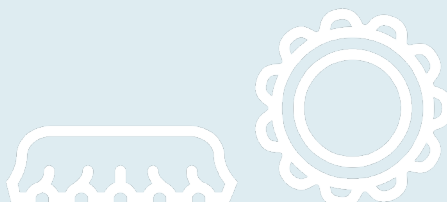


50 years of being listed on the JSE



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NAVIGATION

The following icons provide links to additional information:



This icon gives you references to supporting information throughout the report.



This icon tells you where you can find more information online and on our website:

www.nampak.com

REPORT FEEDBACK

We strive to improve our reporting and welcome any comments that will assist us in doing so.

Please contact

nondyebo.mqulwana@nampak.com

FORWARD-LOOKING INFORMATION

This financial statements contain forward-looking statements that, unless otherwise indicated, reflect the group's expectations at year-end. Actual results may differ materially from the group's expectations.

The group cannot guarantee that any forward-looking statements will materialise and, accordingly, readers are cautioned not to place undue reliance on them.

The group disclaims any intention and assumes no obligation to revise any forward-looking statement, even if new information becomes available, other than as required by the JSE Limited Listings Requirements or any other applicable regulations.

Directors' responsibility for annual financial statements

for the year ended 30 September 2019

The directors of Nampak Limited have the pleasure of presenting the consolidated and separate annual financial statements for the year ended 30 September 2019.

The directors are responsible for the preparation and integrity of the consolidated and separate annual financial statements (hereinafter referred to as annual financial statements) and related financial information of Nampak Limited. The annual financial statements have been prepared in accordance with the International Financial Reporting Standards, the requirements of the Companies Act, No 71 of 2008 (the Companies Act) and the Listings Requirements of the JSE Limited (the Listings Requirements), and incorporate full and responsible disclosure in line with the accounting philosophy of Nampak Limited.

The audit and risk 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. On the recommendation by the committee, the directors considered and are satisfied that adequate accounting records, risk management and internal controls and systems have been maintained to provide reasonable

assurance on the integrity and reliability of the annual financial statements and to sufficiently safeguard, verify and maintain accountability for the group's assets and ensure that the possibility of material loss or misstatement is minimised.

The directors have reviewed the appropriateness of the accounting policies and concluded that judgements and estimates are prudent. They are of the opinion that the annual financial statements fairly present in all material respects the state of affairs and business of the group as at 30 September 2019 and believe that the group has adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis and the external auditors concur.

The annual financial statements for the year ended 30 September 2019, set out on pages 16 to 100, were approved by the board of directors at its meeting on 26 November 2019 and were signed on their behalf by:



PM Surgey
Chairman



AM 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, I certify that the company has filed with the Commissioner all required returns and notices in terms of the 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 Limited (the group and company) set out on pages 24 to 100, which comprise the consolidated and separate statements of financial position as at 30 September 2019, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate 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 Limited as at 30 September 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards 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 and company in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Potential impairment of group-wide plant and equipment assets and investment in subsidiaries (consolidated and separate)

IAS 36 *Impairment of Assets* (IAS 36) requires an impairment test of assets to be performed when there are indicators that these may be impaired.

For the major part of the financial year, the share price of Nampak Limited has been trading at a discount to net asset value (NAV). Where market capitalisation is lower than NAV, on a sustained basis, this is considered an indicator of potential impairment of long-term assets. As at 30 September 2019, the NAV of the group was R8.2 billion compared to its market capitalisation of R6.5 billion. This key audit matter is pinpointed to the following underperforming operations: Bevcen Angola, DivFood, and Rigid.

Also, in the financial statements of Nampak Limited separate financial statements, investment in subsidiaries are reflected as R2.3 billion.

The group board of directors (directors) performed an impairment assessment which included the following key assumptions which required judgement:

How the matter was addressed in the audit

We evaluated the relevant controls designed and implemented by the directors to conduct the impairment tests.

These included controls designed and implemented to understand the robustness of key assumptions.

With respect to the valuation models, our internal specialists were utilised on the audit team who assisted with:

- the assessment of the discounted cash flow valuation model, to ensure that it complied with the requirements of IAS 36, and
- testing of the mathematical accuracy of the model;

With respect to the individual CGUs of Bevcen Angola, DivFood, Rigid and Rigid, we have considered and challenged, with the assistance of internal specialists, the reasonableness of future sales volume estimates and pricing strategies and the cost reductions associated with any restructuring initiatives. This was performed with reference to the budgets approved by the board, external market data, historical actual performance of these CGUs compared to their budgets.

Independent auditor's report continued

Key audit matter

How the matter was addressed in the audit

Potential impairment of group-wide plant and equipment assets and investment in subsidiaries (consolidated and separate) continued

- Determining cash-generating units (CGUs);
- Determining appropriate discount rates taking into account appropriate capital structures and country-risk premiums;
- Forecasting future sales volumes, pricing strategies and growth rates; and
- Expected outcomes associated with committed restructuring plans.

Given the significance of the difference between Nampak's NAV and its market capitalisation as well as the nature of the estimates and judgements applied by the directors in their impairment assessment, we have assessed the impairment of the above mentioned CGUs and investment in subsidiaries (separate financial statements) as key audit matters.

Directors' impairment considerations have been disclosed in note 1 and note 7.1 of the consolidated financial statements and note 4 of the separate financial statements.

With respect to the discount rates, we utilised our internal specialists to assess the following key assumptions relating to the:

- capital structures of market participants;
- cost of debt; and
- cost of equity, which included specific assumptions on Beta levels and entity and country risk premiums.

We performed independent sensitivity calculations to determine the impact of possible changes in key assumptions.

Taking into account the impairments of plant and equipment recognised, we found the carrying values of plant and equipment to be appropriate.

Where relevant and necessary, we assessed the accounting treatment of the impairment losses recognised in relation to property, plant and equipment and the disclosures made in the consolidated financial statements to be appropriate.

We assessed the valuation of the investment in subsidiaries in the separate financial statements and the disclosures made in the separate financial statements to be appropriate.

Hyperinflation accounting, valuation of the Reserve Bank of Zimbabwe (RBZ) receivable and classification of intragroup payable (consolidated financial statements) **Hyperinflation accounting**

As stated in note 1, Zimbabwe was deemed hyperinflationary effective 31 July 2019 in terms of the requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies* as a hyperinflationary economy (IAS 29).

As a result of applying IAS 29 a monetary adjustment gain of R831.5 million was recognised in operating profit for the year.

Given the significance of the quantitative impact of IAS 29 and complexity of estimates applied, we have assessed the hyperinflation accounting of Zimbabwe as a key audit matter.

The directors, through engagement with external specialists, performed the hyperinflation calculations which included the following:

- Retrospective application from 1 October 2018, and
- Consumer price indices used as a basis for hyperinflation.

Hyperinflation accounting

We have evaluated the relevant controls designed and implemented by the directors to determine the impact of hyperinflation on the consolidated financial statements. These include controls designed and implemented by the directors to understand the robustness of key assumptions.

We have assessed the hyperinflation calculations with specific focus on the inflation rates, cumulative inflation rate and consumer price indices.

We assessed the competence, capabilities and independence of directors' external specialists.

Our internal accounting specialists were utilised to assess the accounting treatment of the hyperinflationary effects.

We considered the disclosure in the consolidated financial statements to be appropriate.

Independent auditor's report continued

Key audit matter

Valuation of the RBZ receivable

Effective 2 January 2019, Nampak Zimbabwe Limited (NZL) entered into an agreement with the RBZ and Nampak International Limited (NIL). NIL is the main holding company (and a direct subsidiary of the group) of the non-South African, African operations and is based in the Isle of Man. The initial agreement provides for a payment of RTGS57 million by NZL to RBZ. This would allow for the subsequent settlement on a trade account by NZL to NIL of RTGS57 million on a RTGS1:USD1 basis over a three-year period. The settlement was to be made directly from RBZ to NIL.

A new agreement was signed effective 27 September 2019, superseding the initial agreement, which increased the settlement amount to USD66.8 million and provided for repayment over a five-year period commencing 31 March 2021.

At 30 September 2019, NZL had paid RTGS67 million (R861 million) to RBZ in accordance with the new agreement.

As reflected in note 6.3 of the consolidated financial statements, the directors have applied an expected credit loss rate of 85% against this receivable, based on a key judgement made by the directors related to the current economic situation in Zimbabwe.

Given the materiality and significant nature of the judgement applied in determining the valuation of the receivable we have determined this to be a key audit matter.

Classification of intragroup payable

IAS 21 *The Effects of Changes in Foreign Exchange Rates* (IAS 21) states that an entity may have a monetary item that is receivable from or payable to a foreign operation. An item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation. Foreign exchange differences resulting from remeasuring such items shall be recognised initially in profit or loss in the foreign operation, and subsequently in other comprehensive income in the consolidated financial statements of a group.

NZL has a payable to NIL which is denominated in a currency other than that of NZL. As a result, consideration needs to be applied as to whether the payable meets the definition of a net investment in a foreign operation.

Given the material impact of the consequences of this classification, we assessed this as a key audit matter.

The total amount of the foreign exchange losses resulting from remeasuring the payable amounted to R1.9 billion for the year ended 30 September 2019.

The directors' key judgements with respect to the loan to NZL from NIL has been disclosed in note 1 to the consolidated financial statements.

How the matter was addressed in the audit

Valuation of the RBZ receivable

We have evaluated the relevant controls designed and implemented by the directors to conclude on the valuation of the RBZ receivable.

We reviewed the agreements entered into between NZL, RBZ and NIL effective 2 January 2019 and 27 September 2019 respectively.

We further reviewed directors' detailed fact pattern relating to the timeline of events surrounding the agreements as well as payments made to RBZ.

We critically reviewed the directors' key judgements that, given the current market conditions prevalent in Zimbabwe including devaluation of the local currency and lack of liquidity, it is unlikely that the Reserve Bank of Zimbabwe (RBZ) will have sufficient foreign currency to fully honour its commitments to NIL of R861.5 million (USD66.8 million). As a result of this judgement, the directors have recognised an expected credit loss (ECL) of 85%.

We have verified the approach applied by the directors in estimating the ECL, the estimates of the economic indicators used as well as any contradictory evidence available. Furthermore we also considered the judgements presented by the directors as well as the challenge thereof by the audit and risk committee.

We believe that the principles and estimates applied by management are within an appropriate range. We considered the disclosure in the consolidated financial statements to be appropriate.

Classification of intragroup payable

We assessed management's view on whether the payable owing to NIL by NZL should be viewed as part of the group's net investment in NZL as management's intentions indicated that these payables would not be repayable in the foreseeable future.

Our internal accounting specialists were utilised to assess the classification of the intergroup payables.

It was concluded that the net investment criteria under IAS 21 cannot be applied as:

- IAS 21 specifically excludes trade receivables and trade payables from qualifying assets and liabilities, and
- the receivable from the RBZ resulted in a linked plan for repayment of the amount owing by NZL to NIL.

Loans which may be considered part of a group's net investment usually have the characteristics of capital. NIL have demonstrated efforts to secure repayment of the amounts owing and the account has a history of being settled, albeit slowly.

We considered the disclosure in the consolidated financial statements to be appropriate.

Independent auditor's report continued

Key audit matter

How the matter was addressed in the audit

Classification and valuation of Nampak Plastics Europe (NPE) and Nampak Glass (Glass) as disposal groups in terms of IFRS 5 (consolidated financial statements)

Nampak Plastics Europe

In August 2019, the directors took the decision to dispose of NPE. At 30 September 2019, seven offers were received from interested parties of which three offers have progressed to the next stage of the process. The sale transaction is expected to be finalised before the end of March 2020.

An assessment was performed and the directors concluded that the intention to dispose of the operation triggers the consideration that the NPE would meet the definition of a disposal group in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5).

The classification and valuation of a disposal group held for sale involves significant judgement, specifically in determining whether the sale is deemed highly probable and actively marketed for sale at sales prices reasonable in relation to its fair value. Given the significant nature of the judgements, we have assessed this as a key audit matter.

Nampak Glass

In the prior year, the directors resolved to dispose of the Nampak Glass division and consequently, it was accounted for as a disposal group in terms of IFRS 5 at 30 September 2018.

The directors entered into a sale of business agreement (SBA) on 26 September 2019 to dispose of Nampak Glass as a going concern. The submission to the Competition Commission has been made and the fulfilment of the conditions precedent to the SBA and Competition Commission determination is expected to be finalised by 31 March 2020 with the disposal value at 30 September 2019 estimated to be R1.4 billion.

Given the significant delay in finalising the SBA in more than 12 months from classification as a disposal group, we have assessed this as a key audit matter.

In note 7.6 of the consolidated financial statements is a description of the facts and circumstances of the expected disposals, its valuation and the expected manner and timing of that disposal is disclosed.

We have evaluated the relevant controls designed and implemented by the directors to conclude on the classification and valuation of NPE and Glass as a disposal group in accordance with IFRS 5.

These include the controls designed and implemented by the directors to understand the robustness of key judgements.

We have assessed the criteria of IFRS 5 including that:

- The asset is available for immediate sale, and
- The sale is deemed to be highly probable, within 12 months of classification as held for sale.

We challenged key assumptions based on our understanding of market conditions, NPE specific conditions, and terms of the non-binding offers as well as offer values received.

In line with the requirements with IFRS 5 the NPE disposal group is adequately recorded at its carrying value.

We challenged certain assumptions based on our understanding of the conditions precedent to the SBA, in particular matters specific to the pending Competition Commission approval. We ensured that the valuation is in accordance with the agreed sale proceeds as stipulated in the SBA.

We have concluded that the continued classification, valuation and disclosure as a disposal group in accordance with IFRS 5 is appropriate.

Independent auditor's report continued

Key audit matter

How the matter was addressed in the audit

Impairment considerations of Nampak Bevcan Nigeria goodwill (consolidated financial statements)

The assessment of 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.

The goodwill recognised on the acquisition of Nampak Bevcan Nigeria is R3.4 billion (USD233 million) and comprises 41% of the total net assets of the group at year-end.

The directors are required by IAS 36 to conduct annual impairment tests to assess the recoverability of the carrying value of goodwill.

In accordance with IAS 36, this is performed using discounted cash flow models.

As disclosed in note 1 and note 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 and growth rates applied to the projected future cash flows.

The forecasts also take into account stability in oil output, and further recovery of the Nigerian economy.

Due to the significant judgement applied in determining the estimates and assumptions used in the valuation model of the carrying value of Nigeria Bevcan goodwill, it is identified as a key audit matter.

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 the directors' 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, including operational margins, to historical performance;
- engaging our internal specialists to assist with:
 - (a) 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 contradictory evidence, and
- reviewing the appropriateness of the disclosure in the consolidated 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 appropriate.

Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises, information included in the document titled "Nampak Audited Annual Financial Statements 2019", which includes the directors' report, audit and risk 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 and will 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

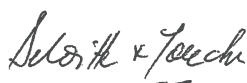
We communicate with the audit and risk committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit and risk 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 audit and risk committee, 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 Limited for 51 years.



Deloitte & Touche

Registered Auditor
Per: JHW de Kock
Partner

26 November 2019

Building 1 and 2
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
Sandton

Report of the audit and risk committee

for the year ended 30 September 2019

The audit and risk committee (the committee) plays a pivotal role in overseeing the quality and integrity of the company's financial results and integrated reporting, the effectiveness of the internal and external audit functions and the adequacy and effectiveness of internal financial controls, risk management and governance.

The committee is constituted as a statutory committee of Nampak Limited and acts as the audit committee for all the South African subsidiaries of the company in terms of the South African Companies Act, 71 of 2008 as amended (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 annually by the Nampak Limited board (the board).

The committee is satisfied that it has discharged all its responsibilities and carried out all the functions assigned to it in accordance with section 94(7) of the Companies Act, the King IV Report on Corporate Governance™* for South Africa 2016 (King IV) and as contained in the committee's charter.

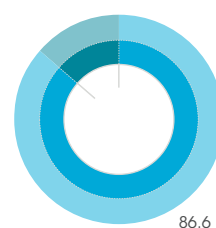
For full details regarding the duties and functions of the audit and risk committee, refer to the audit and risk committee charter available on our website, www.nampak.com. 

MEMBERS OF THE COMMITTEE AND MEETINGS

Ms Jenitha John resigned as director and chairman of the audit and risk committee, effective 1 November 2019. Mr Simon Ridley was appointed as chairman in her place. We also recently announced the appointment of Ms Lesego Sennelo as a member of the audit and risk committee with effect from 22 November 2019.

Members	Meeting dates			
	2 Nov 18 ⁶	16 Nov 18	8 Mar 19	17 May 19
Independent non-executive director				
SP Ridley (chairman) ¹	-	-	-	✓
RC Andersen ²	✓	✓	-	-
J John ³	✓	✓	✓	✓
NV Lila ⁴	✓	✓	✓	X ⁸
IN Mkhari	✓	X ⁷	✓	✓
KW Mzondeki ⁵	-	-	-	-

Audit and Risk Committee attendance (%)



86.6

- Not appointed as member at this point in time.

¹ Appointed as member with effect from 1 April 2019. Appointed as chairman with effect from 1 November 2019.

² Retired as member of the committee with effect from 6 February 2019.

³ Resigned as chairman and member with effect from 1 November 2019.

⁴ Resigned as member on 30 May 2019.

⁵ Appointed as member with effect from 1 October 2019.

⁶ Special meeting.

⁷ Unable to attend due to family emergency.

⁸ Unable to attend due to prior commitment.

All members have adequate and relevant knowledge, and the experience to equip the committee to effectively perform its functions.

The chairman of the board, the lead internal auditor, the external auditors, the chief executive officer and the chief financial officer are invited to attend all committee meetings. The committee also meets with the external and internal auditors without management being present.

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Report of the audit and risk committee continued

for the year ended 30 September 2019

KEY AREAS OF FOCUS DURING THE YEAR

In overseeing the quality and integrity of the company's interim results, and integrated report, which includes the annual financial statements, the adequacy and effectiveness of internal financial controls, ensuring that Nampak has established appropriate financial reporting procedures and confirming that those procedures are operating effectively, the committee:

Reporting

- Reviewed the summary financial information and annual financial statements, confirmed the going concern as the basis of preparation, and is satisfied that it fairly presents the consolidated and separate results of the operations, cash flows and financial position of Nampak for the year ended 30 September 2019 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 considered the solvency and liquidity of the company and reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate.

- Considered the appropriateness of the accounting policies adopted and changes thereto, 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.
- Obtained feedback from the external auditors that adequate accounting records were being maintained and determined that there were no reportable irregularities identified and reported by the external auditors in terms of the Auditing Profession Act, 2005.

It was confirmed that no unresolved issues of concern exist between Nampak and the external or internal auditors.

- Confirmed that in reviewing the annual financial statements, it has considered the findings contained in the *2019 Proactive Monitoring* report and the *2019 Thematic Review* report, published by the JSE Limited.
- Confirmed that it is satisfied with the quality and integrity of the integrated report, the annual financial statements and the sustainability information published and wish to highlight the following key audit matters and significant areas of judgement taken under consideration during the year.

Key audit matters and significant areas of judgement

After discussion with management and the external auditor, the committee concurred with the key audit matters as set out in Deloitte's report on the audit of the consolidated annual financial statements for the year ended 30 September 2019 and the areas of significant judgement below, and were comfortable that the matters were correctly represented.

MATTER	COMMENT
Classification and valuation of Nampak Glass as held for sale and discontinued operations	<p>On 16 February 2018, the Nampak Limited board took a decision to dispose of Nampak Glass. The criteria of IFRS 5: <i>Non-current Assets Held For Sale and Discontinued Operations</i> was met as at 31 March 2018 and the asset classified as held for sale and as a discontinued operation. The asset consists of three furnaces, a manufacturing facility, nine associated production lines, net working capital and the property at which the operation is located. A sale of business agreement was concluded with a suitable buyer with the transaction being subject to Competition Commission approval. It is possible that this disposal will be concluded in the 2020 financial year.</p> <p>On 28 August 2019 the Nampak board decided to dispose of Nampak Plastics Europe, following a protracted period of continued poor performance and cash consumption which has culminated in a significant loss being reported for the year. In addition, this business has a funding requirement associated with its defined benefit pension plan. The complexity of this business, the requirement for significant future capital expenditure, declining milk volumes in the United Kingdom and its non-core nature has led to a decision to dispose of the business with it being classified as held for sale and a discontinued operation. A formal disposal process is being managed by appointed independent professional advisers in the United Kingdom. The process is at an advanced stage with multiple indicative offers being received for the business. It is expected this transaction will be completed by the second half of the 2020 financial year.</p>

Report of the audit and risk committee continued

for the year ended 30 September 2019

MATTER	COMMENT
Goodwill	<p>Goodwill is assessed annually for impairment. 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 Bevcan Nigeria cash-generating unit. The committee considered the impairment test noting the assumptions used, their sensitivities and the headroom. This was supported by a strong recovery in volumes during the period and a stable currency. The committee agreed that no impairment of the goodwill was required.</p>
Group market capitalisation below consolidated shareholders' equity indicating potential group-wide asset impairment	<p>A group sum-of-the-parts valuation was performed based on discounted cash flow valuation principles with individual operations/cash-generating units being tested for specific impairment. With the exception of Nampak Plastics Europe, no other impairments relating to specific cash-generating units have been identified.</p> <p><i>Nampak Plastics Europe</i></p> <p>Several non-binding indicative offers for the business were received prior to the year-end with normal disposal processes well under way. This asset has been valued at the lower of its carrying value and fair value less cost to sell which resulted in an impairment of R363 million.</p> <p>Other impairments relate largely to the fire at Orange Grove Dairy. These assets are under claim from the insurers and the pay-out is currently under review. R35 million of a potential claim of approximately R120 million has been settled. Only the portion of the insurance claim received in cash has been accounted for in the results for the year.</p>

Report of the audit and risk committee continued

for the year ended 30 September 2019

MATTER	COMMENT
Cash transfer and liquidity constraints in the Rest of Africa	<p>Nigeria</p> <p>The naira exchange rate to the US dollar was relatively stable during the year. Cash extractions have been unconstrained with the in-country cash balance declining from the rand equivalent of R300 million to R217 million. Large sums of cash have been transferred from Nigeria during the year. Overall, cash repatriations of R1.5 billion from Nigeria were pleasing representing a cash transfer rate of 486% with no further restrictions impacting the operation. All cash generated during the period was therefore repatriated.</p> <p>Angola</p> <p>Through active management, cash of R1.7 billion (2018: R1.8 billion) was extracted from Angola, representing a cash extraction rate of 76% (2018: 83%). Cash of R1 041 million remains in Angola and of this R742 million is hedged using US dollar linked kwanza bonds and the remaining R299 million is required for day-to-day working capital requirements. The kwanza continues to devalue with a 30% devaluation from AOA300.721 in 2018 to AOA389.485 in 2019. The current rate of exchange has devalued to AOA478.220 representing a further 23% devaluation. The cash extraction from Angola has been adversely impacted by a new requirement to have cash-backed letters of credit for all expected imports. The group continues to hedge its foreign exchange exposures in Angola.</p> <p>Zimbabwe</p> <p>During the period under review, extraction of cash from Zimbabwe was essentially impossible due to the absence of any foreign currency availability. In order to protect shareholder interests, management secured an agreement with the Reserve Bank of Zimbabwe (RBZ) on 27 September 2019 in terms of which the RBZ has undertaken to repay US\$67 million over a period of five years, commencing on 31 March 2021 with an initial two-year payment holiday. In essence, the contract is intended to provide the Nampak shareholder with a R0.9 billion hedge as at 30 September 2019. Despite a legally binding contract having been entered into with the RBZ for the repayment of this debt, the group has taken a conservative stance with an 85% expected credit loss provision raised at 30 September 2019. Zimbabwe has been self-funding since April 2018 and continues to trade well through customers providing US dollar funding for raw materials being sourced from international suppliers.</p>

