



**Nampak**  
packaging excellence

**Annual Financial  
Statements 2021**

**2021**

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We strive to improve our reporting and welcome any comments that will assist us in doing so. Please contact:  
[nondyebo.mqulwana@nampak.com](mailto: nondyebo.mqulwana@nampak.com)

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# Directors' responsibility for annual financial statements

for the year ended 30 September 2021

The directors of Nampak Limited have the pleasure of presenting the consolidated and separate annual financial statements (hereinafter referred to as annual financial statements) for the year ended 30 September 2021.

The directors are responsible for the preparation and integrity of the 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 Audit and Risk 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 2021 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 2021, set out on pages 14 to 100, were approved by the board of directors at its meeting on 3 December 2021 and were signed on their behalf by:



**PM Surgey**  
Chairman



**EE Smuts**  
Chief executive  
officer



**GR Fullerton**  
Chief financial  
officer

## Preparer of financial statements

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



**GR Fullerton**

## Certificate by company secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, 71 of 2008, that for the year ended 30 September 2021, the Company has lodged with the Companies and Intellectual Property Commission, all such returns and notices as are required of a public company in terms of the Companies Act, 71 of 2008, and that all such returns and notices are, to the best of my knowledge and belief, true, correct and up-to-date.



**IH van Lochem**  
Company Secretary

3 December 2021

# 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 22 to 100, which comprise the consolidated and separate statements of financial position as at 30 September 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, the 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 the Group and Company as at 30 September 2021, 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 (IFRS) and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern<sup>1</sup>

We draw attention to Note 1.4 in the consolidated and separate financial statements, which indicates the Group's and Company's ability to:

- › meet its debt covenant requirements at 31 December 2021, 31 March 2022, 30 June 2022 and 30 September 2022;
- › meet milestones and related contractual action points as agreed with its funders, which include a mandatory debt redemption of R1.0 billion by 30 September 2022; and
- › meet forecast liquidity requirements

are dependent on the timing and quantum of cash flows from operations, the ability to sell assets, utilise the trade financing facility or doing a capital raise, the latter which may include the successful raising of equity. As described in Note 1.4, these events or conditions highlights events which could result in the default on the Group and Company's funding agreement and which therefore indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. As set out in note 1.4, at 30 September 2021 the net debt to EBITDA covenant is 2.74 which is below the maximum covenant of 3.50. Our opinion is not modified in respect of this matter.

### 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.

<sup>1</sup> Prescribed wording by ISA: 570 Going concern to be read in conjunction with IAS 1: Presentation of financial statements.

# 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 financial statements)

*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 2021, the NAV of the Group was R4.8 billion compared to its market capitalisation of R2.3 billion.

This key audit matter is pinpointed to the following underperforming operations: Bevcan Angola, DivFood, and Rigidis.

Also, in the financial statements of Nampak Limited separate financial statements, investment in subsidiaries is reflected as R4.7 billion. The valuation of these investments are linked to these underlying valuations and as such considered a Key Audit Matter for the separate financial statements.

The Group Board of Directors (Directors) performed an impairment assessment for each of these underperforming operations which included the following key assumptions which required judgement:

- › 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 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. Impairment of property plant and equipment in aggregate of R434.4 million and reversal of impairments of R172.5 million was recorded during the year.

Directors' impairment considerations have been disclosed in notes 1.3, 2.3, 6.1 and 6.2 of the consolidated financial statements and note 4 of the separate financial statements.

We evaluated the relevant controls designed and implemented by the directors with regard to the impairment tests performed at the year-end.

These included controls designed and implemented to ensure the robustness of the key assumptions used in the impairment tests.

With respect to the impairment models, our internal valuation specialists were utilised on the audit team to assist 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 Bevcan Angola, DivFood and Rigidis, 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.

With respect to the discount rates, we utilised our internal valuation specialists to assess the 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 and impairment reversals 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.

### Valuation of the Reserve Bank of Zimbabwe (RBZ) receivable (consolidated financial statements)

#### Valuation of the RBZ receivable

During the 2019 financial year, Nampak Zimbabwe Limited (NZL) entered into an agreement with the RBZ in terms of which the RBZ agreed to settle blocked funds related to legacy debt owing by NZL to Nampak International Limited (NIL) amounting to US\$66.8 million. NIL is the main holding company (and a direct subsidiary of the Group) of the non-South African operations and is based in the Isle of Man. The five-year agreement is based on payments being made on a one for one basis to the US Dollar in equal quarterly instalments of US\$5.6 million commencing on 31 March 2021 following an initial two-year holiday.

On 31 March 2021, the RBZ failed to honour their first quarterly repayment. Through further correspondence the RBZ requested that they be afforded an opportunity to arrange compliance with the original agreement through their Blocked Funds Framework which has not yet been finalised. In the interim, the RBZ agreed to pay US\$1.0 million per month until the framework is completed upon which the original repayment plan would be honoured.

#### 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 considered the original agreements entered into, and subsequent communication, between Nampak and the RBZ.

We further reviewed the Directors' detailed fact pattern relating to the timeline of events surrounding the agreements and communication, as well as payments received from the 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 RBZ will have sufficient foreign currency to fully honour its commitments to NIL of R875.2 million (US\$62.8 million). As a result of this judgement, the Directors have recognised an expected credit loss (ECL) of 90%.

## Valuation of the Reserve Bank of Zimbabwe (RBZ) receivable (consolidated financial statements) continued

### Valuation of the RBZ receivable

The RBZ settled US\$4.0 million in the 12 months to 30 September 2021 after which a further default occurred.

Based on the net present value of expected future payments from the RBZ, the receivable, net of the expected credit loss ratio, has been reduced to US\$5.8 million which resulted in the expected credit loss increasing from 85% to 90% as at 30 September 2021.

As disclosed in note 1.3 and 5.3 of the consolidated financial statements, the Directors have applied an expected credit loss rate of 90% 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.

### Valuation of the RBZ receivable

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 judgments 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.

## Impairment considerations of Nampak Bevan 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 carrying value of the goodwill amounts to R1.7 billion after recognising an impairment of R2.2 billion in 2020.

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 notes 1.3 and 6.3 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 the 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 Bevan 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:
  - » evaluating whether the model complies with the requirements of IAS 36; and
  - » 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 the information included in the document titled Nampak Limited Annual Financial Statements for the year ended 30 September 2021, which includes the Directors' Report, the Audit and Risk committee report, the Certificate by the Company Secretary and the Supplementary Information as required by the Companies Act of South Africa, and the Chief Executive Officer and Chief Financial Officer's internal financial control responsibility statement and the Directors' responsibility statement, which we obtained prior to the date of this 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 an audit opinion or any form of assurance 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 consolidated and separate 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 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 the 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 the 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 the Company's internal control.
- › Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- › 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 the 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 the 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.

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, actions taken to eliminate threats or safeguards applied.

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 53 years.



**Deloitte & Touche**

Registered Auditor

**Per: JHW de Kock**

Partner

3 December 2021

5 Magwa Crescent, Waterfall City, 2090 South Africa

# Report of the audit and risk committee

for the year ended 30 September 2021

The Audit and Risk Committee ("the Committee") performs a vital 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 in the group in terms of the Companies Act, No 71 of 2008 as amended ("the Companies Act") and is accountable in this regard to both the Nampak Limited board ("the Board") and the shareholders.

This report has been prepared based on the requirements of the Companies Act, the JSE Listings Requirements ("the Listings Requirements") and the King IV™ Report on Corporate Governance for South Africa 2016 ("King IV") with the Committee being 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, King IV and as contained in the Committee's charter.

A formal charter, setting out the Committee's duties and responsibilities, is reviewed annually by the Committee and Board.

## Overview

The Committee plays an oversight role in respect of 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.

In 2021 the Group and Committee were again faced with the effects of the COVID-19 pandemic but maintained focus on the quality and integrity of internal controls, accounting judgements and financial reporting, and where necessary has initiated improvement.

The Committee considered management's going concern conclusion by reviewing the assessment of solvency and liquidity, the debt covenants and arrangements agreed with financial institutions as well as by testing the robustness of the deleveraging plans.

### During the year we focused on:

- › Ensuring enhanced governance, internal control and effective reporting
- › Sound financial management, key audit matters and significant areas of judgement
- › Ensuring that financial systems, processes and controls operated effectively and responded to risks and changes in the operating and regulatory environment so as to comply with section 3.84(k) of the JSE Listings Requirements
- › Financial performance and monitoring the impact of COVID-19
- › Balance sheet and liquidity management and assessing the robustness of deleveraging plans
- › Planning for mandatory audit firm rotation
- › Reviewed significant financial risks as well as group risk appetite and assessed the effectiveness of controls and the combined assurance provided in respect of these risks



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](http://www.nampak.com)

Nampak met all required funders' covenant ratios during the year. Looking forward, the funding agreements were amended in September 2021 which included the extension and relaxation of the net debt : adjusted EBITDA covenant to 3.5 times for a further year to September 2022. The group will continue to focus on overhead and working capital control, cash generation and conservative capital expenditure so as to remain cash positive and comply with funding covenant ratios and other funding obligations and commitments.

## Composition and meetings

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

Members	Meeting dates							
	2 Nov 2020 <sup>#</sup>	17 Nov 2020	20 Nov 2020 <sup>#</sup>	21 Dec 2020	18 Mar 2021	18 May 2021 <sup>#</sup>	24 May 2021 <sup>#</sup>	1 Sep 2021
<b>100% attendance</b>								
<b>Independent non-executive director</b>								
SP Ridley (chairman)	✓	✓	✓	✓	✓	✓	✓	✓
KW Mzondeki	✓	✓	✓	✓	✓	✓	✓	✓
LJ Sennelo	✓	✓	✓	✓	✓	✓	✓	✓
N Khan	✓	✓	✓	✓	✓	✓	✓	✓

# Special meeting.

🔗 [For details regarding the members' qualifications and experience see the integrated report: our board of directors.](#)

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.

## Executing on our statutory duties and other areas of responsibilities

### Reporting

The Committee carried out the following duties in overseeing the quality and integrity of the company's interim results, its annual financial statements and integrated report and ensuring that Nampak has established appropriate financial reporting procedures which operate effectively and has adequate and effective internal financial controls:

- › Reviewed the interim financial results and annual financial statements and is satisfied that they fairly present the consolidated and separate results of the operations, cash flows and financial position of Nampak for the year ended 30 September 2021 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.
- › Considered the going concern assumption by reviewing the assessment on solvency and liquidity, compliance with the financial conditions of loan covenants, arrangements held with financial institutions and testing the robustness of the deleveraging plans and confirmed the going concern as the basis for preparation of the annual financial statements.
- › Obtained assurance from the external auditors that adequate accounting records are maintained and determined that there were no reportable irregularities identified and reported by the external auditors in terms of the Auditing Profession Act, 2005.

- › 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 tax, legal and other matters that could have a material bearing on the financial statements.
- › During the year, the Committee reviewed the JSE's reports on its proactive monitoring of the 2020 year-end financial statements and 2021 interim financial statements. Management have reviewed the comments and designed remedial actions, where required. Where applicable, the actions to implement the recommendations made by the JSE are being monitored by the Committee.
- › Considered the adequacy and effectiveness of the internal financial controls relied upon by management in compiling the annual financial statements in order to discharge their obligations in terms of section 3.84(k) of the Listings Requirements.
- › 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 agreed with the key audit matters as set out in the Deloitte's report on the audit of the consolidated annual financial statements for the year ended 30 September 2021 as well as the areas of significant judgement below and were comfortable that the matters were correctly represented.

# Report of the audit and risk committee continued

Matter	Comment
<p><b>Going concern</b></p>	<p>In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the Nampak Group (the group) will continue as a going concern for the next twelve months and for the foreseeable future.</p> <p>The financial performance of the group improved significantly in the past year with most businesses recovering from the COVID-19 pandemic, despite continued lock-downs during the current year.</p> <p>Negotiations were concluded with Nampak's lenders to revise certain funding requirements in light of the group's improved trading performance. After considering the group's results, the milestone date for assessment of the group's ability to reduce debt by R1 billion was deferred to 30 June 2022. The requirement to reducing net interest-bearing debt by R1 billion by 30 September 2022 remains.</p> <p>The restriction to reduce debt only through asset disposals and/or a capital raise was relaxed so as to allow the utilisation of all cash flows generated through normal operating activities, inclusive of the repayments of historical debt by the Reserve Bank of Zimbabwe, but subject to the cancellation of commensurate committed facilities.</p> <p>Meaningfully higher adjusted EBITDA (as defined in note 2.4 of the financial statements and hereinafter referred to as "EBITDA") has assisted the group in supporting its higher debt levels. This improved level of EBITDA and slightly reduced debt compared to the prior year has resulted in a net debt to EBITDA ratio of 2.74 times and an EBITDA to interest ratio of 4.79 times at the year-end with required covenant ratios of 3.5 and 4.0 times respectively. Included in the net debt to EBITDA ratio of 2.74 times, and by arrangement with the funders, was the utilisation of R206 million in October 2021 referred to below. Excluding this utilisation, the net debt to EBITDA ratio was 2.86 times. Off-shore US Dollar debt has been reduced during the year and the ratio between local and foreign debt was 41% as at 30 September 2021 (2020: 65%). At 30 September 2021, the gearing level was 143.8% (2020: 149.1%) and 109.1% excluding capitalised lease liabilities under IFRS 16 (2020: 115.2%).</p> <p>The ability of the group to meet its quarterly debt covenant requirements during its financial year ending 30 September 2022 and to repay its debts as they become due is dependent on the timing and magnitude of cash flows from operations, its ability to utilise the newly approved trade finance facility and the successful disposal of operations and/or assets that will realise proceeds of at least R1 billion by 30 September 2022. R206 million of the R1 billion trade finance facility was utilised on 26 October 2021 to repay debt. Continued focus on working capital and a controlled capital expenditure plan will be critical.</p> <p>The committee has assessed all matters related to the going concern assumption and are comfortable that the group will continue as a going concern for the foreseeable future.</p>
<p><b>Goodwill</b></p>	<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 finance and 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 taking into account all relevant information, and as a result of the headroom in the computation, no further impairment was required. While volumes in Nigeria have continued to grow, the previous foreign exchange currency shortage experienced from 2016 to 2018 has slowed economic growth, resulting in overcapacity in the medium term in a total market that is lower than previously anticipated. The carrying value of goodwill attributed to Bevcan Nigeria is R1.6 billion (US\$102.6 million).</p> <p>The committee agreed that no further impairment was required at September 2021.</p>
<p><b>Group market capitalisation below consolidated shareholders' equity indicating potential group-wide asset impairment</b></p>	<p><b>Asset impairment assessments</b></p> <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. These valuations were performed at year-end taking into account the 2022 approved budget and stratplans to 2026 and resulted in net impairment losses of R229.1 million. This comprised asset impairment losses of R401.6 million and reversal of impairment losses of R172.5 million. Further net impairment losses of R35.2 million were incurred on assets classified as held for sale (being measured at fair value less costs to sell).</p> <p><b>Nampak Angola</b></p> <p>The Angolan economy is forecast to partly recover from last year's COVID-19-induced slump as both external and domestic demand strengthen. The recovery is expected to be impacted by elevated unemployment, ongoing currency weakness, reduced oil output, social unrest, a notable fiscal shortfall and ballooning public debt. However, after taking into account volume projections based on expected demand, improving profitability and cash flow generation, a terminal growth rate and a reduced WACC rate as a consequence of a lower in-country-risk premium, a reversal of impairment loss of R68.9 million (\$4.7 million) has been accounted for in the year under review. In 2020 an impairment loss of R1.2 billion (\$69.8 million) was recognised.</p>

Matter	Comment
<p><b>Group market capitalisation below consolidated shareholders' equity indicating potential group-wide asset impairment</b> <small>continued</small></p>	<p><b>DivFood</b> A significant turnaround has been delivered during the year under review underpinned by improved selling prices, cost reductions and site consolidations. In 2020 an asset impairment loss of R224.3 million was required and accounted for. Based on the expected future cash flows and a marginally lower WACC rate, a reversal of impairment loss of assets was required amounting to R100.6 million in the current year. This was partially offset by impairment losses of R26.8 million on specific assets held for sale.</p> <p><b>Rigid Plastics</b> The future cash flows of the South African Rigids Plastics, Crates and Botswana businesses were reassessed as part of the preparation of the 2022 budget and the stratplan to 2026. Despite the positive effects of the various restructuring initiatives and a slightly lower WACC rate, lower expected future cash flows and relatively high replacement capital expenditure has required a further asset impairment loss of R391.0 million. An asset impairment loss of R423.5 million was booked in the prior year.</p> <p>The committee agreed that the net impairment loss reversals of assets in DivFood SA and Bevcan Angola, and the further impairment losses of assets in Rigids SA are appropriate.</p>
<p><b>Taxation</b></p>	<p>The group is exposed to amendments in tax laws in various jurisdictions.</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 and includes adjustments for prior year underprovisions and hyperinflation impacts.</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. The deferred tax credit was impacted by the net impairment losses and the recognition of deferred tax assets on tax losses in Angola.</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 R466.2 million as at 30 September 2021. The deferred tax asset value is considered to be recoverable against future taxable profits and taxable temporary differences. The deferred tax asset arises mainly from tax losses carried forward, right of use assets and liabilities, and retirement benefit obligations, mainly in Nampak Products Limited.</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 R175.3 million as at 30 September 2021 and arises mainly on the translation of the tax base of non-monetary assets due to the local currency being different from the functional currency.</p>
<p><b>Reserve Bank of Zimbabwe agreement and expected credit losses</b></p>	<p>During the 2019 financial year, Nampak Zimbabwe Limited (NZL) entered into a legal agreement with the Reserve Bank of Zimbabwe (RBZ) in terms of which the RBZ agreed to settle blocked funds related to legacy debt owing by NZL to Nampak International Limited (NIL) amounting to US\$67 million. The 5 year agreement is based on payments being made on a one for one basis to the US dollar in equal quarterly instalments of \$5.6 million commencing on 31 March 2021, with an initial 2 year holiday.</p> <p>On 31 March 2021, the RBZ failed to make the first payment and through further correspondence requested that they be afforded an opportunity to arrange compliance with the original agreement through their Blocked Funds Framework. The RBZ settled \$4.0 million by the end of August 2021 after which a further default occurred. Based on the net present value of expected future payments, the receivable, net of the expected credit loss ratio, has been reduced to \$5.8 million resulting in an increase in the expected credit loss from 85% to 90% as at 30 September 2021. Refer note 1.3 of the financial statements.</p> <p>Despite some payments having been received, the outlook for settlement of this debt remains unclear and the committee agreed that an increase in the expected credit loss to 90% at 30 September 2021 was required, further marginally impairing the RBZ receivable.</p>

## Report of the audit and risk committee continued

### External and internal<sup>1</sup> audit

The Committee:

- › Nominated Deloitte and Touche ("Deloitte") for re-appointment by the shareholders as the external auditor of Nampak for the financial year ending 30 September 2022. Mr Jurie de Kock, appointed in May 2019, was re-confirmed as the designated auditor.

After evaluating Mr de Kock's independence, experience and effectiveness, it was concluded that he is independent of the company in accordance 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 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 re-appointment.

Deloitte has been Nampak's auditor for 53 years. A new auditor must be appointed at Nampak's annual general meeting in 2023 in line with the Independent Regulatory Board for Auditors' rule on mandatory audit firm rotation and management under the oversight of 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 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.

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

- › 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 three-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 their performance to be satisfactory.

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, assist the Committee to assess the adequacy of any corrective actions required as well as in ensuring robust internal controls.

### Combined assurance, internal controls and risk management

- › The CEO and CFO, through delegated authority to executive management and regular report backs, continually evaluate the controls and control environment. This evaluation includes, inter alia:
  - » the identification of risks and the determination of their materiality;
  - » testing the design and implementation of controls that address significant and high risk areas impacting the financial reporting process;
  - » utilising the assurance function to test the operating effectiveness of these controls; and
  - » review of control self-assessments performed by management.

During the current financial year management identified 573 critical financial risk controls which were evaluated within the year which address significant and high risk areas.

In 2021, two material reporting errors were identified which required restatements for the 2020 financial year. Both errors were remediated during the 2021 financial year. The 2020 material errors were restated in the 2020 annual summarised financial statements and in the 2021 interim results respectively. An independent review was commissioned by the committee to analyse the control deficiencies which gave rise to these errors and identify areas for improvement to minimise the potential for recurrence and a comprehensive set of recommendations have been implemented.

<sup>1</sup> Nampak's internal audit function is outsourced to EY Advisory Services Limited.

In addition, in the group's statement of comprehensive income, net impairment losses of R4.0 billion were separately disclosed below operating profit/loss due to their materiality and that they were linked to highly abnormal market conditions. After consideration of the requirements of IAS1 Presentation of Financial Statements, it was considered that it would be more appropriate to separately reflect net impairment losses as part of operating profit/loss. Operating profit/loss is now disclosed on the face of the statement of comprehensive income before and after net impairment losses.

With respect to the 2021 financial year, no material deficiencies were identified. The committee has discussed and documented the basis for its conclusion, which includes discussions with internal and external auditors as well as management.

During the financial year under review the CEO and CFO have reviewed the controls for financial reporting and have presented their findings and remedial actions to the committee.

The committee reviewed the audited annual financial statements and accompanying reports to shareholders and other announcements on the group's 2021 financial results. The committee oversaw the preparation of Nampak Limited's annual financial statements in terms of IFRS and other appropriate standards as required by the JSE.

In addition, during the 2021 financial year, the committee was not made aware of any material breaches of any laws or regulations or material breaches of internal controls or procedures.

The group continues to develop and refine its control environment with digital enablement. This enablement facilitates the increased automation of processes; generation of more risk focused analytical capability and related insights and reporting through the implementation of innovative digital displays; while optimising costs and providing enhanced value through more focused processes.

The committee:

- › Considered reports from management as well as the internal and external auditors on the effectiveness of the group's systems of internal control, including internal financial controls and enterprise risk controls, 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 weaknesses nor 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 which it found to be evolving.
- › The coordination, integration and alignment of assurance activities are continuously being refined and a robust Combined Assurance Policy and Framework, designed to provide the Committee with a holistic view of risks, controls and risk mitigation interventions, is continuously refined.
- › 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 continue ensuring effective reporting and that financial systems, processes and internal controls operate effectively and respond to changes in the environment. It will continue to actively monitor balance sheet and liquidity management and ensure that the financial systems, processes and controls operate effectively and respond to changes and risks in the operating and regulatory environment. Having considered all material risks and factors that may impact on the integrity of the integrated report and annual financial statements and following appropriate review, the Committee recommended to the board the consolidated and separate annual financial statements and the integrated report for the year ended 30 September 2021 for approval.

**SP Ridley CA(SA)**

**Chairman of the Audit and Risk Committee**

3 December 2021

# Directors' report

for the year ended 30 September 2021

The directors wish to present their report which forms part of the annual financial statements of Nampak Limited for the year ended 30 September 2021.

## Nature of business of the company

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

Nampak offers packaging products across metal, plastic and paper substrates and is Africa's leading diversified packaging manufacturer.

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

## Financial results

The group performed well during a year that continued to be adversely impacted by the COVID-19 pandemic albeit at lower levels than in the prior year.

