100	**100**	100				
Nampak Zambia Ltd	O	Zambia	ZMK15 000	**100**	100				
Nampak Packaging Malawi Ltd	O	Malawi	MWK13450 000	**100**	100				
Nampak Zimbabwe Ltd	O/I	Zimbabwe	US$755 648	**51.43**	51.43				
Southern Paper Industries (Pty) Ltd	D	RSA	R1 000 000	**100**	100				
Teknol SARL (previously Teknol BV)	I	Luxembourg	€18 151	**100**	100				
Teknol NV	I	Netherlands Antilles	US$6 000	**100**	100				
Transmar (Isle of Man) Ltd	I	Isle of Man	US$600 000	**100**	100				
Total						**3 518.4**	3 518.4	**79.8**	79.8

[1] *The group acquired a 74% interest in Nampak DivFood Botswana (Pty) Ltd (DB) for strategic purposes effective 2 February 2017 on its incorporation for a nominal consideration. The Botswana Development Corporation (BDC), being the holder of the remaining interest in this entity, transferred plant and equipment to the value of R36.5 million to this entity on its incorporation resulting in a consolidated gain on acquisition of R27.0 million. As part of this transaction, BDC has a put option to sell its 26% interest in DB to the group at the end of a period of five years from the effective date of acquisition. This option has been valued at R17.2 million and is presented on the statement of financial position as part of other non-current liabilities.*

[2] *The group disposed of its operations at two sites in the United Kingdom of a customer of Nampak Plastics Europe Ltd, on termination of the respective contracts. Plant, equipment and net working capital with a carrying value of R26.4 million was disposed of for a net consideration of R57.8 million resulting in a profit on disposal of these operations of R31.4 million.*

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.7 Group composition continued

Interest of holding company continued

	Type	Country of incorporation	Issued share capital	Effective percentage holding 2017 %	Effective percentage holding 2016 %
Associates					
(Equity accounted)					
Collect-a-Can (Pty) Ltd[1]	O	RSA	R4 000 000	**40**	40
Group Risk Holdings (Pty) Ltd[2]	Insurance	RSA	R11 300	**–**	17
Joint ventures					
(Equity accounted)					
Softex Tissue Products (Pvt) Ltd[1]	O	Zimbabwe	US$2 897	**50**	50

[1] *The carrying value of Collect-a-Can (Pty) Ltd and Softex Tissue Products (Pvt) Ltd are R11.9 million (2016: R13.8 million) and R9.9 million (2016: R7.9 million) respectively.*

[2] *The group terminated its membership in The Mutual Risk Group (MRG) with effect from 1 September 2017 due to competitiveness in the insurance market. Nampak Ltd disposed of its interest in Group Risk Holdings (Pty) Ltd (the holding company of MRG) with a carrying value of R6.0 million for no consideration, resulting in a loss on disposal of R6.0 million.*

Other investments

	Type	Number of shares held by group 2017	Number of shares held by group 2016	Effective percentage holding 2017	Effective percentage holding 2016
Ethiopian Crown Cork & Can Industry	O	**5 750**	5 750	**25**	25
PET RecoZim (Pvt) Ltd	D	**10**	10	**5**	5

9.8 Related party transactions

	2017 R million	2016 R million
Material related party transactions were as follows:		
Sales and services rendered to/(from) related parties:		
Associates	**27.2**	(30.0)
Joint ventures	**–**	6.6
Total	**27.2**	(23.4)

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.8 Related party transactions continued

Key members

Key members are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly (executive or otherwise). Key members have been defined as the board of directors of the holding company and the group executive committee.

A number of key members hold positions in related entities where they may have significant influence over the financial and operating policies of those entities. These relationships have been listed below:

Key member	Entity	Position in entity
RC Andersen	Nampak 1979 Share Purchase Trust	Trustee
	Nampak Limited Performance Share Trust	Trustee
	Nampak Limited Share Appreciation Trust	Trustee
RJ Khoza	Aka Capital (Pty) Ltd	Executive chairman
PM Surgey	Nampak 1979 Share Purchase Trust	Trustee
	Nampak Limited Performance Share Trust	Trustee
	Nampak Limited Share Appreciation Trust	Trustee
FV Tshiqi	Nampak Group Pension Fund	Employer trustee
NP O'Brien	Nampak Group Pension Fund	Employer trustee

Transactions between the group and these entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions.