Report of the audit and risk committee continued

for the year ended 30 September 2019

MATTER	COMMENT
Taxation	<p>The group is exposed to amendments in tax laws in various jurisdictions. In the second half of the year there was a significant change in Angola, where the authorities issued a single line amendment to the law indicating that all deductions of foreign exchange losses incurred in a year would be capped at 7% of the losses incurred in a year for tax purposes. This resulted in an increase in the tax charge for the year.</p> <p>Taxation</p> <p>The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.</p> <p>Deferred taxation is recognised in profit or loss except when it relates to items credited or charged to other comprehensive income, in which case it is also recognised in other comprehensive income.</p> <p>Deferred taxation</p> <p>A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The deferred tax asset value is R429.3 million as at 30 September 2019. The deferred tax asset value is considered to be recoverable.</p> <p>A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for taxable temporary differences, unless specifically exempt. The deferred tax liability value is R528.3 million as at 30 September 2019.</p>
Zimbabwe foreign currency translation (IAS 21: <i>The Effects of Changes in Foreign Exchange Rates</i>) and hyperinflation (IAS 29: <i>Financial Reporting in Hyperinflationary Economies</i>)	<p>Nampak Zimbabwe Limited has a 51.43% interest in the following three businesses in Zimbabwe:</p> <ul style="list-style-type: none"> • Megapak Zimbabwe (Private) Limited – (Plastic) • Carnaud Metal Box Zimbabwe Limited – (Metal) • Hunyani Paper and Packaging Limited – (Paper) <p>Accordingly, the minority shareholders will be allocated their share of the adverse financial effects of the change in the Zimbabwean foreign exchange rate on translation of foreign liabilities and any hyperinflation impacts.</p> <p>On 20 February 2019 the RBZ announced that the real time gross settlement (RTGS) dollar would be the official currency and would trade at 2.5 to the US dollar. This resulted in all Zimbabwean entities having to move their functional currency to RTGS dollar, with an effective date of 1 October 2018, in terms of IAS 21.</p> <p>In addition, Nampak Zimbabwe became exposed to hyperinflation with effect from 31 July 2019 with the financial effects being accounted for from 1 October 2018. This has resulted in a net hyperinflation monetary adjustment of R0.8 billion. In April 2018 the group ceased funding NZL in view of the liquidity issues experienced in Zimbabwe.</p> <p>Given that the abovementioned agreement with the RBZ was concluded on 27 September 2019 and was intended to facilitate repayment of the US dollar funding owing by Nampak Zimbabwe Limited (NZL), this funding is regarded by IAS 21 as repayable and cannot be treated as part of the group's net investment into NZL. Accordingly, the foreign currency translation loss on funding to Zimbabwe was recognised in the group's income statement within headline earnings and not as part of the group's other comprehensive income.</p> <p>Despite this IFRS treatment, it is believed that appropriate action was taken by management to enter into the agreement with the RBZ in order to achieve the best possible economic outcome in difficult circumstances.</p>

Report of the audit and risk committee continued

for the year ended 30 September 2019

The committee also:

External and internal¹ audit

- Nominated Deloitte & Touche (Deloitte) for reappointment by the shareholders as the external auditor of Nampak for the financial year ending 30 September 2020. Mr Trushar Kalan, the designated auditor since 2015, retired in May 2019 and was replaced with Mr Jurie de Kock.

After evaluating Mr de Kock's independence, experience and effectiveness, it was concluded that he is independent of the company in accordance with the Companies Act. Deloitte and Mr de Kock are accredited on the JSE list of auditors as required by the Listings Requirements, and, in compliance with the JSE Listings Requirements, the committee obtained and considered all information required in its assessment of the suitability of Deloitte, as well as Mr de Kock, for reappointment.

Deloitte has been Nampak's auditor for 50 years. A new auditor must be appointed by no later than 2023 in line with the Independent Regulatory Board for Auditors' rule on mandatory audit firm rotation and the committee has commenced with the process to ensure that a new audit firm is appointed by such time.

- Satisfied itself that the external auditor is qualified and independent of the group and upon review, taking into consideration the external auditor's internal quality-control procedures and the Independent Regulatory Board for Auditors' report on the firm, concluded that the quality and effectiveness of the external audit process was satisfactory. No material issues were raised by the most recent internal quality-control review, or by the peer review of the external auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities.

Deloitte maintains professional scepticism on the material issues and significant judgements and they continue to demonstrate an independence of mind in all their engagements. They have a risk-focused approach and the team is selected to ensure that they have the right subject matter expertise and industry knowledge at hand.

Deloitte does not receive any direct or indirect remuneration or other benefit from Nampak, except as auditor or for rendering permissible non-audit services to Nampak, pre-approved in line with the approval thresholds and to the extent permitted by the approved non-audit services policy.

- Approved the external audit plan, which was scoped based on the principles of ISA600, the terms of engagement, and the agreed audit fee.
- Approved the internal audit plan and associated budget, the focus areas of which had been aligned to the five-year internal audit roadmap, Nampak's current business environment and associated risks.
- Assessed the performance of the lead internal auditor, as well as the independence and effectiveness of the internal audit function against the plan, and found them to be performing satisfactorily.

The internal auditor's reports on the effectiveness of Nampak's systems of internal control as well as their insights, highlighting operational efficiencies that could be leveraged across the group, assists the committee to assess the adequacy of any corrective actions required as well as in ensuring robust internal controls.

¹ Nampak's internal audit function is outsourced to EY Advisory Services Limited.

Report of the audit and risk committee continued

for the year ended 30 September 2019

Combined assurance, internal
controls and risk management

- Considered reports from management and the internal and external auditors on the effectiveness of the group's systems of internal control, including internal financial controls and controls relating to information technology and fraud as far as it pertains to financial reporting, reviewed the findings and significant matters and conclusions reported and considered the adequacy of any corrective action proposed and taken and is of the opinion that there were no material breakdowns in internal control during the financial year.
- Reviewed the company's approach to risks and risk appetite as they pertain to financial reporting, as well as Nampak's combined approach to address the significant risks, and found them to be evolving. The coordination, integration and alignment of assurance activities are continuously being refined. The aim is to ensure a robust combined assurance framework to provide the committee with a holistic view of risks, controls and risk mitigation interventions. This will enable the combined assurance model to be further entrenched across the group.
- 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 financial function.
- Received and considered tip-offs anonymous reports in so far as they related to the financial and reporting affairs of the group and is comfortable that there were no material areas of concern identified.

CONCLUSION

The committee is committed to actively supporting Nampak's long-term strategic direction, cost management and the unlocking of 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 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 2019 for approval to the board.

SP Ridley CA(SA)
Chairman of the audit and risk committee

22 November 2019

Directors' report

for the year ended 30 September 2019

The directors wish to present their report which forms part of the annual financial statements of Nampak Limited for the year ended 30 September 2019.

NATURE OF BUSINESS OF THE COMPANY

Nampak Limited has been listed on the JSE Limited (Johannesburg Stock Exchange) since 1969, is incorporated and domiciled in the Republic of South Africa and is the ultimate holding company of the group.

Nampak is Africa's leading diversified packaging manufacturer, offering packaging products across metal, plastic and paper substrates. Many of our customers are among the world's largest FMCG companies. Our world-class research and development facility assists our businesses in achieving operational excellence and supports our customers' varied packaging requirements. Nampak is a market leader in the manufacture of beverage cans in South Africa and Angola and a major player in Nigeria. We also have strong positions in other metal and plastic packaging in South Africa and other parts of the continent. On 27 September 2019 Nampak announced that it had signed a sale of business agreement for its Glass business. More detail on the nature of Nampak's businesses can be found in our integrated report.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

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 2019 amounted to R8.1 billion (2018: R9.0 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, 6.4 and 6.5 to the full annual financial statements.

In September 2018 the group's financial position was substantially strengthened with the successful negotiation and implementation of a R12.5 billion four and five-year committed revolving credit and term facility which addressed the group's maturing debt profile. The banking facilities are secured by cross-guarantees between Nampak Limited, Nampak International Limited and Nampak Products Limited. This financing package has positioned the group well for the next five years and places the group in a strong position to fund its operations and when appropriate to consider growth opportunities. The USPP settlement of US\$115 million will take place in May 2020 requiring this funding that was previously classified as long-term funding in the group's

statement of financial position to be classified as a current liability at 30 September 2019. Facility E in the group's financing package was specifically created at the time the funding was secured to address this repayment in May 2020 with the funding to be classified as a long-term liability at 30 September 2020 thereby strengthening the group's balance sheet and improving the short-term liquidity ratios. The balance of the USPP termed facility of US\$60 million matures in May 2023.

The covenants relating to the new facilities remain in line with the previous funding facilities:

- leverage: net debt, not to exceed 3.0 times;
- for a single measurement period, as at 30 September 2019, net debt not to exceed 3.5 times; and
- interest cover: EBITDA not less than 4.0 times net interest.

It must be noted that the definition of cash for covenant purposes was amended to exclude all Zimbabwe cash and only include 50% of the US dollar-linked kwanza bonds plus 45 days of net working capital in Angola. In order to cater for the possible dislocation between the forecast spot rand/dollar exchange rate at 30 September 2019 versus the average rate for the year given a sudden weakening of the rand/dollar exchange rate in the latter part of the financial year the funders agreed to a relaxation of the net debt: EBITDA cover ratio from 3.0 times to 3.5 times for the single measurement period of 30 September 2019. Prudent and proactive management resulted in this relaxation not being required. At the year-end the group was within these covenants.

Disposals

On 16 February 2018, the Nampak Limited board took a decision to dispose of Nampak Glass division. The criteria of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5) was met as at 31 March 2018 and the asset was classified as held for sale and as a discontinued operation; this position remained for 30 September 2019. The asset consists of three furnaces, nine associated production lines, net working capital and the property at which the operation is located. A sale of business agreement was successfully concluded on 27 September 2019 with a filing to the South African Competition Authorities in progress. It is expected that this disposal should be concluded by no later than the first half of the 2020 financial year.

In addition, on 28 August 2019, the Nampak Limited resolved to dispose of Nampak Plastics Europe Limited. The criteria of IFRS 5 was met on 30 September 2019 and the asset was classified as held for sale and as a discontinued operation. The asset consists of operations based in the United Kingdom, with five locations, net

Directors' report continued

for the year ended 30 September 2019

working capital and the property based in Milton Keynes. A disposal process conducted on the group's behalf by professional advisers in the UK has delivered seven non-binding offers of which two are currently being actively pursued. It is expected that this disposal should be concluded by no later than the first half of the 2020 financial year.

Impairment testing

IFRS 5 requires that when disposal groups are classified as held for sale, such a disposal group shall be measured at the lower of the carrying amount and fair value less costs to sell. The definition of fair value is defined in IFRS 13: *Fair Value Measurement* (IFRS 13) as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 refers to three widely used valuation techniques, namely the market approach, the cost approach and the income approach.

Based on the fair value less costs to sell for Glass, an impairment loss of R336.0 million was recognised at 30 September 2019.

IAS 36: *Impairment of Assets* (IAS 36) requires that, irrespective of whether there is any indicator of impairment, an entity shall test goodwill for impairment annually. The Bevcn Nigeria goodwill balance of R3.5 billion (US\$233.0 million) is significant and sensitive to changes in certain variables which include its cash flows, WACC and country risks. The value-in-use model for the Bevcn Nigeria operation continues to show headroom with no goodwill impairment required.

Given the fact that the group's current market capitalisation on the JSE is lower than its consolidated net asset value, impairment testing was performed on all group operations and cash-generating units. No long-term indicators of impairment were noted other than specific impairments that have been accounted for in the annual financial statements for the year ended 30 September 2019.

Review of operations and results

The group has remained resilient in some challenging market conditions with subdued growth in South Africa, a strong recovery in demand in Nigeria and a significant decline in demand in Angola due to wage inflation lagging the currency devaluation. Zimbabwe has traded well despite challenging economic conditions and they continues to be self-funding. However, the effects of hyperinflation have negatively impacted their results. Revenue was impacted by increased competition in South Africa and a low business confidence index coupled with high unemployment and a lack of consumer spending. Angola's revenue contribution declined due to a significant devaluation in the kwanza which adversely impacted consumer spending. In addition, the effect of increased competitor activity in South Africa impacted market shares. Despite increased

competition in the South African beverage can market Bevcn South Africa's performance was pleasing. A large contractual volume loss in the DivFood business has led to the need for significant labour force and overhead restructuring which will take place in the 2020 financial year.

The group continues to experience difficulty in delivering revenue growth. The effects of reduced consumer spending and competitor activity continue to suppress the ability to obtain growth on the revenue line.

Despite an excellent operating result delivered by Bevcn SA, revenue from the Metals segment declined 4% most significantly impacted by the reduced revenue from Angola, where wage inflation lags consumer inflation resulting in reduced disposable income in the hands of consumers in that economy.

The 13% decline in the Plastics segment's revenue is attributable mainly to the Zimbabwe operations which have been adversely affected by hyperinflation but are still performing well despite the significant downturn in that economy. A new management team in Rigids SA is focused on securing volume growth and improved efficiencies.

The Paper segment has struggled across the board with revenue down 29%.

Revenue from South Africa was down 2% affected by the poor performing economy, low business confidence, a lack of consumer demand and increased competitor activity. The Rest of Africa revenue is down 18% impacted adversely primarily by Angola and buoyed by better performance in Nigeria.

Trading profit in the Metals segment is down 21% due to lower revenue but most significantly impacted by a reduction in trading margins which declined from 15.7% to 12.9%. The Plastics segment has performed well on a trading profit level with good contributions coming from Zimbabwe and improved trading margins being achieved. Improved margins boosted trading profit by 6%. The Paper segment's trading profit declined by 30% adversely impacted by lower revenue levels.

Geographically, South Africa contributed 67% (2018: 63%) to revenue but only 41% (2018: 44%) to trading profit. The Rest of Africa contributed 33% (2018: 37%) to revenue and 70% (2018: 66%) to trading profit. The corporate cost has reduced by 8% as a result of cost savings remaining a head office priority. These benefits were offset by lower forex gains than in the prior year.

EPS and HEPS from continuing operations were down 76% and 69% respectively. These decreases in earnings were primarily due to the net impact of foreign exchange transaction losses and other related losses in Zimbabwe.

Directors' report continued

for the year ended 30 September 2019

Other adverse effects in the Rest of Africa arose in Angola due to the significant devaluation in the Angolan kwanza impacting both customer demand and foreign exchange translation losses and a change in taxation law which significantly increased the Angolan income tax change.

2019 has been characterised by changing demand patterns in certain of our markets. There has been a higher than normal investment in net working capital despite good management of trade receivables.

Long lead times where raw material are sourced from foreign markets impact flexibility and have increased inventory holdings at the year-end in cases where there has been a sudden decrease in demand. The group is striving to operate a working capital funding model that funds inventory holdings through trade payables with the group therefore only funding its high-quality trade receivables book. There has been a significant focus on moving towards this model with success in various operations. However, inventory holdings at the year-end have been adversely impacted by the requirement to build higher than normal inventories in Angola ahead of the conversion of the tinplate line to aluminium. This position has been exacerbated by the sudden downturn in demand in Angola in the second half of the year as a consequence of the significant devaluation in the kwanza and concomitant reduction in consumer demand due to lagging wage inflation. The group continues to look for opportunities to reduce the absorption of cash and manage the working capital cycles optimally. With the balance sheet well-structured this is a focus area and is receiving significant attention with operations focusing on variable demand in markets that have presented unusual demand patterns. Net gearing has increased from 37% to 68% primarily due to the impacts of equity adjustments stemming mainly from Zimbabwe. Borrowings have been well managed with the focus in the future being on reducing dollar-denominated interest-bearing debt.

Short-term liquidity ratios remain strong but have been adversely impacted by the USPP repayment on the seven-year term funding now classified as a current liability as this is repayable during 2020. This is a temporary impact as this dollar-denominated debt will be settled utilising a specifically designated term facility created within the RCF facility and accordingly will be classified as long-term funding in the 2020 financial year thereby improving the group's short-term liquidity ratios.

Significant focus has been placed on cash transfers from Angola and Nigeria and capital expenditure management with positive results. Working capital remains a key focus area.

The group actively manages its treasury with significant focus on the compliance with its banking covenants. A volatile rand/dollar exchange rate during the year impacts the translation of the group's dollar-denominated debt at the two measurement periods of March and September. Net interest-bearing debt is translated to rand

at the spot rate at the measurement period with the EBITDA translated at the average rand/dollar exchange rate for the period. The group is exposed to a sudden weakening of the rand/dollar exchange rate at the reporting dates which may result in a dislocation between the spot rate and the average rand/dollar exchange rate for the period. Should this weakened rate continue this would impact the future average rate with positive impacts on the translation of foreign earnings in subsequent measurement periods. It should be noted that despite a weakening of the spot rate towards the end of the reporting period without this movement materially impacting the average rate, the group has managed its covenant positions well and remains within its covenants.

The naira exchange rate to the US dollar was relatively stable and has hardly fluctuated during the year. Cash extractions have been unconstrained with the in-country cash balance declining from the rand equivalent of R300 million to R217 million. Large sums of cash have been transferred from Nigeria during the year. Overall, cash repatriations of R1.5 billion from Nigeria were pleasing representing a cash transfer rate of 486% with no further restrictions impacting the operation. All cash generated during the period was therefore also repatriated. This continues to be a pleasing outcome given the previous concerns regarding devaluation and cash being traded affecting trade.

The Angolan operation has had very pleasing transfers of cash from Angola back to Nampak International Limited and repayments of accounts payable to Bevan South Africa for ends exported to Angola. The continued successful cash transfers during the year of R1.7 billion along with the R1.8 billion in the prior year was satisfying. The cash extraction rate of 76% in the year as well as the rate of 83% in the comparative period was pleasing and achieved through active management. In total, R742 million or 71% of the remaining cash balance of R1.0 billion is hedged using US\$ linked kwanza bonds which have proven to be highly effective hedging instruments. The remaining R299 million is required for day-to-day working capital requirements consistent with Bevan Nigeria. The exposure to Angola remains consistent with 2018 at reduced levels. The kwanza continues to devalue with a 30% devaluation from AOA300.721 in 2018 to AOA389.485 in 2019. The current rate of exchange has devalued to AOA478.220 which is a further 23% devaluation. The cash extraction from Angola has been adversely impacted by a new requirement to have cash-backed letters of credit for all expected imports. The group continues to hedge its foreign exchange exposures in Angola. These hedges have proven to be highly effective.

Total cash extraction levels remain pleasing at 86% in the current year. The consistent extraction of cash from Nigeria and Angola has been pleasing and every effort continues to be made to ensure that cash is transferred timeously.

Directors' report continued

for the year ended 30 September 2019

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	689 811 504	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	–	–	–
Total	777 357 300	39.8	690 311 504	35.5

Notes

¹ The issued ordinary share capital includes 45 070 854 treasury shares and 11 096 shares held by the Nampak Black Management Trust.

² At the annual general meeting of 5 February 2019, shareholders granted the authority to Nampak's directors to authorise a repurchase of up to 10% of Nampak's ordinary issued shares. No shares were repurchased during the year under review.

³ Share premium as at 30 September 2019: R268.9 million.

⁴ There were no changes to the 6.5% and 6% preference shares.

⁵ The issued ordinary share capital was not increased from the previous year.

SHARE PLANS

Details of the share plans are included in the remuneration report appearing on 68 to 85.

The Nampak Share Appreciation Plan 2009 (SAP)

The table below indicates the number of share appreciation rights conditionally awarded in terms of the SAP, and the maximum number of share appreciation rights which may be exercised. The actual number of share appreciation rights which may be exercised will depend on the extent to which performance conditions were satisfied and, consequently, may be less than the number stated below. A participant shall be entitled to be settled with such number of shares as calculated in terms of the formula set out in the SAP rules:

	2019	2018
Balance at the commencement of the financial year	3 038 759	6 266 071
Number of conditional share appreciation rights awarded during the year to employees	1 315 000	55 000
Forfeitures/cancellations	(231 537)	(7 512 49)
Adjustment in forfeitures/cancellations from prior year	212 832	–
Share appreciation rights forfeited as at 30 September of each year due to performance target not being fulfilled	–	(2 531 063)
Balance at the end of the financial year	4 335 053	3 038 759

* No rights were exercised during the financial year.

The Nampak Performance Share Plan 2009 (PSP)

The table below indicates the number of shares conditionally awarded in terms of the PSP, and the maximum number of shares which might be released. However, the actual number of shares which will be released to participants will depend on the extent to which performance conditions were satisfied and, consequently, may be less than the number stated below:

	2019	2018
Balance at the commencement of the financial year	5 237 658	3 304 554
Number of conditional shares awarded during the year	2 133 362	3 525 180
Executive directors (Nampak Limited)	988 818	1 453 000
Employees	1 144 544	2 072 180
Forfeitures/cancellations	(248 559)	(239 455)
PSP rights forfeited as at 30 September of each year due to underachievement of performance criteria	(294 269)	(1 051 338)
PSP rights exercised	–	(301 283)
Balance at the end of the financial year	7 076 751	5 237 658

Directors' report continued

for the year ended 30 September 2019

The Nampak Deferred Bonus Plan 2009 (DBP)

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 upon continued employment and is not subject to the satisfaction of performance targets.

	2019	2018
Balance at the commencement of the financial year	508 813	304 567
Number of bonus shares purchased by employees during the year:	-	310 013
Executive directors (Nampak Limited)	-	177 716
Employees	-	132 297
Number of bonus shares transferred/sold by employees during the year:	-	(105 767)
Executive directors (Nampak Limited)	-	(39 459)
Employees	-	(66 308)
Cancellations	(3 909)	-
Balance at the end of the financial year	504 904	508 813

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 2019 is summarised below:

	2019
Balance at the commencement of the financial year	13 571 829
Less:	
Awards granted in terms of the SAP during the current financial year	(1 315 000)
Less:	
Awards granted in terms of the PSP during the current financial year	(2 133 362)
Less:	
Number of conditional shares purchased during the year and prior financial years in terms of DBP	(504 904)
Less:	
Shares allotted in respect of dividends declared and paid during the current and prior financial years	-
Less:	
Adjustment in forfeitures/cancellations from prior year in terms of SAP	(212 831)
Add:	
Share appreciation rights forfeited in terms of SAP during the current financial year	231 537
Add:	
Awards forfeited in terms of the PSP during the current financial year	294 269
Add:	
Number of conditional shares cancelled during the year in terms of DBP	3 909
Maximum available for future allocations	9 935 447

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 is 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, 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, 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.

Directors' report continued

for the year ended 30 September 2019

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.

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	100	6.00	30/11/2018	29/01/2019	04/02/2019
	101	6.00	31/05/2019	30/07/2019	05/08/2019
6.5% cumulative preference	100	6.50	30/11/2018	29/01/2019	04/02/2019
	101	6.50	31/05/2019	30/07/2019	05/08/2019

Ordinary dividend

The board has decided not to resume dividends to shareholders until debt levels are significantly reduced.