Group revenue for the year increased by 24%, boosted by stronger volumes in South Africa, Nigeria and Zimbabwe. Trading profits and margins grew as the group successfully restructured two divisions, improved volumes as a result of export opportunities and continued its focus on reducing operating costs by consolidating operations and simplifying product offerings. The management of the group's balance sheet, gearing levels, funding structures and covenants in these uncertain times remained our top priority.

The resilience and agility of the group was tested during a challenging year that showed green shoots of recovery in selected markets. Proactive steps were taken by the management team in managing the group's supply chains, working capital levels, funding structures and in managing costs.

Compliance with the group's funding requirements remained a key risk during the year particularly given the requirement for the group to comply with quarterly covenants and to repay R1 billion in debt by 30 September 2021. The group's funding structure, covenants and the R1 billion debt repayment date were successfully renegotiated with the group's funding partners given the group's significantly improved trading results. The group acted decisively to reduce operating costs wherever possible, limit capital expenditure, proactively manage working capital levels in a market with changing demand patterns and to optimise cash flows. Covenants were complied with for all quarterly reporting periods during the year.

Continued focus was placed on the respective operations' cash generative abilities and capital expenditure requirements.

The group actively managed employee costs with no salary increases awarded during the current financial year other than to unionised wage earners with effect from 1 July 2021. Operating costs were well managed. External input costs regulated by government resulted in increased tariffs which were recovered through increased selling prices where possible. Maintenance costs were well managed without compromising the group's asset base.

## Goodwill and other asset impairment reviews

The Nigerian market is performing well with a strong recovery in volumes. The strong demand for beverage cans is expected to continue and is supported by our customers forecasts despite limited foreign exchange availability potentially slowing economic growth. Sales contracts are in place for our 3 major customers comprising 93% of total sales volumes. After careful consideration of current market conditions, selling price assumptions and the reduction in the WACC rate primarily due to a reduction of the in-country risk premium, no impairment of goodwill was required.

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. These valuations were performed at year-end taking into account the 2022 approved budgets and stratplans to 2026 and resulted in net impairment losses of R229.1 million. Further net impairment losses of R35.2 million were incurred on assets classified as held for sale (being measured at fair value less costs to sell).

The Angolan economy is forecast to partly recover from last year's COVID-19-induced slump as both external and domestic demand strengthen. The recovery is expected to be impacted by elevated unemployment, ongoing currency weakness, reduced oil output, social unrest, a notable fiscal shortfall and ballooning public debt. However, after taking into account volume projections based on expected demand, improving profitability and cash flow generation, a terminal growth rate and a reduced WACC rate as a consequence of a lower in-country risk premium, a reversal of impairment losses of R68.9 million (\$4.7 million) was accounted for in the year under review. In 2020 an impairment loss of R1.2 billion (\$69.8 million) was recognised.

DivFood has delivered a significant turnaround during the year under review underpinned by improved selling prices, cost reductions and site consolidations. In 2020 an asset impairment loss of R224.3 million was required and accounted for. Based on the expected future cash flows and a marginally lower WACC rate, a reversal of impairment loss of assets was required amounting to R100.6 million in the current year. This was partially offset by impairment losses of R26.8 million on specific assets held for sale. The future cash flows of the South African Rigids Plastics, Crates and Botswana businesses were reassessed as part of the preparation of the 2022 budget and the stratplan to 2026. Despite the positive effects of the various restructuring initiatives and a slightly lower WACC rate, lower expected future cash flows and relatively high replacement capital expenditure has required a further asset impairment loss of R391.0 million. An asset impairment loss of R423.5 million was booked in the prior year.

### Assets held for sale and disposals

There were no discontinued operations during the year. The DivFood Mobeni and Tubes businesses have been classified as assets held for sale in terms of IFRS 5: Assets Held for Sale and Discontinued Operations. These operations are neither material from a geographic nor a substrate perspective to be classified as discontinued operations. Disposals of identified businesses or operations were challenging in current market conditions.

The group successfully concluded an agreement for the sale of the Tubes business. For several reasons, Nampak has not been able to conclude the other anticipated business disposals to date. As part of Nampak's strategic objectives to reduce risk and to simplify our business portfolio, we are still actively engaging with potential buyers. This process is taking longer than originally anticipated.

### Borrowing facilities

In terms of the funding agreements negotiated in September 2020, the group's debt funders required interest-bearing debt to be reduced by R1 billion by 30 September 2021, through a strategic asset disposal process or a combination of asset disposals and a capital raise.

Negotiations were successfully concluded with Nampak's lenders to revise certain funding requirements in light of the group's improved trading performance. After considering the group's results, the milestone date for assessment of the group's ability to reduce debt by R1 billion was deferred to 30 June 2022. The requirement to reducing net interest-bearing debt by R1 billion by 30 September 2022 remains.

The restriction to reduce debt only through asset disposals and/or a capital raise was relaxed so as to allow the utilisation of all cash flows generated through normal operating activities, inclusive of the repayments of historical debt by the Reserve Bank of Zimbabwe, but subject to the cancellation of commensurate committed facilities. In order to reduce commitment fees on unutilised facilities the group cancelled R2.6 billion of its historic facilities of R10.1 billion.

The remaining facilities of R7.5 billion are considered adequate for the group's requirements. The group aims 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. A trade finance facility of up to R1 billion secured post the year-end will improve the group's working capital cycle. The utilisation of this non-recourse facility will count towards the requirement to repay R1 billion in debt by 30 September 2022.

# Directors' report continued

## Covenant relaxation

Summarised below are the significant amendments and relaxations granted by lenders to the group as at 30 September 2021.

The adjustment of the financial covenant levels for the following measurement periods as follows:

### Leverage

Measurement period	Ratio
ending on 30 September 2021	less than or equal to 3.50:1.00
all quarterly reporting periods ending 30 September 2022	less than or equal to 3.50:1.00
ending after 30 September 2022	less than or equal to 3.00:1.00

The adjustment of the margin ratchets to be not more than the following (the applicable margin at a point in time will be a function of the leverage financial covenant):

### Margin ratchets

%	Facility A	Facility B	Facility C/G	Facility D	Facility E	Facility F
Greater than or equal to 3.0:1 times	3.40	3.53	3.50	2.35	3.40	3.02
Less than 3.0 times but greater than or equal to 2.50 times	2.92	3.03	3.02	2.35	2.98	2.59
Less than 2.5 times	2.41	2.64	2.51	2.35	2.63	2.34

The margin ratchet rates apply above the base rate and will apply during the 2022 financial year.

## 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 as amended.

## 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	690 474 523	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

### Notes:

1. The issued share capital was increased by 663 019 shares on 30 March 2021.
2. The issued ordinary share capital includes 44 719 790 treasury shares and 11 096 shares held by the Nampak Black Management Trust.
3. At the annual general meeting of 11 February 2020, 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.
4. Share premium as at 30 September 2021: R270.9 million (2020: R268.9 million).
5. There were no changes to the 6.5% and 6% preference shares.

## Share plans

Details of the share plans are set out on pages 80 to 82.

### 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:

Number of shares	2021	2020
Balance at the commencement of the financial year	<b>1 705 355</b>	4 335 053
Forfeitures/cancellations	<b>(238 837)</b>	(140 275)
Share appreciation rights forfeited as at 30 September of each year due to performance targets not being fulfilled	<b>(55 000)</b>	(2 489 423)
<b>Balance at the end of the financial year</b>	<b>1 411 518</b>	1 705 355

### 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:

Number of shares	2021	2020
Balance at the commencement of the financial year	<b>7 283 475</b>	7 076 751
Number of conditional shares awarded during the year	—	3 442 691
Executive directors (Nampak Limited)	—	1 540 496
Employees	—	1 902 195
Forfeitures/cancellations	<b>(239 594)</b>	(1 372 761)
PSP rights forfeited as at 30 September of each year due to underachievement of performance criteria	<b>(2 003 302)</b>	(1 667 241)
PSP rights exercised	<b>(327 764)</b>	(195 965)
<b>Balance at the end of the financial year</b>	<b>4 712 815</b>	7 283 475

### 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.

Number of shares	2021	2020
Balance at the commencement of the financial year	<b>791 991</b>	504 904
Number of bonus shares purchased by employees during the year:	<b>242 254</b>	576 608
Executive directors (Nampak Limited)	<b>222 927</b>	251 412
Employees	<b>19 327</b>	325 196
Number of bonus shares transferred/sold by employees during the year:	<b>(335 255)</b>	(155 102)
Cancellations	<b>(18 174)</b>	(134 419)
<b>Balance at the end of the financial year</b>	<b>680 816</b>	791 991

## Directors' report continued

### 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 2021 is summarised below:

Number of shares	30 September 2021
Balance at the commencement of the financial year	<b>11 855 951</b>
<i>Less:</i>	
Number of conditional shares purchased during the year and prior financial years in terms of DBP	<b>(680 816)</b>
<i>Add:</i>	
Share appreciation rights forfeited in terms of SAP during the current financial year	<b>293 837</b>
Awards forfeited in terms of the PSP during the current financial year	<b>2 242 896</b>
PSP rights exercised during the current financial year	<b>327 764</b>
Number of conditional shares cancelled during the year in terms of DBP	<b>18 174</b>
Number of bonus shares transferred/sold during the year	<b>335 255</b>
<b>Maximum available for future allocations:</b>	<b>14 393 061</b>

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 are much less dilutive than conventional option plans, as only the appreciation in the share price is settled in shares. One award granted will therefore never result in a full share being issued.

In respect of the SAP, and as amended by a shareholders resolution passed on 11 February 2020, the company will be limited to issuing no more than 4 400 000 (four million four hundred thousand) shares. This limit also takes into account awards granted under the SAP Trust in 2006.

In respect of the PSP, and as amended by a shareholders resolution passed on 11 February 2020, the company will be limited to issuing no more than 22 600 000 (twenty two million six hundred thousand) shares. This limit also takes into account awards already granted under PSP Trust in 2006.

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

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

## Dividends

### Ordinary dividend

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

### Cumulative preference dividend

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	104	6.00	30/11/2020	02/02/2021	08/02/2021
	105	6.00	27/05/2021	27/07/2021	02/08/2021
6.5% cumulative preference	104	6.50	30/11/2020	02/02/2021	08/02/2021
	105	6.50	27/05/2021	27/07/2021	02/08/2021

## Directors

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

Mr SP Ridley and Ms LJ Sennelo are the directors who are required to retire as directors of the company in terms of clause 29.1 of the memorandum of incorporation. They are both eligible and available for re-election.

The remuneration of Nampak Limited's directors is set out on pages 83 to 85 of these annual financial statements.

## Interests of directors, prescribed officers and group executive committee members

The total direct and indirect beneficial and non-beneficial interests of the directors, the prescribed officers and group executive committee members of Nampak Limited (including directors and prescribed officers who retired during the financial year) in the issued ordinary share capital of the company at 30 September 2021 are shown below:

	Ordinary shares	
	2021	2020
<b>Beneficial interests</b>		
<b>Executive directors</b>		
EE Smuts	<b>785 598</b>	477 243
GR Fullerton	<b>94 994</b>	46 058
<b>Non-executive directors</b>		
PM Surgey	<b>240 001</b>	180 001
SP Ridley	<b>176 000</b>	176 000
<b>Prescribed officers</b>		
C Burmeister	<b>273 237</b>	240 000
CB Farndell <sup>1</sup>	—	19 317
H Nel	<b>63 724</b>	44 397
LD Kidd	<b>88 965</b>	88 965
SB McGill	<b>60 928</b>	—
IH van Lochem	<b>31 341</b>	29 702

1 Resigned on 30 June 2021.

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

## 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

Going concern note 1.4 of the financial statements sets out the group's going concern assessment. The board has assessed the group consolidated budget for 2022 and stratplans to 2026, the resultant profitability levels, financial position and cash flows, taking into account the material factors in each of the geographies and substrates in which the group operates, the group's available funding facilities and potential assets for disposal and are of the view that the group has adequate access to liquidity for the foreseeable future. The events, conditions, judgements and assumptions inherently include material uncertainties on the timing of future cash flows and therefore any significant deviations may cast significant doubt on the group's ability to continue as a going concern and its ability to realise assets and discharge liabilities in the normal course of business. Whilst there are material uncertainties, the directors have, based on the information available to them, considered the financial plans and forecasts, available funding facilities, the actions taken by the group, the historic track record of the group to deliver on disposals, cost reductions and optimisation plans, as well as the management of working capital and capital expenditures. Based on these assessments, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements and that the group will continue to operate for the foreseeable future.

## Directors' report continued

### Subsequent events

On 21 October 2021, the group concluded a trade finance facility with Standard Bank Group Limited for up to R1.0 billion. This facility allows the group to sell on a non-recourse basis a portion of its accounts receivable balances at terms that are beneficial to the group. During October 2021, an amount of R206.1 million was utilised against this facility and applied against the R1.0 billion debt repayment requirement.

On 29 October 2021, the maturity date of one of the group's dollar-based banking facilities amounting to R504.0 million (US\$33.4 million) was extended from 25 September 2022 to 1 April 2023. The facility, of which R450.0 million was drawn-down, was classified as a short-term liability at 30 September 2021.

### Retirement funds

Details of retirement funds are reflected in note 7.1 to the annual financial statements.

### Subsidiaries, joint ventures and associate companies

Details of the company's significant subsidiaries, joint ventures and associates are reflected on pages 90 to 92 in these annual financial statements.

### External auditors

Deloitte & Touche was the external auditor of Nampak Limited and other group companies for the financial year ended 30 September 2021.

At the annual general meeting of 16 February 2022, shareholders will be requested to re-appoint 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 2021. 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 page 104 of these annual financial statements.

# Chief executive officer and chief financial officer's internal financial control responsibility statement for the year ended 30 September 2021

In accordance with paragraph 3.84(k) of the JSE Limited Listings Requirements, the Chief Executive Officer and Chief Financial Officer hereby confirm that:

- a. the consolidated and separate annual financial statements (hereinafter referred to as annual financial statements) set out on pages 22 to 100, fairly present in all material respects the financial position, financial performance and cash flows of the Company in terms of IFRS;
- b. no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- c. internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer;

- d. the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit and risk committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



**EE Smuts**  
Chief executive officer

3 December 2021



**GR Fullerton**  
Chief financial officer

# Consolidated statement of comprehensive income

for the year ended 30 September 2021

R million	Notes	2021	Restated <sup>1</sup> 2020
<b>Revenue</b>	2.1, 2.4	<b>13 958.4</b>	11 277.9
Raw materials and consumables used		<b>(7 695.8)</b>	(6 303.0)
Employee benefit expense		<b>(2 330.0)</b>	(2 078.2)
Depreciation and amortisation expense		<b>(460.4)</b>	(536.6)
Other operating expenses		<b>(2 459.5)</b>	(2 475.5)
Other operating income		<b>177.7</b>	96.2
<b>Operating profit/(loss) before items below</b>		<b>1 190.4</b>	(19.2)
Net impact of devaluation associated with Zimbabwe		<b>4.5</b>	(263.8)
Net foreign exchange gains/(losses)		<b>0.8</b>	(81.9)
Monetary adjustment for hyperinflation		<b>(4.5)</b>	(181.9)
Net measurement of expected credit loss allowance – Reserve Bank of Zimbabwe financial instrument	5.3	<b>8.2</b>	–
<b>Operating profit/(loss) before net impairment losses</b>	2.2, 2.4	<b>1 194.9</b>	(283.0)
Net impairment losses	2.3	<b>(264.3)</b>	(4 020.2)
<b>Operating profit/(loss)</b>		<b>930.6</b>	(4 303.2)
Finance costs	5.2	<b>(506.2)</b>	(524.1)
Finance income	5.2	<b>21.6</b>	76.5
Share of net (loss)/profit in associates and joint venture		<b>(0.9)</b>	0.5
<b>Profit/(loss) before tax</b>		<b>445.1</b>	(4 750.3)
Income tax (expense)/benefit	3.1	<b>(67.7)</b>	401.5
<b>Profit/(loss) for the year from continuing operations</b>		<b>377.4</b>	(4 348.8)
Profit for the year from discontinued operations <sup>2</sup>		<b>–</b>	368.7
<b>Profit/(loss) for the year</b>		<b>377.4</b>	(3 980.1)
<b>Other comprehensive (loss)/income for the year, net of tax</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Net actuarial (loss)/gain from retirement benefit obligations		<b>(32.4)</b>	72.7
<b>Items that may be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations excluding Zimbabwe operations		<b>(237.1)</b>	703.2
Exchange differences on translation and hyperinflation effects of Zimbabwe operations		<b>(14.6)</b>	(592.7)
Fair value loss on liquid bonds		<b>–</b>	(9.9)
(Loss)/gain on cash flow hedges		<b>(0.5)</b>	11.3
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(284.6)</b>	184.6
<b>Total comprehensive income/(loss) for the year</b>		<b>92.8</b>	(3 795.5)
<b>Profit/(loss) attributable to:</b>			
Owners of Nampak Limited		<b>207.2</b>	(3 467.6)
Non-controlling interest in subsidiaries	8.5	<b>170.2</b>	(512.5)
Total		<b>377.4</b>	(3 980.1)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of Nampak Limited		<b>(151.9)</b>	(3 492.6)
Non-controlling interest in subsidiaries	8.5	<b>244.7</b>	(302.9)
Total		<b>92.8</b>	(3 795.5)
<b>Earnings/(loss) per share</b>			
Basic (cents per share)	4.1	<b>32.1</b>	(537.7)
Diluted (cents per share)	4.2	<b>32.1</b>	(537.2)

1 Operating profit/(loss) has been restated to include net impairment losses. Refer to note 2.2.

2 There were no discontinued operations in the current year. Refer to note 4 of the previous year's financial statements for details of the profit for the year from discontinued operations.

# Consolidated statement of financial position

at 30 September 2021

R million	Notes	2021	2020*
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant, equipment and investment property	6.1	<b>5 360.9</b>	5 905.8
Right of use assets	6.2	<b>666.7</b>	880.7
Goodwill	6.3	<b>1 711.8</b>	1 877.9
Other intangible assets	6.4	<b>134.9</b>	164.5
Investments in associates and joint ventures		<b>17.5</b>	14.9
Deferred tax assets	3.2	<b>466.2</b>	388.6
Loan and lease receivables – non-current	5.3	<b>78.1</b>	139.7
		<b>8 436.1</b>	9 372.1
<b>Current assets</b>			
Inventories	6.5	<b>2 910.9</b>	2 815.9
Trade and other current receivables	6.6	<b>2 800.3</b>	1 980.6
Tax assets		<b>16.3</b>	45.5
Loan and lease receivables – current	5.3	<b>43.3</b>	358.6
Bank balances and deposits	5.7	<b>1 136.6</b>	1 528.9
		<b>6 907.4</b>	6 729.5
Assets classified as held for sale	6.7	<b>621.9</b>	92.7
Total assets		<b>15 965.4</b>	16 194.3
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	8.2	<b>35.5</b>	35.5
Capital reserves	8.3	<b>(226.9)</b>	(227.6)
Other reserves	8.4	<b>109.5</b>	475.7
Retained earnings		<b>4 911.7</b>	4 701.3
<b>Shareholders' equity</b>		<b>4 829.8</b>	4 984.9
Non-controlling interests	8.5	<b>(528.7)</b>	(770.4)
Total equity		<b>4 301.1</b>	4 214.5
<b>Non-current liabilities</b>			
Loans – non-current	5.4	<b>4 474.3</b>	5 755.2
Lease liabilities – non-current	5.5	<b>1 192.7</b>	1 291.2
Retirement benefit obligation	7.1	<b>801.2</b>	775.5
Deferred tax liabilities	3.2	<b>175.3</b>	242.3
Other non-current liabilities		<b>12.7</b>	14.9
		<b>6 656.2</b>	8 079.1
<b>Current liabilities</b>			
Trade and other current payables	6.8	<b>2 892.6</b>	2 327.4
Provisions	6.9	<b>192.0</b>	275.4
Tax liabilities		<b>36.6</b>	34.9
Loans and lease liabilities – current	5.6	<b>1 577.0</b>	1 134.5
Bank overdrafts	5.7	<b>25.0</b>	128.5
		<b>4 723.2</b>	3 900.7
Liabilities directly associated with assets classified as held for sale	6.7	<b>284.9</b>	–
Total equity and liabilities		<b>15 965.4</b>	16 194.3

\* Bank overdrafts have been disaggregated from loans and lease liabilities – current for enhanced disclosure. Loans and lease liabilities – current have, therefore, been re-presented.

# Consolidated statement of changes in equity

for the year ended 30 September 2021

R million	Notes	2021	2020
<b>Opening balance</b>		<b>4 214.5</b>	8 209.9
Adjustment to opening balance — adoption of new standards <sup>1</sup>		—	(209.0)
Net shares issued during the year		<b>2.0</b>	—
Share-based payment expense/(reversal)		<b>3.3</b>	(13.6)
Share grants forfeited		<b>(1.3)</b>	—
Net impact of Zimbabwe debt capitalised		—	155.8
Disposal of businesses <sup>2</sup>		—	(153.0)
Disposal of liquid bonds <sup>3</sup>		<b>(10.1)</b>	20.0
Total comprehensive income/(loss) for the year		<b>92.8</b>	(3 795.5)
Dividends paid		<b>(0.1)</b>	(0.1)
<b>Closing balance</b>		<b>4 301.1</b>	4 214.5
<b>Comprising:</b>			
Share capital	8.2	<b>35.5</b>	35.5
Capital reserves	8.3	<b>(226.9)</b>	(227.6)
Share premium		<b>270.9</b>	268.9
Treasury shares		<b>(513.4)</b>	(513.4)
Share-based payments reserve		<b>15.6</b>	16.9
Other reserves	8.4	<b>109.5</b>	475.7
Foreign currency translation reserve		<b>787.6</b>	1 113.8
Financial instruments hedging reserve		—	0.5
Recognised actuarial losses reserve		<b>(634.9)</b>	(602.5)
Other <sup>4</sup>		<b>(43.2)</b>	(36.1)
Retained earnings	8.1	<b>4 911.7</b>	4 701.3
<b>Shareholders' equity</b>	8.1	<b>4 829.8</b>	4 984.9
Non-controlling interest	8.5	<b>(528.7)</b>	(770.4)
<b>Total equity</b>	8.1	<b>4 301.1</b>	4 214.5

1 IFRS 16: Leases.

2 Cumulative translation reserve gain relating to foreign operations recycled through profit/loss on disposal.

3 Cumulative fair value (gains)/losses relating to liquid bonds measured at fair value through other comprehensive income recycled through profit/loss on disposal.

4 Other reserves relate to a put option in favour of the Botswana Development Corporation created on the acquisition of the group's interest in Nampak DivFood Botswana (Pty) Ltd of R17.0 million and deferred tax on the equity contribution by NIL to Nampak Zimbabwe of R26.2 million. During the year, the cumulative fair value gains relating to liquid bonds (R7.1 million after non-controlling interests of R3.0 million) were recycled to profit and loss on the disposal of the bonds.