Related party transactions include:
Certain non-executive directors of the group are also non-executive directors of other public companies which may transact with the group. Executive directors or the chairpersons of such companies are assumed to have significant influence. Except as disclosed above, the relevant individuals do not believe that they have significant influence over the financial and operating policies of those companies.

Compensation relating to key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2017 R million	2016 R million
Short-term employee benefits	**60.3**	37.9
Post-employment benefits	**12.2**	–
Termination benefits	**2.0**	–
Share-based payments	**5.8**	11.4
Total	**80.3**	49.3

The remuneration of directors and key executives is determined by the remuneration committee, having regard to the performance of individuals and market trends.

Shareholders

An analysis of major shareholders is provided on page 79.

Notes to the consolidated financial statements continued

for the year ended 30 September 2017

10. ADOPTION OF NEW AND REVISED STANDARDS

10.1 Standards in issue and effective for the current financial year

The group adopted all amendments or improvements to standards or interpretations that became effective during the current financial year with no effect on the financial statements of the group. No new standards were effective for the current financial year and the group did not elect to adopt any of these standards earlier than their effective dates.

10.2 Standards in issue but not yet effective for the current financial year

At the date of authorisation of these financial statements, the following standards, amendments to existing standards and interpretations were in issue but not yet effective for the current year and have not been early adopted.

These standards, amendments and interpretations will be effective for annual periods beginning after the dates listed below:

» IFRS 9: *Financial Instruments*

The standard is effective for years commencing on or after 1 January 2018. The standard will be adopted by the group for the financial reporting period commencing 1 October 2018.

IFRS 9 provides guidance on the classification, measurement and recognition of financial assets and financial liabilities and replaces IAS 39. The standard establishes three measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit and loss. Classification of financial assets into these categories is dependent on the entity's business model (which depicts its objectives with respect to the management of financial assets as a whole) and the characteristics of the contractual cash flows of the specific financial asset. There were no significant changes to the classification guidance for financial liabilities.

IFRS 9 introduces a new expected credit loss impairment model that replaces the incurred loss impairment model used in IAS 39.

The group is still to make a decision on the transition method to be applied.

» IFRS 15: *Revenue from Contracts with Customers*

The standard is effective for years commencing on or after 1 January 2018. The standard will be adopted by the group for the financial reporting period commencing 1 October 2018.

IFRS 15 requires an entity to recognise revenue in such a manner as to depict the transfer of the goods or services to customers, at an amount representing the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard has a five-step process to be applied to all contracts with customers. The standard provides guidance for identifying the contract with the customer, identification of the deliverables (performance obligations), determination of the transaction price (including the treatment of variability in the transaction price, and significant financing components), how to allocate the transaction price, and when to recognise revenue.

The group has assessed its significant contracts with customers in line with the new standard and notes that the treatment of contracts with variable pricing will be altered under IFRS 15. However, no material impacts are otherwise expected with respect to revenue measurement and timing.

The group is still to make a decision on the transition method to be applied.

» IFRS 16: *Leases*

The standard is effective for years commencing on or after 1 January 2019. The standard will be adopted by the group for the financial reporting period commencing 1 October 2019.

IFRS 16 requires a lessee to recognise a right of use asset and lease obligations for all leases except for short-term leases, or leases of low value assets which may be treated similarly to operating leases under the current standard IAS 17 if the exceptions are applied. A lessee measures its lease obligation at the present value of future lease payments, and recognises a right of use asset initially measured at the same amount as the lease obligation including costs directly related to entering into the lease. Right of use assets are subsequently treated in a similar way to other assets such as property, plant and equipment or intangible assets dependent on the nature of the underlying item.

The group has assessed a majority of its significant lease agreements, in particular those relating to property rentals, and the preliminary assessment indicates that material adjustments to non-current assets, non-current liabilities and EBITDA are to be expected as a result of the new standard. The current estimate of the impact of adopting IFRS 16 on the 2017 reported numbers is as follows:

» increase in net assets: R461 million
» increase in EBITDA: R192 million
» decrease in net profit: R46 million

Management continues to assess the implications of the remaining individually insignificant lease agreements in which the group is lessee which may cause the final impact to differ from the estimates provided above.

The group is still to make a decision on the transition method to be applied or the application of exceptions related to short-term and low-value asset leases.