DIRECTORS

The composition of the board of directors is set out in the integrated report.

Mr TT Mboweni resigned as director and chairman of the board with effect from 10 October 2018. Mr Mboweni was also the chairman of the nominations committee and a member of the remuneration committee. The board appointed Mr PM Surgey as chairman of the board of Nampak Limited, with effect from 10 October 2018.

Ms IN Mkhari was appointed as member of the remuneration committee with effect from 8 November 2018.

Mr RC Andersen, chairman of the remuneration committee with effect from 10 October 2018, and a member of the audit, nominations, and investment committees, retired as non-executive director with effect from 6 February 2019.

Professor Madi, chairman of the social, ethics and transformation committee and member of the risk and sustainability, and investment committees, retired as non-executive director with effect from 6 February 2019.

Ms Seleokane resigned as the executive director, human resources and member of the social, ethics and transformation committee on 28 February 2019.

Dr Khoza, a member of the nominations committee, retired as non-executive director on 30 May 2019.

Ms Lila, chairman of the risk and sustainability committee and member of the audit, and social, ethics and transformation committees, resigned as non-executive director on 30 May 2019.

Mr SP Ridley was appointed as non-executive director with effect from 1 March 2019, as chairman of the nominations and remuneration committee with effect from 1 April 2019 and as member of the audit and risk committee with effect from 1 April 2019. On 1 November he was appointed as chairman of the audit and risk committee.

Mr CD Raphiri was appointed as non-executive director with effect from 1 March 2019, as chairman of the social, ethics and transformation committee with effect from 1 April 2019 and as member of the nominations and remuneration committee with effect from 1 April 2019.

Mr Ikazoboh was appointed as member of the social, ethics and transformation committee with effect from 1 April 2019.

Ms KW Mzondeki was appointed as non-executive director with effect from 1 September 2019 and as member of the audit and risk committee with effect from 1 October 2019.

Ms John, chairman of the audit and risk committee, resigned as non-executive director with effect from 1 November 2019.

We recently announced the appointment of Ms Lesego Sennelo as non-executive director with effect from 22 November 2019.

Mr de Ruyter will step down as CEO and executive director with effect from 15 January 2020. Mr Surgey, Mr Ikazoboh and Ms Mkhari are the directors who are required to retire as directors of the company in terms of clause 29.1 of the MOI. Mr Ikazoboh and Ms Mkhari have decided not to avail themselves for re-election and wish to retire.

The remuneration of Nampak Limited's directors is set out on  75 to 77 of these annual financial statements.

Directors' report continued

for the year ended 30 September 2019

Interests of directors and prescribed officers

The total direct and indirect beneficial and non-beneficial interests of the directors (including directors who retired during the financial year) and prescribed officers of Nampak Limited in the issued ordinary share capital of the company at 30 September 2019 are shown below:

Beneficial interests	Ordinary shares	
	2019	2018
Executive directors		
AM de Ruyter	247 387	247 387
GR Fullerton	61 478	61 478
MMF Seleokane ¹	9 192	9 192
Non-executive directors		
RC Andersen ²	31 000	31 000
Non-beneficial interests of directors	5	5
Beneficial interests		
Prescribed officers		
C Burmeister	214 864	214 864
M Khutama ³	6 554	6 554
LD Kidd	87 715	87 715
RG Morris	461 187	461 187
EE Smuts	201 306	201 306
IH van Lochem	3 064	3 064

¹ Resigned on 28 February 2019.

² Resigned with effect from 6 February 2019.

³ Resigned on 28 February 2019.

Dr RJ Khoza, who retired as independent non-executive director on 30 May 2019, has an indirect, beneficial shareholding through his family trust and Wheatfields Investments No.230 (Pty) Limited in the ordinary share capital of the company. The number of shares held remained unchanged from the previous financial year ended 30 September 2018 and are as follows:

Name of director	2019
RJ Khoza Family Trust	26 000
Wheatfields Investments No.230 (Pty) Limited	1 374 398

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



Directors' report continued for the year ended 30 September 2019

LITIGATION STATEMENT

The directors are not aware of any material legal or arbitration proceedings (including proceedings which are pending or threatened) 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.

SUBSEQUENT EVENTS

The kwanza devalued by a further 23% after the year-end.

RETIREMENT FUNDS

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

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

Details of the company's significant subsidiaries, joint ventures and associates are reflected on  83 to 85 in these annual financial statements.

EXTERNAL AUDITORS

Deloitte & Touche was the external auditor of Nampak Limited and other group companies, except for Swaziland and Ethiopia, for the financial year ended 30 September 2019.

At the annual general meeting of 11 February 2020, shareholders will be requested to reappoint Deloitte & Touche as auditor of Nampak Limited following the audit and risk committee's decision to nominate Deloitte & Touche as its independent auditor for the financial year commencing 1 October 2019. Mr Jurie de Kock will be the individual responsible for performing the functions of the auditor.

COMPANY SECRETARY

The company secretary of Nampak Limited is Ms IH van Lochem. Her contact details appear on the inside back cover of these annual financial statements.

Consolidated statement of comprehensive income

for the year ended 30 September 2019

	Notes	2019 R million	Restated* 2018 R million
CONTINUING OPERATIONS			
Revenue	2.1	14 642.4	15 963.3
Raw materials and consumables used		(8 128.6)	(8 689.3)
Employee benefit expense		(2 316.1)	(2 522.0)
Depreciation and amortisation expense		(485.3)	(530.5)
Other operating expenses		(2 550.9)	(2 745.5)
Other operating income		129.6	98.7
Operating profit before items below	2.2	1 291.1	1 574.7
Net impact of devaluation in Zimbabwe		(1 037.3)	–
Net foreign exchange losses in Zimbabwe operations		(1 944.5)	–
Monetary adjustment for hyperinflation – Zimbabwe		831.5	–
Gain on recognition of Reserve Bank of Zimbabwe financial instrument		794.5	–
Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument		(718.8)	–
Operating profit		253.8	1 574.7
Finance costs	6.2	(376.2)	(465.2)
Finance income	6.2	129.9	240.9
Share of net (loss)/profit in associates and joint venture		(1.4)	5.8
Profit before tax		6.1	1 356.2
Income tax expense	3.1	(395.8)	(139.5)
(Loss)/profit for the year from continuing operations		(389.7)	1 216.7
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	4	(1 123.9)	(647.6)
(Loss)/profit for the year		(1 513.6)	569.1
Other comprehensive (expense)/income for the year, net of tax			
<i>Items that will not be reclassified to profit or loss</i>			
Net actuarial (loss)/gain from retirement benefit obligations		(14.7)	34.4
<i>Items that may be reclassified to profit or loss</i>			
Exchange (loss)/gain on translation of foreign operations		(713.2)	217.4
(Loss)/gain on cash flow hedges		(65.9)	51.7
Other comprehensive (expense)/income for the year, net of tax		(793.8)	303.5
Total comprehensive (expense)/income for the year		(2 307.4)	872.6
(Loss)/profit attributable to:			
Owners of Nampak Limited		(851.6)	489.2
Non-controlling interests in subsidiaries	9.5	(662.0)	79.9
Total		(1 513.6)	569.1
Total comprehensive (expense)/income attributable to:			
Owners of Nampak Limited		(1 132.9)	769.9
Non-controlling interests in subsidiaries	9.5	(1 174.5)	102.7
Total		(2 307.4)	872.6
Earnings/(loss) per share			
Basic (cents per share)	5.1		
Continuing operations		42.2	176.7
Discontinued operations		(174.3)	(100.7)
Total		(132.1)	76.0
Diluted (cents per share)	5.2		
Continuing operations		42.0	175.9
Discontinued operations		(173.5)	(100.2)
Total		(131.5)	75.7

* Refer to note 1.

Consolidated statement of financial position

at 30 September 2019

	Notes	2019 R million	2018 R million
ASSETS			
Non-current assets			
Property, plant, equipment and investment property	7.1	7 195.2	8 177.0
Goodwill	7.2	3 734.9	3 512.8
Other intangible assets	7.3	169.4	195.2
Investments in associates and joint venture		21.0	35.3
Deferred tax assets	3.2	429.3	173.5
Liquid bonds and other loan receivables – non-current	6.3	862.2	1 787.9
		12 412.0	13 881.7
Current assets			
Inventories	7.4	3 388.5	3 205.6
Trade and other current receivables	7.5	2 628.8	3 071.0
Tax assets		133.3	14.1
Liquid bonds and other loan receivables – current	6.3	40.1	450.6
Bank balances and deposits	6.6	1 462.7	2 844.8
		7 653.4	9 586.1
Assets classified as held for sale	7.6	2 394.2	2 446.3
Total assets		22 459.6	25 914.1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9.2	35.5	35.5
Capital reserves	9.3	(76.1)	(70.3)
Other reserves	9.4	(86.3)	200.0
Retained earnings		9 059.2	9 975.1
Shareholders' equity		8 932.3	10 140.3
Non-controlling interests	9.5	(722.4)	472.2
		8 209.9	10 612.5
Non-current liabilities			
Loans and other borrowings – non-current	6.4	6 132.8	8 023.1
Retirement benefit obligation	8.1	923.9	1 478.4
Deferred tax liabilities	3.2	528.3	168.1
Other non-current liabilities		17.8	98.6
		7 602.8	9 768.2
Current liabilities			
Trade and other current payables	7.7	3 318.8	3 796.5
Provisions	7.8	332.9	398.8
Tax liabilities		14.5	45.5
Loans, other borrowings and bank overdrafts	6.5	1 954.1	990.0
		5 620.3	5 230.8
Liabilities directly associated with assets classified as held for sale	7.6	1 026.6	302.6
Total equity and liabilities		22 459.6	25 914.1

Consolidated statement of changes in equity

for the year ended 30 September 2019

	Notes	2019 R million	2018 R million
Opening balance		10 612.5	9 681.1
Adjustment to opening balance – adoption of new standards		(89.2)	–
Net shares issued during the year		–	6.5
Share-based payment (reversal)/expense		(5.9)	4.0
Share grants exercised		–	(6.5)
Treasury shares disposed		–	54.9
Total comprehensive (expense)/income for the year		(2 307.4)	872.6
Dividends paid		(0.1)	(0.1)
Closing balance		8 209.9	10 612.5
Comprising:			
Share capital	9.2	35.5	35.5
Capital reserves	9.3	(76.1)	(70.3)
Share premium		268.9	268.9
Treasury shares		(515.7)	(515.8)
Share-based payment reserve		170.7	176.6
Other reserves	9.4	(86.3)	200.0
Foreign currency translation reserve		1 368.9	1 569.6
Financial instruments hedging reserve		(10.8)	56.4
Recognised actuarial losses		(1 427.4)	(1 412.7)
Share of non-distributable reserves in associates and joint ventures		–	3.7
Other		(17.0)	(17.0)
Retained earnings		9 059.2	9 975.1
Shareholders' equity		8 932.2	10 140.3
Non-controlling interests	9.5	(722.4)	472.2
Total equity		8 209.9	10 612.5

Consolidated statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R million	2018 R million
Cash flows from operating activities			
Cash receipts from customers		14 360.6	18 438.5
Cash paid to suppliers and employees		(13 219.2)	(16 843.2)
Cash generated from operations	2.4	1 141.4	1 595.3
Interest received		163.5	234.0
Interest paid		(669.9)	(692.1)
Retirement benefits, contributions and settlements		(143.2)	(145.2)
Income tax paid		(228.3)	(170.8)
Cash flows from operations		263.5	821.2
Dividends paid		(0.1)	(0.1)
Cash generated from operating activities		263.4	821.1
Cash flows from investing activities			
Capital expenditure		(734.8)	(536.4)
Replacement		(517.0)	(359.8)
Expansion		(217.8)	(176.6)
Disposal of property, plant, equipment and investments		144.8	27.8
Post-retirement medical aid buy-out	8.1	-	(1.8)
Decrease/(increase) in liquid bonds		1 469.2	(6.9)
(Increase)/decrease in other non-current financial assets		(45.9)	20.0
Cash generated from/(utilised in) investing activities		833.3	(497.3)
Net cash generated before financing activities		1 096.7	323.8
Cash flows from financing activities			
Non-current borrowings raised		294.2	6 102.1
Non-current borrowings repaid		(858.1)	(4 407.9)
Net current borrowings repaid		-	(95.9)
Proceeds from disposal of treasury shares		-	54.9
Capital raised from issue of shares		-	6.5
Cash (repaid)/raised in financing activities		(563.9)	1 659.7
Net increase in cash and cash equivalents		532.8	1 983.5
Net cash and cash equivalents/(overdraft) at beginning of year		1 836.8	(168.8)
Translation of cash in foreign subsidiaries		(1 011.2)	22.1
Cash and cash equivalents at end of year	6.6	1 358.4	1 836.8

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Notes to the consolidated financial statements

for the year ended 30 September 2019

1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS

Basis of preparation

The consolidated and separate financial statements (hereinafter 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 financial statements are presented in South African rand, which is the currency in which the majority of the group's transactions are denominated. The 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 value, as explained in the accounting policies on the following page.

The accounting policies set out on the following pages have been applied, in all material respects, consistently by all group entities to all periods presented in these financial statements.

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.

There have been no events subsequent to the year-end other than the further devaluation in the Angolan kwanza.

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

Critical judgements and key sources of estimation uncertainty

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:

- **Functional currency of Bevcán Angola Limitada and Nampak Bevcán Nigeria Limited**

In determining the functional currency of an entity, management is required to consider the indicators provided in IAS 21: *The Effects of Changes in Foreign Exchange Rates* being the currency that mainly influences the selling prices for the goods or services, the currency whose competitive forces and regulations mainly determine the sales prices of its goods and services, the currency that mainly influences labour, material and other costs of providing goods or services, the currency in which funds from financing activities are generated, and the currency in which receipts from operating activities are usually retained.

Where the above indicators are mixed and the functional currency is not obvious, management should use its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. Only where there is a change to those underlying transactions, events and conditions, can the functional currency be changed.

The functional currency of Bevcán Angola Limitada and Nampak Bevcán Nigeria Limited continues to be assessed by management in accordance with the above indicators and the conclusion reached is that there has not been a change to the underlying transactions, events and conditions that existed at the adoption of the functional currency of these entities and therefore the functional currency of these entities remains the US dollar.

- **Change of functional currency and hyperinflation accounting – Nampak Zimbabwe Limited**

The group has a controlling 51.43% interest in Nampak Zimbabwe Limited which comprises the following wholly owned operating subsidiaries:

- ◆ Carnaud Metal Box Zimbabwe Limited (Plastics segment).
- ◆ Megapak Zimbabwe (Pvt) Limited (Paper segment).
- ◆ Hunyani Paper and Packaging (Pvt) Limited (Paper segment).

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS continued

Critical judgements and key sources of estimation uncertainty continued

On 20 February 2019 the Reserve Bank of Zimbabwe announced that the real time gross settlement (RTGS) dollar would be recognised as the only official currency for Zimbabwe. This announcement prompted a review of the functional currency of the entities comprising the Nampak Zimbabwe Limited group in accordance with the indicators set out in IAS 21: *The Effects of Changes in Foreign Exchange Rates*. The conclusion reached was that the RTGS dollar represents the economic effects of the underlying transactions, events and conditions pertaining to these entities more appropriately, and consequently the functional currencies of all these entities and the group itself were changed from US dollar to RTGS dollar with effect from 1 October 2018.

In addition, Nampak Zimbabwe became exposed to hyperinflation with effect from 31 July 2019 with the financial effects being accounted for IAS 29: *Financial Reporting in Hyperinflationary Economies* from 1 October 2018. Given the complexity of hyperinflation accounting and the estimates applied, this is considered to be a key source of estimation.

- **Foreign exchange losses on intragroup payables – Nampak Zimbabwe Limited**

Management continually reviews the recoverability of amounts receivable by Nampak International Limited (NIL) from its operations. NIL is the main holding company for the African operations and is based in the Isle of Man. Where NIL has decided that it will not seek repayment of intragroup payables in the foreseeable future, the outstanding balance is considered to be and is recognised as being part of NIL's net investment in these operations in accordance with the application of IAS 21: *The Effects of Changes in Foreign Exchange Rates* (paragraph 15). Consequently, any exchange differences on translation of such payables are recognised in profit or loss in the separate financial statements of the operation concerned, while on consolidation such exchange differences are recognised in other comprehensive income.

During ongoing discussions with merchant banks to consider the potential restructuring of these outstanding balances, the group ceased funding Nampak Zimbabwe Limited in view of the liquidity issues experienced in Zimbabwe. In order to protect shareholder interests, management secured an agreement with the Reserve Bank of Zimbabwe on 27 September 2019 in terms of which the bank undertook to repay US\$67 million over a period of five years, commencing on 31 March 2021 with an initial two-year payment holiday based on an upfront transfer of RTGS\$67 million to the bank.

In terms of IFRS 9: *Financial Instruments*, the group is required to recognise an asset at amortised cost based on the supposed economic substance of the contract with a consequential gain being the difference between the funds transferred to the bank and the fair value of the expected proceeds over the term of the contract measured at amortised cost. With regard to the prevailing economic challenges and financial uncertainty in Zimbabwe, as supported by the outlook of the World Bank and International Monetary Fund of the ability of the Zimbabwean economy to recover from the current crisis, the group decided to apply an expected loss provision of 85% to the agreement with the bank.

The conclusion of the agreement with the bank suggested evidence of the group's intention to settle the intragroup payable with NIL. Based on a strict interpretation of the above paragraph in IAS 21, the group recognised the payable as a monetary item.

The effects of the foreign exchange loss on the intragroup payable is presented together with the net foreign exchange losses on other monetary items, as well as the effects of the gain on the financial asset recognised in terms of the agreement with the bank and the impairment thereof are recognised separately on the face of the statement of comprehensive income.

- **Classification of disposal groups held for sale**

The classification of businesses as disposal groups held for sale involves determining whether the criteria for such recognition as indicated in IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* have been met and remain met at 30 September.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS continued

Critical judgements and key sources of estimation uncertainty continued

• Classification of disposal groups held for sale continued

These criteria include: the directors are committed to a plan to sell the disposal groups in question, the disposal group is available for sale, an active programme to locate a buyer has been initiated, the sale is highly probable within 12 months of classification as held for sale, the disposal group is being marketed for sale at a sales price that is reasonable in relation to its fair value, and actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.

After an assessment of the transactions pertaining to the following businesses in terms of the above criteria, the directors determined that the classification and disclosure of the following disposal groups as held for sale is appropriate:

- ◆ Nampak Plastics Europe Limited (indirect subsidiary of Nampak Limited).
- ◆ Nampak Cartons Nigeria Limited (indirect subsidiary of Nampak Limited).
- ◆ Nampak Properties Nigeria Limited (indirect subsidiary of Nampak Limited).
- ◆ Nampak Glass division (part of Nampak Products Limited, a direct subsidiary of Nampak Limited).
- ◆ Megapak Drums business – Intermediary Bulk Containers portion (part of the Rigids division of Nampak Products Limited, a direct subsidiary of Nampak Limited).

The businesses, Nampak Plastics Europe Limited, Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited were classified as disposal groups held for sale during the current financial year following a decision to dispose of these business. Nampak Plastics Europe Limited was also classified as a discontinued operation due to it being the only business in the European geographical segment. The Nigerian businesses, however, were not classified as discontinued operations as they neither represent a separate major line of business nor a geographical area of operations.

The Nampak Glass and Megapak Crates and Drums businesses were classified as held for sale at the end of the previous year.

During the current year, the disposal of the majority of the Megapak Crates and Drums business was halted after the business completed a restructuring process and secured a contract from a major soft drinks manufacturer for a period of three years. Consequently, the net operating assets of these businesses other than the net operating assets pertaining to the intermediary bulk container business were reclassified from "non-current assets classified as held for sale and directly associated liabilities" (note 7.6) to their respective asset and liability classes on the statement of financial position.

Details of the results of the discontinued businesses are disclosed in note 4, while the net assets of these businesses as well as those not classified as discontinued operations above are disclosed in note 7.6.

• Valuation of the disposal groups held for sale

In terms of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations*, disposal groups classified as held for sale must be measured at the lower of their carrying amount and fair value less costs to sell. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depreciation of plant and equipment forming part of disposal groups held for sale is ceased on their classification as held for sale.

In respect of the Nampak Plastics Europe Limited business, the valuation has been determined with reference to the carrying amount. The fair value of the Nampak Glass division has been determined with reference to the expected proceeds in terms of the disposal agreement concluded on 27 September 2019. In the previous year, the fair value of this business was based on the income approach valuation method using the value in use and a discounted cash flow model. In light of the fair values determined and the estimated costs expected on disposal of these businesses, impairment losses have been recognised as disclosed in note 4.

The fair values of the Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited businesses have been determined with reference to the carrying values of the underlying assets and liabilities comprising these disposal groups. The combined carrying values of these businesses have been determined as being below the expected proceeds on disposal of these businesses in terms of the disposal agreement concluded on 2 April 2019. Consequently, no impairment losses have been recognised in respect of these disposal groups.

The fair value of the Intermediary Bulk Containers portion of the Megapak Drums business has been determined as being the carrying value of the net operating assets of this business at 30 September 2019. No impairment loss has been recognised in respect of this disposal group.

As indicated above, details of the net assets of these businesses are disclosed in note 7.6.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS continued

Critical judgements and key sources of estimation uncertainty continued

- **Current and deferred taxation**

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income in the jurisdictions concerned. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged to other comprehensive income, in which case it is recognised in other comprehensive income.

During the current year there was a significant change in the legislation pertaining to foreign exchange losses in Angola, where the authorities issued a single line amendment to the applicable law requiring that all deductions of foreign exchange losses incurred would be capped at 7% of the losses incurred for tax purposes. This resulted in a significant increase in the tax charge for the year.

Deferred taxation assets represent the amount of income tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation liabilities represent the amount of income taxes payable in future periods in respect of taxable temporary differences.

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

A deferred tax asset was previously recognised in respect of foreign exchange losses incurred in Nampak Bevcán Angola Limitada as these assets were expected to be recovered against profits of this business in the foreseeable future. However, in light of the recent forecast data, it appears unlikely that a full recovery of this asset would be achieved. Consequently, a significant portion of this asset has been derecognised in the current year.

Details of current and deferred taxation are disclosed in note 3.

- **Impairment of assets**

In terms of IAS 39: *Impairment of Assets*, the group is required to perform tests for impairment of assets based on the expected future cash flows pertaining to these assets whenever there is an indication that these assets may be impaired, while goodwill must be tested on an annual basis.

Discounted cash flow valuation principles are applied in assessing the expected future cash flows pertaining to assets. The key assumptions used are cash flow projections, growth rates and discount rates. The cash flow projections including established growth rates are prepared by divisional management and approved by executive management, while the discount rates are established by the corporate treasury team, taking into account geographic and other risk factors.

At 30 September 2018, the market capitalisation and net asset value of the group was R10.6 billion. The market capitalisation declined to R6.5 billion at 30 September 2019 suggesting that the group's property, plant, equipment and intangible assets (including goodwill) were possibly being carried above their values in use. Consequently, a group sum-of-the-parts valuation was performed based on discounted cash flow valuation principles with individual operations and cash-generating units being tested for specific impairment.