# Consolidated statement of cash flows

for the year ended 30 September 2021

R million	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Cash receipts from customers		<b>12 941.4</b>	11 945.5
Cash paid to suppliers and employees		<b>(11 882.2)</b>	(10 858.4)
<b>Cash generated from operations</b>	2.5	<b>1 059.2</b>	1 087.1
Interest received		<b>21.0</b>	77.3
Interest paid		<b>(544.0)</b>	(629.7)
Retirement benefits, contributions and settlements		<b>(77.5)</b>	(77.9)
Income tax paid		<b>(152.0)</b>	(42.0)
<b>Cash flows from operations</b>		<b>306.7</b>	414.8
Dividends paid		<b>(0.1)</b>	(0.1)
<b>Cash generated from operating activities</b>		<b>306.6</b>	414.7
<b>Cash flows from investing activities</b>			
Capital expenditure		<b>(312.9)</b>	(666.2)
Replacement		<b>(273.7)</b>	(541.4)
Expansion		<b>(39.2)</b>	(124.8)
Disposal of property, plant, equipment and investments		<b>40.9</b>	51.8
Net proceeds on the disposal of businesses		<b>—</b>	1 568.3
Proceeds on disposal of liquid bonds		<b>267.8</b>	456.6
Proceeds from RBZ receivable		<b>57.4</b>	—
Decrease in other non-current financial assets		<b>2.3</b>	2.5
<b>Cash generated from investing activities</b>		<b>55.5</b>	1 413.0
<b>Net cash generated before financing activities</b>		<b>362.1</b>	1 827.7
<b>Cash flows from financing activities</b>			
Non-current loans raised		<b>1 499.6</b>	2 388.4
Non-current loans repaid		<b>(1 998.5)</b>	(4 127.5)
Net current loans raised		<b>—</b>	1.5
Lease liabilities repaid		<b>(71.2)</b>	(79.0)
<b>Cash repaid in financing activities</b>	2.6	<b>(570.1)</b>	(1 816.6)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(208.0)</b>	11.1
Net cash and cash equivalents at beginning of year		<b>1 400.4</b>	1 358.4
Translation of cash in foreign subsidiaries		<b>(80.8)</b>	30.9
<b>Net cash and cash equivalents at end of year</b>	5.7	<b>1 111.6</b>	1 400.4

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# Notes to the consolidated financial statements

for the year ended 30 September 2021

## 1. Basis of preparation

### 1.1 General

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 amended, 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 concerned.

The accounting policies set out in the respective notes to the financial statements 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.

### 1.2 New and revised standards in issue

There are various amendments which have been issued. The amendments that are effective for the current year did not have a significant impact on the group. Similarly those amendments that are not effective for the current year are not expected to have a significant impact on the group.

### 1.3 Critical judgements and estimates

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 that involve particularly complex or subjective judgements or assessments. These are set out below:

#### › Going concern

In determining the appropriate basis of preparation of the annual financial statements, the directors are required by IAS 1: Presentation of Financial Statements to assess the group's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, the directors are required to take into account all available information about the future which is at least but not limited to twelve months from the end of the reporting period. Such information may include the current and expected profitability of operations, as well as debt covenant levels and repayment schedules.

The directors have assessed all matters related to the going concern assumption as set out in note 1.4 below and have determined that the group will continue as a going concern for the foreseeable future.

#### › Impairment of assets

In terms of IAS 36: 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.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.3 Critical judgements and estimates *continued*

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.

In testing the goodwill pertaining to Bevcan Nigeria in particular, management took into consideration the economic outlook for Nigeria and the market for beverage cans in particular. After the worst downturn in recent history due to the COVID-19 pandemic and oil price drop, the Nigerian economy grew slightly in 2021 and is expected to grow by 2.9% in 2022 as demand at home and abroad recover. The strong demand for beverage cans experienced in 2021 is expected to continue and given customer volume growth forecasts for the next 3 to 5 years compared to installed production capacity in Nigeria, it is expected that overall market demand will exceed supply from 2024 onwards. As a result, management determined that significant headroom exists in the calculation such that no impairment of the goodwill was required for the current year. The carrying value of goodwill attributed to Bevcan Nigeria is R1.6 billion (US\$102.6 million) while the recoverable amount of the Bevcan Nigeria operation amounts to R4.0 billion (US\$267.7 million).

As the group's net asset value continues to significantly exceed the group's market capitalisation, potential impairment losses of assets other than goodwill were also considered with individual operations/cash generating units being tested for specific impairment. These valuations were performed at 30 September 2021 taking into account the approved budget for 2022 and the stratplans to 2026.

The impairment assessments impacted the assets of three divisions in particular. The divisions impacted and the circumstances in which the impairment losses/(impairment loss reversals) occurred are as follows:

#### **Bevcan Angola**

The Angolan economy grew slightly in 2021 thereby ending a multi-year recession and is expected to grow by 2.9% in 2022. This growth is expected on the back of the new oil sector bill which should boost investment growth, as well as the easing of domestic and foreign COVID-19 lockdown measures. These developments are in turn expected to have a positive impact on consumer demand and that the recovery in earnings seen in the current year will continue in 2022 and accelerate from 2023. As a result, management has determined that an impairment loss reversal for the year of R68.9 million (US\$4.7 million) should be recognised. The recoverable amount of the Bevcan Angola operation amounts to R1 550.0 million (US\$102.6 million).

#### **DivFood South Africa**

Following the easing of COVID-19 lockdown measures in 2021, the DivFood business has seen a significant recovery in earnings in the current year. Further revenue growth is expected following the identification of tangible opportunities in several key areas of this business, while the completion of recent restructuring initiatives are expected to limit overhead increases year on year. As a result, earnings are expected to continue to improve from 2022 and management has determined that an impairment loss reversal for the year of R100.6 million should be recognised. This was partially offset by impairment losses of R26.8 million on specific assets held for sale. The recoverable amount of the DivFood business amounts to R1 633.3 million.

#### **Rigids South Africa**

The Rigids business has lost several customers in recent years and revenue has not returned to the levels experienced prior to COVID-19. No new contracts have been secured at the year-end to offset the impact of these lost customers, while the full benefits of various internal projects to simplify and optimise operations have yet to be realised. As a result, earnings and cash flows for this business are expected to remain under pressure from 2022 and management has determined that an impairment loss for the year of R391.0 million should be recognised. The recoverable amount of the Rigids business amounts to R411.6 million.

Details of the key assumptions used in the impairment assessments as well as the impairment losses incurred are set out in note 2.3.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.3 Critical judgements and estimates *continued*

#### › 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 the reporting date.

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.

During March 2021, the Nampak Limited board took a decision to dispose of the following businesses after consideration of binding offers received for these businesses in terms of the group's de-gearing plan set out in note 1.4:

- › DivFood Mobeni business (part of the DivFood division of Nampak Products Limited, a direct subsidiary of Nampak Limited);
- › Rigids Tubes business (part of the Rigids division of Nampak Products Limited, a direct subsidiary of Nampak Limited).

After an assessment of the transactions pertaining to these businesses in terms of the above criteria, the directors determined that these disposal groups met the above criteria as at 31 March 2021 and therefore classified these disposal groups as held for sale at that date. These businesses, however, were not classified as discontinued operations as they neither represent a separate major line of business nor a geographical area of operations.

Details of the net assets of these businesses are disclosed in note 6.7.

Two other businesses in the Rigids division were considered for disposal during the year. However, neither of these disposals are at an advanced stage of negotiation and as such it was determined that neither met the above criteria at 30 September 2021. These businesses were therefore not classified as held for sale.

#### › Expected credit loss determination of the Reserve Bank of Zimbabwe settlement agreement

In order to protect shareholder interests from foreign currency devaluation on the dollar denominated liabilities of Nampak Zimbabwe Limited (NZL) to Nampak International Limited (NIL), management secured an agreement with the Reserve Bank of Zimbabwe (RBZ) on 27 September 2019 in terms of which the RBZ undertook to repay USD 66.8 million relating to historic intragroup funding owed by NZL to NIL over a period of five years in quarterly repayments commencing on 31 March 2021.

In terms of IFRS 9: Financial Instruments, the group recognised a financial asset at amortised cost based on the contract. This standard requires management to determine at each reporting date whether the credit risk pertaining to the asset has increased significantly from its initial recognition. To this end, management is required to consider all reasonable and supportable information available in order to compare the risk of a default occurring at the reporting date with that occurring at initial recognition. Where the risk of default has increased significantly, an expected credit loss (ECL) provision must be recognised equal to the credit losses expected to be incurred over the lifetime of the asset. In determining the measurement of the ECL provision, management should apply a definition of default that is consistent with the definition used for internal credit risk management purposes for the relevant asset and consider qualitative factors where appropriate. For the RBZ financial instrument, default is defined as the failure to honour the repayment terms of the agreement with the RBZ.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.3 Critical judgements and estimates *continued*

In light of the credit risk attached to the asset at 30 September 2019, an ECL provision of 85% was applied to the agreement after having regard to the prevailing economic challenges and financial uncertainty in Zimbabwe. This was supported by the outlook of the World Bank and International Monetary Fund and related to the ability of the Zimbabwean economy to recover from its economic crisis. This assessment and determination remained unchanged at 31 March 2020 and 30 September 2020.

At 31 March 2021, however, the RBZ failed to settle the first instalment in terms of the group's agreement with them. The RBZ acknowledged their default, indicating that the default was due to the Blocked Funds Framework that needed to be finalised. The RBZ communicated their non-contractual commitment to pay a reduced amount and comply with the terms of the original agreement. As the economic data available for Zimbabwe indicated that inflation has moderated and currency fluctuations have stabilised in 2021, management determined that, despite the default on the first instalment and commitment to pay a reduced amount, the risk of default had not increased and that the ECL provision of 85% should remain unchanged at 31 March 2021 until more substantive information became available.

At 30 September 2021, however, the RBZ defaulted on this revised commitment. Based on the past due information above and forward-looking information based on the data included previously which indicates continued deterioration in the future, management has determined that the risk of default on this asset has increased since March 2021, and that the ECL provision should be increased from 85% to 90% based on the calculation of the present value of the cash flows expected from the asset over the remaining repayment period.

Details of the carrying value of the RBZ financial instrument are disclosed in note 5.3.

### › Modification of financial liabilities

The contractual terms for the revolving credit facilities were amended in September 2021. In terms of IFRS 9: Financial Instruments, when the contractual terms of a financial liability have been amended, it must be determined whether the amendments result in a substantial or insubstantial modification to the instrument concerned. In addition, IFRS 9 requires an entity to determine an accounting policy as to whether credit spread adjustments, as determined in a loan agreement, reflect movements in market rates of interest for the credit risk of the entity (defined as a floating-rate financial liability), or whether such adjustments do not reflect movements in market rates of interest for the credit risk of the entity (defined as a fixed-rate financial liability). Such re-estimations of future cash flows are then reflected in the gross carrying amount of the instrument.

When the contractual terms of a financial liability are substantially modified, it is accounted for as an extinguishment of the original debt instrument and the recognition of a new financial liability. The new debt instrument is recorded at fair value and any difference between this value and the carrying amount of the extinguished liability, including any non-cash consideration transferred, is recorded in profit or loss as are any costs or fees incurred. If a modification to the terms of a financial liability is not substantial, then the amortised cost of the liability is recalculated as the present value of the estimated future contractual cash flows discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortised over its term.

In limited circumstances, a qualitative assessment will be sufficient to establish that the terms of the modified financial liability are substantially different from those of the original instrument. If this assessment is not sufficient, an entity applies a quantitative assessment based on the guidance in the standard.

Based on a qualitative and quantitative assessment of the revised contractual terms, management determined that these terms were not substantially different from the terms of the previous facility. Accordingly, the modification was assessed as being insubstantial and the carrying value of the debt remains unchanged as at 30 September 2021 as the interest rate set on the loan was reset to the market rate.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.3 Critical judgements and estimates *continued*

The financial liability recognised under the current revolving credit facility loan agreement is defined as a floating rate financial liability measured at amortised cost. This results in the revision of the effective interest rate at the point when the contractual interest rate is revised to reflect the change in the credit risk of the group. In terms of the agreement, the group's interest rate is based on compliance with the leverage covenant level i.e. on the base floating rate plus the margin rate, depending on the covenant concerned at the end of each quarter.

Details of the revised contract terms are disclosed in note 1.4.

#### › Functional currency of Nampak Bevcan Angola Limitada and Nampak Bevcan 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 provided, the currency whose competitive forces and regulations mainly determine the sales prices of these goods and services, the currency that mainly influences labour, material and other costs of providing these 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.

After consideration of the above factors, in particular selling prices and production costs being the dominant factors, the US Dollar was determined to be the functional currency for Nampak Bevcan Angola Limitada and Nampak Bevcan Nigeria Limited in management's initial and ongoing assessment.

Selling prices for aluminium beverage cans are negotiated in US dollar as they are linked to the London Metal Exchange (LME) where aluminium is traded in US dollar. Raw materials, being mainly aluminium, has to largely be imported and is priced internationally in US dollar. Other production costs such as gas and consumables, although payable in local currency, are also linked to the US dollar exchange rate. In addition, the nature of the manufacturing process is specialised and requires the employment of international labour which is payable in US dollar. Furthermore, the majority of the property, plant and equipment was purchased in US dollars with a significant portion of maintenance costs being US dollar linked.

There has been no change to the transactions, events and conditions supporting these factors. Consequently, there has been no change to the group's initial assessment and the decision was made that the US Dollar remains the functional currency of both companies.

#### › Translation of Zimbabwe group companies

The Zimbabwean exchange rates used in translating the results and financial position of the Zimbabwe group companies to the reporting currency of the group for consolidation purposes are derived from the Bloomberg market internet site. These rates are aligned with the official auction mid-rates as published by the Reserve Bank of Zimbabwe on their internet site. Management, therefore, considers these rates to be appropriate for the translation and consolidation of the results and financial position of the Zimbabwe group companies.

#### › Recognition of deferred tax assets

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. These 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.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.3 Critical judgements and estimates *continued*

The deferred tax assets raised relate mainly to Nampak Products Limited in respect of provisions, retirement benefit obligations, right of use assets, lease liabilities and assessed losses carried forward from prior years. These assets are expected to be recoverable against future taxable profits in the normal course of business. Further deferred tax assets were recognised in Nampak Bevan Nigeria Limited and Nampak Bevan Angola Limitada in respect of assessed losses carried forward from prior years. In respect of the latter, deferred tax assets are only recognised to the extent that the company is expecting to utilise the tax losses with the consideration that these losses prescribe in 2025.

Details of the deferred taxation assets are disclosed in note 3.

### 1.4 Going concern assessment

In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the Nampak Group (the group) will continue as a going concern for the next twelve months, which is considered the foreseeable future.

#### Financial performance during the year

The group performed well during a year that has continued to be adversely impacted by the COVID-19 pandemic albeit at lower levels than in the prior year. Trading conditions improved relative to the prior year as COVID-19 restrictions were eased in South Africa and most markets in the Rest of Africa. Trading conditions do however remain challenging with difficult macroeconomic environments in the majority of the group's territories. Despite low confidence levels in certain markets and subdued consumer spending, revenue and profitability recovered well. It is pleasing to report the group's return to profitability.

The continued impacts of the pandemic on the hospitality industry as well as schooling and the sporting industry has impacted growth. Significant input cost increases were experienced due to challenging supply chains with concomitant increases in logistics and shipping costs as well as significant increases in commodity prices driving up input costs. Focus was placed on margin improvements and cost management, both of which were achieved during the year.

Group revenue for the year increased by 24%, boosted by stronger volumes in South Africa, Nigeria, and Zimbabwe. Trading profits and margins grew as the group successfully restructured two divisions, improved volumes as a result of export opportunities and continued its focus on reducing operating costs by consolidating operations and simplifying product offerings.

The management of the group's balance sheet, gearing levels, funding structures and covenants in these uncertain times remained our top priority. Remaining nimble and responsive to the market's changing demand patterns as the world recovers from the pandemic required additional focus and an investment in working capital given the improved trading levels.

Compliance with the group's covenants was critical as was the need to renegotiate the group's funding package.

The resilience and agility of the group was tested during a challenging year that showed green shoots of recovery in selected markets. Proactive steps were taken by the management team in managing the group's supply chains, working capital levels, funding structures and in managing costs.

Significant focus was placed on complying with the group's funding covenants, the reduction of the dollar denominated component of the group's debt, the prudent management of capital expenditure and the optimisation of working capital. The structure and the maturity dates of facilities within the group's funding package were reviewed to optimise the group's long-term and short-term liquidity. The group complied with both its covenants at its quarterly measurement periods during the year. Impacts of significant increases in commodity prices, continued disruptions in supply chains due to the COVID-19 pandemic and increased demand from our customers required careful planning given the potential impacts on the group's funding requirements.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.4 Going concern assessment *continued*

In terms of the funding agreements negotiated in September 2020, the group's debt funders required interest-bearing debt to be reduced by R1.0 billion by 30 September 2021, through a strategic asset disposal process or a combination of asset disposals and a capital raise. Negotiations were successfully concluded with the group's lenders to revise certain funding requirements in light of the group's improved trading performance. After considering the group's results, the milestone date for assessment of the group's ability to reduce debt by R1.0 billion has been deferred to 30 June 2022 (revised agreements). The requirement to reduce interest-bearing debt by R1.0 billion by 30 September 2022 remains.

The restriction to reduce debt only through asset disposals and/or a capital raise was relaxed so as to allow the utilisation of all cash flows generated through normal operating activities, inclusive of the repayments of historical debt by the Reserve Bank of Zimbabwe (RBZ), but subject to the cancellation of commensurate committed facilities. In order to reduce commitment fees on unutilised facilities, the group cancelled R2.6 billion of its historic facilities of R10.1 billion. The remaining facilities of R7.5 billion are considered adequate for the group's requirements.

The dollar component of the group's net debt for covenant purposes was reduced to 41% at 30 September 2021 from 65% in the prior year utilising the proceeds from the disposals of Glass and Cartons Nigeria.

The group aims 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. A non-recourse trade finance facility of up to R1.0 billion which was secured post the year-end will improve short term liquidity. Utilisation of this facility will count towards the required repayment of interest-bearing debt of R1.0 billion by 30 September 2022. The group's asset base remains well capitalised with no significant capital expenditure requirements expected in the short to medium term.

The group has already instituted the following action plans to further improve the adjusted EBITDA (as defined in note 2.4 and hereinafter referred to as "EBITDA") and cash generation complemented by various cash conservation plans including the following:

- › Several restructuring, cost savings and retrenchment processes and initiatives were completed during the 2021 year, resulting in an employee cost line that corresponds with the relationship to revenue that is acceptable to the group and thereby conserving cash by reducing these outflows;
- › Capital expenditures continue to be carefully managed and are budgeted at moderate levels in subsequent years but at levels which do not damage the group's ability to satisfy customer demand utilising the group's well-maintained asset base;
- › Working capital remains a critical area of focus across all sectors of the business, with high quality trade receivables continuing to be well managed within terms and a focus on ensuring inventory holdings are funded by matching trade payables;
- › The utilisation of the non-recourse trade finance facility (trade finance facility) will assist in repaying debt and in funding growth;
- › Progressing the asset disposal processes with identified targeted disposals expected to contribute to the required debt repayments by 30 September 2022;
- › Continuing and expediting cash transfers from businesses in Angola, Nigeria and Zimbabwe;
- › The business has specific plans set out for the 2022 year and quarterly milestones are required to be met in terms of the revised funding agreements concluded in September 2021, failing which a capital raise will be triggered for the shortfall in the required debt repayment at a date of default;
- › Internal budgets for 2022 per operation and the group have been thoroughly reviewed and focus on revenue growth, primarily driven by a recovery from the impacts of COVID-19, profitability improvements from the optimisation of trading margins off stable gross margins and an improved cost base, and cash generation through well managed working capital and strictly controlled capital expenditure. No material expansionary capital expenditure is budgeted for 2022 with moderate capital expenditure in the strategic planning years;

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.4 Going concern assessment *continued*

- › The group has appointed advisors and continues to consider the implications of various capital raising alternatives. In assessing the various options available to reduce debt, the group is mindful of the impact that different potential disposals may have on the business's cash flow generation thereafter. The non-recourse trade finance facility creates optionality in the plan to reduce interest-bearing debt by R1.0 billion by 30 September 2022. A capital raise for a portion of the required debt reduction may be required but this is considered a last resort and not probable at this stage.
- › The group has no intention to cease trading, curtail operations or liquidate the businesses, other than planned asset disposals, which are aligned with the requirements of the funding agreement.

### Timing and success of asset disposals

As part of the asset review programme, the group has identified various assets which could be disposed of, entirely or partially, and has embarked on various simultaneous initiatives to potentially dispose of these assets in a structured manner and at prices in line with the balance sheet, shareholder value and strategic objectives. Disposals of identified businesses or operations were challenging in current market conditions. The group successfully concluded an agreement for the sale of the Tubes business. For several reasons, the group has not been able to conclude the other anticipated business disposals to date. As part of the group's strategic objectives to reduce risk and to simplify our business portfolio we are still actively engaging with potential buyers with a drive to achieve fair value on disposal. This process is taking longer than originally anticipated.

The group is asset rich with a good prospect of being able to dispose of assets or utilise the non-recourse trade finance facility to deleverage the group by R1.0 billion by 30 September 2022. Furthermore, the group has proven that it has the ability to dispose of identified assets with three successful disposals executed during 2020 and several other disposals having been completed over the past number of years. In house corporate finance and group finance skills will be complemented by external corporate finance teams.

### Capital raise

In the event of non-compliance with the agreed milestones at 30 June 2022, a rights issue may be required.

### Solvency and liquidity

#### Solvency

At 30 September 2021, after impairments, the valuations of the group's assets, fairly valued, exceed the group's liabilities. As such, the group is of the view that given the headroom in the fair value of the assets over the fair value of the liabilities (including contingent liabilities), the group is solvent as at 30 September 2021 and at the date of this report.

#### Liquidity management

During the current year, funding covenants remained consistently below the monthly covenant threshold levels set by lenders and returned to below the originally contracted net debt to EBITDA ratio of 3.0 times by 30 June 2021 and was 2.74 times at 30 September 2021.

Both of the group's covenants are computed based on a rolling 12 month EBITDA. The covenants benefited during the current year as the poor trading months from the prior year were replaced by stronger trading elevating the EBITDA. A stronger rand dollar exchange rate positively impacted the translation of US dollar denominated debt. Further steps were taken to renegotiate the group's funding facilities with covenant relaxations as set out in the table below. Despite the renegotiated relaxed net debt to EBITDA covenant of 3.5 times at 30 September 2021, the group achieved a net debt to EBITDA ratio of 2.74 times which was well within the originally contracted threshold of 3.0 times. This covenant will be measured quarterly but reported monthly to lenders for the ensuing financial year. The EBITDA interest cover ratio of 4.79 times has been adversely impacted by the inclusion of the ratchet interest costs of R87.8 million for the year.