Company statement of comprehensive income

for the year ended 30 September 2017

	Notes	2017 R million	2016 R million
Revenue	1	**48.2**	616.0
Employee benefit expense		**(6.4)**	(6.7)
Other operating expenses		**(4.3)**	(0.9)
Operating profit		**37.5**	608.4
Finance income		**0.1**	–
Profit before tax		**37.6**	608.4
Income tax expense	2	**(13.3)**	(20.5)
Total comprehensive income for the year		**24.3**	587.9

Company statement of financial position

at 30 September 2017

	Notes	2017 R million	2016 R million
ASSETS			
Non-current assets			
Investment in associate		**–**	2.5
Investment in subsidiaries	3	**2 337.5**	2 330.6
		2 337.5	2 333.1
Current assets			
Residual right and other receivables	4	**34.0**	33.6
Subsidiary companies	8	**918.5**	886.3
Bank balances and deposits		**–**	2.1
		952.5	922.0
Total assets		**3 290.0**	3 255.1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	**35.5**	35.4
Capital reserves	5	**462.0**	455.1
Retained earnings	5	**2 764.3**	2 740.1
		3 261.8	3 230.6
Current liabilities			
Accruals and other payables	7	**12.5**	13.9
Subsidiary companies	8	**1.5**	1.5
Tax liabilities		**14.2**	9.1
		28.2	24.5
Total equity and liabilities		**3 290.0**	3 255.1

Company statement of changes in equity

for the year ended 30 September 2017

	Notes	2017 R million	2016 R million
Opening balance		**3 230.6**	3 257.8
Net shares issued during the year		**11.8**	28.9
Share-based payment expense		**6.9**	19.3
Share grants exercised		**(11.7)**	(28.8)
Shares repurchased and cancelled		**–**	(0.8)
Total comprehensive income for the period		**24.3**	587.9
Dividends paid	6	**(0.1)**	(633.7)
Closing balance		**3 261.8**	3 230.6
Comprising:			
Share capital	5	**35.5**	35.4
Capital reserves	5	**462.0**	455.1
Share premium		**262.4**	250.7
Share option reserve		**199.6**	204.4
Retained earnings	5	**2 764.3**	2 740.1
Total equity		**3 261.8**	3 230.6

Company statement of cash flows

for the year ended 30 September 2017

	Notes	2017 R million	2016 R million
Cash flows from operating activities			
Cash (utilised in)/generated from operations	9.1	**(5.7)**	616.7
Interest received		**0.1**	–
Income tax paid		**(8.2)**	(11.5)
Cash flows from operations		**(13.8)**	605.2
Dividends paid		**(0.1)**	(633.7)
Cash utilised in operating activities		**(13.9)**	(28.5)
Cash flows from investing activities			
Decrease in non-current financial assets and investments		**–**	0.8
Cash generated from investing activities		**–**	0.8
Cash flows from financing activities			
Capital raised from issue of shares		**11.8**	28.9
Shares repurchased and cancelled		**–**	(0.8)
Cash raised from financing activities		**11.8**	28.1
Net (decrease)/increase in cash and cash equivalents		**(2.1)**	0.4
Cash and cash equivalents at beginning of year		**2.1**	1.7
Cash and cash equivalents at end of year	9.2	**–**	2.1

Notes to the company financial statements

for the year ended 30 September 2017

			2017 R million	2016 R million
1.	**REVENUE**			
	Normal dividends – South Africa		**–**	579.5
	Interest received from subsidiaries		**32.2**	21.4
	Fees received from subsidiaries		**16.0**	15.1
	Total		**48.2**	616.0
2.	**INCOME TAX**			
	Current tax			
	Current year		**25.5**	22.7
	Prior year		**(12.2)**	(2.2)
	Total		**13.3**	20.5
	The company tax rate in South Africa is 28% (2016: 28%) of the estimated assessable profit for the year.			
	Reconciliation of rate of tax			
	Statutory tax rate	%	**28.0**	28.0
	Reduction in tax charge due to:			
	– dividend income	%	**–**	(26.6)
	– adjustment for prior year normal tax	%	**(32.6)**	(0.4)
	Increase in tax charge due to:			
	– disallowable expenses	%	**8.1**	0.4
	– imputed income – section 9D	%	**31.9**	2.0
	Effective tax rate	%	**35.4**	3.4
3.	**INVESTMENTS IN SUBSIDIARIES**			
	(Refer to note 9.7 of the consolidated financial statements for details.)			
	Interest in subsidiaries		**3 518.4**	3 518.4
	Share-based payments contribution		**222.3**	215.4
	Net amount due by subsidiaries[1]		**79.8**	79.8
	Less: Impairment losses		**(1 483.0)**	(1 483.0)
	Shares at cost less impairments		**2 337.5**	2 330.6
	Directors' valuation		**2 337.5**	2 330.6
	[1] *The loans do not bear interest and have no fixed repayment terms.*			
4.	**RESIDUAL RIGHT AND OTHER RECEIVABLES**			
	Residual right in Nampak Black Management Trust (BMT)		**29.9**	29.9
	Other		**4.1**	3.7
	Total		**34.0**	33.6