No impairment losses relating to specific cash-generating units were identified.

In respect of the goodwill pertaining to Nampak Bevcán Nigeria Limited, its carrying value is considered reasonable with no impairment required to be recognised in light of the strong recovery in volumes during the year coupled with a stable currency.

Details of impairment losses pertaining to property, plant and equipment are indicated in note 7.1, while the key assumptions used in the test with respect to goodwill are set out in note 7.2.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS continued

Restatements

The comparatives to the consolidated statement of comprehensive income (September 2018) has been restated for the impact of the Nampak Plastics Europe Limited business being recognised as a discontinued operation during the year. Refer note 4.1.

The main impact of this restatement is as follows:

	2018 R million
Revenue – decrease	(1 346.5)
Operating profit – increase	51.8
Finance income – decrease	(3.4)
Profit before tax – increase	48.4
Income tax expense – increase	–
Profit for the year from continuing operations – increase	48.4
Loss for the year from discontinued operations – increase	(48.4)
Profit for the year	–
Earnings per share – continuing operations	
Earnings per share (cents) – increase	7.5
Fully diluted earnings per share (cents) – increase	7.5

2. OPERATIONAL PERFORMANCE

2.1 Revenue

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Sale of goods	14 221.3	15 550.3	2 491.8	2 803.0	16 713.1	18 353.3
Rendering of services	170.9	159.5	–	–	170.9	159.5
Other	250.2	253.5	–	–	250.2	253.5
Total	14 642.4	15 963.3	2 491.8	2 803.0	17 134.2	18 766.3

Revenue comprises the consideration received or receivable on contracts entered into with customers in the ordinary course of the group's activities and is shown net of taxes, cash discounts, settlement discounts and rebates provided to customers.

Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration is estimated using the most likely outcome or the probability weighted outcome method.

Revenue is recognised at the amount of the transaction price that is allocated to each performance obligation and this is determined at an amount that depicts the consideration to which the group expects to be entitled in exchange for transferring the goods and services promised to the customer.

Revenue is recognised on the sale of goods when control is transferred to the customer usually by means of delivering the goods concerned. Revenue from providing services is recognised when the services have been performed over the period of the contract concerned.

Other revenue primarily relates to scrap sales.

Revenue is disaggregated in line with segmental reporting (note 2.3).

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

2. OPERATIONAL PERFORMANCE continued

2.2 Operating profit

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

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Cost of goods sold	9 714.6	11 359.3	1 584.3	1 627.4	11 298.9	12 986.7
Employee benefit expense includes:						
Retrenchment costs	34.3	53.8	12.3	1.4	46.6	55.2
Defined benefit plan expense	141.2	102.3	-	-	141.2	102.3
Pension fund curtailment gain on restructure	(24.7)	(16.2)	-	-	(24.7)	(16.2)
Other share-based payment expenses	(8.2)	5.5	-	-	(8.2)	5.5
Depreciation and amortisation consist of:						
Freehold and leasehold buildings	44.3	45.8	2.3	4.7	46.6	50.5
Plant, equipment and vehicles	416.4	461.6	30.6	158.5	447.0	620.1
Intangible assets	24.6	23.1	-	0.1	24.6	23.2
Total	485.3	530.5	32.9	163.3	518.2	693.8
Other operating expenses and income include:						
Auditors' remuneration						
Audit and professional fees	28.9	16.7	3.2	3.7	32.1	20.4
Tax services	2.9	2.6	-	-	2.9	2.6
Other services	0.7	1.7	0.1	0.2	0.8	1.9
Total	32.5	21.0	3.3	3.9	35.8	24.9
Impairment losses						
Plant and equipment	197.7	18.9	362.8	39.5	560.5	58.4
Assets held for sale	-	-	336.0	665.0	336.0	665.0
Total	197.7	18.9	698.8	704.5	896.5	723.4
Reversal of impairment losses						
Plant and equipment	-	(32.9)	-	(6.2)	-	(39.1)
Loan receivables	(49.5)	-	-	-	(49.5)	-
Total	(49.5)	(32.9)	-	(6.2)	(49.5)	(39.1)
Rentals in respect of operating leases						
Property	200.9	206.2	26.8	34.4	227.7	240.6
Plant, equipment and vehicles	30.7	36.7	18.5	16.7	49.2	53.4
Total	231.6	242.9	45.3	51.1	276.9	294.0
Net loss/(gain) on financial instruments						
Derivatives	29.8	(45.7)	-	-	29.8	(45.7)
Other financial instruments*	157.5	(32.6)	2.4	0.1	159.9	(32.5)
Total	187.3	(78.3)	2.4	0.1	189.7	(78.2)

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

2. OPERATIONAL PERFORMANCE continued

2.2 Operating profit continued

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Net (profit)/loss on disposals						
Net profit on disposal of property	(67.3)	(12.4)	-	-	(67.3)	(12.4)
Net (profit)/loss on disposal of plant, equipment and intangible assets	(3.7)	5.2	3.0	(2.2)	(0.7)	3.0
Total	(71.0)	(7.2)	3.0	(2.2)	(68.0)	(9.4)
Other expenses/(income)						
Administration and technical fees	33.0	33.3	15.5	15.5	48.5	48.8
Selling expenses	34.9	15.1	1.2	4.0	36.1	19.1
Distribution expenses	447.2	385.1	260.2	265.1	707.4	650.2
Research and development expenditure	1.8	5.4	2.4	4.3	4.2	9.7
Gain on acquisition of business	-	(6.0)	-	-	-	(6.0)
Onerous contract and related losses	-	99.7	-	-	-	99.7
Cash transferred and liquid bond disposal losses	48.4	73.0	-	-	48.4	73.0
Remediation and related activities pertaining to sale and leaseback properties	-	63.9	-	-	-	63.9
Restructuring costs	9.3	9.9	18.4	30.5	27.7	40.4

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 2019

2. OPERATIONAL PERFORMANCE continued

2.3 Segmental performance

	External revenue		Internal revenue		Trading profit ¹		Trading margin		EBITDA ²	
	2019 R million	2018 ³ R million	2019 R million	2018 R million	2019 R million	2018 ³ R million	2019 %	2018 ³ %	2019 R million	2018 ³ R million
Segment analysis										
Metals	10 619.9	11 079.4	4.4	11.5	1 368.4	1 736.1	12.9	15.7	1 476.4	1 842.8
Plastics	2 968.2	3 398.1	9.3	4.3	208.5	196.9	7.0	5.8	(69.5)	257.3
Paper	1 054.3	1 485.8	32.1	9.8	159.7	229.0	15.1	15.4	219.6	255.5
Operations	14 642.4	15 963.3	45.8	25.6	1 736.6	2 162.0	11.9	13.5	1 626.5	2 355.6
Corporate	-	-	2 271.0	2 487.8	(178.9)	(193.6)	-	-	(20.4)	(264.4)
Eliminations	-	-	(2 316.8)	(2 513.4)	-	-	-	-	-	-
Continuing operations	14 642.4	15 963.3	-	-	1 557.7	1 968.4	10.6	12.3	1 606.1	2 091.2
Discontinued operations	2 491.8	2 803.0	-	-	(49.3)	19.6	(2.0)	0.7	(320.1)	150.5
Total	17 134.2	18 766.3	-	-	1 508.4	1 988.0	8.8	10.6	1 286.0	2 241.7
Geographical analysis (continuing operations):										
South Africa	9 849.0	10 085.0	377.2	321.7	643.5	865.3	6.5	8.6	936.4	1 016.4
Rest of Africa	4 793.4	5 878.3	31.6	77.9	1 093.1	1 296.7	22.8	22.1	690.1	1 339.2
Operations	14 642.4	15 963.3	408.8	399.6	1 736.6	2 162.0	11.9	13.5	1 626.5	2 355.6
Corporate	-	-	2 271.0	2 487.8	(178.9)	(193.6)	-	-	(20.4)	(264.4)
Eliminations	-	-	(2 679.8)	(2 887.4)	-	-	-	-	-	-
Total	14 642.4	15 963.3	-	-	1 557.7	1 968.4	10.6	12.3	1 606.1	2 091.2
Revenue to external customers by customer location										
South Africa									10 039.1	10 066.6
United Kingdom									902.3	1 237.2
Angola									1 436.6	2 211.2
Nigeria									1 913.9	1 704.3
Zimbabwe									432.0	1 451.9
Rest of the world									2 410.3	2 095.1
Total									17 134.2	18 766.3

¹ Operating profit before abnormal items.

² EBITDA calculation is before net impairment losses/(reversals).

³ Restated for discontinued operation. Refer notes 1 and 4.1.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

2. OPERATIONAL PERFORMANCE continued

2.3 Segmental performance continued

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Reconciliation of operating profit and trading profit						
Operating profit	253.8	1 574.7	(1 051.8)	(711.1)	(798.0)	863.6
Net abnormal losses	1 303.9	393.7	1 002.5	730.7	2 306.4	1 124.4
Net impact of devaluation in Zimbabwe	1 037.3	-	-	-	1 037.3	-
Net foreign exchange losses in Zimbabwe operations	1 944.5	-	-	-	1 944.5	-
Hyperinflation monetary adjustment – Zimbabwe	(831.5)	-	-	-	(831.5)	-
Gain on recognition of Reserve Bank of Zimbabwe financial instrument	(794.5)	-	-	-	(794.5)	-
Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument	718.8	-	-	-	718.8	-
Devaluation loss arising from Angolan and Nigerian exchange rate movements	212.1	126.6	-	-	212.1	126.6
Net impairment losses on property, plant, equipment, assets classified as held for sale and loan receivables	148.2	(14.0)	698.8	698.3	847.0	684.3
Retrenchment and restructuring costs	43.6	63.7	30.7	31.9	74.3	95.6
Cash transferred and liquid bond disposal losses	48.4	73.0	-	-	48.4	73.0
Onerous contract and related losses	-	99.7	-	-	-	99.7
Remediation and related activities pertaining to sale and leaseback properties	-	63.9	-	-	-	63.9
Profit on disposal of property	(67.3)	(12.4)	-	-	(67.3)	(12.4)
Gain on acquisition of business	-	(6.0)	-	-	-	(6.0)
Other	(118.4) ²	(0.8)	273.0 ³	0.5	154.6	(0.3)
Trading profit ¹	1 557.7	1 968.4	(49.3)	19.6	1 508.4	1 988.0

¹ The accounting policy for determining trading profit is that abnormal losses/(gains), defined as losses/(gains) which do not arise from normal trading activities or are of such size, nature or incidence that their disclosure is relevant to explain the performance for the year, are excluded from operating profit.

² Primarily relates to reversal of provisions that are no longer applicable.

³ Primarily relates to stock written-off.

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 – manufacturing beverage cans, food cans, aerosol cans and other metal packaging;

Plastics – manufacturing plastic bottles, crates, drums and tubes;

Paper – manufacturing 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 or losses and assets and liabilities, and the group's profit or 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 or 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 and Rest of Africa.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

2. OPERATIONAL PERFORMANCE continued

2.4 Cash generated from operations

	2019 September R million	2018 September R million
Reconciliation of profit before tax to cash generated from operations		
Profit before taxation	(1 245.6)	475.1
Continuing operations	6.1	1 356.2
Discontinued operations	(1 251.7)	(881.1)
Adjustment for:		
Depreciation and amortisation	518.2	693.8
Net profit on disposal of businesses, property, plant, equipment and intangible assets	(68.0)	(9.4)
Financial instruments fair value adjustment	29.8	(45.7)
Gain on acquisition of business	-	(6.0)
Net defined benefit plan expense	116.4	86.1
Impairment losses	896.5	723.4
Reversal of impairment losses	(49.5)	(39.1)
Net impact of devaluation in Zimbabwe	1 037.3	-
Foreign exchange losses in Zimbabwe operations	1 944.5	-
Monetary adjustment for hyperinflation – Zimbabwe	(831.5)	-
Gain on Reserve Bank of Zimbabwe financial instrument	(794.5)	-
Expected credit loss on Reserve Bank of Zimbabwe financial instrument	718.8	-
Inventory written off	172.2	-
Share of net loss/(profit) in associates and joint ventures	1.4	(5.8)
Share-based payments expense	(8.2)	5.5
Net finance costs	446.2	394.3
Cash generated from operations before working capital changes	1 846.7	2 272.2
Net working capital changes	(705.3)	(676.9)
(Increase)/decrease in inventories	(384.1)	106.7
Increase in trade receivables and other current assets	(158.2)	(637.2)
Decrease in trade payables and other current liabilities	(163.0)	(146.4)
Cash generated from operations	1 141.4	1 595.3

3. TAXATION

3.1 Income tax

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Current tax						
Current year	151.8	160.0	(80.5)	(61.0)	71.3	99.0
Prior year	(127.8)	(20.7)	(2.4)	(2.1)	(130.2)	(22.8)
Capital gains tax	-	1.0	-	-	-	1.0
Deferred tax						
Current year	244.8	(43.9)	(45.0)	(172.6)	199.8	(216.5)
Prior year	6.8	(13.9)	0.1	2.2	6.9	(11.7)
Hyperinflation adjustment	8.9	-	-	-	8.9	-
Withholding and foreign tax	111.3	57.0	-	-	111.3	57.0
Total	395.8	139.5	(127.8)	(233.5)	268.0	(94.0)

The company tax rate in South Africa is 28% (2018: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those relevant jurisdictions.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

3. TAXATION continued

3.1 Income tax continued

	Continuing operations		Discontinued operations		Total	
	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Reconciliation of rate of tax						
Statutory tax rate	28.0	28.0	28.0	28.0	28.0	28.0
Reduction in tax rate due to:						
Exempt income (including capital profits)	(420.0)	(4.0)	-	0.6	2.1	(12.4)
Associate profit/(loss)	-	(0.1)	-	-	-	(0.1)
Government incentives	(181.4)	(3.8)	-	0.1	0.9	(11.0)
Deferred tax asset created previously not raised	-	(9.0)	-	-	-	(25.7)
Adjustment for prior year	(1 983.9)	(2.6)	0.2	-	9.9	(7.3)
Foreign tax rate differential	(4 272.8)	(8.6)	(4.7)	(0.5)	16.2	(23.6)
Increase in tax rate due to:						
Capital gains tax	(1.8)	0.1	-	-	-	0.2
Deferred taxation not recognised	3 453.7	2.4	(7.8)	(1.0)	(24.7)	8.7
Losses not protected in Angola due to tax holiday	2 561.4	-	-	-	(12.5)	-
Angolan tax law changes	4 793.1	-	-	-	(23.6)	-
Hyperinflation adjustments	145.4	-	-	-	(0.7)	-
Withholding and other foreign taxes	1 894.6	4.1	-	-	(9.3)	11.9
Impairments and other disallowable expenses	472.2	3.8	(5.5)	(0.7)	(7.8)	11.5
Effective group rate of tax	6 488.5	10.3	10.2	26.5	(21.5)	(19.8)

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 R6.7 million (2018: R6.0 million credit) has been recognised in equity during the year.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

3. TAXATION continued

3.2 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:

	Accele- rated tax deprecia- tion R million	Provisions R million	Retire- ment benefit obligation R million	Tax losses R million	Stock R million	Foreign exchange differences R million	Other R million	Total R million
At 1 October 2017	1 427.6	(293.9)	(245.8)	(682.4)	-	(162.9)	202.6	245.2
(Credit)/charge to other comprehensive income for the year	-	-	(7.5)	-	-	-	1.5	(6.0)
(Credit)/charge to profit for the year	(154.7)	(9.8)	(2.3)	(236.3)	65.6	47.0	62.3	(228.2)
Translation differences	41.2	9.0	(6.9)	32.7	-	(3.1)	(89.3)	(16.4)
At 30 September 2018	1 314.1	(294.7)	(262.5)	(886.0)	65.6	(119.0)	177.1	(5.4)
Charge/(credit) to other comprehensive income for the year	-	-	9.1	-	-	-	(2.4)	6.7
Charge/(credit) to profit for the year	472.2	48.8	10.1	59.9	42.3	(405.2)	(21.5)	206.6
Hyperinflation adjustment	-	-	-	-	-	8.9	-	8.9
Reclassified to non- current asset held for sale	(0.6)	0.8	-	17.9	-	(3.1)	-	15.0
Reclassified to liabilities associated with assets held for sale	(18.0)	-	-	-	-	0.5	-	(17.5)
Translation differences	(152.5)	23.1	(4.9)	(81.2)	(0.3)	237.1	(136.6)	(115.3)
At 30 September 2019	1 615.2	(222.0)	(248.2)	(889.4)	107.6	(280.8)	16.6	99.0

	2019 R million	2018 R million
Analysed between:		
Deferred tax assets	(429.3)	(173.5)
Deferred tax liabilities	528.3	168.1
Total	99.0	(5.4)

At year-end the group had unused tax losses of R4 476.7 million (2018: R3 717.4 million) available for offset against future taxable profits. Deferred tax assets have been recognised in respect of R2 985.9 million (2018: R3 202.3 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 R1 490.8 million (2018: R515.1 million) due to the unpredictability of future profit streams.*

In addition, the group had capital losses available for utilisation against future capital gains to the value of R2 803.2 million (2018: R2 548.8 million).

During the year none of the capital losses were utilised (2018: R339.8 million).

No deferred tax has been raised on any of the capital losses in the current and prior year.

The tax holiday in respect of Bevcam Angola came to an end on 30 April 2019.

The "Other" category includes a number of items on which deferred tax was raised including prepayments, share option expenses, finance lease debtors and available-for-sale assets.

* The group has tax losses in Angola of R598.1 million (2018: Rnil) that are subject to an expiry period of three years. No deferred tax was recognised on these losses.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

4. DISCONTINUED OPERATIONS

4.1 Nampak Plastics Europe Limited

On 28 August 2019, the Nampak Limited board took a decision to dispose of Nampak Plastics Europe Limited, following a protracted period of continued poor performance and cash consumption. In addition, this business has the further challenge of funding requirements associated with its defined benefit pension plan. The group met the criteria of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* as at 30 September 2019 and therefore classified the disposal group as held for sale and as a discontinued operation at that date. A formal disposal process is being managed by independent professional advisers in the United Kingdom and several indicative offers have been received for the business. Accordingly, the transaction is progressing according to plan and is expected to conclude in the second half of the 2020 financial year.

Nampak Plastics Europe Limited was reported in the Plastics operating segment for segmental reporting purposes.

An impairment loss of R362.8 million was recognised at 30 September 2019 on these assets in consideration of their fair value less expected realisation costs at this date.

	2019 R million	2018 R million
Results of the discontinued operation		
Revenue	974.2	1 346.5
Operating expenses other than depreciation, amortisation and impairment expenses	(1 231.9)	(1 338.8)
EBITDA ¹	(257.7)	7.7
Depreciation and amortisation ²	(32.9)	(38.5)
Impairment of property, plant and equipment	(362.8)	(21.0)
Net finance costs	0.2	3.4
Loss before tax	(653.2)	(48.4)
Attributable income tax benefit	-	-
Loss for the year from discontinued operations	(653.2)	(48.4)
Cash flows of the discontinued operation		
Net cash flows from operating activities	(314.9)	(28.9)
Net cash flows from investing activities	(162.7)	(34.4)
Net cash flow	(477.6)	(63.3)

¹ EBITDA is calculated before net impairments.

² Depreciation and amortisation ceased on classification of Nampak Glass as a discontinued operation and disposal group held for sale.

4.2 Nampak Glass division

On 16 February 2018, the Nampak Limited board took a decision to dispose of the Nampak Glass division. The group met the criteria of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* as at 31 March 2018 and therefore classified the asset as held for sale and as a discontinued operation as at that date. A sale of business agreement was concluded on 26 September 2019 with a suitable buyer and the required filing was made with the Competition Authorities. It is expected that this disposal will be concluded within the 2020 financial year.

The Nampak Glass division was the only operation in the Glass operating segment for segmental reporting purposes.

An impairment loss of R336.0 million (2018: R677.3 million) was recognised at 30 September 2019 on these assets in consideration of their fair value less expected realisation costs at this date.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

4. DISCONTINUED OPERATIONS continued

4.2 Nampak Glass division continued

	2019 R million	2018 R million
Results of the discontinued operation		
Revenue	1 517.6	1 456.5
Operating expenses other than depreciation, amortisation and impairment expenses	(1 580.0)	(1 313.7)
EBITDA ¹	(62.4)	142.8
Depreciation and amortisation ²	-	(124.8)
Impairment of plant, goodwill and intangible assets	(336.0)	(677.3)
Net finance costs	(200.1)	(173.4)
Loss before tax	(598.5)	(832.7)
Attributable income tax benefit	127.8	233.5
Loss for the year from discontinued operations	(470.7)	(599.2)
Cash flows of the discontinued operation		
Net cash flows from operating activities	121.5	89.2
Net cash flows from investing activities	(92.4)	(91.7)
Net cash flow	29.1	(2.5)

¹ EBITDA is calculated before net impairments.

² Depreciation and amortisation ceased on classification of Nampak Glass as a discontinued operation and disposal group held for sale.

	2019 R million	2018 R million
Net loss from discontinued operations		
Nampak Plastics Europe	(653.2)	(48.4)
Nampak Glass	(470.7)	(599.2)
Total	(1 123.9)	(647.6)

The net assets of the discontinued operations are disclosed as held for sale, refer note 7.6.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

5. BASIC AND HEADLINE EARNINGS PER SHARE

5.1 Basic earnings/(loss) per share

Basic earnings/(loss) per share is 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.

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Basic earnings/(loss)						
Profit/(loss) attributable to equity holders of the company for the period	272.3	1 136.8	(1 123.9)	(647.6)	(851.6)	489.2
Less: Preference dividend	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Total	272.2	1 136.7	(1 123.9)	(647.6)	(851.7)	489.1
Weighted average number of shares in issue ('000)	644 727	643 374	644 727	643 374	644 727	643 374
Basic earnings/(loss) per share (cents)	42.2	176.7	(174.3)	(100.7)	(132.1)	76.0

5.2 Diluted basic earnings/(loss) per share

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

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Diluted earnings/(loss)*						
Profit/(loss) attributable to equity holders of the company for the period	272.2	1 136.7	(1 123.9)	(647.6)	(851.7)	489.1
Less: Preference dividend	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Total	272.2	1 136.7	(1 123.9)	(647.6)	(851.7)	489.1
Weighted average number of ordinary shares for the purpose of diluted basic earnings/(loss) per share ('000)	647 934	646 297	647 934	646 297	647 934	646 297
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	644 727	643 374	644 727	643 374	644 727	643 374
Effect of dilutive potential ordinary shares:						
Other share incentive plans ('000)	3 207	2 923	3 207	2 923	3 207	2 923
Diluted basic earnings/(loss) per share (cents)	42.0	175.9	(173.5)	(100.2)	(131.5)	75.7

* No dilution of basic earnings/(loss).