# Notes to the consolidated financial statements

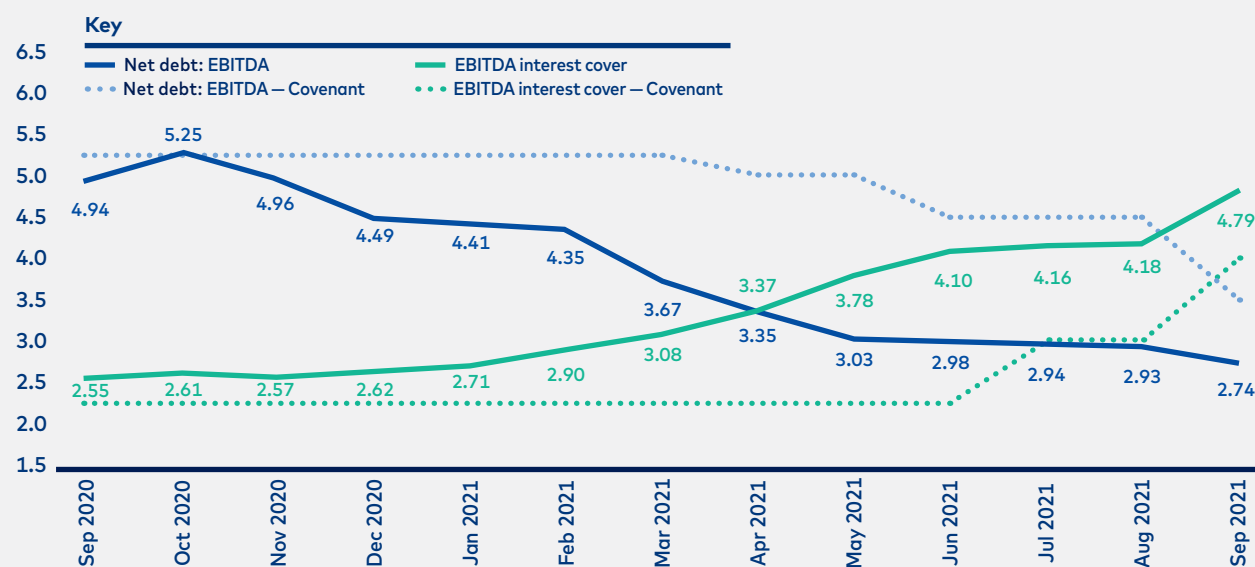
for the year ended 30 September 2021 continued

## 1. Basis of preparation continued

### 1.4 Going concern assessment continued

The group complied with its covenants at the quarterly measurement dates and at 30 September 2021 as follows:

**Funding covenant levels for the year to September 2021 (%)**



Covenant computations above reflect the adjustment for spot translation of the hyperinflationary economy – Zimbabwe.

In terms of the revised agreements, compliance with debt covenants will be closely managed by the funders with monthly reporting and a formal quarterly meeting with the funders. Covenants will be measured quarterly. There are clearly defined milestones and a clear focus on managing the process in terms of which the group is required to reduce its interest-bearing debt by R1.0 billion by 30 September 2022 through the disposal of certain assets, the receipts from the RBZ repayment plan, the internal generation of cash, the utilisation of the trade facility and or a capital raise.

In the unlikely scenario of inadequate cash being generated and the group not being able to meet the deleveraging obligations or if a capital raise event is triggered prior to that date, the group may be called upon to implement a capital raise. This could potentially be through a rights issue or a private placement of shares. Hence, the rights issue documentation has been prepared in parallel with the asset disposal process and alternative capital raising processes are being considered.

### Estimates and judgements considered within the liquidity assessment

The board has assessed the group consolidated budget for 2022, the resultant profitability levels, financial position and cash flows, taking into account the material factors in each of the geographies and substrates in which the group operates, the group's available funding facilities and potential assets for disposal and the capacity and potential use of the non-recourse trade finance facility of R1.0 billion, and are of the view that the group has adequate access to liquidity for the foreseeable future. Detailed valuations have been performed for each cash generating unit, with assets being impaired at 30 September 2021 where considered necessary.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 1. Basis of preparation *continued*

### 1.4 Going concern assessment *continued*

#### Conclusion

The events, conditions, judgements and assumptions described above inherently include material uncertainties on the timing of future cash flows and therefore any significant deviations may cast significant doubt on the group's ability to continue as a going concern and its ability to realise assets and discharge liabilities in the normal course of business, and:

- › meet its debt covenant requirements at 31 December 2021, 31 March 2022, 30 June 2022 and 30 September 2022;
- › meet milestones and related contractual action points as agreed with its lenders which include the mandatory debt redemption of R1.0 billion by 30 September 2022; and
- › meet forecasted liquidity requirements.

While there are material uncertainties, the directors have, based on the information available to them, considered the financial plans and forecasts, available funding facilities, the actions taken by the group, the historic track record of the group to deliver on disposals, cost reduction and optimisation plans, as well as the management of working capital and capital expenditures.

Based on these assessments, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

### 1.5 Subsequent events

On 21 October 2021, the group concluded a trade finance facility with Standard Bank Group Limited for up to R1.0 billion. This facility allows the group to sell on a non-recourse basis a portion of its accounts receivable balances at terms that are beneficial to the group. During October 2021, an amount of R206.1 million was utilised against this facility and applied against the R1.0 billion debt repayment requirement.

On 29 October 2021, the maturity date of one of the group's dollar-based banking facilities amounting to R504.0 million (US\$33.4 million) was extended from 25 September 2022 to 1 April 2023. The facility, of which R450.0 million was drawn-down, was classified as a short-term liability at 30 September 2021.

## 2. Operational performance

### 2.1 Revenue

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
Sale of goods	<b>13 455.4</b>	11 112.4	—	922.2	<b>13 455.4</b>	12 034.6
Transport cost recoveries*	<b>97.6</b>	81.8	—	—	<b>97.6</b>	81.8
Rendering of services	<b>42.2</b>	1.7	—	—	<b>42.2</b>	1.7
Other	<b>363.2</b>	82.0	—	—	<b>363.2</b>	82.0
<b>Total</b>	<b>13 958.4</b>	11 277.9	—	922.2	<b>13 958.4</b>	12 200.1

\* Disclosure has been expanded and comparatives have been included accordingly.

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.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 2. Operational performance continued

### 2.1 Revenue continued

Variable consideration, such as volume rebates, 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. The amounts included in revenue as recognised are immaterial.

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 recognised is not based on any judgements. Furthermore, the nature of packaging products sold by the group is such that customers seldom return the products sold. When, on occasion customers do return products sold, replacements for defective products are supplied. Consequently, no provision for returns is considered necessary.

Revenue is recognised on the sale of goods when control is transferred to the customer usually by means of delivery of the goods concerned. Transport costs recovered from customers are recognised on provision of the transport concerned. Revenue from providing services is recognised when the services have been performed over the period of the contract(s) concerned.

Other revenue primarily relates to scrap sales.

### 2.2 Operating profit/(loss) before net impairment losses

Operating profit/(loss) is defined as the profit/(loss) derived from the core operating activities of group companies over which the group has control in terms of IFRS 10: Consolidated Financial Statements. Operating profit/(loss) is presented after deducting operating expenses, including employee benefit expenses, depreciation and amortisation, net foreign exchange losses and net impairment losses, from gross profit (being revenue less raw materials and consumables used in production) and other operating income. Operating profit/(loss), therefore excludes finance costs and finance income as these are not part of the core operating activities of the group, while the share of net income/(losses) of associates and joint ventures are excluded from operating profit/(loss) as the group does not have control over the investing, financing and operating decisions of these entities.

The comparative for operating profit/(loss) has been restated due to incorrectly presenting the operating loss for the 2020 financial year exclusive of net impairment losses. The operating loss for the 2020 financial year was presented in the 2020 financial statements as R283.0 million, which excluded net impairment losses of R4 020.2 million presented below the operating loss, and has therefore been restated to an operating loss of R4 303.2 million inclusive of these net impairment losses. The reason for excluding net impairment losses for the year concerned was to demonstrate the sustainable operating loss/profit of the group as it was considered that the inclusion of net impairment losses, which were material and arose under abnormal market conditions, would distort this line item. However, after consideration of the requirements of IAS 1 Presentation of Financial Statements, it was considered that it would be more appropriate to reflect net impairment losses as part of operating profit/loss although separately presented on the face of the statement of comprehensive income where these losses are material. Accordingly, the operating profit/(loss) is now disclosed before and after net impairment losses.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 2. Operational performance continued

### 2.2 Operating profit/(loss) before net impairment losses continued

Operating profit/(loss) before net impairment losses is stated after taking into account the following items:

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Employee benefit expense includes:</b>						
Retrenchment costs*	(8.9)	136.0	—	—	(8.9)	136.0
Defined benefit plan expense	81.7	85.3	—	—	81.7	85.3
Pension fund curtailment gain on restructure	(23.5)	(54.8)	—	—	(23.5)	(54.8)
Other share-based payment expenses	3.3	(13.6)	—	—	3.3	(13.6)
* Includes prior year provisions reversed.						
<b>Depreciation and amortisation consist of:</b>						
Freehold and leasehold buildings	31.1	48.5	—	—	31.1	48.5
Plant, equipment and vehicles	302.0	341.0	—	—	302.0	341.0
Investment properties*	—	—	—	—	—	—
Right of use assets	108.1	131.7	—	—	108.1	131.7
Intangible assets	19.2	15.4	—	—	19.2	15.4
Total	460.4	536.6	—	—	460.4	536.6

\* Amounts less than R50 000.

#### Other operating expenses and income include:

##### Auditors' remuneration

Audit and professional fees	27.7	32.2	—	0.6	27.7	32.8
Tax services	1.2	0.9	—	—	1.2	0.9
Other services	1.7	4.0	—	—	1.7	4.0
Total	30.6	37.1	—	0.6	30.6	37.7

##### Rentals in respect of low value assets and short-term leases\*

Low value leases (assets valued at less than R0.1m)	9.2	6.7	—	0.5	9.2	7.2
Short-term leases**	27.0	26.2	—	17.2	27.0	43.4
Variable leases	2.9	4.8	—	—	2.9	4.8
Total	39.1	37.7	—	17.7	39.1	55.4

\* Disclosure has been expanded and comparatives have been included accordingly.

\*\* The portfolio of short-term leases is not in any way dissimilar to the group's short-term lease commitments.

##### Net (gain)/loss on financial instruments

Derivatives	(11.9)	(14.2)	—	—	(11.9)	(14.2)
Other financial instruments*	338.5	172.1	—	1.5	338.5	173.6
Total	326.6	157.9	—	1.5	326.6	159.4

\* Includes devaluation losses arising from Angolan and Nigerian exchange rate movements relating to trade receivables, trade payables and bank balances.

##### Net (profit)/loss on disposals

Net (profit)/loss on disposal of plant, equipment, intangible assets and assets held for sale	(9.8)	9.0	—	—	(9.8)	9.0
Net (profit)/loss on disposal of investments and businesses	(10.2)	141.0	—	(446.8)	(10.2)	(305.8)
Total	(20.0)	150.0	—	(446.8)	(20.0)	(296.8)

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 2. Operational performance continued

### 2.2 Operating profit/(loss) before net impairment losses continued

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Other expenses/(income)</b>						
Net impact of devaluation in Zimbabwe	<b>(4.5)</b>	263.8	—	—	<b>(4.5)</b>	263.8
Administration and technical fees	<b>8.6</b>	16.4	—	2.2	<b>8.6</b>	18.6
Selling expenses <sup>1</sup>	<b>5.8</b>	(24.6)	—	—	<b>5.8</b>	(24.6)
Distribution expenses	<b>447.9</b>	367.0	—	84.3	<b>447.9</b>	451.3
Research and development expenditure	<b>1.2</b>	3.9	—	0.6	<b>1.2</b>	4.5
Restructuring of loans and lease liabilities	<b>(0.8)</b>	136.0	—	—	<b>(0.8)</b>	136.0
Restructuring costs <sup>2</sup>	<b>7.6</b>	(0.8)	—	6.4	<b>7.6</b>	5.6

1 The prior year amount includes customer claims reversed.

2 The prior year amount includes provisions reversed.

#### Directors and prescribed officers' remuneration

Full details of remuneration are included in note 7.3.

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

### 2.3 Net impairment losses

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Impairment losses</b>	<b>436.8</b>	4 029.8	—	16.2	<b>436.8</b>	4 046.0
Plant, equipment and vehicles	<b>229.7</b>	1 595.5	—	—	<b>229.7</b>	1 595.5
Right of use assets	<b>169.5</b>	209.2	—	—	<b>169.5</b>	209.2
Goodwill	—	2 213.4	—	—	—	2 213.4
Other intangible assets	<b>2.4</b>	7.9	—	—	<b>2.4</b>	7.9
Assets held for sale	<b>35.2</b>	—	—	12.9	<b>35.2</b>	12.9
Loan receivables	—	3.8	—	3.3	—	7.1
<b>Reversal of impairment losses</b>	<b>(172.5)</b>	(9.6)	—	—	<b>(172.5)</b>	(9.6)
Freehold land and buildings	<b>(3.0)</b>	—	—	—	<b>(3.0)</b>	—
Plant and equipment	<b>(136.2)</b>	(9.6)	—	—	<b>(136.2)</b>	(9.6)
Right of use assets	<b>(33.3)</b>	—	—	—	<b>(33.3)</b>	—
Total	<b>264.3</b>	4 020.2	—	16.2	<b>264.3</b>	4 036.4

In terms of IAS 36: Impairment of Assets, the group performs tests for the 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 is tested on an annual basis.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 2. Operational performance *continued*

### 2.3 Net impairment losses *continued*

The key assumptions used for value-in-use calculations were as follows:

%	South African divisions	Bevcan Nigeria	Bevcan Angola	Rest of Africa (excl. Bevcan Nigeria and Bevcan Angola)
<b>2021</b>				
Growth rate*	4.4	2.3	1.0	2.9 – 10.9
Discount rate (pre-tax)*	14.7	12.6	14.9	14.4 – 29.0
Discount rate (post-tax)*	11.9	9.2	11.9	10.5 – 19.9
<b>2020</b>				
Growth rate*	4.2	2.0	1.0	2.0 – 12.0
Discount rate (pre-tax)*	15.5	15.6	15.7	15.5 – 35.1
Discount rate (post-tax)*	12.4	11.2	13.5	13.4 – 25.5

\* Disclosure has been expanded and comparatives have been included accordingly.

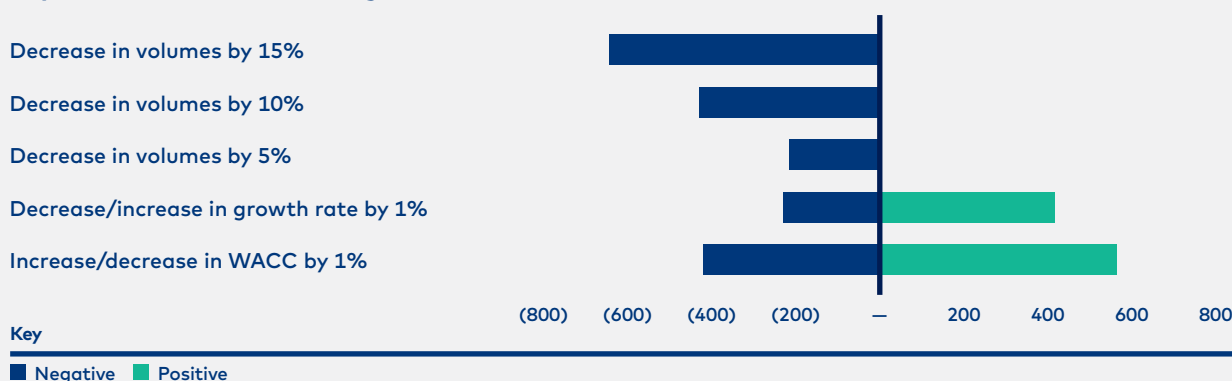
Management estimates discount rates using the post-tax average weighted cost of capital for the group, adjusted for risks associated with the geographical markets in which the division or cash generating unit operates. A post-tax rate is used due to the different tax rates applicable in the tax jurisdictions concerned. The weighted cost of capital reduced generally in the current year as a consequence of lower in-country risk premiums. 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 overhead when determining the cash flow projections used in value-in-use calculations. Sensitivity in the calculation of headroom, being the difference between the value-in-use and the net asset value (including goodwill) is assessed through the value-in-use calculation process.

### Goodwill

In testing the goodwill pertaining to Bevcan Nigeria in particular, management took into consideration the economic outlook for Nigeria and the market for beverage cans in particular. After the worst downturn in recent history due to the COVID-19 pandemic and oil price drop, the Nigerian economy grew slightly in 2021 and is expected to grow by 2.9% in 2022 as demand at home and abroad recover. The strong demand for beverage cans experienced in 2021 is expected to continue and given customer volume growth forecasts for the next 3 – 5 years compared to installed production capacity in Nigeria, it is expected that overall market demand will exceed supply from 2024 onwards. As a result, management determined that significant headroom exists in the calculation such that no impairment of the goodwill was required for the current year. The carrying value of goodwill attributed to Bevcan Nigeria is R1.6 billion (US\$102.6 million) while the recoverable amount of the Bevcan Nigeria operation amounts to R4.0 billion (US\$267.7 million).

### Impact on value of Bevcan Nigeria (Rm)



# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 2. Operational performance *continued*

### 2.3 Net impairment losses *continued*

#### Other assets

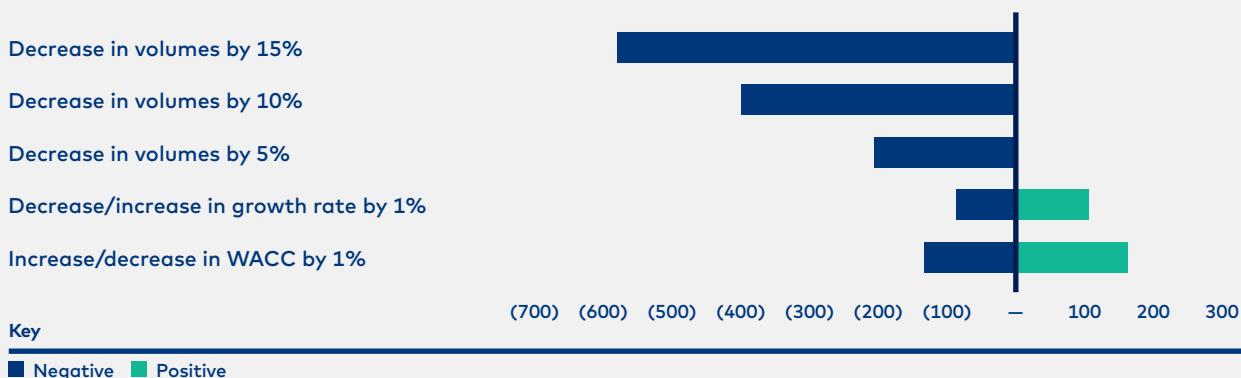
As the group's net asset value continues to significantly exceed the group's market capitalisation, potential impairment losses of assets other than goodwill were also considered with individual operations (cash generating units) being tested for specific impairment. These valuations were performed at 30 September 2021 taking into account the approved budget for 2022 and the stratplans to 2026.

The impairment assessments impacted the assets of three divisions in particular. The divisions impacted and the circumstances in which the impairment losses/(impairment loss reversals) occurred are as follows:

#### Bevcan Angola

The Angolan economy grew slightly in 2021 thereby ending a multi-year recession and is expected to grow by 2.9% in 2022. This growth is expected on the back of the new oil sector bill which should boost investment growth, as well as the easing of domestic and foreign COVID-19 lockdown measures. These developments are in turn expected to have a positive impact on consumer demand and that the recovery in earnings seen in the current year will continue in 2022 and accelerate from 2023. As a result, management has determined that an impairment loss reversal for the year of R68.9 million (US\$4.7 million) should be recognised. The recoverable amount of the Bevcan Angola operation amounts to R1 550.0 million (US\$102.6 million).

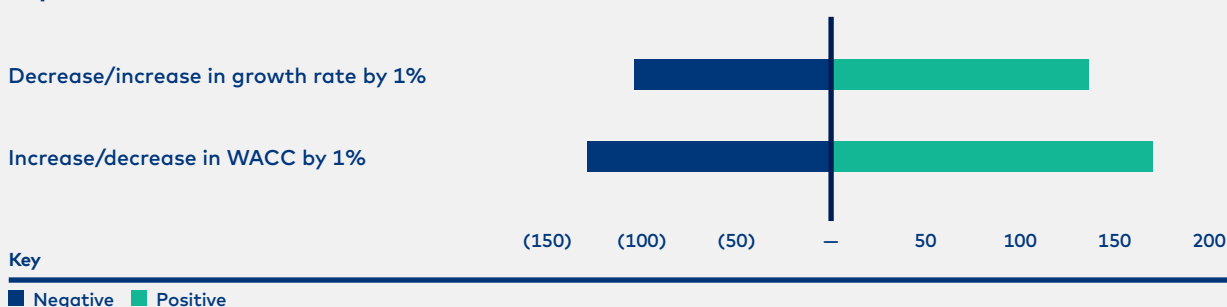
#### Impact on value of Bevcan Angola (Rm)



#### DivFood South Africa

Following the easing of COVID-19 lockdown measures in 2021, the DivFood business has seen a significant recovery in earnings in the current year. Further revenue growth is expected following the identification of tangible opportunities in several key areas of this business, while the completion of recent restructuring initiatives are expected to limit overhead increases year on year. As a result, earnings are expected to continue to improve from 2022 and management has determined that an impairment loss reversal for the year of R100.6 million should be recognised. This was partially offset by impairment losses of R26.8 million on specific assets held for sale. The recoverable amount of the DivFood business amounts to R1 633.3million.

#### Impact on value of DivFood South Africa (Rm)



# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

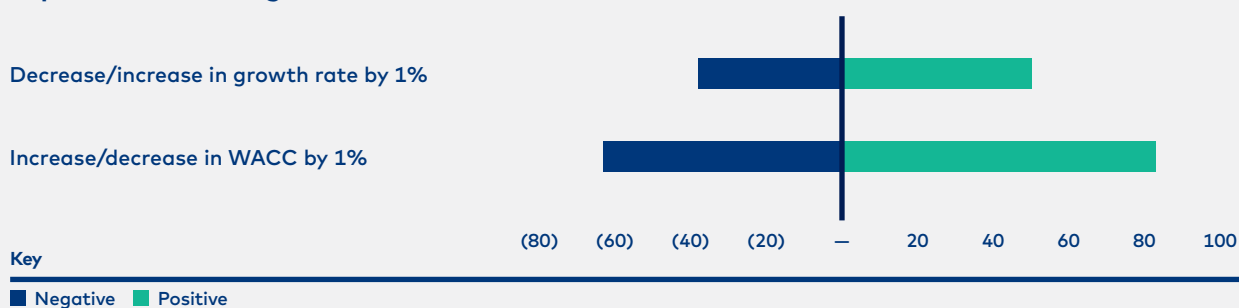
## 2. Operational performance *continued*

### 2.3 Net impairment losses/(loss reversals) *continued*

#### Rigids South Africa

The Rigids business has lost several customers in recent years and revenue has not returned to the levels experienced prior to COVID-19. No new contracts have been secured at the year-end to offset the impact of these lost customers, while the full benefits of various internal projects to simplify and optimise operations has yet to be realised. As a result, earnings and cash flows for this business are expected to remain under pressure from 2022 and management has determined that an impairment loss for the year of R391.0 million should be recognised. The recoverable amount of the Rigids Plastics business amounts to R411.6 million.