In September 2005 Nampak Ltd made a founding grant to the BMT on behalf of the employer companies. Following the final allocations to participants in the BMT, the founding grant was recovered from the employer companies. However, Nampak still has the right as a residual beneficiary of the BMT.

Notes to the company financial statements continued

for the year ended 30 September 2017

5. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Notes	Share capital R million	Share premium R million	Share option reserve R million	Retained earnings R million	Total equity R million
		Attributable to equity holders of the company				
At 1 October 2015		36.1	221.9	213.9	2 785.9	3 257.8
Employee share option scheme:						
Value of employee services		–	–	19.3	–	19.3
Share grants exercised		–	–	(28.8)	–	(28.8)
Proceeds from shares issued		0.1	28.8	–	–	28.9
Shares repurchased and cancelled		(0.8)	–	–	–	(0.8)
Profit for the year		–	–	–	587.9	587.9
Dividends paid	6	–	–	–	(633.7)	(633.7)
At 30 September 2016		**35.4**	**250.7**	**204.4**	**2 740.1**	**3 230.6**
Employee share option scheme:						
Value of employee services		**–**	**–**	**6.9**	**–**	**6.9**
Share grants exercised		**–**	**–**	**(11.7)**	**–**	**(11.7)**
Proceeds from shares issued		**0.1**	**11.7**	**–**	**–**	**11.8**
Profit for the year		**–**	**–**	**–**	**24.3**	**24.3**
Dividends paid	6	**–**	**–**	**–**	**(0.1)**	**(0.1)**
At 30 September 2017		**35.5**	**262.4**	**199.6**	**2 764.3**	**3 261.8**

Notes to the company financial statements continued

for the year ended 30 September 2017

5. CAPITAL AND RESERVES continued

	2017 R million	2016 R million
Share capital		
Authorised:		
776 857 200 ordinary shares of 5 cents each	**38.8**	38.8
100 000 6.5% cumulative preference shares of R2 each	**0.2**	0.2
400 000 6% cumulative preference shares of R2 each	**0.8**	0.8
100 redeemable preferences shares of 5 cents each	**–**	–
Total	**39.8**	39.8
Issued:		
689 404 454 (2016: 688 668 338) ordinary shares of 5 cents each	**34.5**	34.4
100 000 6.5% cumulative preference shares of R2 each	**0.2**	0.2
400 000 6% cumulative preference shares of R2 each	**0.8**	0.8
Total	**35.5**	35.4
13 029 479 (2016: 14 909 744) ordinary shares have been set aside for employees' share schemes.		
Preference shares		
There were no changes to the issued 6.5% and 6% preference shares.		
Capital reserves		
Share premium	**262.4**	250.7
Share option reserve	**199.6**	204.4
Total	**462.0**	455.1
Reconciliation of number of ordinary shares issued		
Number of ordinary shares issued at beginning of year	**688 668 338**	702 496 655
Repurchase and cancellation of ordinary shares*	**–**	(14 969 114)
Ordinary shares allotted to employees, former employees and directors in terms of the Nampak share schemes	**736 116**	1 140 797
Number of ordinary shares issued at end of year	**689 404 454**	688 668 338

* *In November 2015 Nampak Ltd exercised its option in terms of the preferred ordinary share subscription agreement between Nampak and Red Coral Investments 23 (Pty) Ltd (Red Coral) to repurchase 14 969 114 of its ordinary shares from Red Coral as calculated in terms of the formula provided in the agreement.*

Notes to the company financial statements continued

for the year ended 30 September 2017

6. DIVIDENDS AND CASH DISTRIBUTIONS

	2017 R million	2016 R million
Dividends paid		
No final dividend paid (2016: number 87 – 92.0 cents per share)	–	633.6
No interim dividend paid (2016: nil)	–	–
	–	633.6
Preference dividends	0.1	0.1
Total	0.1	633.7

No dividend was declared for the year ending 30 September 2017.