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

5. BASIC AND HEADLINE EARNINGS PER SHARE continued

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
5.3 Headline earnings/(loss) per share						
Headline earnings/(loss)						
Basic earnings/(loss)	272.2	1 136.7	(1 123.9)	(647.6)	(851.7)	489.1
Adjusted for:						
Net impairment losses/(reversals) on property, plant, equipment and assets held for sale	197.7	(14.1)	698.8	698.4	896.5	684.3
Gain on acquisition of business	-	(6.0)	-	-	-	(6.0)
Net (profit)/loss on disposal of property, plant, equipment and intangible assets	(71.3)	(7.2)	3.0	(2.2)	(68.3)	(9.4)
Tax effects and outside shareholders' interests	(49.8)	5.7	(51.5)	(189.6)	(101.3)	(183.9)
Total	348.8	1 115.1	(473.6)	(141.0)	(124.8)	974.1
Weighted average number of shares in issue ('000)	644 727	643 374	644 727	643 374	644 727	643 374
Headline earnings/(loss) per share (cents)	54.1	173.3	(73.5)	(21.9)	(19.4)	151.4
5.4 Diluted headline earnings per share						
Diluted headline earnings/(loss)**	348.8	1 115.1	(473.6)	(141.0)	(124.8)	974.1
Weighted average number of ordinary shares for the purpose of diluted headline earnings/(loss) per share ('000)***	647 934	646 297	647 934	646 297	647 934	646 297
Diluted headline earnings/(loss) per share (cents)	53.8	172.5	(73.1)	(21.8)	(19.3)	150.7

** No dilution of headline earnings/(loss).

*** Per diluted basic earnings/(loss) per share calculation.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

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 audit and risk committee.

Where relevant, 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 treasury committee.

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 2019							
Financial assets							
<i>At amortised cost</i>							
Liquid bonds and other loan receivables	6.3	902.3	41.7	788.9	52.6	47.4	19.4
Trade and other current receivables ¹	7.5	2 469.6	2 469.6	-	-	-	-
Bank balances and deposits	6.6	1 462.7	1 462.7	-	-	-	-
<i>At fair value – level 2</i>							
Derivative assets ³	7.5	26.2	26.2	-	-	-	-
Total		4 860.8	4 000.2	788.9	52.6	47.4	19.4
Financial liabilities							
<i>At amortised cost</i>							
Loans and other borrowings	6.4	7 859.1	1 744.7	-	5 260.2	910.3	-
Trade and other current payables ²	7.7	3 228.0	3 228.0	-	-	-	-
Bank overdrafts	6.6	227.8	227.8	-	-	-	-
<i>At fair value – level 2</i>							
Derivative liabilities ³	7.7	11.3	11.3	-	-	-	-
Total		11 326.2	5 211.8	-	5 260.2	910.3	-

¹ Excludes derivative assets and prepayments and trade and other receivables as part of assets classified as held for sale.

² Excludes derivative liabilities, shareholders for dividends, VAT payables and trade and other payables presented as part of liabilities directly associated with assets classified as held for sale.

³ Derivative financial assets and liabilities classified as level 2 consist of forward exchange contracts and commodity futures (as set out above) 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 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

Carrying amount and maturity profile of financial instruments 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 2018							
Financial assets							
<i>At amortised cost</i>							
Liquid bonds and other loan receivables	6.3	2 238.5	458.9	239.5	1 524.6	7.7	31.6
Trade receivables and other current assets ¹	7.5	2 750.6	2 750.6	–	–	–	–
Bank balances and deposits	6.6	2 844.8	2 844.8	–	–	–	–
<i>At fair value – level 2</i>							
Derivative assets ³	7.5	81.7	81.7	–	–	–	–
Total		7 915.6	6 136.0	239.5	1 524.6	7.7	31.6
Financial liabilities							
<i>At amortised cost</i>							
Loans and other borrowings	6.4	8 005.1	–	1 626.3	–	5 392.4	1 057.3
Trade payables and other current liabilities ²	7.7	3 684.2	3 684.2	–	–	–	–
Bank overdrafts	6.6	1 008.0	1 008.0	–	–	–	–
<i>At fair value – level 2</i>							
Derivative liabilities ³	7.7	22.6	22.6	–	–	–	–
Total		12 719.9	4 714.8	1 626.3	–	5 392.4	1 057.3

¹ Excludes derivative assets and prepayments and trade and other receivables as part of assets classified as held for sale.

² Excludes derivative liabilities, shareholders for dividends, VAT payables and trade and other payables presented as part of liabilities directly associated with assets classified as held for sale.

³ Derivative financial assets and liabilities classified as level 2 consist of forward exchange contracts and commodity futures (as set out above) as their fair value is determined using the contract exchange rate at measurement date, with the resulting value discounted back to the present value.

The carrying amounts of financial assets and liabilities are considered to approximate their fair values. There have been no transfers between categories during the current financial year.

Financial risk management techniques

(a) Capital risk management

The group manages its capital to ensure that entities in the group and the 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 two gearing ratios, namely net debt to EBITDA ratio (which cannot be greater than 3.5 times in the current financial year for one measurement period and three times in the prior financial year) and an interest cover ratio (which cannot be less than four times). These ratios are calculated as net debt divided by EBITDA and EBITDA divided by net interest payable respectively. The results of these ratios as calculated were 2.9 times (2018: 2.3 times) and 4.5 times (2018: 8.0 times), respectively.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

Financial risk management techniques 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.

In order to address the group's maturing debt profile the group successfully refinanced its funding structure in September 2018. Previously the group's debt funding was structured around two separate borrower groups being the South African and Isle of Man constituents. The bilateral rand and US dollar facilities were refinanced into one common terms agreement catering for multiple currencies and borrowers over a four and a five-year term. This common agreement has improved the mix of short and long-term facilities and provided additional cash resources to aid in optimising liquidity, flexibility and capacity for growth. The adjustment in the mix of call and term lending will assist the group in aligning maturity of debt with operational forecasts and cash inflows.

The naira exchange rate to the US dollar was relatively stable and has hardly fluctuated during the year. Cash extractions have been unconstrained with the in-country cash balance declining. Overall, cash transfers of R1.5 billion (2018: R1.6 billion) from Nigeria were pleasing, representing a cash transfer rate of 486% (2018: 190%) with no further restrictions impacting the operation. Cash on hand at the end of 2019 of R217 million reflects a 28% reduction from the R300 million held at 30 September 2018. All cash generated during the period was therefore also repatriated. This continues to be a pleasing outcome given the previous concerns regarding devaluation. The group no longer considers Nigeria a major liquidity risk.

The Angolan operation had very pleasing transfers of cash to Nampak International Limited and repayments of accounts payable to Bevcan South Africa for ends exported to Angola. The continued successful cash transfers during the year of R1.7 billion along with the R1.8 billion in the prior year was satisfying and achieved due to active management. In total, R742 million or 71% of the remaining cash balance of R1 041 million is hedged using US dollar-linked kwanza bonds which have proven to be highly effective hedging instruments. The remaining R299 million is required for day-to-day working capital requirements. The exposure to Angola remains consistent with 2018 at reduced levels. The kwanza continues to devalue with a 30% devaluation from AOA300.721 in 2018 to AOA389.485 in 2019. The current rate of exchange has devalued to AOA481.179 which is a further 23.5% devaluation. The group continues to hedge its foreign exchange exposures in Angola.

The economic crisis facing Zimbabwe continues and has given rise to further liquidity challenges. During the year the Reserve Bank of Zimbabwe (RBZ) entered into a legal arrangement to settle historic amounts owing of US\$67 million on a one-to-one US dollar basis over a period of five years commencing in two years' time, with the first settlement taking place on 31 March 2021 and settled in equal quarterly instalments over three years. This agreement offers a significant hedge, is considered to be a financial instrument and is held at amortised cost. This instrument is dollar-based and as a monetary item has resulted in a significant gain to the extent that the Zimbabwean dollar has devalued against the US dollar. Due to the uncertainty around the RBZ being able to access foreign currency to honour this agreement and the outlook of the World Bank and International Monetary Fund of the economic crisis in Zimbabwe, an expected credit loss of 85% of the balance has been recognised in the current year.

The group remains committed to the operations in Angola and Nigeria with the overall long-term investment rationale based on the demographics underpinning growth in packaging being sound. The decision by the RBZ to adopt the real time gross settlement (RTGS) dollar as the official currency has caused significant devaluation in that currency leaving monetary items exposed to devaluation. The availability of foreign currency in Zimbabwe remains challenging and only R43 million or 4% of the opening cash position was transferred from Zimbabwe for the year. Raw materials are being funded by dollar provided by customers as well as export sales. No increased facilities or unfunded goods have been made available by Nampak entities to Nampak Zimbabwe during the period. The group has adequate funding for operations in the Rest of Africa through the Isle of Man treasury and procurement operation and is well positioned to benefit in the medium to long term.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

Financial risk management techniques continued

(b) Liquidity risk management continued

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 2019				
One year	999.4	170.1	-	1 169.5
Three years	-	-	836.1	836.1
Four years	2 000.0	-	2 351.6	4 351.6
Total	2 999.4	170.1	3 187.7	6 357.2
Expiry period at 30 September 2018				
One year	820.0	84.0	-	904.0
Four years	-	-	425.8	425.8
Five years	1 791.0	-	2 191.9	3 982.9
Total	2 611.0	84.0	2 617.7	5 312.7

(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. 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.

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
South African rand	(2 183.4)	-	888.0	4.2	(1 291.2)
UK pound	-	-	143.5	-	143.5
US dollar	(3 238.5)	(2 652.3)	216.8	-	(5 674.0)
Nigerian naira	-	-	90.4	-	90.4
Angolan kwanza	-	-	295.7	723.1	1 018.8
Other currencies	(12.7)	-	126.8	-	114.1
Total at 30 September 2019	(5 434.6)	(2 652.3)	1 761.2	727.3	(5 598.4)
South African rand	(2 639.8)	-	99.9	8.3	(2 531.6)
UK pound	-	-	77.2	-	77.2
US dollar	(3 347.7)	(2 475.9)	1 690.9	0.3	(4 132.4)
Nigerian naira	(15.7)	-	315.9	-	300.2
Angolan kwanza	(503.1)	-	643.8	2 165.8	2 306.5
Other currencies	(30.9)	-	81.2	-	50.3
Total at 30 September 2018	(6 537.2)	(2 475.9)	2 908.9	2 174.4	(3 929.8)

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

Financial risk management techniques continued

(c) Market risk management continued

Interest rate risk management continued

	2019		2018	
	Bank balances %	Borrowings* %	Bank balances %	Borrowings* %
Weighted average interest rates are as follows:				
South African rand	6.3	8.9	6.4	7.9
UK pound	0.7	–	0.3	–
US dollar	–	4.8	2.1	4.4

* Borrowings include overnight call facilities.

If the market interest rates had been 100 basis points higher/lower at 30 September 2019 profit or loss would have been R79.2 million lower/higher (2018: R62.3 million).

The amount of R79.2 million (2018: R62.3 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.

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.

The group uses forward exchange 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 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 gain on the fair value of FEC contracts amounting to R2.9 million (2018: R51.7 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 in both years.

Material concentrations of currency risk exists within the group's Zimbabwean and, to a lesser extent, Angolan 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. During the current year the group concluded that Zimbabwe was a hyperinflationary economy due to the inflation rate exceeding 100%. At year-end this resulted in all balances and transactions being reported in inflation adjusted terms with effect from 1 October 2018. The results, net assets and cash flows were translated from ZWL in ZAR at a closing rate of ZWL1 to ZAR0.99.

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 product. The possible currency movements were determined based on management's best estimates taking into account prevailing economic and market conditions and future expectations.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

Financial risk management techniques continued

(c) Market risk management continued

Currency risk management continued

	2019	2018
Currency conversion guide at 30 September		
Statement of comprehensive income (average)		
Rand/UK pound	18.30	17.61
Rand/euro	16.18	15.58
Rand/US dollar	14.35	13.11
Kwanza/US dollar	333.94	222.09
Naira/US dollar	361.55	360.61
Zimbabwean dollar/US dollar	5.01	n/a
Statement of financial position (spot)		
Rand/UK pound	18.65	18.43
Rand/euro	16.54	16.41
Rand/US dollar	15.17	14.14
Kwanza/US dollar	389.41	300.72
Naira/US dollar	362.04	362.79
Zimbabwean dollar/US dollar	15.20	n/a

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 2019, with all other variables held constant, the impact on profit or loss for the year would have been a decrease of R10.5 million (2018: R10.7 million). Conversely, if the exchange rates with these currencies strengthened by 5%, profit or loss would increase by R10.5 million (2018: R10.7 million).

In South Africa all imports, exports and capital commitments are fully hedged once they are firm and ascertainable except to the extent that this risk is assumed by the customer. The values of open forward contracts entered into at 30 September and their expected maturity profiles are:

	Average contract rate		Notional amount net imports		Fair value (liability)/asset	
	2019 R	2018 R	2019 R million	2018 R million	2019 R million	2018 R million
Fair value hedges and FECs						
<i>US dollar</i>						
Less than 3 months	14.87	14.19	(382.9)	(182.4)	17.8	1.2
3 to 6 months	15.19	14.47	(232.7)	(31.0)	2.8	31.1
6 to 9 months	15.18	14.62	(114.8)	(8.8)	1.2	17.7
Greater than 9 months	-	15.65	-	(0.9)	-	(0.1)
<i>Euro</i>						
Less than 3 months	16.66	16.47	(193.3)	(97.4)	(0.7)	0.8
3 to 6 months	16.92	16.97	(40.7)	(40.8)	(0.2)	4.2
6 to 9 months	17.70	16.87	(3.7)	(2.1)	(0.1)	1.0
<i>UK pound</i>						
Less than 3 months	18.52	19.01	(15.2)	(17.5)	0.1	(0.9)
<i>Other</i>						
Less than 3 months	1.40	0.26	(9.9)	(5.9)	0.1	(0.2)
					21.0	54.8

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.1 Financial risk management continued

Financial risk management techniques continued

(c) Market risk management continued

Commodity price risk management

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 net imports		Fair value (liability)/asset	
	2019 R	2018 R	2019 R million	2018 R million	2019 R million	2018 R million
Less than 3 months	26 833	25 588	(70.7)	(22.4)	(3.8)	4.3
3 to 6 months	26 774	–	(55.7)	–	(1.7)	–
6 to 9 months	26 897	–	(18.8)	–	(0.6)	–
Total					(6.1)	4.3

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

(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. In order to minimise credit risk, the group has a policy of only dealing with creditworthy, blue-chip counterparties.

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. To the extent possible, the group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

In order to manage the group's liquidity risk, it has hedged its cash position in Angola using US dollar indexed Angolan kwanza bonds. The recoverability of the bonds is subject to the credit risk of the Angolan government. The rating of Angola remained consistent from September 2016 to September 2019 and all US dollar indexed kwanza bonds have been settled in full on maturity. The bonds were acquired between 2017 and 2018. The group has concluded that there is no significant increase in credit risk and thus the bonds are in stage 1 as defined by IFRS 9. As a result, a 12-month probability of default (PD) was used as opposed to a lifetime PD at both year-end and adoption date.

As a result of the Zimbabwean "sovereign" hedge receivable arising from the arrangement with the RBZ in order to protect the group's cash position in that jurisdiction, the group is exposed to the credit risk and probability of default of the Zimbabwean government. Due to the long-term nature of the receivable and uncertainty around the RBZ being able to access foreign currency to honour this agreement, along with the outlook of the World Bank and International Monetary Fund of the ability of the Zimbabwean economy to recover from the current crisis, an expected credit loss of 85% of the balance has been recognised in the current year. On the future receipts of cash in terms of this arrangement, this provision will be adjusted accordingly.

Potential concentrations of credit risk consist principally of cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as trade receivables. The credit risk on liquid funds and derivative financial instruments is limited because the group counterparties are major banks of high standing.

With the exception of a few multinationals, the concentration of credit risk is limited due to the customer base being large and unrelated. No credit rating has been obtained from banks for customers. Ongoing credit evaluations on the financial condition of customers are performed, taking into account their financial position and past experience. Trade receivables have similar payment profiles as evidenced by low write-offs at a portfolio level.

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

Refer to the new standards note 10 for the expected credit loss impact on 1 October 2018, at the adoption of IFRS 9.

ECL assessment

For trade receivables, the group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. See note 7.5.

The loss allowance on liquid bonds and other loans receivable is measured as per note 6.3.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.2 Net finance costs

	Continuing operations		Discontinued operations		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Finance costs						
Interest paid – short-term facilities	185.3	464.6	199.9	173.4	385.2	638.0
Interest paid – long-term facilities	190.1	0.3	0.2	–	190.3	0.3
Interest paid – other	0.8	0.3	–	–	0.8	0.3
Total	376.2	465.2	200.1	173.4	576.3	638.6
Finance income						
Interest received – short-term facilities	123.1	206.6	–	–	123.1	206.6
Interest received – other	6.8	34.3	0.2	3.4	7.0	37.7
Total	129.9	240.9	0.2	3.4	130.1	244.3

6.3 Liquid bonds and other loan receivables

	2019 R million	2018 R million
Liquid bonds ¹	723.1	2 165.8
Equipment sales receivables ²	28.9	46.0
Zimbabwe "sovereign" hedge ³	129.1	–
Other loan receivables	21.2	26.7
Gross liquid bonds and other loan receivables	902.3	2 238.5
Less: Amounts receivable within one year reflected as current	40.1	450.6
Liquid bonds	25.3	435.3
Equipment sales receivables	5.8	9.0
Other loan receivables	9.0	6.3
Net non-current liquid bonds and other loan receivables	862.2	1 787.9

¹ Liquid bonds relate to US dollar indexed Angolan kwanza bonds. As at 30 September the Angolan kwanza equivalent of US\$51.5 million (2018: US\$153.1 million) had been hedged through these bonds in order to protect the group against further Angolan kwanza devaluation. Interest rates earned are 7.0% (2018: between 5.0% and 7.8%). Amounts are presented net of the calculated expected credit loss allowance.

² Equipment sales receivables are repayable from 2020 to 2025. Interest rates earned are from 7% to 15.5% (2018: from 7.0% to 13.4%). Amounts are presented net of the calculated expected loss allowance.

³ Zimbabwe "sovereign" hedge receivable relates to the US\$66.8 million arrangement in terms of which an amount of US\$66.8 million owing on a trade account by Nampak Zimbabwe (NZL) to Nampak International (NIL, a direct subsidiary of Nampak Limited) will be settled on a one-to-one basis in 12 quarterly payments of US\$5.6 million by the RBZ. Repayments commence 31 March 2021 and zero interest is charged. Due to the long-term nature of this receivable and the uncertainty around the RBZ being able to access foreign currency to honour this agreement, the receivable balance has been determined after the lifetime expected credit loss has been taken into account. This was based on the outlook of the World Bank and International Monetary Fund of the ability of the Zimbabwean economy to recover from the current crisis. An expected credit loss of 85% of the balance has been recognised in the current year.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.3 Liquid bonds and other loan receivables continued

Liquid bonds and other loan receivables are measured initially at fair value, and are subsequently measured at amortised cost.

Their fair values approximate their carrying values.

The group measures the loss allowance for liquid bonds and equipment sales receivables and other receivables using the general approach as a function of probability of default (PD), loss given default (LGD) and exposure at default (EAD). An amount equal to lifetime expected credit losses (ECLs) is recognised where there has been a significant increase in credit risk, otherwise ECL is recognised as the 12-month ECL. Except for the Zimbabwean "sovereign" hedge, using a lifetime ECL allowance, for the current year there was no significant change in credit risk due to the ability of the counterparties to the agreements being able to meet their contractual obligations. The PDs and LGDs are based on historic losses, which are adjusted for forward-looking information where significant.

The following table shows the movement in the ECL allowance that has been recognised for liquid bonds, equipment sales and other receivables in accordance with IFRS 9:

	2019 R million	2018 R million
At 1 October under IAS 39	-	-
IFRS 9 adoption	69.2	-
At 1 October restated	69.2	-
Net measurement of loss allowance – 12 month ECL movement on liquid bonds, equipment sales and other receivables	(49.3)	-
Net measurement of loss allowance – lifetime ECL of Zimbabwe "sovereign" hedge	732.0	-
Translation differences	(0.2)	-
At 30 September	751.7	-

6.4 Loans and other borrowings – non-current

	Redeemable/ repayable	Year-end interest rates	2019 R million	2018 R million
Secured loans ¹				
Local	2022 – 2023	8.9%	1 982.9	2 187.4
Foreign	2020 – 2023	4.5% – 5.3%	5 876.2	5 817.7
Gross non-current loans and other borrowings			7 859.1	8 005.1
Less: Amounts due for repayment within one year, reflected as current ² (note 6.5)			1 726.3	(18.0)
Net non-current loans and borrowings			6 132.8	8 023.1

¹ Loans and borrowings are secured as follows:

- R7 859.1 million (2018: R8 005.1 million) debt is secured by guarantees issued by the Nampak Limited group. These facilities are subject to covenants relating to interest cover and liquidity of the Nampak Limited group;
- the Nampak Limited group was within the covenant requirements at the measurement dates; and
- no liabilities have been recognised for the outstanding guarantees.

² Included in the current portion of loans repayable within one year is the following years' amortisation of transaction fees capitalised previously as part of the carrying amount of secured loans.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

6. FINANCIAL RISK MANAGEMENT AND NET DEBT continued

6.4 Loans and other borrowings – non-current continued

Summary of borrowings by year of redemption or payment

		Total R million	Local R million	Foreign R million
Total owing at 30 September 2019		7 859.1	1 982.9	5 876.2
Repayable during the year ending 30 September	2020	1 726.3	(5.0)	1 731.3
	2021	(17.6)	(5.0)	(12.6)
	2022	5 242.7	1 995.1	3 247.6
	2023	907.7	(2.2)	909.9
	2024 onwards	–	–	–

Loans and 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. The carrying amounts approximate fair value.

6.5 Loans, other borrowings and bank overdrafts

	2019 R million	2018 R million
Current portion of loans (note 6.4)	1 726.3	(18.0)
Bank overdrafts (note 6.6)	227.8	1 008.0
Total	1 954.1	990.0

Loans and other borrowings are measured at amortised cost, and the carrying amounts approximate fair value.

6.6 Net cash and cash equivalents/(overdraft)

	2019 R million	2018 R million
Net cash and cash equivalents/(overdraft) in the statement of cash flows consist of the following amounts on the statement of financial position:		
Cash and cash equivalents	1 586.2	2 844.8
Bank balances and deposits*	1 462.7	2 844.8
Assets classified as held for sale	123.5	–
Bank overdrafts (note 6.5)	(227.8)	(1 008.0)
Total	1 358.4	1 836.8

* Included in bank balances and deposits are balances relating to Nampak Zimbabwe Limited of R57.3 million (2018: R1.2 billion) which is regarded as having limited transferability.