#### Impact on value of Rigids South Africa (Rm)



# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 2. Operational performance continued

### 2.4 Segmental performance

R million	External revenue		Internal revenue <sup>1</sup>		Trading profit/(loss) <sup>2</sup>		Trading margin (%)		Adjusted EBITDA <sup>3</sup>	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Segment analysis</b>										
Metals	9 927.8	7 852.9	9.4	7.7	1 091.1	421.3	11.0	5.4	1 392.9	710.5
Plastics	2 996.5	2 479.0	16.8	0.2	286.9	142.5	9.6	5.7	326.8	210.3
Paper	1 034.1	946.0	15.2	8.1	186.7	157.8	18.1	16.7	200.6	167.6
Operations	13 958.4	11 277.9	41.4	16.0	1 564.7	721.6	11.2	6.4	1 920.3	1 088.4
Corporate	—	—	997.1	1 209.0	(143.2)	(39.5)	—	—	(204.0)	(76.8)
Eliminations	—	—	(1 038.5)	(1 225.0)	—	—	—	—	—	—
Continuing operations	13 958.4	11 277.9	—	—	1 421.5	682.1	10.2	6.0	1 716.3	1 011.6
Discontinued operations	—	922.2	—	—	—	56.3	—	6.1	—	56.3
Total	13 958.4	12 200.1	—	—	1 421.5	738.4	10.2	6.1	1 716.3	1 067.9

1 Internal revenue relates to the sale of goods to group companies other than those that reside in the same segment as the company effecting the sale. The group accounts for intragroup transactions on the same basis as transactions with third parties (being at current market prices).

2 Trading profit/(loss) is the main measure of profitability used for segmental reporting purposes and includes foreign exchange movements on forward exchange contracts. Trading profit is determined after excluding capital and other items, as defined below, from operating profit before net impairment losses.

3 The adjusted EBITDA calculation is based on trading profit before depreciation and amortisation and adjusted for unrealised foreign exchange losses/(gains) and payments in respect of leases capitalised under IFRS 16: Leases.

R million	External revenue		Internal revenue		Trading profit/(loss)		Trading margin (%)		Adjusted EBITDA	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Geographical analysis (continuing operations):</b>										
South Africa	9 377.8	7 577.0	333.6	281.7	596.6	160.4	6.4	2.1	818.8	362.5
Rest of Africa	4 580.6	3 700.9	2.0	55.6	968.1	561.2	21.1	15.2	1 101.5	725.9
Operations	13 958.4	11 277.9	335.6	337.3	1 564.7	721.6	11.2	6.4	1 920.3	1 088.4
Corporate	—	—	997.1	1 209.0	(143.2)	(39.5)	—	—	(204.0)	(76.8)
Eliminations	—	—	(1 332.7)	(1 546.3)	—	—	—	—	—	—
Total	13 958.4	11 277.9	—	—	1 421.5	682.1	10.2	6.0	1 716.3	1 011.6

R million	2021	2020
<b>Revenue to external customers by customer location:</b>		
South Africa	8 108.8	7 441.9
Nigeria	1 902.5	1 587.2
Zimbabwe	1 580.6	1 022.0
Angola	604.8	582.5
Zambia	337.3	226.7
Kenya	138.1	148.7
Namibia	119.3	243.5
Rest of the world	1 167.0	947.6
Total	13 958.4	12 200.1

Revenue to external customers is disclosed by the country in which the transacting operations of the customers concerned are located.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 2. Operational performance continued

### 2.4 Segmental performance continued

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Reconciliation of operating profit/(loss) before net impairment losses to trading profit</b>						
Operating profit/(loss) before net impairment losses	<b>1 194.9</b>	(283.0)	—	496.8	<b>1 194.9</b>	213.8
Adjusted for capital and other items						
Capital items <sup>1</sup>	<b>(10.2)</b>	58.3	—	(446.8)	<b>(10.2)</b>	(388.5)
Net (profit)/loss on disposal of investments and businesses	<b>(10.2)</b>	141.0	—	(446.8)	<b>(10.2)</b>	(305.8)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	—	(82.7)	—	—	—	(82.7)
Other items <sup>2</sup>	<b>236.8</b>	906.8	—	6.3	<b>236.8</b>	913.1
Net impact of devaluation in Zimbabwe	<b>(4.5)</b>	263.8	—	—	<b>(4.5)</b>	263.8
Devaluation loss arising from Angolan and Nigerian exchange rate movements	<b>246.0</b>	323.8	—	—	<b>246.0</b>	323.8
Retrenchment and restructuring costs <sup>3</sup>	<b>(1.3)</b>	135.3	—	6.3	<b>(1.3)</b>	141.6
(Gain)/loss on restructuring loans and lease liabilities	<b>(0.8)</b>	136.0	—	—	<b>(0.8)</b>	136.0
Other <sup>4</sup>	<b>(2.6)</b>	47.9	—	—	<b>(2.6)</b>	47.9
Trading profit	<b>1 421.5</b>	682.1	—	56.3	<b>1 421.5</b>	738.4

1 Capital items relate to items other than impairment losses/(reversals) that are adjusted for in the headline earnings per share calculation.

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

3 Includes a reversal of a provision raised in the previous year for the DivFood operations in Mobeni and Rosslyn where alternative measures were adopted in the current year.

4 Primarily related to ineffective cash flow hedging losses (prior year).

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

The principal activities of the segments are as follows:

**Metals** — manufacture of beverage cans, food cans, aerosol cans and other metal packaging;

**Plastics** — manufacture of plastic bottles, crates, drums and tubes;

**Paper** — manufacture of corrugated boxes and folding cartons;

**Corporate** — head office activities, procurement, treasury, property services and consolidation adjustments including goodwill.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 2. Operational performance continued

### 2.4 Segmental performance continued

The differences between the measurements of the reportable segments' profits and losses and assets and liabilities, and the group's profits and losses and assets and liabilities are as follows:

- › Reportable segments' contributions to post-retirement medical aid funds and pension funds are expensed as and when incurred, while at group these funds are actuarially valued and accounted for as per the group accounting policy.
- › Reportable segments' account for profit and loss on close-out of forward exchange contracts while at group, forward exchange contracts are fair valued and the fair value adjustments are accounted for as per the group accounting policy.

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.

### 2.5 Cash generated from operations

R million	2021	2020
<b>Reconciliation of profit/(loss) before tax to cash generated from operations</b>		
Profit/(loss) before taxation	445.1	(4 369.5)
Continuing operations	445.1	(4 750.3)
Discontinued operations	—	380.8
Adjustment for:		
Depreciation and amortisation	460.4	536.6
Net (profit)/loss on disposal of property, plant, equipment, intangible assets and investments	(20.0)	9.0
Net profit on disposal of businesses	—	(305.8)
Financial instruments fair value adjustment	(11.9)	(14.2)
Net defined benefit plan expense	58.2	30.5
Impairment losses	436.8	4 046.0
Reversal of impairment losses	(172.5)	(9.6)
Net devaluation impact in Zimbabwe	(4.5)	263.8
Foreign exchange (gains)/losses in Zimbabwe operations	(0.8)	81.9
Monetary adjustment for hyperinflation	4.5	181.9
Net measurement of expected credit loss allowance — Reserve Bank of Zimbabwe financial instrument	(8.2)	—
Share of net loss/(profit) in associates and joint ventures	0.9	(0.5)
Share-based payments expense/(reversal)	3.3	(13.6)
Net finance costs	484.6	547.4
Cash generated from operations before working capital changes	1 680.4	720.1
Net working capital changes	(621.2)	367.0
(Increase)/decrease in inventories	(388.8)	569.9
(Increase)/decrease in trade receivables and other current assets	(987.7)	589.9
Increase/(decrease) in trade payables and other current liabilities	755.3	(792.8)
Cash generated from operations	1 059.2	1 087.1

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 2. Operational performance continued

### 2.6 Changes in liabilities arising from financing activities<sup>1</sup>

R million	2021	2020
<b>Loans</b>		
Opening balance	6 755.2	7 859.1
Loans — non-current	5 755.2	6 132.8
Loans — current <sup>2</sup>	1 000.0	1 726.3
Financing cash flows:		
Non-current loans raised	1 499.6	2 388.4
Non-current loans repaid	(1 998.5)	(4 127.5)
Net current loans raised	—	1.5
Non-cash changes:		
Translation differences	(332.0)	633.7
Closing balance	5 924.3	6 755.2
Loans — non-current	4 474.3	5 755.2
Loans — current <sup>2</sup>	1 450.0	1 000.0
<b>Lease liabilities</b>		
Opening balance	1 425.7	—
Lease liabilities — non-current	1 291.2	—
Lease liabilities — current	134.5	—
Financing cash flows:		
Lease liabilities repaid	(71.2)	(79.0)
Non-cash changes:		
Adoption of IFRS 16	—	1 591.2
Lease liabilities raised	128.0	32.2
Lease modification	12.1	—
Transfer to held-for-sale	(174.5)	(108.6)
Disposal of leased assets	—	(10.1)
Translation differences	(0.4)	—
Closing balance	1 319.7	1 425.7
Lease liabilities — non-current	1 192.7	1 291.2
Lease liabilities — current	127.0	134.5

1 Additional disclosure has been added and comparatives have been included accordingly.

2 Consists of the current portion of non-current loans which increased during the year.

## 3. Taxation

### 3.1 Income tax (expense)/benefit

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Current tax</b>						
Current year	(119.2)	(82.0)	—	—	(119.2)	(82.0)
Prior year	(20.8)	38.7	—	—	(20.8)	38.7
Capital gains tax	(0.6)	—	—	—	(0.6)	—
Hyper-inflation adjustment	(20.9)	(40.1)	—	—	(20.9)	(40.1)
<b>Deferred tax</b>						
Current year	117.7	451.6	—	24.6	117.7	476.2
Prior year	(2.2)	33.2	—	(36.7)	(2.2)	(3.5)
Change in tax rate	0.3	62.3	—	—	0.3	62.3
Hyper-inflation adjustment	(2.1)	5.6	—	—	(2.1)	5.6
Withholding and foreign tax	(19.9)	(67.8)	—	—	(19.9)	(67.8)
Total	(67.7)	401.5	—	(12.1)	(67.7)	389.4

The company tax rate in South Africa is 28% (2020: 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

for the year ended 30 September 2021 continued

## 3. Taxation continued

### 3.1 Income tax (expense)/benefit continued

#### Tax rate reconciliation

%	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
Statutory tax rate <sup>1</sup>	<b>28.0</b>	28.0 <sup>3</sup>	—	28.0	<b>28.0</b>	28.0 <sup>3</sup>
Increase in tax rate due to:	<b>24.6</b>	(23.6)	—	(2.2)	<b>24.6</b>	(25.5)
Disallowable expenses <sup>2</sup>	<b>8.6</b>	(1.3)	—	2.2	<b>8.6</b>	(1.5)
Hyperinflation adjustments	<b>5.8</b>	(2.2)	—	—	<b>5.8</b>	(2.4)
Adjustment for prior years	<b>5.2</b>	—	—	—	<b>5.2</b>	—
Withholding and other foreign taxes	<b>4.5</b>	(1.4)	—	—	<b>4.5</b>	(1.6)
Deferred taxation not recognised	<b>0.5</b>	(5.6)	—	—	<b>0.5</b>	(6.1)
Recoupment of tax incentives on disposal of business	—	—	—	7.7	—	(0.7)
Foreign currency translation impact when converting local tax computations to functional currency	—	(0.9)	—	—	—	(0.9)
Foreign tax rate differential	—	(3.8)	—	(12.1)	—	(3.1)
Goodwill impairment	—	(8.4)	—	—	—	(9.2)
Reduction in tax rate due to:	<b>(37.4)</b>	4.1	—	(22.6)	<b>(37.4)</b>	6.4
Tax rate reduction	—	1.3	—	—	—	1.4
Adjustment for prior years	—	1.5	—	9.6	—	0.8
Amount not debited to income statement — capital allowances	—	—	—	(4.7)	—	0.4
Foreign currency translation impact when converting local tax computations to functional currency	<b>(0.7)</b>	—	—	—	<b>(0.7)</b>	—
Foreign tax rate differential	<b>(1.0)</b>	—	—	—	<b>(1.0)</b>	—
Government incentives	<b>(1.8)</b>	0.1	—	—	<b>(1.8)</b>	0.1
Exempt income (including capital profits) <sup>3</sup>	<b>(2.1)</b>	1.2	—	(27.5)	<b>(2.1)</b>	3.7
Utilisation of tax losses not previously recognised	<b>(8.4)</b>	—	—	—	<b>(8.4)</b>	—
Recognition of losses and temporary differences not previously recognised <sup>4</sup>	<b>(23.4)</b>	—	—	—	<b>(23.4)</b>	—
Effective group rate of tax	<b>15.2</b>	8.5	—	3.2	<b>15.2</b>	8.9

1 Prior year signage of reconciling items are impacted by the loss before tax for the year.

2 Disallowed expenses includes unproductive interest, expenses not in the production of income, expenses not deductible in terms of local tax law and expenses of a capital nature.

3 Exempt income includes the exempt interest subject to other taxes and the reversal of non-taxable provisions.

4 Deferred tax was raised mainly on a portion of tax losses in Angola based on future taxable profits.

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 credit of R9.2 million (2020: R186.8 million charge) has been recognised in equity during the year.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 3. Taxation continued

### 3.2 Deferred tax

R million	Accele- rated tax depreciation	Pro- visions	Retire- ment benefit obligation	Right of use assets	Tax losses	Inventory	Foreign exchange differ- ences	Other	Total
<b>At 1 October 2019</b>	1 615.2	(222.0)	(248.2)	—	(889.4)	107.6	(280.8)	16.6	99.0
Adoption of new standards*	—	—	—	(99.8)	—	—	—	—	(99.8)
Charge/(credit) to other comprehensive income for the year	40.9	(0.2)	17.4	—	—	—	219.4	9.1	286.6
(Credit)/charge to profit for the year	(558.8)	13.0	25.6	(64.4)	122.8	(29.6)	(29.3)	(14.3)	(535.0)
Hyperinflation adjustment	(30.4)	0.5	—	—	—	—	11.4	12.9	(5.6)
Translation differences	89.3	(30.0)	(12.2)	0.3	(1.8)	23.0	14.9	25.0	108.5
<b>At 30 September 2020</b>	1 156.2	(238.7)	(217.4)	(163.9)	(768.4)	101.0	(64.4)	49.3	(146.3)
Charge/(credit) to other comprehensive income for the year	1.8	(11.0)	(12.6)	—	—	(0.7)	0.8	12.5	(9.2)
(Credit)/charge to profit for the year	(3.8)	20.1	6.6	(64.7)	30.0	(22.0)	(21.8)	(60.1)	(115.7)
Hyperinflation adjustment	2.7	—	—	—	—	—	(1.0)	0.4	2.1
Translation differences	(42.5)	19.7	(0.7)	1.2	—	(19.4)	(1.5)	21.4	(21.8)
<b>At 30 September 2021</b>	<b>1 114.4</b>	<b>(209.9)</b>	<b>(224.1)</b>	<b>(227.4)</b>	<b>(738.4)</b>	<b>58.9</b>	<b>(87.9)</b>	<b>23.5</b>	<b>(290.9)</b>

\* IFRS 16 Leases was adopted for the period commencing 1 October 2019. The group has applied IFRS 16 using the cumulative catch-up approach which requires the group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

R million	2021	2020
Analysed between:		
Deferred tax assets	<b>(466.2)</b>	(388.6)
Deferred tax liabilities	<b>175.3</b>	242.3
	<b>(290.9)</b>	(146.3)

At year end the group had unused tax losses of R3 838.7 million (2020: R4 414.3million) available for offset against future taxable profits. Deferred tax assets have been recognised in respect of R2 668.8 million (2020: R2 726.0 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 169.9 million (2020: R1 688.3 million) due to the unpredictability of future profit streams. The group has tax losses of R1 327.4 million (2020: R1 825.6 million) that will expire within the next 10 years. Deferred tax has been raised on R314.2 million (2020: R255.9 million) of these losses. Nampak Bevcan Angola LDA has losses of R1 094.1 million (2020: R1 252.4 million) expiring within 5 years, Nampak Kenya Limited has R148.9 million (2020: R167.0 million) expiring, with R39.5 million expiring within 5 years and R109.4 million expiring within 10 years. Nampak Malawi Limited has R61.2 million expiring (2020: R43.3 million), with R60.0 million expiring within 5 years.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 3. Taxation continued

### 3.2 Deferred tax continued

The above losses for 2021 are made up as follows:

R million	Deferred tax raised	Deferred tax not raised	Total
Nampak Products Limited	2 342.3	—	2 342.3
Bullpak Kenya Limited	19.7	—	19.7
Nampak Malawi Limited	0.1	61.1	61.2
Hunyani Forest Limited	3.4	—	3.4
Megapak Swaziland Proprietary Limited	—	18.5	18.5
DivFood Botswana Proprietary Limited	6.9	44.2	51.1
Nampak Bevcan Angola LDA	294.5	799.6	1 094.1
Nampak Tanzania Limited	0.1	99.3	99.4
Nampak Kenya Limited	1.8	147.2	149.0
	2 668.8	1 169.9	3 838.7

#### Key judgements

Management has reviewed the future profit forecasts for Nampak Products Limited, Nampak Bevcan Angola LDA, Bullpak Kenya Limited and Hunyani Forest Limited and are satisfied that there will be sufficient taxable income in the foreseeable future to utilise the tax losses.

For the remaining entities, deferred tax assets were raised on tax losses to the extent that management is satisfied that there will be sufficient taxable temporary differences to cover the deferred tax raised on the tax losses.

In addition, the group had capital losses available for utilisation against future capital gains to the value of R2 636.5 million (2020: R2 678.8 million).

During the year capital losses of R25.0 million (2020: R8.1 million) were utilised.

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

The "Other" category includes a number of items on which deferred tax was raised including prepayments, share option expenses, finance lease receivables and equity investments.

## 4. Basic and headline earnings/(loss) per share

### 4.1 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.

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Basic earnings/(loss)</b>						
Profit/(loss) attributable to equity holders of the company for the period	<b>207.2</b>	(3 836.3)	—	368.7	<b>207.2</b>	(3 467.6)
Less: Preference dividend	<b>(0.1)</b>	(0.1)	—	—	<b>(0.1)</b>	(0.1)
Basic earnings/(loss)	<b>207.1</b>	(3 836.4)	—	368.7	<b>207.1</b>	(3 467.7)
<b>Weighted average number of shares in issue ('000)</b>	<b>645 469</b>	644 935	<b>645 469</b>	644 935	<b>645 469</b>	644 935
<b>Basic earnings/(loss) per share</b>	<b>32.1</b>	(594.9)	—	57.2	<b>32.1</b>	(537.7)

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 4. Basic and headline earnings/(loss) per share continued

### 4.2 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.

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Diluted basic earnings/(loss)</b>						
Diluted basic earnings/(loss)*	207.1	(3 836.4)	—	368.7	207.1	(3 467.7)
<b>Weighted average number of ordinary shares for the purpose of diluted basic earnings/(loss) per share ('000)</b>	<b>646 070</b>	645 465	<b>646 070</b>	645 465	<b>646 070</b>	645 465
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	645 469	644 935	645 469	644 935	645 469	644 935
Effect of dilutive potential ordinary shares:						
Other share incentive plans ('000)	600	530	600	530	600	530
Diluted basic earnings/(loss) per share	32.1	(594.4)	—	57.2	32.1	(537.2)

\* No dilution of basic earnings/(loss).

### 4.3 Headline earnings/(loss) per share

Headline earnings are basic earnings calculated above adjusted to exclude remeasurements as prescribed by circular 1/2021 issued by the South African Institute of Chartered Accountants.

Headline earnings/(loss) per share is calculated by dividing headline earnings by the weighted average number of ordinary shares in issue during the year, excluding those held as treasury shares.

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Headline earnings/(loss)</b>						
Basic earnings/(loss)	207.1	(3 836.4)	—	368.7	207.1	(3 467.7)
<i>Adjusted for:</i>						
Net impairment losses on property, plant, equipment, right of use assets, goodwill, other intangible assets and assets held for sale	264.3	4 016.4	—	12.9	264.3	4 029.3
Net (profit)/loss on disposal of investments and businesses	(10.2)	141.0	—	(446.8)	(10.2)	(305.8)
Net (profit)/loss on disposal of plant, equipment, intangible assets and assets held for sale	(9.8)	9.0	—	—	(9.8)	9.0
Insurance proceeds — Rigids Dundee plant	—	(82.7)	—	—	—	(82.7)
Tax effects and non-controlling interests	(49.1)	(747.4)	—	(0.1)	(49.1)	(747.5)
Headline earnings/(loss)	402.3	(500.1)	—	(65.3)	402.3	(565.4)
<b>Weighted average number of shares in issue ('000)</b>	<b>645 469</b>	644 935	<b>645 469</b>	644 935	<b>645 469</b>	644 935
<b>Headline earnings/(loss) per share (cents)</b>	<b>62.3</b>	(77.6)	—	(10.1)	<b>62.3</b>	(87.7)

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 4. Basic and headline earnings/(loss) per share continued

### 4.4 Diluted headline earnings/(loss) per share

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Diluted headline earnings/(loss)*</b>	<b>402.3</b>	(500.1)	–	(65.3)	<b>402.3</b>	(565.4)
<b>Weighted average number of ordinary shares for the purpose of diluted headline earnings/(loss) per share ('000)**</b>	<b>646 070</b>	645 465	<b>646 070</b>	645 465	<b>646 070</b>	645 465
<b>Diluted headline earnings/(loss) per share (cents)</b>	<b>62.3</b>	(77.5)	–	(10.1)	<b>62.3</b>	(87.6)

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

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

## 5. Financial risk management and net debt

### 5.1 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:

R million	Notes	Carrying amount	Current year	1 – 2 years	2 – 3 years	3 – 4 years	Over 4 years
<b>At 30 September 2021</b>							
<b>Financial assets</b>							
<b>At amortised cost</b>							
Loans and lease receivables (excluding liquid bonds) <sup>1</sup>	5.3	121.4	43.3	43.5	25.6	6.6	2.4
Trade receivables and other current assets <sup>2</sup>	6.6	2 607.5	2 607.5	–	–	–	–
Bank balances and deposits	5.7	1 136.6	1 136.6	–	–	–	–
<b>At fair value through other comprehensive income – level 1</b>							
Liquid bonds <sup>3</sup>	5.3	–	–	–	–	–	–
<b>At fair value – level 2</b>							
Derivative assets <sup>4</sup>	6.6	31.1	31.1	–	–	–	–
<b>Total</b>		<b>3 896.6</b>	<b>3 818.5</b>	<b>43.5</b>	<b>25.6</b>	<b>6.6</b>	<b>2.4</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 5. Financial risk management and net debt continued

### 5.1 Financial risk management continued

R million	Notes	Carrying amount	Current year	1 – 2 years	2 – 3 years	3 – 4 years	Over 4 years
<b>Financial liabilities</b>							
<b>At amortised cost</b>							
Loans <sup>5</sup>	5.4	5 924.3	1 450.0	4 474.3	–	–	–
Lease liabilities <sup>5</sup>	5.5	1 319.7	127.0	112.5	102.6	95.1	882.5
Trade payables and other current liabilities <sup>6</sup>	6.8	2 814.9	2 814.9	–	–	–	–
Bank overdrafts	5.7	25.0	25.0	–	–	–	–
<b>At fair value – level 2</b>							
Derivative liabilities <sup>4</sup>	6.8	13.5	13.5	–	–	–	–
<b>Total</b>		<b>10 097.4</b>	<b>4 430.4</b>	<b>4 586.8</b>	<b>102.6</b>	<b>95.1</b>	<b>882.5</b>
<b>At 30 September 2020</b>							
<b>Financial assets</b>							
<b>At amortised cost</b>							
Loans and lease receivables (excluding liquid bonds) <sup>1</sup>	5.3	190.9	51.2	64.2	63.7	20.9	8.7
Trade receivables and other current assets <sup>2</sup>	6.6	1 781.3	1 781.3	–	–	–	–
Bank balances and deposits	5.7	1 528.9	1 528.9	–	–	–	–
<b>At fair value through other comprehensive income – level 1</b>							
Liquid bonds <sup>3</sup>	5.3	307.4	307.4	–	–	–	–
<b>At fair value – level 2</b>							
Derivative assets <sup>4</sup>	6.6	13.7	13.7	–	–	–	–
<b>Total</b>		<b>3 822.2</b>	<b>3 682.5</b>	<b>64.2</b>	<b>63.7</b>	<b>20.9</b>	<b>8.7</b>
<b>Financial liabilities</b>							
<b>At amortised cost</b>							
Loans <sup>5</sup>	5.4	6 755.2	1 000.0	2 954.0	2 801.2	–	–
Lease liabilities <sup>5</sup>	5.5	1 425.7	134.5	165.8	172.6	179.6	1 460.3
Trade payables and other current liabilities <sup>6</sup>	6.8	2 232.9	2 232.9	–	–	–	–
Bank overdrafts	5.7	128.5	128.5	–	–	–	–
<b>At fair value – level 2</b>							
Derivative liabilities <sup>4</sup>	6.8	11.1	11.1	–	–	–	–
<b>Total</b>		<b>10 553.4</b>	<b>3 507.0</b>	<b>3 119.8</b>	<b>2 973.8</b>	<b>179.6</b>	<b>1 460.3</b>

1 The maturity profile of lease receivables including unearned finance income is disclosed in note 5.3.

2 Excludes derivative assets, prepayments and trade and other current receivables presented as assets classified as held for sale.