6.5% and 6% cumulative preference dividends

Preference dividends totalling R0.1 million (2016: R0.1 million) were declared on 1 December 2016 and 18 July 2017, and paid on 6 February 2017 and 7 August 2017 respectively.

7. ACCRUALS AND OTHER PAYABLES

	2017 R million	2016 R million
Accruals	12.5	10.8
Other	–	3.1
Total	12.5	13.9

Accruals principally comprise amounts outstanding for ongoing costs.

The directors consider that the carrying amount of other payables approximates their fair value.

8. RELATED PARTY TRANSACTIONS

The company entered into various transactions with subsidiaries and special purpose entities which are deemed to be controlled by the group during the year. Interest, dividends and fees received from these entities are listed in note 1.

Non-current amounts payable by such entities are included in note 3.

	2017 R million	2016 R million
Current amounts due by subsidiary companies are as follows:		
Nampak Products Ltd[1]	918.2	885.6
Black Management Trust[2]	0.3	0.7
Total	918.5	886.3
Current amounts outstanding to subsidiary companies are as follows:		
Nampak Share Purchase Trust[2]	1.0	1.0
Nampak Employee Share Trust[2]	0.5	0.5
Total	1.5	1.5

[1] These loans bear interest at the average deposit rate and have no fixed repayment terms.
[2] These loans do not bear interest and have no fixed repayment terms.

Notes to the company financial statements continued

for the year ended 30 September 2017

8. RELATED PARTY TRANSACTIONS continued

	2017 R million	2016 R million
Guarantees		
Guarantee for an amount not exceeding US$100 million on behalf of Nampak International Ltd in favour of the Bank of Merrill Lynch International and Export Development Bank of Canada for a term loan facility	**1 355.9**	1 372.3
Guarantee for an amount not exceeding US$73 million on behalf of Nampak International Ltd in favour of Standard Finance (Isle of Man) Ltd for a revolving credit facility	**989.9**	754.7
Guarantee for an amount not exceeding US$30 million on behalf of Nampak International Ltd in favour of Standard Finance (Isle of Man) Ltd for an on demand facility	**406.8**	548.9
Guarantee for an amount not exceeding US$86 million on behalf of Nampak International Ltd in favour of Standard Finance (Isle of Man) Ltd for a bullet term loan	**1 166.1**	1 811.4
Guarantee for an amount not exceeding US$175 million in favour of noteholders for the note purchase agreement issued by Nampak International Ltd	**2 372.8**	2 401.0
Guarantee for an amount not exceeding R2 billion in favour of noteholders for the DMTN Programme issued by Nampak Products Ltd	**2 000.0**	2 000.0
Guarantee for an amount not exceeding US$35 million in favour of Standard Finance (Isle of Man) Ltd for an amortising credit facility	**474.6**	480.2
Guarantee for an amount not exceeding R1 billion on behalf of Nampak Products Ltd in favour of Nedbank for general banking facilities	**1 000.0**	1 000.0
Guarantee for an amount not exceeding R1 billion on behalf of Nampak Products Ltd in favour of Nedbank for a revolving credit facility	**1 000.0**	1 000.0
Guarantee for an amount not exceeding R115.0 million on behalf of Nampak Products Ltd in favour of Nedbank for an indirect facility	**115.0**	115.0
Guarantee for an amount not exceeding R747.5 million on behalf of Nampak Products Ltd in favour of Rand Merchant Bank for debt facilities	**747.5**	747.5
Guarantee for an amount not exceeding R200.0 million on behalf of Nampak Products Ltd in favour of Bank of China Ltd for a 12-month bank facility	**200.0**	200.0
Guarantee for an amount not exceeding R280.7 million on behalf of Nampak Products Ltd in favour of Standard Bank SA Ltd for banking facilities	**280.7**	1 080.0
Guarantee for an amount not exceeding R650.0 million on behalf of Nampak Products Ltd in favour of Citibank for banking facilities	**650.0**	650.0
Guarantee for an amount not exceeding R400.0 million on behalf of Nampak Products Ltd in favour of Investec Bank Ltd for general banking facilities	**400.0**	400.0
Guarantee on behalf of Nampak Products Ltd in favour of Imbali Props 21 (Pty) Ltd in respect of the annual rental of R145.2 million payable under the 15-year lease agreement for factory premises in South Africa	**145.2**	145.2
Guarantee on behalf of Nampak Products Ltd in favour of Imbali Props 21 (Pty) Ltd in respect of the annual rental of R4.6 million payable under the three-year lease agreement for factory premises in South Africa	**4.6**	4.6
Guarantee for an amount not exceeding R500.0 million on behalf of Nampak Products Ltd in favour of Absa Bank Ltd for general banking facilities	**500.0**	–
Guarantee for an amount of GBP46 million in favour of Nampak Plastics Europe Ltd	**835.6**	–
Letters of Comfort		
A letter of support has been issued by Nampak Ltd in favour of Nampak International Ltd, a 100% held subsidiary. This letter of support is valid until the issue of the 2018 Nampak Ltd annual financial statements.		
Key management personnel		
Details of significant positions held by key management personnel and transactions with these entities are provided in note 9.8 of the group financial statements.		
The remuneration of directors and other members of key management during the year was as follows:		
Short-term employee benefits	**60.3**	37.9
Post-employment benefits	**12.2**	–
Termination benefits	**2.0**	–
Share-based payments	**5.8**	11.4
Total	**80.3**	49.3