Bank balances and deposits and bank overdrafts are measured at amortised cost. The carrying amounts approximate fair value.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

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 and equipment and investment property R million
Gross carrying amount						
At 1 October 2017	965.3	1 019.1	14 776.2	17.4	5.4	16 783.4
Additions	49.8	0.9	449.0	-	-	499.7
Disposals	-	(0.6)	(197.8)	(1.8)	-	(200.2)
Reclassification to assets held for sale	(336.8)	-	(2 693.7)	(0.3)	-	(3 030.8)
Impairment loss	-	-	(58.4)	-	-	(58.4)
Reversal of impairment loss	-	-	39.1	-	-	39.1
Translation differences	11.4	46.1	192.9	-	-	250.4
Other movements	11.1	15.7	(14.1)	-	-	12.7
At 30 September 2018	700.8	1 081.2	12 493.2	15.3	5.4	14 295.9
Additions	0.9	0.3	626.3	-	-	627.5
Disposals	-	-	(661.5)	(3.0)	(1.1)	(665.6)
Reclassified from assets held for sale (note 7.6)	-	-	333.6	-	-	333.6
Reclassified to assets held for sale (note 7.6)	(114.9)	-	(1 275.8)	-	-	(1 390.7)
Impairment loss	(121.2)	-	(439.3)	-	-	(560.5)
Translation differences	(274.4)	73.0	(630.8)	-	-	(832.2)
Other movements	(70.1)	(0.3)	24.2	(2.8)	-	(49.0)
At 30 September 2019	121.1	1 154.2	10 469.9	9.5	4.3	11 759.0
Accumulated depreciation						
At 1 October 2017	252.5	174.1	6 187.9	13.0	4.5	6 632.0
Depreciation charge for the year	12.6	37.9	620.1	-	-	670.6
Disposals	-	(0.4)	(182.1)	(1.6)	-	(184.1)
Reclassification to assets held for sale	(58.0)	-	(1 048.1)	(0.2)	-	(1 106.3)
Translation differences	3.3	13.7	97.7	-	-	114.7
Other movements	0.6	21.1	(29.7)	-	-	(8.0)
At 30 September 2018	211.0	246.4	5 645.8	11.2	4.5	6 118.9
Depreciation charge for the year	5.5	41.1	447.0	-	-	493.6
Disposals	-	-	(585.5)	(2.8)	(1.1)	(589.4)
Reclassification from assets held for sale	-	-	208.2	-	-	208.2
Reclassification to assets held for sale	(97.9)	-	(1 099.7)	-	-	(1 197.6)
Translation differences	(30.1)	17.9	(432.3)	-	-	(444.5)
Other movements	(2.4)	0.5	(23.0)	(0.5)	-	(25.4)
At 30 September 2019	86.1	305.9	4 160.5	7.9	3.4	4 563.8
Net carrying value at 30 September 2019	35.0	848.3	6 309.4	1.6	0.9	7 195.2
Net carrying value at 30 September 2018	489.8	834.8	6 847.4	4.1	0.9	8 177.0

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.1 Property, plant, equipment and investment property continued

	2019 September R million	2018 September R million
Property rental income earned by the group from its investment property under operating leases	0.2	0.2

Property, plant, 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 their estimated useful life, using the straight-line method – other than for the Bevcam 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 20 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 (recoverable amounts).

Impairment losses

Included in the current year impairment loss are the following:

- R362.8 million: plant and equipment in the Plastics segment that relates to the discontinued operation and is expected to be sold for an amount that is less than its carrying amount.
- R55.4 million: plant and equipment in the Metals segment that is no longer in use and is expected to be scrapped at Rnil.

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.2 Goodwill

	R million
Carrying amount	
At 1 October 2017	3 374.4
Translation differences	138.4
At 30 September 2018	3 512.8
Translation differences	222.1
At 30 September 2019	3 734.9

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

	Cost R million	Cumulative impairment R million	Net carrying value R million
At 30 September 2018			
Metals	3 438.9	(18.4)	3 420.5
Glass	321.1	(321.1)	–
Plastics	114.0	(60.1)	53.9
Paper	38.4	–	38.4
Total	3 912.4	(399.6)	3 512.8
At 30 September 2019			
Metals	3 662.2	(22.4)	3 639.8
Glass	321.1	(321.1)	–
Plastics	114.0	(60.1)	53.9
Paper	41.2	–	41.2
Total	4 138.5	(403.6)	3 734.9

Goodwill represents amounts arising on acquisition of subsidiaries in terms of IFRS 3: *Business Combinations* and is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquirer, and the fair value of the acquirer's previously held equity interest in the acquiree, if any, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.2 Goodwill continued

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 %	Nigeria %	Rest of Africa (excluding Nigeria) %	Europe %
2019				
Growth rate*	5.1	2.7 – 12.0	2.7 – 8.4	2.0
Discount rate (post-tax)	11.7	10.5 – 21.1	11.4 – 23.1	7.3
Discount rate (pre-tax)	13.2	12.9 – 26.3	11.7 – 41.3	7.3
2018				
Growth rate*	5.2	2.2 – 11.0	2.2 – 15.9	2.0
Discount rate (post-tax)	11.3	10.5 – 20.1	9.4 – 16.6	5.4
Discount rate (pre-tax)	14.9	14.0 – 20.4	12.1 – 13.1	5.7

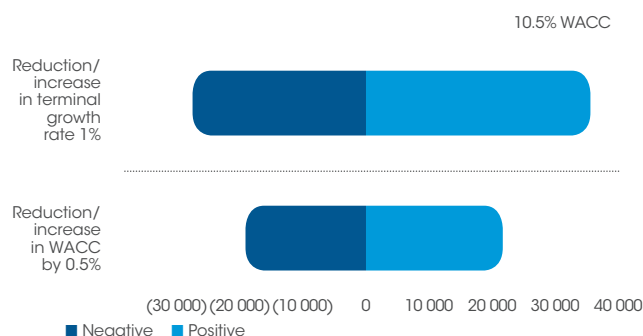
* The growth and discount rates are obtained from external sources of information and are used in the calculation of the terminal value after the five-year management estimate of cash flows.

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.

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 overheads 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.

The present value of the future cash flows expected to be derived from the Bevcana 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 the goodwill pertaining to this entity is required.

Impact of value on Bevcana Nigeria (R'000)



Notes to the consolidated financial statements continued

for the year ended 30 September 2019

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 2017	217.1	315.6	532.7
Additions	36.7	-	36.7
Disposals	(26.7)	-	(26.7)
Reclassification to assets held for sale	(16.9)	(13.5)	(30.4)
Translation differences	0.4	6.5	6.9
Other movements	(10.7)	1.8	(8.9)
At 30 September 2018	199.9	310.4	510.3
Additions	14.9	-	14.9
Reclassification to assets held for sale	(3.1)	-	(3.1)
Translation differences	(0.1)	1.0	0.9
Other movements	1.6	(2.7)	(1.1)
At 30 September 2019	213.2	308.7	521.9
Amortisation			
At 1 October 2017	163.8	174.5	338.3
Charge for the year	12.0	11.2	23.2
Disposals	(24.4)	-	(24.4)
Reclassified to non-current assets held for sale	(14.4)	(13.5)	(27.9)
Translation differences	(0.2)	1.6	1.4
Other movements	3.0	1.5	4.5
At 30 September 2018	139.8	175.3	315.1
Charge for the year	13.0	11.6	24.6
Reclassification to assets held for sale	(3.1)	-	(3.1)
Translation differences	1.7	(0.2)	1.5
Other movements	(0.3)	14.7	14.4
At 30 September 2019	151.1	201.4	352.5
Net carrying value at 30 September 2019	62.1	107.3	169.4
Net carrying value at 30 September 2018	60.1	135.1	195.2

* 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.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.4 Inventories

	2019 R million	2018 R million
Raw materials	1 513.2	1 522.9
Work in progress	78.4	35.4
Finished goods	1 079.8	911.0
Consumables	717.1	736.3
Total	3 388.5	3 205.6
Carrying amount of inventories included at net realisable value	512.9	108.5
Amount of write-down of inventory to net realisable value included in raw materials and consumables used	44.2	14.0
Amount of reversals of previous inventory write-downs included in raw materials and consumables used	16.3	3.5

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable, direct labour and those overheads (such as depreciation) 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.

7.5 Trade and other current receivables

	2019 R million	2018 R million
Trade receivables*	2 377.2	2 578.5
Prepayments	133.0	238.7
Derivative financial instruments (note 6.1)	26.2	81.7
Other	92.4	172.1
Total	2 628.8	3 071.0

* Net of loss allowance.

Credit quality of trade and other receivables

With the exception of a few multinationals, the concentration of credit risk is limited due to the customer base being large and unrelated. No credit rating has been obtained from banks for customers.

The average credit term on the sale of goods is 30 days from statement with some customers having extended terms resulting in an average trade receivables days of 64.4 (2018: 64.4). No interest is charged on outstanding trade receivables.

The table below illustrates the gross trade receivables ageing analysis:

	2019 R million	2018 R million
Performing	1 787.1	1 642.5
Overdue and non-performing	665.9	983.4
Total	2 453.0	2 625.9

Performing balances are defined as within agreed contractual credit terms. Overdue and non-performing are defined as balances with customers that are outside their agreed contractual credit terms.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.5 Trade and other current receivables continued

Fair value of trade and other receivables

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost.

There is no material difference between the fair value of trade and other receivables and their book value due to the short-term nature of these items.

The group always measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses (ECL). The expected credit losses on these financial assets are estimated using a loss-rate approach based on the group's historical credit loss experience over the past four years, adjusted for factors that are specific to the debtors, general economic conditions, country risk premium and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Macro-economic factors used for each statutory jurisdiction where the group's products are sold, were gross domestic product (GDP) growth rates, interest rates, producer price index (PPI), industrial production, retail sales and consumer price index (CPI). None were considered to be significant and had little impact on the determination of the ECL allowance.

The directors are comfortable with the adequacy of the provisions.

The maximum exposure to credit risk at the reporting date is the carrying amount of trade receivables above.

The group does not hold any collateral as security.

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables in accordance with IFRS 9:

	2019 R million	2018 R million
At 1 October under IAS 39	47.4	54.5
IFRS 9 adoption	20.0	–
At 1 October restated	67.4	54.5
Net measurement of loss allowance based on lifetime ECL	17.2	1.0
Amounts written off*	(3.1)	(8.2)
Amounts recovered	0.2	–
Translation differences	(5.9)	0.1
At 30 September	75.8	47.4

* The group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, eg when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are significantly past due and all enforcement activities have been exhausted, whichever occurs earlier. The group does not have a history of significant write-offs.

Derivative financial assets

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 2019

7. NET OPERATING ASSETS continued

7.6 Disposal groups and other non-current assets classified as held for sale

Assets which are expected to be sold in the next 12 months are classified as held for sale and are presented separately in the statement of financial position.

These assets are measured at the lower of their carrying amount and fair value less costs to sell.

	2019 R million	2018 R million
<i>Nampak Plastics Europe Limited – discontinued operation</i>		
Nampak Plastics Europe Limited has been recognised as a discontinued operation (refer note 4.1).		
The major classes of assets and liabilities of the disposal group at the end of the year are as follows:		
Property, plant and equipment	39.2	–
Inventories	22.9	–
Trade and other current receivables	283.5	–
Bank and cash	35.4	–
Total assets	381.0	–
Retirement benefit obligation	(539.8)	–
Trade and other current payables	(203.4)	–
Provisions	(4.4)	–
Total net liabilities	(366.6)	–
<i>Nampak Glass division – discontinued operation</i>		
The Nampak Glass division has been recognised as a discontinued operation (refer note 4.2)		
The major classes of assets and liabilities of the disposal group at the end of the year are as follows:		
Property, plant and equipment	837.9	1 125.6
Intangible assets	2.7	2.5
Inventories	504.8	631.1
Trade and other current receivables	244.5	310.4
Total assets	1 589.9	2 069.6
Trade and other current payables	(214.3)	(202.5)
Total net assets	1 375.6	1 867.1

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.6 Disposal groups and other non-current assets classified as held for sale continued

Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited – disposal groups held for sale

On 5 February 2019, the Nampak Limited board took a decision to dispose of its entire interests in Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited. The group met the criteria of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* for both businesses as at 31 March 2019, and therefore classified these businesses as disposal groups held for sale at that date. The board resolved to approach several packaging industry players to invite proposals for the disposal of the businesses. Negotiations were concluded on 2 April 2019 with the signing of an agreement with the AR Packaging Group. The sale is subject to normal conditions precedent that are appropriate in a transaction of this nature and is expected to be completed by December 2019.

These disposal groups are not recognised as discontinued operations in accordance with the above standard as they neither represent a separate major line of business nor geographical area of operations. They therefore continue to be reported in the Paper operating segment for segmental reporting purposes.

No impairment loss was recognised for the year in respect of these disposal groups.

The major classes of assets and liabilities of the disposal group at the end of the year are as follows:

	2019 R million	2018 R million
Property, plant and equipment	128.9	–
Deferred tax asset	15.0	–
Inventories	77.3	–
Trade receivables and other current assets	63.8	–
Tax asset	4.6	–
Bank and cash	88.1	–
Total assets	377.7	–
Deferred tax liability	(17.5)	–
Trade and other current payables	(42.8)	–
Total net assets	317.4	–

Megapak Crates and Drums businesses – disposal groups held for sale

On 30 May 2018, the Nampak Limited board took a decision to dispose of the Megapak Crates and Drums businesses. The group met the criteria of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* for these businesses as at 30 May 2018 and 31 July 2018 respectively, and therefore classified these businesses as disposal groups held for sale at these dates. During the current year, the disposal of the majority of the Megapak Crates and Drums businesses was halted after the businesses completed a restructuring process and secured a contract from a major soft drinks manufacturer for a period of three years. Consequently, the net operating assets of these businesses other than the net operating assets pertaining to the intermediary bulk container business were reclassified to their respective asset and liability classes on the statement of financial position.

These businesses are not recognised as discontinued operations in accordance with the above standard as they neither represent a separate major line of business nor geographical area of operations. They therefore continue to be reported in the Plastics operating segment for segmental reporting purposes.

No impairment loss was recognised for the year in respect of these disposal groups.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.6 Disposal groups and other non-current assets classified as held for sale continued

The major classes of assets and liabilities of the disposal group at the end of the year are as follows:

	2019 R million	2018 R million
Plant and equipment	8.5	133.9
Inventories	0.5	75.2
Trade receivables and other current assets	11.6	167.6
Operating assets	20.6	376.7
Trade payables and other current liabilities	(4.4)	(100.1)
Net operating assets	16.2	276.6
<i>DivFood division – non-current assets held for sale</i>		
Plant and equipment – redundant	25.0	–
<i>Net assets classified as held for sale</i>		
Assets classified as held for sale	2 394.2	2 446.3
Nampak Plastics Europe Limited	381.0	–
Nampak Glass division	1 589.9	2 069.6
Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited	377.7	–
Megapak Crates and Drums businesses	20.6	376.7
DivFood division (plant and equipment)	25.0	–
Liabilities directly associated with assets classified as held for sale	(1 026.6)	(302.6)
Nampak Plastics Europe Limited	(747.6)	–
Nampak Glass division	(214.3)	(202.5)
Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited	(60.3)	–
Megapak Crates and Drums businesses	(4.4)	(100.1)
Total	1 367.6	2 143.7
7.7 Trade and other current payables		
Trade payables	1 966.1	2 217.5
Accruals	1 076.1	1 221.3
Derivative financial instruments (note 6.1)	11.3	22.6
Value added tax	79.5	89.7
Other	185.8	245.4
Total	3 318.8	3 796.5

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 approximate their fair values due to the short-term nature of these items.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.8 Provisions

	Restructuring R million	Customer claims R million	Other R million	Total R million
At 1 October 2017	221.0	11.7	160.7	393.4
Additions	77.1	17.3	39.9	134.3
Usage	(43.5)	(0.2)	(58.3)	(102.0)
Reversals	(7.2)	(10.0)	(0.9)	(18.1)
Translation differences	1.6	–	6.7	8.3
Other	0.2	–	–	0.2
At 30 September 2018	249.2	18.8	148.1	416.1
Additions	7.7	40.0	0.3	48.0
Usage	(27.0)	(14.4)	(3.1)	(44.5)
Reversals	(63.9)	(8.6)	(17.2)	(89.7)
Translation differences	(0.4)	0.1	9.3	9.0
Other	(5.9)	(0.1)	–	(6.0)
At 30 September 2019	159.7	35.8	137.4	332.9

	2019 R million	2018 R million
Analysed as:		
Current	332.9	398.8
Non-current (included with "other non-current liabilities")	–	17.3
	332.9	416.1

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.

7.9 Contingent liabilities

	2019 R million	2018 R million
Guarantees in respect of property leases	5.4	5.5
Customer claims and other	5.8	5.9
Total	11.2	11.4

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

7. NET OPERATING ASSETS continued

7.10 Segmental operating assets and liabilities

	Operating assets		Operating liabilities		Capital expenditure	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Segment analysis						
Metals	10 803.9	10 324.1	2 335.2	2 894.5	287.2	138.4
Plastics	1 631.8	2 252.8	1 291.9	1 171.5	130.9	197.6
Paper	626.7	1 061.0	474.8	755.7	41.8	35.0
Operations	13 062.4	13 637.9	4 101.9	4 821.7	459.9	371.0
Corporate	5 864.2	6 552.6	1 079.8	1 533.3	19.8	39.3
Eliminations	(1 473.2)	(2 205.2)	(1 465.0)	(2 196.3)	-	-
Continuing operations	17 453.4	17 985.3	3 716.7	4 158.7	479.7	410.3
Discontinued operation	1 935.5	2 657.9	422.1	437.8	255.1	126.1
Total	19 388.9	20 643.2	4 138.8	4 596.5	734.8	536.4
Geographical analysis (continuing operations):						
South Africa	7 676.3	7 931.2	2 212.4	2 013.3	266.4	185.0
Rest of Africa	5 655.1	6 086.6	2 163.5	3 189.7	193.5	186.0
Operations	13 331.4	14 017.8	4 375.9	5 203.0	459.9	371.0
Corporate	5 864.2	6 552.6	1 079.8	1 533.3	19.8	39.3
Eliminations	(1 742.2)	(2 585.1)	(1 739.0)	(2 577.6)	-	-
Total	17 453.4	17 985.3	3 716.7	4 158.7	479.7	410.3

Geographical information

	Non-current assets*	
	2019 R million	2018 R million
South Africa	4 026.9	4 051.1
Angola	2 062.9	1 998.5
Nigeria	983.1	1 055.9
Rest of the world	4 047.6	4 814.8
Total	11 120.5	11 920.3

* 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 2019

7. NET OPERATING ASSETS continued

7.11 Operating lease commitments

Sale and leaseback

During 2016, 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.

In total, 14 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).

Year ending 30 September	2019 R million	2018 R million
2019		165.5
2020	172.1	172.1
2021 to 2024	763.6	763.6
2025 onwards	1 770.5	1 834.5
Total	2 706.2	2 935.7

Other leases

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

Year ending 30 September	2019 R million	2018 R million
2019		40.9
2020	96.2	28.6
2021 to 2024	279.9	66.6
2025 onwards	4.3	–
Total	380.4	136.1
Comprising:		
Land and buildings	335.7	96.2
Vehicles	18.5	22.4
Other	26.2	17.5
Total	380.4	136.1

7.12 Capital commitments

Capital commitments for acquisition of property, plant and equipment

– contracted	300.2	128.1
– approved	154.3	350.5
Total	454.5	478.6

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION

8.1 Retirement benefit information

The group operates a number of defined contribution funds, a defined benefit fund and two unfunded defined benefit obligations, all in compliance with relevant local legislation across jurisdictions. The assets of the defined benefit fund are held separately from those of the group and are administered either by trustees, which include elected employee representatives and appointed independent experts.

Defined contribution funds

Membership and costs for defined contribution funds are as follows:

The total number of members for all defined contribution funds operated by the group as at 30 September 2019 is 6 898 (2018: 7 123). Total contribution costs for the year ended 30 September 2019 are R180.6 million (2018: R174.6 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 obligations

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

	Pension plans		Post-retirement medical
	South Africa %	United Kingdom %	%
2019			
Assumptions			
Discount rate	9.5	1.8	9.5
Consumer price inflation (long term)	5.8	2.3	5.8
Expected return on funds' assets	-	2.3	-
Rate of compensation increase	-	2.3	-
Pension increase	6.0	1.95/2.20/3.1	-
Rate of medical inflation	-	-	7.3
Membership data			
Total membership	22	1 362	1 471
2018			
Assumptions			
Discount rate	9.1	2.8	9.1
Consumer price inflation (long term)	6.3	2.7	6.3
Expected return on funds' assets	-	2.7	-
Rate of compensation increase	-	2.7	-
Pension increase	6.0	2.2/2.35/3.4	-
Rate of medical inflation	-	-	7.8
Membership data			
Total membership	26	1 369	1 563

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION continued

8.1 Retirement benefit information continued

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

	Pension funds		Post-retirement medical	Total
	South Africa R million	United Kingdom R million	South Africa R million	R million
2019				
Valuation results				
Fair value of plan assets	-	(0.0)	-	(0.0)
Present value of benefit obligations	2.8	0.0	921.1	923.9
Net liability	2.8	0.0	921.1	923.9
2018				
Valuation results				
Fair value of plan assets	-	(1 653.0)	-	(1 653.0)
Present value of benefit obligations	2.7	2 164.5	964.2	3 131.4
Net liability	2.7	511.5	964.2	1 478.4

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

	Pension funds		Post-retirement medical	Total
	South Africa R million	United Kingdom R million	South Africa R million	R million
At 1 October 2017	-	1 721.4	-	1 721.4
Movements recognised in profit or loss				
Interest income	-	46.8	-	46.8
Actuarial gains recognised in other comprehensive income				
Return on plan assets (excluding amounts included in net interest expense)	-	(33.6)	-	(33.6)
Contributions by employers	-	65.1	-	65.1
Translation difference on foreign plans	-	35.2	-	35.2
Benefits paid	-	(102.3)	-	(102.3)
Settlements	-	(79.6)	-	(79.6)
At 30 September 2018	-	1 653.0	-	1 653.0
Movements recognised in profit or loss				
Interest income	-	45.7	-	45.7
Actuarial gains recognised in other comprehensive income				
Return on plan assets (excluding amounts included in net interest expense)	-	238.8	-	238.8
Contributions by employers	-	64.9	-	64.9
Translation difference on foreign plans	-	23.7	-	23.7
Benefits paid	-	(72.6)	-	(72.6)
Settlements	-	(25.7)	-	(25.7)
Reclassification to disposal groups held for sale	-	(1 927.8)	-	(1 927.8)
At 30 September 2019	-	-	-	-

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION continued

8.1 Retirement benefit information continued

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

	Pension funds		Post-retirement medical	Total
	South Africa R million	United Kingdom R million	South Africa R million	R million
At 1 October 2017	2.3	2 338.0	939.1	3 279.4
Movements recognised in profit or loss				
Current service cost	–	–	2.5	2.5
Interest cost	0.2	63.0	83.4	146.6
Curtailment gain*	–	–	(16.2)	(16.2)
Actuarial (gains)/losses recognised in other comprehensive income				
Actuarial gains arising from changes in demographic assumptions	–	(16.9)	–	(16.9)
Actuarial losses/(gains) arising from changes in financial assumptions	0.2	(43.5)	(16.5)	(59.8)
Actuarial (gains)/losses arising from experiences adjustments	–	(26.8)	43.0	16.2
Translation difference on foreign plans	–	43.4	–	43.4
Benefits paid	–	(102.4)	(69.3)	(171.7)
Settlements*	–	(90.3)	(1.8)	(92.1)
At 30 September 2018	2.7	2 164.5	964.2	3 131.4
Movements recognised in profit or loss				
Current service cost	–	–	2.4	2.4
Past service cost	–	39.4	–	39.4
Interest cost	0.3	59.0	85.8	145.1
Curtailment gain*	(0.2)	–	(24.6)	(24.8)
Actuarial losses/(gains) recognised in other comprehensive income				
Actuarial losses arising from changes in demographic assumptions	–	22.8	–	22.8
Actuarial losses/(gains) arising from changes in financial assumptions	–	265.9	(60.2)	205.7
Actuarial (gains)/losses arising from experiences adjustments	–	(12.1)	28.0	15.9
Translation difference on foreign plans	–	30.1	–	30.1
Benefits paid	–	(72.6)	(74.3)	(146.9)
Settlements*	–	(29.4)	(0.2)	(29.6)
Reclassification to disposal groups held for sale	–	(2 467.6)	–	(2 467.6)
At 30 September 2019	2.8	–	921.1	923.9
Expected contributions to defined benefit plans in the next financial reporting period	0.4	54.1	79.5	134.0

* During the 2016 financial year, Nampak Products Limited 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. The result of the offer and acceptance by members resulted in Nampak Limited's liability with regard to these members, being replaced by the purchase of an annuity in the continuation members' individual names. This resulted in significant curtailment gains recognised in the 2016 and 2017 financial year-ends. During the current and prior financial year, no significant settlements were made and curtailment gains were realised as a result of pensioner terminations.