3 All remaining liquid bonds were disposed of during the current year.

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

5 The maturity profile of loans and lease liabilities including unexpensed finance charges is disclosed in notes 5.4 and 5.5. Lease liabilities exclude those presented as liabilities directly associated with assets classified as held for sale.

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

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

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 5. Financial risk management and net debt *continued*

### 5.1 Financial risk management *continued*

#### 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 ratios namely net debt to adjusted EBITDA (as defined in note 2.4 and hereinafter referred to as "EBITDA") and EBITDA interest cover. These ratios are the basis for the covenants that apply to the majority of the facilities available to the group and are calculated as interest-bearing net debt divided by EBITDA and EBITDA divided by net interest expense respectively. Lease liabilities recognised in terms of IFRS 16: Leases as well as the interest expense on these liabilities are specifically excluded for purposes of the covenant calculations.

In terms of the funding agreements negotiated in September 2020, the group's lenders continued to relax the covenant requirements for the 2021 financial year primarily due to the impact of COVID-19 on the group's EBITDA and the consequent impact on the covenant calculations. In terms of these agreements, interest-bearing debt was to be reduced by R1 billion by 30 September 2021 through a strategic asset disposal process or a combination of asset disposals and a capital raise. Although the group achieved the relaxed covenant requirements at each of the agreed reporting dates during the year, the group has not been able to conclude the disposals of identified businesses (other than an agreement for the sale of the Rigids Tubes business) due to the current challenging market conditions.

During September 2021, the group successfully concluded negotiations with the group's lenders to revise certain terms in the above agreement in light of the group's improved trading performance. These revised terms include the deferment of the requirement to reduce interest bearing debt by R1 billion to 30 June 2022 (or alternatively to receive proceeds from asset disposals concluded at that date by 30 September 2022 for the difference of the debt not reduced), as well as the relaxation of the net debt to EBITDA covenant ratio to 3.5 times from September 2021 to September 2022 to accommodate fluctuations in earnings and the Rand/US dollar exchange rates that are applied to US dollar denominated debt.

Where the September 2020 agreement required the group's debt to be reduced only through asset disposals and/or a capital raise, the revised terms also allow for debt to be reduced through the utilisation of all cash flows generated through normal operating activities, the repayment of historical debt by the Reserve Bank of Zimbabwe and the utilisation of a recently arranged trade finance facility. The group, however, continues to actively engage with potential buyers for businesses identified as part of the group's strategic objectives to reduce risk and to simplify the group's business portfolio with the intention that fair value for these businesses must be achieved.

The covenant ratios will continue to be measured quarterly until 30 September 2022 and reported monthly to the group's lenders. EBITDA for covenant calculations continues to be based on a rolling twelve-month period to the date of measurement. The revised covenant requirements are set out below.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 5. Financial risk management and net debt *continued*

### 5.1 Financial risk management *continued*

Covenant requirement for the measurement periods ending:

	30 Sep 2021	31 Dec 2021	31 Mar 2022	30 Jun 2022	30 Sep 2022	After 30 Sep 2022
Net debt : EBITDA	Less than or = to 3.5 x	Less than or = to 3.5 x	Less than or = to 3.5 x	Less than or = to 3.5 x	Less than or = to 3.5 x	Less than or = to 3.0 x

The covenant requirement for EBITDA : Interest cover remains at more than or equal to 4.0 for all measurement periods.

#### 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 reduce commitment fees on unutilised facilities, the group cancelled R2.6 billion of its historic facilities of R10.1 billion in terms of the revised financing agreement concluded in September 2021. The remaining facilities of R7.5 billion are considered adequate for the group's liquidity requirements. In addition, the group has overnight facilities in South Africa of R750.0 million as well as cash on hand of R1.1 billion at 30 September 2021. A non-recourse trade finance facility of up to R1 billion that was secured in October 2021 is also expected to improve the working capital cycle.

Cash generated from operations before working capital by the group has improved year-on-year by 140% to R1.7 billion. This improvement has been driven largely by the Bevcac South Africa and Bevcac Nigeria operations as well as the recovery in the Bevcac Angola and DivFood operations. These divisions are expected to continue driving the group's cash flow generating ability going forward and reduce the pressure on the group's facilities. The group also intends to operate a working capital funding model that funds inventory holdings through trade payables with the group thereby only funding its high-quality trade receivables book. The group's asset base remains well capitalised with no significant capital expenditure requirements expected in the short to medium term.

Bevcac Angola effected cash transfers of R0.7 million (2020: R1.1 billion) to Nampak International Limited for material procured during the current year, while repayments of its trade creditor balance with Bevcac South Africa for ends exported to Angola continued. All remaining Angolan kwanza-linked (or liquid) bonds were disposed of in the current year realising R267.8 million (2020: R456.6 million). The cash balance of R48.9 million (2020: R28.0 million excluding the liquid bonds) is largely Angolan kwanza-denominated and unhedged, and therefore exposed to devaluations in the Angolan kwanza currency. The Angolan kwanza has, however, stabilised during the current year and has strengthened by 4% to a rate of AOA 614.21 to the US dollar.

The Nigerian operations effected cash transfers of R0.9 million (2020: R1.2 billion) to Nampak International Limited for material procured during the current year. The prior year transfers included transfers from Cartons Nigeria of R403.0 million which was disposed of. The cash balances of these operations amounting to R436.8 million (2020: R294.0 million) are largely Naira-denominated and unhedged, and therefore exposed to devaluations in the Naira currency. The Naira has weakened during the current year by 8% to a rate of 413.05 to the US dollar. In addition to cash balances, Bevcac Nigeria also has a trade facility of R158.9 million as at 30 September 2021 which can be drawn down in Naira or US dollar to facilitate further liquidity requirements. R136.5 million of this facility was undrawn at 30 September 2021.

The Zimbabwe operations effected cash transfers of R20.1 million (2020: R9.0 million) to Nampak International Limited. A further R57.4 million was received during the year in respect of historical debt from the Reserve Bank of Zimbabwe. The cash balance of R79.4 million (2020: R61.9 million) is largely Zimbabwean dollar-denominated and unhedged, and therefore exposed to devaluations in the Zimbabwean dollar exchange rate. The Zimbabwean dollar has weakened during the current year by 8% to a rate of 87.67 to the US dollar.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 5. Financial risk management and net debt continued

### 5.1 Financial risk management continued

The group had the following undrawn facilities available at 30 September:

R million	South Africa	Rest of Africa	Europe	Total
<b>Expiry period at 30 September 2021</b>				
One year	—	136.5	—	136.5
Two years	476.2	—	1 247.6	1 723.8
More than four years	750.0	5.9	—	755.9
<b>Total</b>	<b>1 226.2</b>	<b>142.4</b>	<b>1 247.6</b>	<b>2 616.2</b>
<b>Expiry period at 30 September 2020</b>				
One year	1 275.0	—	107.0	1 382.0
Three years	1 000.0	—	(383.8)	616.2
Four years	1 036.0	—	2 586.3	3 622.3
<b>Total</b>	<b>3 311.0</b>	<b>—</b>	<b>2 309.5</b>	<b>5 620.5</b>

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

The financial liability recognised under the current revolving credit facility loan agreement is defined as a floating rate financial liability measured at amortised cost. This results in the revision of the effective interest rate at the point when the contractual interest rate is revised to reflect the change in the credit risk of the group. In terms of the agreement, the group's interest rate is based on compliance with the leverage covenant level i.e. on the base floating rate plus the margin rate, depending on the covenant concerned at the end of each quarter.

The risk profile of interest-bearing financial assets and liabilities is as follows:

R million	Floating rate liabilities	Fixed rate liabilities	Floating rate assets	Fixed rate assets	Net liability/(asset)
<b>At 30 September 2021</b>					
South African rand	4 660.2	—	(353.6)	(1.8)	4 304.8
UK pound	1.5	—	(18.7)	—	(17.2)
US dollar	1 864.0	902.7	(334.0)	—	2 432.7
Nigerian naira	—	—	(332.4)	—	(332.4)
Angolan kwanza	—	—	(46.0)	—	(46.0)
Other currencies	15.1	—	(171.5)	—	(156.4)
<b>Total</b>	<b>6 540.8</b>	<b>902.7</b>	<b>(1 256.2)</b>	<b>(1.8)</b>	<b>6 185.5</b>
<b>At 30 September 2020</b>					
South African rand	3 827.9	—	(1 241.4)	(2.2)	2 584.3
UK pound	—	—	(7.5)	—	(7.5)
US dollar	3 459.0	1 001.2	(278.6)	—	4 181.6
Nigerian naira	8.1	—	(64.2)	—	(56.1)
Angolan kwanza	13.2	—	(35.6)	(307.4)	(329.8)
Other currencies	—	—	(90.3)	—	(90.3)
<b>Total</b>	<b>7 308.2</b>	<b>1 001.2</b>	<b>(1 717.6)</b>	<b>(309.6)</b>	<b>6 282.2</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 5. Financial risk management and net debt continued

### 5.1 Financial risk management continued

	2021		2020	
	Bank balances %	Borrowings* %	Bank balances %	Borrowings* %
<b>Weighted average interest rates are as follows:</b>				
South African rand	3.6	5.4	5.4	7.1
US dollar	—	3.2	2.9	4.4

\* Borrowings include overnight call facilities.

If the market interest rates had been 100 basis points higher/lower at 30 September 2021 profit or loss would have been R56.4 million lower/higher (2020: R67.3 million).

The amount of R56.4 million (2020: R67.3 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 were required to be designated as a cash flow hedge. The DivFood division has also historically designated imports of tinsplate as cash flow hedges. All outstanding cash flow hedges matured during the year. Hedges are tested for hedge effectiveness on a regular basis. In the current year a loss on the fair value of FECs amounting to R0.6 million (2020: R53.5 million gain) was taken to equity. When risks and rewards of ownership transfer to the group, a basis adjustment will be made against the assets and inventory purchased. During the current year, the cost of inventory was increased by R0.1 million (2020: R42.2 million reduction).

The group has some significant operations outside South Africa and therefore the group's results as consolidated are impacted by the movement in these exchange rates against the US dollar and the movement of the US dollar against the Rand. In particular, the group is exposed to movements in the Angolan kwanza, Nigerian Naira and Zimbabwean dollar against the US dollar.

During the current year, the average Kwanza/US dollar exchange rate weakened by 19%, while the closing Kwanza/US dollar exchange rate strengthened by 4%. Over this period, the average and closing Naira/US dollar exchange rates weakened by 7% and 8% respectively. In terms of IAS 29: Financial Reporting in Hyperinflationary Economies, the closing Zimbabwean dollar/ZAR exchange rate is adopted as the average exchange rate with differences between the average and closing Zimbabwean dollar/US dollar exchange rates being due to these rates being derived from the relationship of the Zimbabwean dollar/ZAR and ZAR/US dollar exchange rates. During the current year, the average and closing Zimbabwean dollar/US dollar exchange rates weakened by 9% and 8% respectively.

The Rand/US dollar average and closing exchange rates both strengthened by 9% during the current year.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 5. Financial risk management and net debt continued

### 5.1 Financial risk management continued

	2021	2020
<b>Currency conversion guide at 30 September</b>		
<b>Statement of comprehensive income (average)</b>		
Rand/UK pound	<b>20.29</b>	20.68
Rand/Euro	<b>17.73</b>	18.19
Rand/US dollar	<b>14.83</b>	16.24
Kwaza/US dollar	<b>655.82</b>	549.67
Naira/US dollar	<b>400.33</b>	375.15
<b>Statement of financial position (spot)</b>		
Rand/UK pound	<b>20.34</b>	21.55
Rand/Euro	<b>17.49</b>	19.56
Rand/US dollar	<b>15.11</b>	16.69
Kwaza/US dollar	<b>614.21</b>	640.10
Naira/US dollar	<b>413.05</b>	381.75
Zimbabwean dollar/US dollar*	<b>87.67</b>	81.44

\* No average rate is disclosed as Zimbabwe is considered to be a hyperinflationary economy and the results of the Zimbabwe group companies are, therefore, translated at the closing rate.

The primary currency risk relates to movements in the exchange rates with the US dollar.

If the exchange rates with these currencies had weakened by 5% at 30 September 2021, with all other variables held constant, the impact on profit and loss for the year would have been a decrease of R12.7 million (2020: R13.5 million). Conversely, if the exchange rates with these currencies strengthened by 5%, profit and loss would increase by R12.7 million (2020: R13.5 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:

R million	Average contract rate (R)		Notional amount net imports		Fair value asset/(liability)	
	2021	2020	2021	2020	2021	2020
<b>Fair value hedges and FECs</b>						
<b>US dollar</b>						
Less than 3 months	<b>14.99</b>	17.05	<b>4.1</b>	9.0	<b>(5.6)</b>	(2.9)
3 to 6 months	<b>14.78</b>	17.07	<b>10.6</b>	3.6	<b>6.6</b>	(0.5)
6 to 9 months	<b>14.98</b>	17.17	<b>9.7</b>	3.3	<b>6.1</b>	(0.3)
<b>Euro</b>						
Less than 3 months	<b>17.58</b>	19.79	<b>12.4</b>	7.8	<b>(0.7)</b>	(1.3)
3 to 6 months	<b>17.82</b>	20.30	<b>2.1</b>	2.1	<b>0.6</b>	(1.1)
<b>UK pound</b>						
Less than 3 months	<b>20.27</b>	21.80	<b>0.9</b>	0.7	<b>(0.2)</b>	(0.2)
3 to 6 months	—	22.53	—	0.7	—	(0.4)
<b>Other</b>						
Less than 3 months	<b>0.06</b>	—	<b>0.2</b>	0.3	—	—
					<b>6.8</b>	(6.7)

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 5. Financial risk management and net debt continued

### 5.1 Financial risk management continued

R million	Average contract rate (R)		Notional amount net imports		Fair value asset/(liability)	
	2021	2020	2021	2020	2021	2020
<b>Cash flow hedge FECs</b>						
<b>US dollar</b>						
Less than 3 months	—	16.79	—	8.4	—	6.9
3 to 6 months	—	16.95	—	1.3	—	(0.5)
6 to 9 months	—	17.04	—	0.1	—	—
<b>Euro</b>						
Less than 3 months	—	19.72	—	0.4	—	1.1
3 to 6 months	—	—	—	—	—	—
6 to 9 months	—	—	—	—	—	—
					—	7.5

There were no open forward contracts designated as cash flow hedges as at 30 September 2021.

### 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:

R million	Average contract rate (R)		Notional amount		Fair value asset	
	2021	2020	2021	2020	2021	2020
Less than 3 months	<b>36 454</b>	27 100	<b>(107.7)</b>	(25.9)	<b>10.9</b>	1.8
3 to 6 months	<b>39 780</b>	—	<b>(91.7)</b>	—	<b>0.1</b>	—
6 to 9 months	<b>41 213</b>	—	<b>(28.0)</b>	—	<b>0.2</b>	—
					<b>11.2</b>	1.8

At year-end the primary commodity exposure that the group had related to the purchase price of aluminium. A 10% movement in the aluminium price would impact operating profit by R23.6 million gain (2020: R2.8 million gain).

### 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 counterparties.

Credit risk relates mainly to loan and lease receivables, trade receivables and bank balances.

In order to manage the group's liquidity risk, the group hedged its cash position in Angola using US dollar indexed Angolan kwanza bonds. The recoverability of the bonds was subject to the credit risk of the Angolan government. The remaining bonds were disposed of in the current year.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 5. Financial risk management and net debt *continued*

### 5.1 Financial risk management *continued*

The Reserve Bank of Zimbabwe (RBZ) financial instrument arose from the arrangement with the RBZ in order to protect the group's cash position in that jurisdiction. Consequently, the group is exposed to the credit risk and probability of default of the Zimbabwean government. Default is defined as the failure to honour the repayment terms of the agreement with the RBZ.

In light of the credit risk attached to the asset at 30 September 2019, an expected credit loss (ECL) provision of 85% was applied to the agreement after having regard to the prevailing economic challenges and financial uncertainty in Zimbabwe. This was supported by the outlook of the World Bank and International Monetary Fund and related to the ability of the Zimbabwean economy to recover from its economic crisis.

Based on past due information and forward-looking macroeconomic data indicated previously, management has determined that the risk of default on this asset has increased as at 30 September 2021, and that the ECL provision should be increased from 85% to 90% based on the calculation of the present value of the cash flows expected from the asset over the remaining repayment period. Refer note 1.3.

With the exception of a few multinationals, the concentration of credit risk of default relating to trade receivables is limited due to the customer base being large and unrelated. Default is defined as the failure to honour the credit terms agreed with the customer concerned. 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.

To the extent possible, the group only deposits cash with major banks with high-quality credit standing and limits exposure to any one counterparty.

For trade receivables, the group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. See note 6.6. The loss allowance on the RBZ financial instrument, liquid bonds and other loan and lease receivables is measured as per note 5.3.

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.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 5. Financial risk management and net debt continued

### 5.2 Net finance costs

R million	Continuing operations		Discontinued operations		Total	
	2021	2020	2021	2020	2021	2020
<b>Finance costs</b>						
Interest expense — short-term facilities	23.2	68.6	—	—	23.2	68.6
Interest expense — long-term facilities	352.5	321.6	—	106.3	352.5	427.9
Interest expense — lease liabilities	126.1	129.0	—	—	126.1	129.0
Interest expense — other	4.4	4.9	—	0.1	4.4	5.0
<b>Total</b>	<b>506.2</b>	<b>524.1</b>	<b>—</b>	<b>106.4</b>	<b>506.2</b>	<b>630.5</b>
<b>Finance income</b>						
Interest income — short-term facilities	12.6	29.7	—	—	12.6	29.7
Interest income — liquid bonds	5.6	34.9	—	—	5.6	34.9
Interest income — equipment sales receivables	2.1	1.8	—	—	2.1	1.8
Interest income — other	1.3	10.1	—	6.6	1.3	16.7
<b>Total</b>	<b>21.6</b>	<b>76.5</b>	<b>—</b>	<b>6.6</b>	<b>21.6</b>	<b>83.1</b>

### 5.3 Loan and lease receivables

R million	2021	2020
Liquid bonds <sup>1</sup>	—	307.4
Equipment sales receivables <sup>2</sup>	22.4	24.1
Reserve Bank of Zimbabwe financial instrument <sup>3</sup>	87.5	150.4
Other loan receivables	11.5	16.4
<b>Loan and lease receivables</b>	<b>121.4</b>	<b>498.3</b>
<b>Less: Amounts receivable within one year reflected as current</b>	<b>43.3</b>	<b>358.6</b>
Liquid bonds	—	307.4
Equipment sales receivables	6.3	5.4
Reserve Bank of Zimbabwe financial instrument	35.0	41.3
Other loan receivables	2.0	4.5
<b>Non-current loan and lease receivables</b>	<b>78.1</b>	<b>139.7</b>

R million	Gross	Unearned finance charges	Net
<b>Summary of equipment sales receivables by year of repayment</b>			
<b>Total lease payments receivable</b>	28.9	(5.2)	23.7
Repayable during the year ending 30 September:			
2022	8.1	(1.8)	6.3
2023	7.4	(1.3)	6.1
2024	6.5	(0.8)	5.7
2025	4.8	(0.5)	4.3
2026 onwards	2.1	(0.8)	1.3

- Liquid bonds related to US dollar indexed Angolan kwanza bonds. Interest rates earned were between 5.0% and 7.0%. Amounts are presented net of the calculated expected credit loss allowance — refer below. During the year all remaining liquid bonds were disposed of.
- Equipment sales receivables are repayable from 2021 to 2026. Interest rates earned are from 7.0% to 15.5% (2020: from 6.0% to 15.5%). Amounts are presented net of the calculated expected loss allowance — refer below.
- The Reserve Bank of Zimbabwe (RBZ) financial instrument relates to an agreement in terms of which US\$66.8 million owing to the group, was meant to be settled by the RBZ over a five-year period in quarterly repayments commencing 31 March 2021 after an initial two-year holiday. Management determined that at 30 September 2021 the risk of default on this instrument had increased since its initial recognition and that the expected credit loss (ECL) provision should be increased from 85% to 90%. Refer to note 1.3. The gross carrying value of the instrument is R875.2 million, while the ECL provision relating to this instrument is R787.7 million. The net carrying value of this instrument is therefore R87.5 million.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 5. Financial risk management and net debt continued

### 5.3 Loans and lease receivables continued

Loans and lease receivables were measured initially at fair value, and were subsequently measured at fair value through other comprehensive income and amortised cost, respectively. The liquid bonds were held for collecting contractual cash flows and for sale. All remaining liquid bonds were disposed of during the year.