The remuneration of directors and key executives is determined by the remuneration committee, having regard to the performance of individuals and market trends.

Notes to the company financial statements continued

for the year ended 30 September 2017

9. NOTES TO THE STATEMENT OF CASH FLOWS

		2017 R million	2016 R million
9.1	**Reconciliation of profit before taxation to cash generated from operations**		
	Profit before taxation	**37.6**	608.4
	Adjustment for:		
	Loss on disposal of interest in associate	**2.5**	–
	Net finance income	**(0.1)**	–
	Operating profit before working capital changes	**40.0**	608.4
	(Increase)/decrease in other receivables	**(0.4)**	384.2
	Decrease in other payables	**(13.1)**	(22.4)
	Movement in subsidiary company loans	**(32.2)**	(353.5)
	Cash (utilised in)/generated from operations	**(5.7)**	616.7
9.2	**Cash and cash equivalents**		
	Cash and cash equivalents included in the statement of cash flows comprise the following amounts on the statement of financial position:		
	Bank balances and deposits	**–**	2.1

Analysis of registered shareholders and company schemes

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms that the spread of registered shareholders as at 29 September 2017 was:

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	3 843	59.83	1 298 646	0.19
1 001 – 10 000 shares	1 808	28.15	5 744 738	0.83
10 001 – 100 000 shares	423	6.59	14 185 984	2.06
100 001 – 1 000 000 shares	248	3.56	83 893 352	12.17
1 000 001 shares and above	101	1.57	584 281 734	84.75
Total	6 423	100.00	689 404 454	100.00

PUBLIC AND NON-PUBLIC SHAREHOLDINGS

Within the shareholder base, we are able to confirm the split between public shareholdings and directors/company related schemes as being:

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-public shareholders	18	0.28	49 881 082	7.24
• Directors and associates	7	0.11	176 235	0.03
• Prescribed officers and management	9	0.14	891 223	0.13
• Treasury shares	1	0.02	45 070 854	6.54
• Empowerment	1	0.02	3 742 770	0.54
Public shareholders	6 405	99.72	639 523 372	92.76
Total	6 423	100	689 404 454	100

SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 29 September 2017:

Investment management shareholdings

Investment manager	Total shareholding	%
Allan Gray Investment Council	186 200 700	27.01
PIC	66 579 200	9.66
Nampak Products Ltd	45 070 854	6.54
Wellington Management Company	39 832 857	5.78
Somerset Capital Management LLP	39 551 656	5.74
Old Mutual Plc	34 367 043	4.99
Highclere International Investors, LLP	23 224 294	3.37
Dimensional Fund Advisors	21 229 289	3.08
The Vanguard Group Inc	20 740 055	3.01
Total	476 795 948	69.16

Shareholders' diary

Annual general meeting	Thursday, 1 February 2018
Interim statement and ordinary dividend announcement for the half-year ending 31 March 2018	May 2018
Group results and ordinary dividend announcement for the year ending 30 September 2018	November 2018

DIVIDEND

Ordinary

Final for the year ending 30 September 2017	No dividend being paid
Interim for the half-year ending 31 March 2018	To be paid in July 2018 if payable

Preference

6.5% and 6% cumulative	Payable twice per annum during February and August

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