The total unfunded pension liability is R2.8 million (2018: R2.7 million) and the unfunded post-retirement medical liability is R921.1 million (2018: R964.2 million).

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION continued

8.1 Retirement benefit information continued

Post-retirement medical plans

The post-retirement medical plan relates to the future liabilities in respect of the post-retirement healthcare subsidy costs of the Nampak South African operations. The subsidy is independent of income and is payable for the member and their spouse at retirement date. The subsidy ceases upon the death of the member or spouse.

The group does not provide post-retirement medical benefits for employees who joined the company after 1 June 1996. The obligations in respect of medical benefits to employees and pensioners employed before that date are treated as defined benefit plans. The current duration of the combined group of active employees and pensioners has been calculated at approximately 13 years.

The liability is taken as the present value of the employer's share of continuation member contributions to the medical scheme. Continuation member contributions are projected into each future year using the assumed rate of healthcare cost inflation and then discounted back using the discount rate. For each active member, this projection is based on the probability of survival to retirement age and beyond, taking into account the assumed rate of consumer price inflation until retirement and beyond as well as the assumed rates of withdrawal and mortality. For each pensioner, the liability stops when the pensioner and any remaining spouse have died.

The liability for continuation members will fluctuate depending on the mortality rate of current continuation members and the rate of new retirements over the next few years.

The active member liability will be affected by whether the actual withdrawal matches those expected as well as the rate of medical scheme inflation.

Assumed healthcare cost trends and mortality rates have a significant impact on the present value of the liabilities. The effect of a change in these assumptions would be as follows:

	Healthcare cost trends	
	One percentage point increase R million	One percentage point decrease R million
Effect on aggregate of the service costs and interest cost	8.0	(7.0)
Effect on defined benefit obligation	82.0	(71.6)

Change from a one-year mortality basis adjustment for continuation and active members to a two-year mortality basis adjustment would result in an increase to service and interest costs of R3.7 million and an increase in the defined benefit obligation of R38.0 million.

The actuarial valuation of the defined benefit obligation is as follows:

	Valuation date	Fair value of assets R million	Fair value of liabilities R million	Valuation basis
Nampak post-retirement medical aid obligation	30/09/2019	–	921.1	Projected unit credit

Pension Fund UK

For the financial year-end 2019, the Pension Fund UK has been reclassified as an asset held for sale as part of the Nampak UK disposal group.

The plan provides benefits based on final salary and length of service on retirement, leaving service or death. Trivial commutation payment exercises and enhanced transfer value exercises were introduced by the trustees for members over the age of 55. During the current year the net curtailment gain resulting from these exercises was R3.7 million (2018: R10.7 million). The trustees have not elected to continue these exercises going forward.

During the current year, a past service cost of R39.4 million has been recognised for the guaranteed minimum pension equalisation requirement on all UK pension schemes to equalise benefits between men and women resulting in an increased liability.

Based on the current schedule of contributions, the weighted average duration of the defined benefit obligation is approximately 17 years.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION continued

8.1 Retirement benefit information continued

Pension Fund UK continued

The plan exposes the group to a number of risks, namely:

- Investment risk: the plan holds investments in asset classes, such as equities, which have volatile market values. While these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk: the plan's liabilities are assessed using gilt yields to discount the liabilities. As the plan holds assets such as equities and diversified growth funds, the value of the assets and liabilities may not move in the same way.
- Inflation risk: a significant proportion of the benefits under the plan are linked to inflation. Although the plan's assets are expected to provide a good hedge against inflation over the long term, movements over the short term could lead to deficits emerging. A liability-driven investment strategy has been adopted as a hedge in respect of the risks mentioned above.
- Mortality risk: in the event that members live longer than assumed a deficit will emerge in the plan.

The effect of a 0.1 percentage point change in the following assumptions will affect the liability recognised as follows:

	0.1 percentage point increase R million	0.1 percentage point decrease R million
Reduce discount rate	42.9	(42.9)
Increase inflation	26.1	(26.1)

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*	05/04/2016	916.6	1 313.1	PUC
Nampak plc Staff Pension Plan*	05/04/2016	766.5	927.8	PUC

* The Nampak plc Pension Plan was consolidated with the Nampak plc Staff Pension Plan during the prior financial year.

PUC: projected unit credit

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. The valuations listed above are not necessarily the valuations used in determining the surplus or obligation recognised on the statement of financial position where an interim valuation has been used. The triennial valuation for the Nampak plc Staff Pension Plan for 5 April 2019 is in progress. The trustees have up to 15 months to accept and finalise the valuation, this would include considerations for securing additional security and deficit-reduction contributions to improve on the current deficit position.

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. Funds denominated in foreign currency have been translated at the rate ruling at the year-end.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION continued

8.2 Share-based payments

Share-based payment expenses recognised:

	2019 R million	2018 R million
Performance Share Plan	(10.9)	(4.5)
Share Appreciation Plan	1.1	7.9
Deferred Bonus Plan	1.6	2.1
Total	(8.2)	5.5

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 19 to 21](#).

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 [www.nampak.com](#).

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 + 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% (nine percent), with the full performance criterion being CPI plus 24% (twenty-four percent).
- 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 2019

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 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% (six percent). 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 Limited.

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 is applicable.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION continued

8.3 Remuneration of directors and prescribed officers

In terms of total guaranteed packages, plus other benefits for 2019, this detail is set out in the table below.

Table 1(a)

Executive directors' and group executive committee members' total remuneration 2019

	Basic salary Rand	Company contribution to retirement Rand	Guaranteed package Rand	Value of other benefits ¹ Rand	Termination Rand	STI ² Rand	Total remune- ration Rand	Gains on share scheme Rand
Columns	1	2	3 = 1+2	4	5	6	7 = 3 + 4 + 5 + 6	8
Executive directors								
AM de Ruyter	8 057 594	80 406	8 138 000	21 113	-	2 669 264	10 828 377	-
GR Fullerton	5 504 471	54 929	5 559 400	14 423	-	2 670 597	8 244 420	-
MMF Seleokane ³	1 297 896	36 354	1 334 250	3 452	123 266	-	1 460 968	-
Total	14 859 961	171 689	15 031 650	38 988	123 266	5 339 861	20 533 765	-
Group executive committee								
C Burmeister	3 015 760	80 940	3 096 700	8 034	-	661 964	3 766 698	-
M Khutama ⁴	1 217 362	16 055	1 233 417	3 192	1 001 199	-	2 237 808	-
LD Kidd	2 970 175	79 692	3 049 867	7 913	-	1 460 458	4 518 238	-
RG Morris	3 771 069	37 631	3 808 700	9 881	-	1 085 443	4 904 024	-
EE Smuts	4 049 986	40 414	4 090 400	10 612	-	2 769 039	6 870 051	-
IH van Lochem ⁵	2 921 166	28 834	2 950 000	7 591	-	1 504 500	4 462 091	-
Total	17 945 518	283 566	18 229 084	47 223	1 001 199	7 481 404	26 758 910	-

¹ Other benefits refer to group personal accident cover.

² STI disclosed is based on performance during the 2019 financial year, but actual STI payments will only be made in December 2019.

³ MMF Seleokane resigned with effect from 28 February 2019. Termination pay comprises leave pay of R123 266.

⁴ M Khutama was retrenched with effect from 28 February 2019. Termination pay comprises leave pay of R4 781, notice pay of R740 050 and severance package of R256 368.

⁵ IH van Lochem received a long service award to the value of R3 000 for completing 15 years' service during the financial year.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

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 2018

	Basic salary Rand	Company contribution to retirement Rand	Guaranteed package Rand	Value of other benefits ¹ Rand	Retention/ termination Rand	STI ² Rand	Total remune- ration Rand	SAP and PSP Rand
Columns	1	2	3 = 1+2	4	5	6	7 = 3 + 4 + 5 + 6	8
Executive directors								
AM de Ruyter	7 574 522	102 878	7 677 400	20 502	–	8 846 522	16 544 424	892 294
GR Fullerton	5 049 222	98 378	5 147 600	13 806	–	5 304 988	10 466 394	–
MMF Seleane	2 915 862	119 438	3 035 300	8 141	–	2 405 661	5 449 102	–
Total	15 539 606	320 694	15 860 300	42 449	–	16 557 171	32 459 920	892 294
Group executive committee								
C Burmeister	2 886 882	119 618	3 006 500	8 064	–	1 707 993	4 722 557	236 995
M Khutama	2 793 544	94 456	2 888 000	7 746	–	783 622	3 679 368	–
LD Kidd	2 730 468	118 032	2 848 500	7 640	–	2 219 779	5 075 919	200 078
RG Morris	3 566 400	95 800	3 662 200	9 822	–	1 986 560	5 658 582	434 279
EE Smuts	3 767 311	91 589	3 858 900	10 350	3 508 100	3 665 955	11 043 305	319 099
IH van Lochem	2 400 585	109 815	2 510 400	6 733	–	1 956 264	4 473 397	–
Total	18 145 190	629 310	18 774 500	50 355	3 508 100	12 320 173	34 653 128	1 190 451

¹ Other benefits refer to group personal accident cover.

² STI disclosed is based on performance during the 2018 financial year, but actual STI payments will only be made in December 2018.

³ Cash retention award paid to EE Smuts, with a three-year retention period. Total payment is included in the table. The expense is recognised over the retention period.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

8. STAFF REMUNERATION continued

8.3 Remuneration of directors and prescribed officers continued

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 2019 are disclosed below.

Name	Directors' fees Rand	Audit and risk committee total fees Rand	Nominations and remuneration committee total fees Rand	Remuneration committee total fees ¹ Rand	Nomination committee total fees ¹ Rand	Investment committee total fees Rand	Risk and sustainability committee total fees ¹ Rand	Social, ethics and trans- formation committee total fees Rand	Total 2019 Rand	Total 2018 Rand
RC Andersen ²	109 010	93 981	17 107	76 167	21 875	30 365	-	-	348 505	910 533
E Ikazoboh ³	298 400	-	-	-	-	87 500	-	53 650	439 550	392 500
J John ⁴	298 400	388 800	-	-	-	-	31 775	21 875	740 850	624 167
RJ Khoza ⁵	171 467	-	56 258	-	21 875	-	-	-	249 600	374 200
NV Lila ⁶	192 067	146 867	-	-	-	-	61 075	46 358	446 367	690 100
PM Madi ⁷	109 010	-	-	-	-	30 365	31 775	78 182	249 332	702 000
TT Mboweni ⁸	46 110	-	-	-	-	-	-	-	46 110	1 870 000
IN Mkhari ⁹	257 200	182 100	95 325	12 805	-	176 300	-	31 775	755 505	717 000
KW Mzondeki ¹⁰	36 883	-	-	-	-	-	-	-	36 883	-
CD Raphiri ¹¹	175 783	-	63 550	-	-	43 750	-	105 150	388 233	-
SP Ridley ¹²	175 783	71 950	122 150	-	-	-	-	-	369 883	-
PM Surgey ¹³	1 831 697	-	-	4 347	2 158	-	2 158	2 158	1 842 518	810 100
	3 701 810	883 698	354 390	93 319	45 908	368 280	126 783	339 148	5 913 336	7 090 600

Directors' fees are shown excluding VAT where applicable.

¹ The committee were rationalised and consolidated with effect from 1 January 2019. The nominations committee and remuneration committee were combined into the nominations and remuneration committee. Risk and sustainability was incorporated into the audit and risk committee.

² RC Andersen took over the role of chairman of remuneration committee from PM Surgey on from 10 October 2018 until his resignation from the board and committees with effect from 6 February 2019.

³ E Ikazoboh was appointed to the social, ethics and transformation committee with effect from 1 April 2019.

⁴ J John was a member of the social, ethics and transformation committee for the period 1 January 2019 to 31 March 2019.

⁵ R Khoza resigned from the board and committees with effect from 30 May 2019.

⁶ NV Lila resigned from the board and committees with effect from 30 May 2019.

⁷ PM Madi resigned from the board and committees with effect from 6 February 2019.

⁸ TT Mboweni resigned from the board and committees with effect from 9 October 2018.

⁹ IN Mkhari was appointed as member of the remuneration committee on 8 November 2018 and ceased to a member of the social, ethics and transformation committee on 31 December 2018.

¹⁰ KW Mzondeki was appointed to the board with effect from 1 September 2019.

¹¹ CD Raphiri was appointed to the board with effect from 1 March 2019 and as member of the nominations and remuneration committee, investment committee and chairman of the social, ethics and transformation committee with effect from 1 April 2019.

¹² SP Ridley was appointed to the board with effect from 1 March 2019 and as member of audit and risk and chairman of the nominations and remuneration committee with effect from 1 April 2019.

¹³ PM Surgey took over as chairman of the board from TT Mboweni on 10 October 2018, moving to a single fee for participation in board and committee meetings.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION

9.1 Reconciliation of movement in capital and reserves

	Capital reserves			
	Share capital R million	Share premium R million	Treasury shares R million	Share-based payments reserve R million
At 1 October 2017	35.5	262.4	(557.9)	179.1
Employee share option scheme:				
Value of employee services	-	-	-	4.0
Share grants exercised	-	-	-	(6.5)
Proceeds from shares issued	-	6.5	-	-
Reinstatement of investment	-	-	-	-
Treasury shares disposed	-	-	42.1	-
Currency translation differences	-	-	-	-
Gain on cash flow hedges	-	-	-	-
Net actuarial gain	-	-	-	-
Profit for the year	-	-	-	-
Dividends paid	-	-	-	-
At 30 September 2018 (as previously reported)	35.5	268.9	(515.8)	176.6
Adjustment due to adoption of IFRS 9	-	-	-	-
At 30 September 2018 (restated)	35.5	268.9	(515.8)	176.6
Employee share option scheme:				
Value of employee services	-	-	-	(5.9)
Transfer between reserves of investment	-	-	-	-
Treasury shares disposed	-	-	0.1	-
Currency translation differences	-	-	-	-
Loss on cash flow hedges	-	-	-	-
Net actuarial loss	-	-	-	-
Profit for the year	-	-	-	-
Dividends paid	-	-	-	-
At 30 September 2019	35.5	268.9	(515.7)	170.7

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

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	Other R million	Retained earnings R million	Total attributable to owners of Nampak Limited R million	Non- controlling interest R million	Total equity R million	
1 375.0	4.7	(1 447.1)	–	(17.0)	9 476.9	9 311.6	369.5	9 681.1	
–	–	–	–	–	–	4.0	–	4.0	
–	–	–	–	–	–	(6.5)	–	(6.5)	
–	–	–	–	–	–	6.5	–	6.5	
–	–	–	3.7	–	(3.7)	–	–	–	
–	–	–	–	–	12.8	54.9	–	54.9	
194.6	–	–	–	–	–	194.6	22.8	217.4	
–	51.7	–	–	–	–	51.7	–	51.7	
–	–	34.4	–	–	–	34.4	–	34.4	
–	–	–	–	–	489.2	489.2	79.9	569.1	
–	–	–	–	–	(0.1)	(0.1)	–	(0.1)	
1 569.6	56.4	(1 412.7)	3.7	(17.0)	9 975.1	10 140.3	472.2	10 612.5	
–	–	–	–	–	(69.1)	(69.1)	(20.1)	(89.2)	
1 569.6	56.4	(1 412.7)	3.7	(17.0)	9 906.0	10 071.2	452.1	10 523.3	
–	–	–	–	–	–	(5.9)	–	(5.9)	
–	–	–	(3.7)	–	3.7	–	–	–	
–	–	–	–	–	(0.1)	–	–	–	
(200.7)	–	–	–	–	–	(200.7)	(512.5)	(713.2)	
–	(67.2)	–	–	–	1.3	(65.9)	–	(65.9)	
–	–	(14.7)	–	–	–	(14.7)	–	(14.7)	
–	–	–	–	–	(851.6)	(851.6)	(662.0)	(1 513.6)	
–	–	–	–	–	(0.1)	(0.1)	–	(0.1)	
1 368.9	(10.8)	(1 427.4)	–	(17.0)	9 059.2	8 932.3	(722.4)	8 209.9	

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.2 Share capital

	2019 R million	2018 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		
689 811 504 (2018: 689 811 504) ordinary shares of 5 cents each	34.5	34.5
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	35.5
9 935 447 (2018: 13 571 829) 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		
Share premium	268.9	268.9
Treasury shares	(515.7)	(515.8)
11 096 ordinary shares held by the Nampak Black Management Share Trust	(0.1)	(0.2)
45 070 855 ordinary shares held by Nampak Products Limited	(515.6)	(515.6)
Share-based payments reserve	170.7	176.6
Total	(76.1)	(70.3)
Reconciliation of number of ordinary shares issued		
Number of ordinary shares issued at beginning of year	689 811 504	689 404 454
Ordinary shares allotted to employees, former employees and directors in terms of Nampak share schemes	-	407 050
Number of ordinary shares issued at end of year	689 811 504	689 811 504
Treasury shares	(45 081 950)	(45 088 132)
Net number of ordinary shares	644 729 554	644 723 372

Treasury shares

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

9.4 Other reserves

	2019 R million	2018 R million
Foreign currency translation reserve	1 368.9	1 569.6
Financial instruments hedging reserve	(10.8)	56.4
Recognised actuarial losses	(1 427.4)	(1 412.7)
Share of non-distributable reserves in associates and joint ventures	-	3.7
Other	(17.0)	(17.0)
Total	(86.3)	200.0

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.4 Other reserves continued

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) Limited.

9.5 Non-controlling interests

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

Non-controlling interests are measured at their proportionate share of the entity's net assets.

The following subsidiaries have non-controlling interests:

Subsidiary	Principal place of business	Operating segment	Ownership interest held by NCI (%)	
			2019	2018
Nampak Bevcan Angola Limitada (Bevcan Angola)	Angola	Metals	30.00	30.00
Nampak Zimbabwe Limited (Nampak Zimbabwe)	Zimbabwe	Plastics/paper	48.57	48.57
DivFood Botswana (DivFood Botswana)	Botswana	Metals	26.00	26.00

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.5 Non-controlling interests continued

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

	Bevcam Angola		Nampak Zimbabwe		DivFood Botswana		Total	
	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million	2019 R million	2018 R million
Revenue	1 468.8	2 078.6	936.9	1 540.7	88.5	71.7	2 494.2	3 691.0
Net (loss)/profit for the year	(1 093.9)	69.1	(677.6)	122.6	(18.2)	(1.5)	(1 789.7)	190.2
Attributable to:								
Owners of Nampak Limited	(765.7)	48.4	(348.5)	63.0	(13.5)	(1.1)	(1 127.7)	110.3
Non-controlling interests in subsidiaries	(328.2)	20.7	(329.1)	59.6	(4.7)	(0.4)	(662.0)	79.9
Other comprehensive (expense)/income	(54.5)	0.4	(1 021.6)	45.6	0.7	-	(1 075.4)	46.0
Total comprehensive (expense)/income	(1 148.4)	69.5	(1 699.2)	168.2	(17.5)	(1.5)	(2 865.1)	236.2
Attributable to:								
Owners of Nampak Limited	(803.7)	48.6	(873.9)	86.0	(13.0)	(1.1)	(1 690.6)	133.5
Non-controlling interests in subsidiaries	(344.7)	20.9	(825.3)	82.2	(4.5)	(0.4)	(1 174.5)	102.7
Total assets	3 857.5	5 279.0	608.4	2 496.5	38.1	76.4	4 504.0	7 851.9
Total liabilities	5 360.7	5 566.6	1 174.4	1 363.3	24.6	45.5	6 559.7	6 975.4
Total equity	(1 503.2)	(287.6)	(566.0)	1 133.2	13.5	30.9	(2 055.7)	876.5
Attributable to:								
Owners of Nampak Limited	(1 052.2)	(201.4)	(291.1)	582.8	10.0	22.9	(1 333.3)	404.3
Non-controlling interests in subsidiaries	(451.0)	(86.2)	(274.9)	550.4	3.5	8.0	(722.4)	472.2

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.6 Group composition

The consolidated financial statements include the accounts of Nampak Limited (the company) and all of its subsidiaries at 30 September 2019.

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

Nampak Products Limited is registered in South Africa and operates primarily in South Africa and Angola. Nampak International Limited is registered in the Isle of Man and operates in the United Kingdom, Ireland, Botswana, Ethiopia, Kenya, Malawi, Nigeria, 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 two associates and one joint venture. These are not material to the group.