The group measures the loss allowance for liquid bonds, 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 the ECL is recognised as the 12 month ECL. Except for the Reserve Bank of Zimbabwe financial instrument, as described above 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 receivables and other receivables in accordance with IFRS 9:

R million	2021	2020
At 1 October	<b>816.3</b>	751.7
Net measurement of loss allowance — 12 month ECL movement on liquid bonds, equipment sales and other receivables	—	(8.1)
Net measurement of loss allowance — lifetime ECL of Reserve Bank of Zimbabwe financial instrument*	<b>(8.2)</b>	—
Reclassification from provision for doubtful debts — equipment sales receivables	<b>1.3</b>	—
Translation differences	<b>(20.4)</b>	72.7
At 30 September	<b>789.0</b>	816.3

\* Consists of an impairment loss reversal of R50.2 million after payments of R57.4 million were received from the RBZ, and a further impairment loss of R42.0 million on the remeasurement of the ECL provision from 85% to 90% of the gross amount due to the increased risk of default on this instrument in the current year as set out in note 1.3.

### 5.4 Loans — non-current

R million	Redeemable/ repayable	Year-end interest rates (%)	2021	2020
Local	2023	5.4 – 5.5	<b>3 186.1</b>	2 300.0
Foreign	2023	2.2 – 5.3	<b>2 738.2</b>	4 455.2
Loans			<b>5 924.3</b>	6 755.2
Less: amounts due for repayment within one year, reflected as current			<b>1 450.0</b>	1 000.0
Non-current loans			<b>4 474.3</b>	5 755.2

Loans are secured as follows:

- › R5 924.3 million (2020: R6 755.2 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 relaxed covenant requirements at the measurement dates.
- › no liabilities have been recognised for the outstanding guarantees as all actual liabilities have been recognised.

R million	Total	Local	Foreign
<b>Summary of secured loans by year of redemption or payment</b>			
<b>Gross payments during the year ending 30 September</b>			
2022	6 324.5	3 426.5	2 898.0
2023	1 649.4	747.4	902.0
	4 675.1	2 679.1	1 996.0

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 5. Financial risk management and net debt *continued*

### 5.4 Loans – non-current *continued*

Loans 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 their fair values.

### 5.5 Lease liabilities – non-current

R million	Redeemable/ repayable	Year-end interest rates (%)	2021	2020
Local	2022 – 2031	4.05 – 12.50	<b>1 299.8</b>	1 420.7
Foreign			<b>19.9</b>	5.0
Lease liabilities			<b>1 319.7</b>	1 425.7
Less: amounts due for repayment within one year, reflected as current			<b>127.0</b>	134.5
Non-current lease liabilities			<b>1 192.7</b>	1 291.2

R million	Total	Local	Foreign
<b>Summary of lease liabilities by year of redemption or payment</b>			
Gross payments during the year ending 30 September	1 966.1	1 942.7	23.4
2022	233.2	228.2	5.0
2023	212.5	206.4	6.1
2024	195.4	189.7	5.7
2025	180.1	177.4	2.7
2026 onwards	1 144.9	1 141.0	3.9

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as less than R0.1 million). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the present value of lease payments specified in the lease contract concerned less directly attributable costs incurred in entering the lease concerned.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 5. Financial risk management and net debt *continued*

### 5.5 Lease liabilities – non-current *continued*

The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- › the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- › the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- › a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

During the year, the lease liability of a major lease contract for property linked to CPI was re-measured to reset lease payments to reflect the prevailing CPI rate. The corresponding adjustment was made to the right of use asset.

There are no lease extension or termination options on lease liabilities.

There are no lease payments that depend on the use of the underlying asset and lease payments do not contain non-lease components.

### 5.6 Loans and lease liabilities – current

R million	2021	2020
Current portion of loans (note 5.4)	<b>1 450.0</b>	1 000.0
Current portion of lease liabilities (note 5.5)	<b>127.0</b>	134.5
Total	<b>1 577.0</b>	1 134.5

### 5.7 Net cash and cash equivalents

Net cash and cash equivalents in the statement of cash flows consist of the following amounts on the statement of financial position:

R million	2021	2020
Bank balances and deposits	<b>1 136.6</b>	1 528.9
Bank overdrafts*	<b>(25.0)</b>	(128.5)
Total	<b>1 111.6</b>	1 400.4

\* Bank overdrafts are not considered to be financing as they are overnight facilities that are capable of being drawn down accordingly. These overdrafts are repayable on demand and are therefore classified as cash and cash equivalents.

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

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 6. Net operating assets

### 6.1 Property, plant, equipment and investment property

R million	Freehold land and buildings	Leasehold buildings	Plant, equipment and vehicles*	Capitalised lease plant and vehicles	Investment properties	Total property, plant and equipment and investment property
<b>Cost</b>						
At 1 October 2019	121.1	1 154.2	10 469.9	9.5	4.3	11 759.0
Additions	4.5	3.5	530.6	—	—	538.6
Disposals	—	—	(335.0)	—	—	(335.0)
Reclassified to right of use assets (note 6.2)	—	—	—	(9.5)	—	(9.5)
Reclassified to assets held for sale (note 6.7)	—	—	(72.6)	—	—	(72.6)
Impairment losses	—	—	(1 595.5)	—	—	(1 595.5)
Reversal of impairment losses	—	—	9.6	—	—	9.6
Translation differences	(29.0)	114.6	259.6	—	—	345.2
Other movements	39.6	(0.1)	(55.5)	—	—	(16.0)
<b>At 30 September 2020</b>	<b>136.2</b>	<b>1 272.2</b>	<b>9 211.1</b>	<b>—</b>	<b>4.3</b>	<b>10 623.8</b>
Additions	—	—	311.6	—	—	311.6
Disposals	—	—	(90.2)	—	—	(90.2)
Reclassified to assets held for sale (note 6.7)	—	—	(414.8)	—	—	(414.8)
Impairment losses	—	—	(229.7)	—	—	(229.7)
Reversal of impairment losses	3.0	—	136.2	—	—	139.2
Translation differences	(6.4)	(119.4)	(285.5)	—	—	(411.3)
Other movements	0.2	0.1	16.5	—	—	16.8
<b>At 30 September 2021</b>	<b>133.0</b>	<b>1 152.9</b>	<b>8 655.2</b>	<b>—</b>	<b>4.3</b>	<b>9 945.4</b>
<b>Accumulated depreciation</b>						
At 1 October 2019	86.1	305.9	4 160.5	7.9	3.4	4 563.8
Depreciation charge for the year	1.9	46.6	341.0	—	—	389.5
Disposals	—	—	(299.3)	—	—	(299.3)
Reclassification to right of use assets (note 6.2)	—	—	—	(7.9)	—	(7.9)
Reclassification to assets held for sale (note 6.7)	—	—	(8.8)	—	—	(8.8)
Translation differences	(5.2)	31.3	58.8	—	—	84.9
Other movements	3.3	0.1	(7.6)	—	—	(4.2)
<b>At 30 September 2020</b>	<b>86.1</b>	<b>383.9</b>	<b>4 244.6</b>	<b>—</b>	<b>3.4</b>	<b>4 718.0</b>
Depreciation charge for the year	1.3	29.8	302.0	—	—	333.1
Disposals	—	—	(83.1)	—	—	(83.1)
Reclassification to assets held for sale (note 6.7)	—	—	(198.6)	—	—	(198.6)
Translation differences	(2.9)	(36.4)	(143.2)	—	—	(182.5)
Other movements	0.2	(4.7)	2.1	—	—	(2.4)
<b>At 30 September 2021</b>	<b>84.7</b>	<b>372.6</b>	<b>4 123.8</b>	<b>—</b>	<b>3.4</b>	<b>4 584.5</b>
<b>Net carrying value at 30 September 2021</b>	<b>48.3</b>	<b>780.3</b>	<b>4 531.4</b>	<b>—</b>	<b>0.9</b>	<b>5 360.9</b>
Net carrying value at 30 September 2020	50.1	888.3	4 966.5	—	0.9	5 905.8

\* Included in plant, equipment and vehicles is commissioned plant and machinery with a carrying value of R3 885.1 million (2020: R4 154.1 million) and capital work in progress of R520.0 million (2020: R634.9 million).

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 6. Net operating assets *continued*

### 6.1 Property, plant, equipment and investment property *continued*

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

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

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 are recognised on property, plant and equipment where the carrying value exceeds the higher of value-in-use of the assets at the operation/cash generating unit concerned or the fair value of the asset less costs to sell these assets. The value-in-use amounts are determined using the discount rates and assumptions set out in note 2.3.

During the year, impairment losses/impairment loss reversals were primarily incurred at the following divisions:

- › Rigids (South Africa Plastics segment): R221.5 million impairment loss
- › Bevcan Angola (Rest of Africa Metals segment): R68.9 million impairment loss reversal
- › DivFood (South Africa Metals segment): R67.3 million impairment loss reversal

The circumstances which led to these impairment losses are set out in note 2.3.

### 6.2 Right of use assets

R million	Property	Plant and equipment	Total
<b>Cost</b>			
Adoption of IFRS 16 Leases	1 273.9	27.0	1 300.9
Reclassification from property, plant and equipment and investment property	—	9.5	9.5
Additions	32.0	0.2	32.2
Disposals	(26.6)	(1.4)	(28.0)
Disposal of business	(89.6)	—	(89.6)
Impairment losses	(209.2)	—	(209.2)
At 30 September 2020	980.5	35.3	1 015.8
Additions	113.9	14.1	128.0
Disposals	—	(10.8)	(10.8)
Impairment losses	(169.5)	—	(169.5)
Reversal of impairment losses	33.3	—	33.3
Reclassified to assets held for sale (note 6.7)	(166.2)	(1.7)	(167.9)
Translation differences	(1.3)	—	(1.3)
Other movements	3.7	0.1	3.8
<b>At 30 September 2021</b>	<b>794.4</b>	<b>37.0</b>	<b>831.4</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 6. Net operating assets continued

### 6.2 Right of use assets continued

R million	Property	Plant and equipment	Total
<b>Depreciation</b>			
Reclassification from property, plant and equipment and investment property	—	7.9	7.9
Charge for the year	125.6	6.1	131.7
Disposals	(3.4)	(1.1)	(4.5)
At 30 September 2020	122.2	12.9	135.1
Charge for the year	96.1	12.0	108.1
Disposals	—	(10.5)	(10.5)
Reclassification to assets held for sale (note 6.7)	(61.8)	(1.3)	(63.1)
Translation differences	(0.4)	—	(0.4)
Other movements	(4.5)	—	(4.5)
<b>At 30 September 2021</b>	<b>151.6</b>	<b>13.1</b>	<b>164.7</b>
<b>Net carrying value at 30 September 2021</b>	<b>642.8</b>	<b>23.9</b>	<b>666.7</b>
Net carrying value at 30 September 2020	858.3	22.4	880.7

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received (if applicable) and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37: Provisions, Contingent Liabilities and Contingent Assets. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Impairment losses are recognised on right-of-use assets where the carrying value exceeds the higher of value-in-use of the assets at the operation/cash generating unit concerned or the fair value of the asset less costs to sell these assets. The value-in-use amounts are determined using the discount rates and assumptions set out in note 2.3.

During the year, impairment losses were incurred at the following divisions:

- › Rigids (South Africa Plastics segment): R169.5 million impairment loss
- › DivFood (South Africa Metals segment): R33.3 million impairment loss reversal

The circumstances which led to these impairment losses are set out in note 2.3.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 6. Net operating assets continued

### 6.3 Goodwill

R million	Carrying amount
At 1 October 2019	3 734.9
Impairment losses	(2 213.4)
Translation differences	356.4
At 30 September 2020	1 877.9
Translation differences	(166.1)
<b>At 30 September 2021</b>	<b>1 711.8</b>

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

R million	Cost	Cumulative impairment	Net carrying value
<b>At 30 September 2021</b>			
Metals	<b>3 610.0</b>	<b>(1 993.1)</b>	<b>1 616.9</b>
Plastics	<b>114.0</b>	<b>(60.1)</b>	<b>53.9</b>
Paper	<b>41.0</b>	<b>—</b>	<b>41.0</b>
	<b>3 765.0</b>	<b>(2 053.2)</b>	<b>1 711.8</b>
At 30 September 2020			
Metals	3 662.2	(1 879.4)	1 782.8
Plastics	114.0	(60.1)	53.9
Paper	41.2	—	41.2
	3 817.4	(1 939.5)	1 877.9

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 assesses goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. 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 finance and treasury team, taking into account geographic and other risk factors. These key assumptions are disclosed in note 2.3.

No impairment losses relating to goodwill were incurred during the year.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 6. Net operating assets continued

### 6.4 Other intangible assets

R million	ERP systems and software	Other*	Total
<b>Cost</b>			
At 1 October 2019	213.2	308.7	521.9
Additions	10.7	7.7	18.4
Disposals	(1.5)	(3.8)	(5.3)
Impairment losses	(7.9)	—	(7.9)
Translation differences	(0.5)	12.0	11.5
Other movements	(9.7)	2.5	(7.2)
At 30 September 2020	204.3	327.1	531.4
Additions	1.3	—	1.3
Disposals	(8.6)	—	(8.6)
Reclassification to assets held for sale (note 6.7)	(10.3)	—	(10.3)
Impairment losses	(2.4)	—	(2.4)
Translation differences	(1.0)	(14.1)	(15.1)
Other movements	3.1	—	3.1
<b>At 30 September 2021</b>	<b>186.4</b>	<b>313.0</b>	<b>499.4</b>
<b>Amortisation</b>			
At 1 October 2019	151.1	201.4	352.5
Charge for the year	8.3	7.1	15.4
Disposals	(1.3)	(3.8)	(5.1)
Translation differences	(0.6)	3.1	2.5
Other movements	1.7	(0.1)	1.6
At 30 September 2020	159.2	207.7	366.9
Charge for the year	12.5	6.7	19.2
Disposals	(7.7)	—	(7.7)
Reclassification to assets held for sale (note 6.7)	(9.7)	—	(9.7)
Translation differences	(0.8)	(3.1)	(3.9)
Other movements	—	(0.3)	(0.3)
<b>At 30 September 2021</b>	<b>153.5</b>	<b>211.0</b>	<b>364.5</b>
<b>Net carrying value at 30 September 2021</b>	<b>32.9</b>	<b>102.0</b>	<b>134.9</b>
Net carrying value at 30 September 2020	45.1	119.4	164.5

\* Other intangible assets consist of patents, trademarks, licences and customer relationships. These assets relate mainly to the licence to use land in Angola with a carrying value of R65.7 million (2020: R73.2 million) and customer relationships, brands and supplier agreements in the Zimbabwe group companies with a carrying value of R31.3 million (2020: R38.8 million).

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 programmes 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

for the year ended 30 September 2021 continued

## 6. Net operating assets continued

### 6.5 Inventories

R million	2021	2020
Raw materials	<b>1 230.4</b>	1 128.1
Work in progress	<b>35.8</b>	73.2
Finished goods	<b>863.6</b>	857.4
Consumables	<b>781.1</b>	757.2
<b>Total</b>	<b>2 910.9</b>	2 815.9
Carrying amount of inventories included at net realisable value	<b>94.1</b>	97.3
Amount of (write-down reversal)/write-down of inventory to net realisable value included in raw materials and consumables used	<b>(1.2)</b>	2.4
Amount of reversals of previous inventory write-downs included in raw materials and consumables used	<b>7.7</b>	17.8

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

### 6.6 Trade and other current receivables

R million	2021	2020
Trade receivables <sup>1</sup>	<b>2 470.0</b>	1 688.1
Prepayments	<b>161.7</b>	185.6
Derivative financial instruments (note 5.1)	<b>31.1</b>	13.7
Other <sup>2</sup>	<b>137.5</b>	93.2
<b>Total</b>	<b>2 800.3</b>	1 980.6

1 Net of loss allowance.

2 Other items mainly relate to refunds and deposits.

#### 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 60.4 (2020: 69.1). No interest is charged on outstanding trade receivables.

The table below illustrates the trade receivables ageing analysis:

R million	2021	2020
Performing	<b>1 870.8</b>	1 359.6
Overdue and non-performing	<b>664.7</b>	406.1
<b>Total</b>	<b>2 535.5</b>	1 765.7

Performing balances are defined as within agreed contractual credit terms. Overdue and non-performing balances are defined as being outside agreed contractual credit terms.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 6. Net operating assets *continued*

### 6.6 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. The fair value of trade and other receivables approximates their carrying 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. Macroeconomic 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 impact of COVID-19 has been taken into account in the macroeconomic factors mentioned here, as well as in the specific provisions raised against non-performing debtors.

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 and other 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:

R million	2021	2020
At 1 October	<b>77.6</b>	75.8
Net measurement of loss allowance based on lifetime ECL	<b>1.2</b>	11.3
Amounts written off <sup>1</sup>	<b>(8.7)</b>	(3.4)
Amounts recovered	<b>(0.1)</b>	—
Reclassification to ECL on non-current equipment sales receivables	<b>(1.3)</b>	—
Translation differences	<b>(3.2)</b>	(6.1)
Balance at end of year <sup>2</sup>	<b>65.5</b>	77.6

1 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, e.g. 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.

2 54% (2020: 41%) of the ECL relates to performing trade receivables, while 46% (2020: 59%) relates to overdue and non-performing trade receivables.

#### Derivative financial assets

Derivative financial assets are initially measured at fair value on the contract date, and are re-measured 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 forecasted 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.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 6. Net operating assets *continued*

### 6.6 Trade and other current receivables *continued*

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 forecasted 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.

### 6.7 Disposal groups and other non-current assets 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.

#### Disposal groups

The Nampak Limited board took a decision to dispose of the DivFood Mobeni and Rigids Tubes businesses during March 2021 after consideration of binding offers received for these businesses in terms of the group's degearing plan set out in note 1.4 above. The group met the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations as at 31 March 2021 and therefore classified these disposal groups as held for sale at that date. These disposal groups were not recognised as discontinued operations in accordance with this standard as they neither represented a separate major line of business nor geographical area of operations. No impairment losses were incurred on the measurement of each disposal group to fair value less costs to sell.

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

R million	2021	2020
<b>DivFood Mobeni</b>		
Plant and equipment	186.3	—
Right of use assets	104.8	—
Other intangible assets	0.6	—
Inventories	144.6	—
Trade and other current receivables	72.6	—
Total assets	508.9	—
Lease liability	(169.3)	—
Trade and other current payables	(94.8)	—
Total net assets	244.8	—
<b>Rigids Tubes</b>		
Plant and equipment	14.2	—
Right of use assets*	—	—
Inventories	22.3	—
Trade and other current receivables	17.1	—
Total assets	53.6	—
Lease liability	(5.2)	—
Trade and other current payables	(15.6)	—
Total net assets	32.8	—

\* Right of use assets were impaired to less than R0.1 million in the prior year.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 6. Net operating assets *continued*

### 6.7 Disposal groups and other non-current assets held for sale *continued*

#### Other non-current assets held for sale

Plant and equipment classified as held for sale were regarded as redundant to the operational requirements of the divisions concerned. Impairment losses of R35.2 million (2020: nil) were recognised in respect of these assets in the current year. The investment in joint venture classified as held for sale relates to the investment in Softex Tissue Products (Pvt) Limited held by Nampak Zimbabwe Limited which was disposed of in the current year.

R million	2021	2020
Plant and equipment	<b>59.4</b>	88.8
DivFood divisions	<b>59.3</b>	71.9
Megapak Swaziland (Pty) Ltd	<b>0.1</b>	6.6
Nampak Nigeria Limited	<b>—</b>	10.3
Investment in joint venture – Softex Tissue Products (Pvt) Ltd	<b>—</b>	3.9
Total net assets	<b>59.4</b>	92.7

#### Net assets classified as held for sale

R million	2021	2020
Assets classified as held for sale	<b>621.9</b>	92.7
Plant and equipment	<b>259.9</b>	88.8
Right of use assets	<b>104.8</b>	—
Other intangible assets	<b>0.6</b>	—
Investment in joint venture	<b>—</b>	3.9
Inventories	<b>166.9</b>	—
Trade and other receivables	<b>89.7</b>	—
Liabilities directly associated with assets classified as held for sale	<b>(284.9)</b>	—
Lease liabilities	<b>(174.5)</b>	—
Trade and other current payables	<b>(110.4)</b>	—
Total	<b>337.0</b>	92.7

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 6. Net operating assets continued

### 6.8 Trade and other current payables

R million	2021	2020
Trade payables	<b>1 775.8</b>	1 241.2
Accruals	<b>970.0</b>	884.7
Derivative financial instruments (note 5.1)	<b>13.5</b>	11.1
Value-Added Tax	<b>64.2</b>	83.4
Other*	<b>69.1</b>	107.0
<b>Total</b>	<b>2 892.6</b>	2 327.4

\* Other items mainly relate to returnable packaging accruals and other sundry creditors.

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.

### 6.9 Provisions

R million	Restructuring	Customer claims	Other	Total
At 1 October 2019	159.7	35.8	137.4	332.9
Additions	169.5	9.0	11.0	189.5
Usage	(31.7)	(23.2)	(0.3)	(55.2)
Reversals	(40.3)	(18.1)	(150.2)	(208.6)
Translation differences	(0.5)	3.6	13.7	16.8
At 30 September 2020	256.7	7.1	11.6	275.4
Additions	0.7	5.4	—	6.1
Usage	(37.0)	(0.3)	(0.9)	(38.2)
Reversals	(40.7)	(6.0)	(3.3)	(50.0)
Translation differences	(1.1)	(0.1)	(0.1)	(1.3)
<b>At 30 September 2021</b>	<b>178.6</b>	<b>6.1</b>	<b>7.3</b>	<b>192.0</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 6. Net operating assets *continued*

### 6.9 Provisions *continued*

#### Restructuring provision

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

This provision consists of 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 matters arising from the Glass disposal for which the group may be responsible.

### 6.10 Contingent liabilities

R million	2021	2020
Guarantees in respect of property leases	4.4	3.9
Customer claims and other	5.6	6.8
<b>Total</b>	<b>10.0</b>	10.7

### 6.11 Segmental operating assets and liabilities

R million	Operating assets		Operating liabilities		Capital expenditure	
	2021	2020	2021	2020	2021	2020
<b>Segment analysis</b>						
Metals	9 485.1	9 121.2	2 260.5	1 614.7	196.4	387.8
Plastics	1 291.9	1 231.4	495.3	404.3	102.2	152.2
Paper	456.2	334.2	186.8	157.8	10.8	9.0
Operations	11 233.2	10 686.8	2 942.6	2 176.8	309.4	549.0
Corporate	3 602.2	3 450.1	886.6	833.3	3.5	40.2
Eliminations	(610.5)	(403.9)	(621.5)	(392.4)	—	—
Continuing operations	14 224.9	13 733.0	3 207.7	2 617.7	312.9	589.2
Discontinued operation	—	—	—	—	—	77.0
<b>Total</b>	<b>14 224.9</b>	13 733.0	<b>3 207.7</b>	2 617.7	<b>312.9</b>	666.2
<b>Geographical analysis (continuing operations):</b>						
South Africa	7 002.4	6 498.4	1 940.7	1 373.8	195.2	226.9
Rest of Africa	4 487.2	4 515.8	1 260.1	1 130.5	114.2	322.1
Operations	11 489.6	11 014.2	3 200.8	2 504.3	309.4	549.0
Corporate	3 642.2	3 450.1	886.6	833.3	3.5	40.2
Eliminations	(906.9)	(731.3)	(880.3)	(719.9)	—	—
<b>Total</b>	<b>14 224.9</b>	13 733.0	<b>3 207.7</b>	2 617.7	<b>312.9</b>	589.2

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 6. Net operating assets continued

### 6.11 Segmental operating assets and liabilities continued

R million	Non-current assets*	
	2021	2020
<b>Geographical information</b>		
South Africa	<b>3 293.6</b>	4 403.9
Angola	<b>1 238.3</b>	1 272.5
Nigeria	<b>863.7</b>	1 028.4
Rest of the world	<b>2 496.2</b>	2 134.0
<b>Total</b>	<b>7 891.8</b>	8 838.8

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

### 6.12 Lease commitments

R million	2021	2020
Year ending 30 September		
Year 1	<b>10.8</b>	18.8
Year 2 to 5	<b>16.7</b>	21.4
Year 6 onwards	<b>—</b>	1.1
<b>Total</b>	<b>27.5</b>	41.3
Comprising:		
Land and buildings	<b>1.2</b>	7.4
Vehicles	<b>12.8</b>	13.0
Other	<b>13.5</b>	20.9
	<b>27.5</b>	41.3

### 6.13 Capital commitments

R million	2021	2020
Capital commitments for acquisition of property, plant and equipment		
— contracted	<b>32.5</b>	89.5
— approved	<b>3.8</b>	50.4
<b>Total</b>	<b>36.3</b>	139.9

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 7. Staff remuneration

### 7.1 Retirement benefit information

The group operates a number of defined contribution funds and two unfunded defined benefit obligations, all in compliance with relevant local legislation across jurisdictions.