O – operating, I – investment holding, D – dormant, P – property

	Type	Country of incorporation	Issued share capital	Effective percentage holding		Interest of holding company			
				2019 %	2018 %	Shares at cost		Indebtedness	
						2019 R million	2018 R million	2019 R million	2018 R million
Subsidiaries									
Direct holdings									
Malbak Limited	D	RSA	R100	100	100	1 482.9	1 482.9	-	-
Nampak International Limited	O/I	Isle of Man	US\$113 664	100	100	1 889.3	1 889.3	-	-
Nampak Products Limited	O/I	RSA	R3 758 641	100	100	93.7	93.7	69.9	69.9
Nampak Paper Limited	D	RSA	R2 037 533	100	100	-	-	-	-
Indirect holdings									
Bullpak Limited	O	Kenya	KES4 760 000	100	100				
Carnaud Metal Box Zimbabwe Limited	O	Zimbabwe	US\$98 994	51.43	51.43				
Hunyani Forests Limited	O	Zimbabwe	US\$110 000	51.43	51.43				
Hunyani Paper and Packaging (Pvt) Limited	O	Zimbabwe	US\$24 000	51.43	51.43				
Hunyani Properties Limited	P	Zimbabwe	US\$652 700	51.43	51.43				
Megapak Swaziland (Pty) Limited	O	Swaziland	R1 000	100	100				
Megapak Zimbabwe (Pty) Limited	O	Zimbabwe	US\$20 100	51.43	51.43				
Megaplastics Limited	I	Zimbabwe	US\$0	51.43	51.43				
Metal Box (Namibia) (Pty) Limited	D	Namibia	N\$1	100	100				
Metal Box South Africa Limited*	D	RSA	-	-	100				
Nampak Bevcan Angola Limitada	O	Angola	K4 580 650	70	70				
Nampak Bevcan Nigeria Limited	O	Nigeria	US\$5 402 000	100	100				
Nampak Cartons Nigeria Limited	O	Nigeria	NGN14 000 000	100	100				

* In the process of being deregistered.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.6 Group composition continued

	Type	Country of incorporation	Issued share capital	Effective percentage holding		Interest of holding company			
				2019 %	2018 %	Shares at cost		Indebtedness	
						2019 R million	2018 R million	2019 R million	2018 R million
Nampak DivFood Botswana (Pty) Limited	O	Botswana	BWP120	74	74				
Nampak Glass (Pty) Limited*	D	RSA	–	–	100				
Nampak Holdings (UK) Limited	I	UK	US\$184	100	100				
Nampak Holdings Limited	I	Mauritius	US\$37 094	100	100				
Nampak Insurance Company Limited	Insurance	Isle of Man	R1 142 472	100	100				
Nampak Kenya Limited	O	Kenya	KES40 280 000	100	100				
Nampak Liquid Botswana (Pty) Limited	O	Botswana	BWP100	100	100				
Nampak Liquid Cartons (Pty) Limited*	D	RSA	–	–	100				
Nampak Metal Packaging Limited*	D	RSA	–	–	100				
Nampak Nigeria Limited	O	Nigeria	NGN107 044 183	100	100				
Nampak Packaging Pvt Limited	O	Ethiopia	ETB16 126 000	100	100				
Nampak Petpak (Namibia) (Pty) Limited	O	Namibia	N\$100	100	100				
Nampak Plastics Europe Limited	O	UK	£4 863 028	100	100				
Nampak Properties (Isle of Man) Limited	P	Isle of Man	£100	100	100				
Nampak Properties Nigeria Limited	P	Nigeria	NGN14 000 000	100	100				
Nampak Southern Africa Holdings Limited	I	Mauritius	US\$4 726 922	100	100	52.5	52.5	–	–
Nampak Tanzania Limited	O	Tanzania	TZS304 638 620	100	100				
Nampak Technical Services Limited	O	Isle of Man	£1	100	100				
Nampak Tissue (Pty) Limited*	D	RSA	–	–	100				
Nampak Zambia Limited	O	Zambia	ZMK15 000	100	100				
Nampak Packaging Malawi Limited	O	Malawi	MWK13 450 000	100	100				
Nampak Zimbabwe Limited	O/I	Zimbabwe	US\$755 648	51.43	51.43				
Southern Paper Industries (Pty) Limited	D	RSA	R1 000 000	100	100				
Teknol SARL	D	Luxembourg Netherlands	US\$117 660	100	100				
Teknol NV	I	Antilles	US\$6 000	100	100				
Transmar (Isle of Man) Limited	I	Isle of Man	US\$600 000	100	100				
Total						3 518.4	3 518.4	69.9	69.9

* In the process of being deregistered.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.6 Group composition continued

	Type	Country of incorporation	Issued share capital	Effective percentage holding	
				2019 %	2018 %
Associates					
(Equity accounted)					
Collect-a-Can (Pty) Limited*	O	RSA	R4 000 000	40	40
Group Risk Holdings (Pty) Limited	Insurance	RSA	R11 300	19	19
Joint ventures					
(Equity accounted)					
Softex Tissue Products (Pvt) Limited	O	Zimbabwe	US\$2 897	50	50

* 31 December year-end.

	Associates		Joint venture	
	2019 R million	2018 R million	2019 R million	2018 R million
Aggregate information of associates and joint venture:				
Cost of investment	5.1	5.1	5.9	5.9
Decrease in investment	(0.2)	-	-	-
Share of post-acquisition reserves	-	3.7	-	-
Group's share of profit after tax	12.0	12.9	9.1	6.0
Opening balance	12.9	10.3	6.0	3.0
Transfer from post-acquisition reserves	3.7	-	-	-
Decrease in investment	(0.1)	(0.2)	-	-
Share of current year (loss)/profit after tax	(4.5)	2.8	3.1	3.0
Translation differences	-	-	(10.9)	1.7
Aggregate carrying amount of the group's interest in these associates and joint venture	16.9	21.7	4.1	13.6

Other investments

	Type	Number of shares held by group		Effective percentage holding	
		2019	2018	2019	2018
Ethiopian Crown Cork & Can Industry	O	5 750	5 750	25	25
PET RecoZim (Pvt) Limited	D	10	10	5	5

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.7 Related-party transactions

	2019 R million	2018 R million
Material related-party transactions were as follows:		
Sales and services rendered to related parties		
Associates	23.6	29.0
Joint ventures	-	(0.3)
Total	23.6	28.7
Interest received from related parties		
Associate	0.6	0.6
Total	0.6	0.6
Amounts owing (after eliminating intercompany balances) by related parties are disclosed in the respective notes to the financial statements for those balance sheet items.		
Amounts receivable from related parties		
Loans to associate	4.0	5.0
Total	4.0	5.0

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
PM Surgey	Nampak 1979 Share Purchase Trust	Trustee
	Nampak Limited Performance Share Trust	Trustee
	Nampak Limited Share Appreciation Trust	Trustee
LD Kidd	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.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION continued

9.7 Related-party transactions continued

Compensation relating to key management personnel

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

	2019 R million	2018 R million
Short-term employee benefits	46.2	63.6
Post-employment benefits	-	3.5
Termination benefits	1.1	-
Share-based payments	(2.8)	12.7
Total compensation	44.5	79.8

The remuneration of directors and key executives is determined by the remuneration committee, having regard to the performance of individuals and market trends. Refer note 8.3 for detailed analysis of directors' remuneration.

Shareholders

An analysis of major shareholders is provided on [102](#).

10. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CIRCULARS

10.1 Standards in issue and effective for the current financial year

The following standards are effective for the current financial year:

- **IFRS 9: *Financial Instruments***

With effect from 1 October 2018, the group has applied IFRS 9: *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS that are effective for annual periods beginning on or after 1 January 2018. These consequential amendments include those with respect to IFRS 7: *Financial Instruments: Disclosures* that were applied to the disclosures for the current year. No adjustments to comparative information has been made as allowed under the transition provisions.

IFRS 9 replaces IAS 39: *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

On the date of the initial application, the group assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9 and applied the requirements of IFRS 9 retrospectively to instruments that were not derecognised before 1 October 2018. Liquid bonds, trade receivables, other receivables and other loan receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as financial assets at amortised cost.

The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

10. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CIRCULARS continued

10.1 Standards in issue and effective for the current financial year continued

- **IFRS 9: Financial Instruments** continued

Upon the adoption of IFRS 9, the group recognised an additional impairment of R89.2 million mainly on the Angolan kwanza bonds (liquid bonds), lease receivables and trade debtors. These financial assets were effectively remeasured by this additional impairment with a consequent decrease in opening retained earnings on 1 October 2018 as set out below:

At 1 October 2018	IAS 39: Loans and Receivables R million	Remeasure- ments R million	IFRS 9: Financial Assets at Amortised Cost R million	Opening retained earnings R million
Net non-current liquid bonds and other loan receivables	1 787.9	(69.2)	1 718.7	(69.2)
Trade receivables and other current receivables	3 071.0	(20.0)	3 051.0	(20.0)
Total	4 858.9	(89.2)	4 769.7	(89.2)

The loss allowance recognised under IFRS 9 on this date was R136.6 million after the above remeasurement. Previously under IAS 39, only a doubtful debt allowance was recognised in respect of specific trade receivables amounting to R47.4 million.

The change did not have a material impact on the group's operating, investing and financing cash flows.

There are no changes to the classification or measurement of the group's financial liabilities.

The classification of liquid bonds and other loan receivables, trade and other current receivables and cash and cash equivalents has changed from loans and receivables to amortised cost.

Application from 1 October 2018

Financial assets and financial liabilities are recognised in the group's consolidated statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset. Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently, loans and other receivables are carried at amortised cost adjusted for any loss allowance.

Financial liabilities are initially recognised at fair value of consideration received net of transaction costs as appropriate and subsequently carried at amortised cost.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

10. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CIRCULARS continued

10.1 Standards in issue and effective for the current financial year continued

- **IFRS 9: Financial Instruments** continued

Classification and measurement of financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are classified at, and subsequently measured at, amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Liquid bonds, cash and cash equivalents, trade receivables, equipment sale receivables deposits and other loan receivables meet the above conditions and are classified as measured at amortised cost.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses (ECL) on trade receivables, liquid bonds, equipment sales receivables and other loan receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a loss-rate approach based on the group's historical credit loss experience over the past four years, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial assets, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to the 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

10. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CIRCULARS continued

10.1 Standards in issue and effective for the current financial year continued

- **IFRS 9: *Financial Instruments*** continued

- **Impairment of financial assets** continued

The group calculates expected losses based on consideration of customer-specific factors and actual credit loss experienced over the past four years. The group has identified the GDP of the countries in which it sells its products to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the liquid bonds' external credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in a debtor's ability to meet its debt obligations for trade and equipment sales receivables; and
- an actual or expected significant deterioration in the operating results of the debtor.

IFRS 9 introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

The group has the option to continue to apply the hedge accounting requirements of IAS 39 until the current macro-hedging project is finalised, as all documentation is already in place. Accordingly, the group has elected not to adopt the hedge accounting requirements of IFRS 9, but to continue applying the hedge accounting requirement of IAS 39 on existing hedges.

- **IFRS 15: *Revenue From Contracts with Customers***

The group has also applied IFRS 15: *Revenue from Contracts with Customers* (as amended in April 2016) with effect from 1 October 2018. This standard replaces IAS 18: *Revenue* and IAS 11: *Construction Contracts*.

Revenue comprises the consideration received or receivable on contracts entered into with customers in the ordinary course of the entity's activities and is recognised as the amount of the transaction prices allocated to each performance obligation. This is determined at the amount that depicts the consideration to which the entity expects to be entitled in exchange for transferring the goods and services promised to the customer. Revenue derived from the sale of goods is recognised when control is transferred to the customer, while revenue derived from providing services is recognised when the service has been performed.

This core principle is achieved through a five-step methodology that is required to be applied to all contracts with customers.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The group has elected to not restate prior figures and adopt a cumulative effect method.

Revenue is shown net of taxes, cash discounts, settlement discounts and rebates provided to customers.

The group aligned its measurement and recognition principles of revenue with that of IFRS 15 upon adoption. There is no material impact on the measurement and recognition of revenue.

IFRS 15 requires the group to disclose the disaggregated revenue by categories which depict the nature, amount, timing or uncertainty of revenue. The group has considered how it discloses information to investors and how information is reviewed internally for evaluation of financial performance.

Notes to the consolidated financial statements continued

for the year ended 30 September 2019

10. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND CIRCULARS continued

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

• 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 the 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 2019 reported numbers is as follows:

- decrease in net assets: R335 million.
- increase in EBITDA: R203 million.
- decrease in net profit: R74 million.

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

Management will be applying the modified retrospective approach and will be making use of the practical expedients available including the following:

- exemption of short-term leases and low value assets.
- measurement of right-of-use assets based on lease liabilities recognised at transition.

• IFRIC 23: *Uncertainty over Income Tax Treatments*

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

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively.
- assumptions for taxation authorities' examinations.
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- the effect of changes in facts and circumstances.

Management is determining the impact of the standard on the financial statements. No significant impact is expected.

Company statement of comprehensive income

for the year ended 30 September 2019

	Notes	2019 R million	2018 R million
Revenue	1	51.6	75.1
Employee benefit expense		(6.4)	(7.4)
Other net operating (expenses)/income		(5.1)	0.3
Operating profit		40.1	68.0
Finance income		0.1	0.2
Profit before tax		40.2	68.2
Income tax (expense)/benefit	2	(0.9)	1.7
Total comprehensive income for the year		39.3	69.9

Company statement of financial position

at 30 September 2019

	Notes	2019 R million	2018 R million
ASSETS			
Non-current assets			
Investment in associate	3	3.3	3.5
Investment in subsidiaries	4	2 325.0	2 333.1
Deferred tax asset		0.7	–
		2 329.0	2 336.6
Current assets			
Other receivables	5	3.7	3.7
Loan to subsidiary companies	9	1 037.7	1 012.4
Tax assets		11.5	–
		1 052.9	1 016.1
Total assets		3 381.9	3 352.7
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	35.5	35.5
Capital reserves	6	459.4	467.5
Retained earnings	6	2 873.2	2 834.1
		3 368.1	3 337.1
Current liabilities			
Other payables	8	12.3	13.4
Loan to subsidiary companies	9	1.5	1.5
Tax liabilities		–	0.7
		13.8	15.6
Total equity and liabilities		3 381.9	3 352.7

Company statement of changes in equity

for the year ended 30 September 2019

	Notes	2019 R million	2018 R million
Opening balance		3 337.1	3 261.8
Net shares issued during the year		-	6.5
Share-based payment (reversal)/expense		(8.2)	5.5
Share grants exercised		-	(6.5)
Total comprehensive income for the period		39.3	69.9
Dividends paid	7	(0.1)	(0.1)
Closing balance		3 368.1	3 337.1
Comprising:			
Share capital	6	35.5	35.5
Capital reserves	6	459.4	467.5
Share premium		268.9	268.9
Share option reserve		190.5	198.6
Retained earnings	6	2 873.2	2 834.1
Total equity		3 368.1	3 337.1

Company statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R million	2018 R million
Cash flows from operating activities			
Cash generated from operations	10.1	13.7	5.2
Interest received		0.1	0.2
Income tax paid		(13.9)	(11.8)
Cash flows from operations		(0.1)	(6.4)
Dividends paid		(0.1)	(0.1)
Cash utilised in operating activities		(0.2)	(6.5)
Cash flows from investing activities			
Decrease in non-current financial assets and investments		0.2	-
Cash generated from investing activities		0.2	-
Cash flows from financing activities			
Capital raised from issue of shares		-	6.5
Cash raised from financing activities		-	6.5
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year	10.2	-	-

Notes to the company financial statements

for the year ended 30 September 2019

1. REVENUE

	2019 R million	2018 R million
Normal dividends – South Africa	-	25.3
Interest received from subsidiaries	39.0	35.2
Fees received from subsidiaries	12.6	14.6
Total	51.6	75.1

2. INCOME TAX

Current tax		
Current year	12.5	11.8
Prior year	(10.9)	(13.5)
Deferred tax		
Current year	(0.7)	-
Total	0.9	(1.7)

The company tax rate in South Africa is 28% (2016: 28%) of the estimated assessable profit for the year.

Reconciliation of rate of tax

Normal tax rate	%	28.0	28.0
Reduction in tax charge due to:			
Dividend income	%	-	(10.4)
Adjustment for prior year normal tax	%	(26.9)	(19.9)
Exempt income	%	(0.1)	(1.0)
Withholding and foreign taxes	%	-	(1.1)
Increase in tax charge due to:			
imputed income – section 9D	%	1.2	1.9
Effective company rate of tax	%	2.2	(2.5)

3. INVESTMENT IN ASSOCIATE

(Refer to annexure B for details)

Cost of investment in associate	3.3	3.5
Total	3.3	3.5

The group has obligations in respect of losses from its associate to the extent of the carrying value of the investment.

Notes to the company financial statements continued

for the year ended 30 September 2019

	2019 R million	2018 R million
4. INVESTMENTS IN SUBSIDIARIES		
(Refer to note 9.6 of the consolidated financial statements for details.)		
Interest in subsidiaries	3 521.0	3 518.4
Share-based payments contribution	219.7	227.8
Net amount due by subsidiaries	67.3	69.9
Less: Impairment losses	(1 483.0)	(1 483.0)
Shares at cost less impairments	2 325.0	2 333.1
Directors' valuation	2 325.0	2 333.1

5. OTHER RECEIVABLES

	2019 R million	2018 R million
Sundry debtors	3.7	3.7
The carrying amount of other receivables approximates the carrying amount.		

6. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

		Attributable to equity holders of the company				
	Notes	Share capital R million	Share premium R million	Share option reserve R million	Retained earnings R million	Total equity R million
At 1 October 2017		35.5	262.4	199.6	2 764.3	3 261.8
Employee share option scheme:						
Value of employee services		-	-	5.5	-	5.5
Share grants exercised		-	-	(6.5)	-	(6.5)
Proceeds from shares issued		-	6.5	-	-	6.5
Profit for the year		-	-	-	69.9	69.9
Dividends paid	7	-	-	-	(0.1)	(0.1)
At 30 September 2018		35.5	268.9	198.6	2 834.1	3 337.1
Employee share option scheme:						
Value of employee services		-	-	(8.1)	-	(8.1)
Profit for the year		-	-	-	38.5	38.5
Dividends paid	7	-	-	-	(0.1)	(0.1)
At 30 September 2019		35.5	268.9	190.5	2 872.5	3 367.4

Notes to the company financial statements continued

for the year ended 30 September 2019

	2019 R million	2018 R million
6. CAPITAL AND RESERVES <small>continued</small>		
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
Total	38.8	39.8
Issued		
689 811 504 (2018: 689 811 504) ordinary shares of 5 cents each	34.5	34.5
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	35.5
9 935 447 (2018: 13 571 829) 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	268.9	268.9
Share option reserve	190.5	198.6
Total	459.4	467.5
Reconciliation of number of ordinary shares issued		
Number of ordinary shares issued at beginning of year	689 811 504	689 404 454
Ordinary shares allotted to employees, former employees and directors in terms of the Nampak share schemes	-	407 050
Number of ordinary shares issued at end of year	689 811 504	689 811 504
7. DIVIDENDS AND CASH DISTRIBUTIONS		
	2019 R million	2018 R million
Preference dividends	0.1	0.1
8. OTHER PAYABLES		
	2019 R million	2018 R million
Accruals	12.3	13.4
Accruals principally comprise amounts outstanding for ongoing costs.		
The directors consider that the carrying amount of other payables approximates their fair value.		

Notes to the company financial statements continued

for the year ended 30 September 2019

9. RELATED-PARTY TRANSACTIONS

	2019 R million	2018 R million
Material related-party transactions were as follows:		
Distribution to trust		
The Black Management Trust	-	25.3
Interest received from related parties		
Nampak Products Limited	39.0	35.2
Corporate charges received from related parties		
Nampak Products Limited	3.0	5.0
Nampak International Limited	9.6	9.6
Total	12.6	14.6
Non-current amounts payable by such entities are included in note 3.		
Current amounts due by subsidiary companies are as follows:		
Nampak Products Limited ¹	1 012.4	1 012.4
Black Management Trust ²	0.1	-
Total	1 012.5	1 012.4
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.		
Guarantees		
Guarantee for an amount not exceeding US\$175 million in favour of noteholders for the Note Purchase Agreement issued by Nampak International Limited	2 655.0	2 474.8
Guarantee for an amount not exceeding R500 million on behalf of Nampak Products Limited in favour of Nedbank for general banking facilities	500.0	500.0
Guarantee for an amount not exceeding R115 million on behalf of Nampak Products Limited 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 Limited in favour of Rand Merchant Bank for debt facilities	747.5	747.5

Notes to the company financial statements continued

for the year ended 30 September 2019

9. RELATED-PARTY TRANSACTIONS continued

Guarantees continued

	2019 R million	2018 R million
Guarantee for an amount not exceeding R1.1 billion on behalf of Nampak Products Limited in favour of Standard Bank SA Limited for banking facilities	1 080.9	1 080.9
Guarantee for an amount not exceeding R1 098.7 million on behalf of Nampak Products Limited in favour of Citibank for banking facilities	1 098.7	1 098.7
Guarantee for an amount not exceeding R400 million on behalf of Nampak Products Limited in favour of Investec Bank Limited for general banking facilities	-	400.0
Guarantee on behalf of Nampak Products Limited in favour of Imbali Props 21 (Pty) Limited 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 Limited in favour of Imbali Props 21 (Pty) Limited 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 of GBP46 million in favour of Nampak Plastics Europe Limited	-	852.8
Guarantee for an amount not exceeding US\$525 million on behalf of Nampak International Limited in favour of a conglomerate of banks for revolving credit facilities	7 965.0	7 424.3
Guarantee for an amount not exceeding R4 billion on behalf of Nampak Products Limited in favour of a conglomerate of banks for revolving credit facilities	4 000.0	4 000.0
Key management personnel		
Details of significant positions held by key management personnel and transactions with these entities are provided in note 8.3 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	46.2	63.6
Post-employment benefits	-	3.5
Termination benefits	1.1	-
Share-based payments	(2.8)	12.7
Total compensation	44.5	79.8

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 2019

10. NOTES TO THE STATEMENT OF CASH FLOWS

10.1 Reconciliation of profit before taxation to cash generated from operations

	2019 R million	2018 R million
Profit before taxation	40.2	68.2
Adjustment for:		
Profit on acquisition of associate	-	(3.5)
Net finance income	(0.1)	(0.2)
Operating profit before working capital changes	40.1	64.5
Decrease in other receivables	-	30.3
Decrease in other payables	(1.1)	(5.6)
Increase in subsidiary company loans	(25.3)	(84.0)
Cash generated from operations	13.7	5.2
10.2 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	-	-

11. SUBSEQUENT EVENTS

There are no subsequent events

Analysis of registered shareholders and company schemes

REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the annual report and accounts dated 27 September 2019 was:

Registered shareholder spread

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	3 377	62.39	1 076 715	0.16
1 001 – 10 000 shares	1 367	25.25	4 434 435	0.64
10 001 – 100 000 shares	342	6.32	11 629 184	1.69
100 001 – 1 000 000 shares	230	4.25	82 998 349	12.03
1 000 001 shares and above	97	1.79	589 672 821	85.48
Total	5 413	100	689 811 504	100

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	15	0.28	46 438 836	6.73
• Directors and associates	3	–	308 866	0.04
• Prescribed officers and management	10	–	1 048 020	0.15
• Treasury shares	1	–	45 070 854	6.53
• Empowerment	1	–	11 096	–
Public shareholders	5 398	99.72	643 372 668	93.27
Total	5 413	100.00	689 811 504	100.00

Analysis of registered shareholders and company schemes continued

SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

Substantial investment management and beneficial interests above 3%

Through regular analysis of State 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 7 September 2019:

Investment management shareholdings

Investment manager	Total shareholding	%
Allan Gray (Pty) Limited	194 395 796	28.18
Wellington Management Company	71 698 323	10.39
Public Investment Corporation (PIC)	65 864 215	9.55
Investec Asset Management	51 095 008	7.41
Nampak Products Limited	45 575 759	6.61
Old Mutual Plc	45 310 252	6.57
Dimensional Fund Advisors	25 487 825	3.69
The Vanguard Group Inc.	21 775 042	3.16
Total	521 202 220	75.56

Beneficial shareholdings

	Total shareholding	%
Government Employees Pension Fund (PIC)	72 200 678	10.47
Allan Gray Balanced Fund	61 728 155	8.95
Nampak Products Limited	45 575 759	6.61
Allan Gray Equity Fund	24 720 239	3.58
Total	204 224 831	29.61

Previously disclosed holdings

Investment managers now holding below 3%

Investment manager	Total shareholding	%	Previous %
Colonial First State Global Asset Management	16 092 332	2.33	3.23
Total	16 092 332	2.33	3.23



Shareholders' diary

at 30 September 2019

Annual general meeting

Tuesday, 11 February 2020

Interim statement and ordinary dividend announcement for the half-year ending 31 March 2020

May 2020

Group results and ordinary dividend announcement for the year ending 30 September 2020

November 2020

DIVIDEND

Ordinary

Final dividend for the year ended 30 September 2019

No dividend being paid

Interim dividend for the half-year ending 31 March 2020

To be paid in July 2020 if payable

Preference

6.5% and 6% cumulative preference dividends

Payable twice per annum during February and August

Corporate information

Business address and registered office

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Share registrar

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