#### 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 2021 is 4 549 (2020: 5 565). Total contribution costs for the year ended 30 September 2021 are R115.6 million (2020: R140.9 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 – unfunded

##### Post-retirement medical obligations:

The post-retirement medical plan relates to Nampak's obligation in respect of its post-retirement healthcare costs subsidy for employees and pensioners in its South African operations, employed before 1 June 1996. The group does not provide post-retirement medical benefits for employees who joined the group after 1 June 1996. The subsidy is independent of income and is payable for the member and their spouse at retirement date, until their respective deaths.

The liability has been determined on the basis of future contribution costs to participating medical schemes.

**Continuation members:** With effect from 1 March 2013, Nampak agreed to subsidise future continuation members on the lowest plan they were on during the three years preceding retirement. The subsidy is capped at the Classic Comprehensive plan or an equivalent alternative at the time of retirement.

With effect from 30 September 2014, it was agreed that increases on the medical scheme subsidy would be capped at Consumer Price Inflation ('CPI') for all qualifying future continuation members.

As at 30 September 2021, the continuation members who retired before 30 September 2014 still enjoy increases of actual medical inflation.

**Active members and post 30 September 2014 retirees:** Increases are capped at CPI.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.1 Retirement benefit information continued

#### Qualifying employees and continuation members<sup>1</sup>

	2021			2020		
	Active members (pre-retirement)	Continuation members (pensioners)	Total	Active members (pre-retirement)	Continuation members (pensioners)	Total
<b>Movement in membership</b>						
Opening membership	84	1 291	1 375	106	1 365	1 471
Retirements	(13)	13	—	(8)	8	—
Active exits	(4)	—	(4)	(10)	—	(10)
New entrants <sup>2</sup>	—	23	23	—	—	—
Active settlements	—	—	—	(4)	—	(4)
Pensioner deaths	—	(76)	(76)	—	(82)	(82)
<b>Closing membership</b>	<b>67</b>	<b>1 251</b>	<b>1 318</b>	<b>84</b>	<b>1 291</b>	<b>1 375</b>
1 Additional disclosure has been added and comparatives have been included accordingly.						
2 New entrants are the spouses of deceased pensioners.						
<b>Average age</b>	<b>57.5</b>	<b>76.0</b>	<b>66.7</b>	57.1	75.6	66.3
<b>Average monthly contribution costs to participating medical schemes</b>	<b>5 836</b>	<b>6 409</b>	<b>6 123</b>	5 624	5 980	5 802

The liability is calculated as the present value of the employer's share of contributions to the participating medical schemes. Continuation member contributions are projected into each future year using the assumed rate of medical inflation or CPI and then present valued at the discount rate. For each active member, this projection is based on the probability of survival to retirement age (normal retirement age is 63) and beyond, taking into account the assumed rate of CPI until retirement and thereafter, as well as the assumed rates of withdrawal and mortality.

The liability will fluctuate depending on the mortality rates, the rate of medical inflation, CPI and the rate of new retirements over the next few years i.e. whether actual withdrawals match expectations.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.1 Retirement benefit information continued

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

%	Pension funds		Post-retirement medical	
	2021	2020	2021	2020
<b>Assumptions</b>				
Discount rate	10.3	11.0	10.3	11.0
Consumer price inflation (long-term)	6.0	5.8	6.0	5.8
Rate of medical inflation			7.5	7.3
Total membership	13	13	1 318	1 375

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

R million	Pension funds	Post-retirement medical	Total
<b>2021</b>			
<b>Valuation results</b>			
Present value of benefit obligations	1.7	799.5	801.2
Net liability	1.7	799.5	801.2
<b>2020</b>			
<b>Valuation results</b>			
Present value of benefit obligations	1.3	774.2	775.5
Net liability	1.3	774.2	775.5

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

R million	Pension funds	Post-retirement medical	Total
At 1 October 2019	2.8	921.1	923.9
<b>Movements recognised in profit or loss:</b>			
Current service cost	—	1.5	1.5
Interest cost	0.3	83.5	83.8
Curtailment gain	(1.8)	(53.0)	(54.8)
<b>Actuarial gains recognised in other comprehensive income:</b>			
Actuarial gains arising from changes in financial assumptions	—	(88.1)	(88.1)
Actuarial gains arising from experience adjustments	—	(12.9)	(12.9)
Benefits paid	—	(77.0)	(77.0)
Settlements*	—	(0.9)	(0.9)
At 30 September 2020	1.3	774.2	775.5
<b>Movements recognised in profit or loss:</b>			
Current service cost	—	1.1	1.1
Interest cost	0.2	80.4	80.6
Curtailment gain	—	(23.5)	(23.5)
<b>Actuarial losses/(gains) recognised in other comprehensive income:</b>			
Actuarial losses arising from changes in financial assumptions	0.2	56.4	56.6
Actuarial gains arising from experience adjustments	—	(11.6)	(11.6)
Benefits paid	—	(77.5)	(77.5)
<b>At 30 September 2021</b>	<b>1.7</b>	<b>799.5</b>	<b>801.2</b>
Expected contributions to defined benefit plans in 2022	0.2	85.5	85.7

\* During the current and prior financial year, no significant settlements were made and curtailment gains were realised as a result of pensioner deaths.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.1 Retirement benefit information continued

The total unfunded pension liability is R1.7 million (2020: R1.3 million) and the unfunded post-retirement medical liability is R799.5 million (2020: R774.2 million).

The current duration of the combined group of active employees and pensioners has been calculated at approximately 12.49 years (2020: 12.49 years). The expected expense in the next financial year is R78.6 million (2020: R81.5 million).

The following table shows the present value of the anticipated benefit payments in future years:

R million	2021
Within the next 12 months	85.5
Between 2 and 5 years	247.5
Between 5 and 10 years	209.0
Beyond 10 years	257.5
<b>Total</b>	<b>799.5</b>

Assumed healthcare cost trends and mortality rates have a significant impact on the net discount rate for the calculation of present value of the liabilities. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

R million	Healthcare cost trends	
	1% point increase Results in a corresponding decrease in the net discount rate	1% point decrease Results in a corresponding increase in the net discount rate
Effect on aggregate of the service costs and interest cost	3.7	(8.8)
Effect on defined benefit obligation	63.2	(55.9)

The valuation is significantly exposed to the longevity risk associated with the mortality rates and rates of withdrawal. An increase in the life expectancy of participants will increase the liability.

The impact of a change in mortality basis from the current assumed standard pensioner mortality table (PA(90)) for active members and PA(90) with one year adjustment for continuation members to a two year adjustment for active and continuation members is as follows:

Effect on aggregate of the service costs and interest cost	increase	0.5
Effect on defined benefit obligation	increase	32.8

The statutory actuarial valuation of the defined benefit fund is as follows:

R million	Valuation date	Fair value of assets	Fair value of liabilities	Valuation basis
Nampak Post-Retirement Medical Aid Obligation	30/09/2021	—	799.5	Projected unit credit

For the defined benefit plan, the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 7. Staff remuneration *continued*

### 7.2 Share-based payments

Share-based payment expenses recognised:

R million	2021	2020
Performance Share Plan (PSP)	<b>(9.9)</b>	2.5
Share Appreciation Plan (SAP)	—	(16.5)
Deferred Bonus Plan (DBP)	<b>1.1</b>	0.4
Executive Incentive Plan (EIP)	<b>12.1</b>	
Total	<b>3.3</b>	(13.6)

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.

The detailed allocations made to each executive director and each member of the group executive committee are included in the Nampak Limited remuneration report which is available for inspection on the company's website. The details of the outstanding awards for each share scheme is also set out in the Directors' Report of this publication.

### Performance Share Plan

#### Overview

Participation in this scheme is restricted to executive directors, senior executives and senior management. It is subject to approval by the nominations and 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.

Share awards vest to the level of achievement of the performance conditions at the end of the three-year performance period and are released in three equal tranches at the end of the third year, fourth year and fifth year from the original award date.

An award under this scheme can lapse under certain circumstances i.e. if the performance conditions are not met or the participant leaves the employ of the group.

#### Performance criteria for December 2019 and March 2020 awards

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 + 3% over the three year performance period, with the full performance criterion being an improvement in TSR of CPI + 15%;
- › 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 3%, with the full performance criterion being CPI plus 15%;

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.2 Share-based payments continued

- 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%.

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:

Number of shares	2021	2020*
Balance at the commencement of the financial year	<b>7 283 475</b>	7 076 751
Number of conditional shares awarded during the year	—	3 442 691
Executive directors (Nampak Limited)	—	1 540 496
Employees	—	1 902 195
Forfeitures/cancellations	<b>(239 594)</b>	(1 372 761)
PSP rights forfeited as at 30 September of each year due to underachievement of performance criteria	<b>(2 003 302)</b>	(1 667 241)
PSP rights exercised	<b>(327 764)</b>	(195 965)
Balance at the end of the financial year	<b>4 712 815</b>	7 283 475

\* Additional disclosure has been added and comparatives have been included accordingly.

### Share Appreciation Plan

#### Overview

Participation in the scheme is restricted to executive directors, senior and middle management and is subject to approval by the nominations and 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. In order to simplify and streamline Nampak's long term incentive structures, the committee took the decision in the prior year to cease making awards under the SAP, and to rather make awards under the PSP. This will align the entire management structure of Nampak under the PSP. Unvested awards under the SAP will remain in operation under the scheme.

Share allocations vest after three years if the performance condition is achieved. Participants have seven years from the allocation date to exercise their awards.

All rights under the plan shall lapse if not exercised within seven years from the award date.

#### Performance criteria for September 2019 awards

The performance target is that the company's cumulative headline earnings per share (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. Performance below the performance target will result in no rights vesting and all rights will lapse and be of no further force or effect.

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:

Number of shares	2021	2020*
Balance at the commencement of the financial year	<b>1 705 355</b>	4 335 053
Forfeitures/cancellations	<b>(238 837)</b>	(140 275)
Share appreciation rights forfeited as at 30 September of each year due to performance targets not being fulfilled	<b>(55 000)</b>	(2 489 423)
<b>Balance at the end of the financial year</b>	<b>1 411 518</b>	1 705 355

\* Additional disclosure has been added and comparatives have been included accordingly.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.2 Share-based payments continued

#### Deferred Bonus Plan

##### Overview

Participation in the plan is limited to executive directors and senior executives of the group. 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. The matching award vests after three years.

##### Performance criteria

No performance criteria are applicable, but the participant must be in the employ of the group at the vesting date. No shares vest for resignation or dismissal. Pro-rated shares vest for "good leavers" such as retirees.

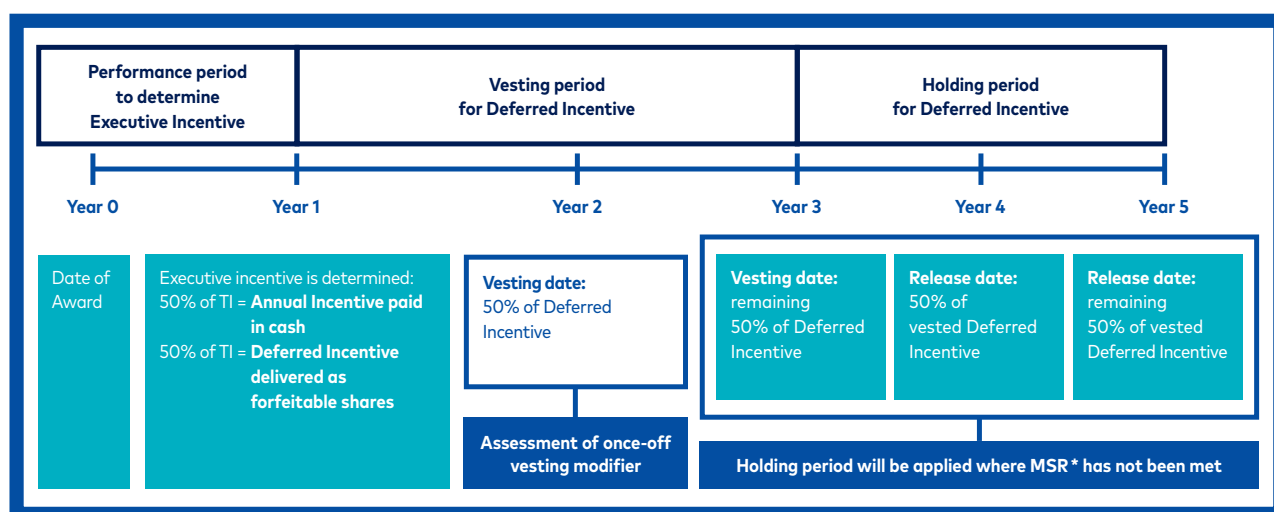
The table below indicates the number of matching deferred bonus outstanding at 30 September:

Number of shares	2021	2020*
Balance at the commencement of the financial year	791 991	504 904
Number of bonus shares purchased by employees during the year:	242 254	576 608
Executive directors (Nampak Limited)	222 927	251 412
Employees	19 327	325 196
Number of bonus shares transferred/sold by employees during the year:	(335 255)	(155 102)
Cancellations	(18 174)	(134 419)
Balance at the end of the financial year	680 816	791 991

\* Additional disclosure has been added and comparatives have been included accordingly.

#### Executive Incentive Plan

The EIP represents the total variable pay opportunity for the CEO, CFO and other group executives and is aligned with the turnaround strategy. The operation of the EIP is illustrated below:



\* MSR is the minimum shareholding requirement policy.

The EIP represents all variable pay elements and is calculated in accordance with the following formula:

$$\text{Executive Incentive} = \text{Total Guaranteed Pay} \times \text{On-target Percentage} \times \text{Balanced Scorecard Modifier.}$$

Achievement against the Balanced Scorecard will be assessed over a one-year performance period.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.3 Remuneration of directors and prescribed officers

50% of the Executive Incentive will be paid in cash annually after the expiry of the performance period, i.e. year one (this is referred to as the annual incentive). The remaining 50% will automatically be deferred and delivered in the form of Nampak shares, vesting over the future period (this is referred to as the deferred incentive). The deferred incentive will be structured as forfeitable shares, meaning participants will be the owners of the shares, but the shares will be subject to forfeiture (until vesting) and disposal restrictions (until the expiry of the holding period, where applied).

The payment of the annual incentive and settlement of the deferred incentive will be subject to the satisfaction of a free cash flow condition. In the event that the free cash flow condition is not met at the time of intended payment or settlement, payment and settlement will be deferred until the condition is met.

The deferred portion is subject to share price fluctuations over the deferral period.

Remuneration paid to the directors and prescribed officers of Nampak Limited by the company and its subsidiaries, in terms of total guaranteed packages, plus other benefits for 2021, is set out in the table below.

This remuneration is determined by the nominations and remuneration committee, having regard to the performance of individuals and market trends.

Executive directors and prescribed officers of the group are mainly remunerated for their services provided to the operating entities within the group structure.

Please refer to note 8.6 for the group composition.

#### Executive directors' and group executive committee members' total remuneration 2021

Rand	Basic salary	Company contribution to retirement	Guaranteed package <sup>1</sup>	Value of other benefits <sup>2</sup>	Termination	Executive incentive plan – annual incentive <sup>3</sup>	Total remuneration	Gains on share plans	Fair value of share scheme awards <sup>6</sup>
<b>Executive directors</b>									
EE Smuts	7 293 765	56 235	7 350 000	12 292	–	9 086 438	16 448 730	89 571	2 758 550
GR Fullerton	5 641 964	44 768	5 686 732	9 785	–	6 146 791	11 843 308	94 527	366 967
	<b>12 935 729</b>	<b>101 003</b>	<b>13 036 732</b>	<b>22 077</b>	<b>–</b>	<b>15 233 229</b>	<b>28 292 038</b>	<b>184 098</b>	<b>3 125 517</b>
<b>Group executives</b>									
C Burmeister	2 981 802	74 611	3 056 413	5 179	–	2 820 753	5 882 345	33 776	413 500
CB Farndell <sup>4</sup>	1 964 670	142 361	2 107 031	3 577	260 068	–	2 370 676	–	–
LD Kidd	3 187 246	80 625	3 267 871	5 596	–	3 784 665	7 058 132	–	271 261
SB McGill <sup>5</sup>	3 090 770	23 830	3 114 600	5 209	–	3 116 157	6 235 966	59 668	559 646
H Nel	3 500 216	27 476	3 527 692	5 994	–	3 997 379	7 531 065	–	1 367 935
Q Swart	2 809 843	22 188	2 832 031	79 850	–	2 818 435	5 730 316	–	546 274
IH van Lochem	3 054 298	23 834	3 078 132	5 210	–	3 116 758	6 200 100	6 276	367 713
	<b>20 588 845</b>	<b>394 925</b>	<b>20 983 770</b>	<b>110 615</b>	<b>260 068</b>	<b>19 654 147</b>	<b>41 008 600</b>	<b>99 720</b>	<b>3 526 329</b>
<b>Total</b>	<b>33 524 574</b>	<b>495 928</b>	<b>34 020 502</b>	<b>132 692</b>	<b>260 068</b>	<b>34 887 376</b>	<b>69 300 638</b>	<b>283 818</b>	<b>6 651 846</b>

1 Guaranteed packages are reflected net of the remaining 3 months salary sacrifice deduction where applicable.

2 Other benefits refer to group personal accident cover. Included in other benefits for Q Swart is a pay adjustment for assuming responsibility for the plastics business.

3 The incentive disclosed under executive incentive plan (EIP) is based on the performance period ended 30 September 2021. In terms of the plan 50% of the determined amount will be paid in cash as an annual incentive, payable in December 2021, subject to the satisfaction of a free cash flow condition. The remaining 50% will be delivered as forfeitable shares subject to forfeiture and disposal restrictions. The number of shares is determined using the 30-day VWAP at 30 September 2021 of R3.085 which will be purchased on the open market post closed period. The full EIP value is disclosed in the single total figure of remuneration in the remuneration report, however, the deferred incentive portion is recognised in the table above in the final column as part of the IFRS 2 expense for the current year relating to the grant date fair value of the awards. The gains on the deferred incentive portion will be recognised in the table above only on vesting.

4 CB Farndell resigned with effect 30 June 2021. Termination pay comprises leave pay of R260 068.

5 SB McGill was appointed to the group executive with effect 1 October 2020.

6 Grant date fair value of share scheme awards in the current period.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.3 Remuneration of directors and prescribed officers continued

#### Executive directors' and group executive committee members' total remuneration 2020

Rand	Basic salary	Company contribution to retirement	Guaranteed package	Value of other benefits <sup>1</sup>	Termination	STI <sup>2</sup>	Total remuneration	Gains on share plans	Fair value of share scheme awards <sup>8</sup>
<b>Executive directors</b>									
EE Smuts <sup>3</sup>	6 497 351	48 279	6 545 630	16 203	—	2 097 254	8 659 087	168 033	8 377 948
GR Fullerton	5 532 226	44 794	5 577 020	15 121	—	1 781 844	7 373 985	89 717	4 115 012
	12 029 577	93 073	12 122 650	31 324	—	3 879 098	16 033 072	257 750	12 492 960
<i>Resigned during the year</i>									
AM De Ruyter <sup>4</sup>	2 195 488	18 027	2 213 515	5 649	244 492	—	2 463 656	—	(23 384 714)
	14 225 065	111 100	14 336 165	36 973	244 492	3 879 098	18 496 728	257 750	(10 891 755)
<b>Group executives</b>									
C Burmeister	2 953 245	76 310	3 029 555	8 003	—	779 594	3 817 152	251 860	232 110
CB Farndell <sup>5</sup>	1 470 859	107 527	1 578 386	4 141	—	690 452	2 272 979	—	1 930 222
LD Kidd	3 133 125	82 461	3 215 586	8 648	—	1 120 592	4 344 826	255 753	1 994 137
RG Morris <sup>6</sup>	3 182 735	25 262	3 207 997	8 812	5 487 318	1 111 638	9 815 765	217 992	440 382
H Nel <sup>7</sup>	2 279 543	15 944	2 295 487	5 281	—	1 035 707	3 336 475	—	2 042 412
Q Swart <sup>5</sup>	1 565 619	12 766	1 578 385	4 198	—	926 885	2 509 468	—	3 208 625
IH van Lochem	3 029 574	23 847	3 053 421	8 050	—	1 109 790	4 171 261	—	3 153 476
	17 614 700	344 117	17 958 817	47 133	5 487 318	6 774 658	30 267 926	725 605	13 001 364
<b>Total</b>	<b>31 839 765</b>	<b>455 217</b>	<b>32 294 982</b>	<b>84 106</b>	<b>5 731 810</b>	<b>10 653 756</b>	<b>48 764 654</b>	<b>983 355</b>	<b>2 109 609</b>

1 Other benefits refers to group personal accident cover.

2 STI disclosed is based on performance during the 2020 financial year, but actual STI payments were only made in December 2020.

3 EE Smuts was appointed CEO with effect from 6 January 2020.

4 AM De Ruyter resigned with effect from 5 January 2020. Termination pay comprises leave pay of R244 492.

5 CB Farndell and Q Swart were appointed to the group executive committee with effect from 1 March 2020.

6 RG Morris was retrenched with effect from 31 July 2020. Termination pay comprises leave pay of R566 641, notice pay of R990 250, severance pay of R3 430 427 and executive retirement gratuity of R500 000.

7 H Nel was appointed to the group executive committee with effect from 1 February 2020.

8 Grant date fair value of share scheme awards in the current period. Additional disclosure has been added and comparatives have been included accordingly.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 7. Staff remuneration continued

### 7.3 Remuneration of directors and prescribed officers continued

#### Non-executive directors' remuneration

The non-executive directors' remuneration paid during 2021, as approved by shareholders, and the total comparative amount for 2020 are disclosed below:

Rand	Director's fees	Audit and risk	Nominations and remuneration	Social, ethics and transformation	Total approved fees earned 2021	Total fees invoiced 2020 <sup>1</sup>
E Ikazoboh <sup>2</sup>	—	—	—	—	—	164 832
J John <sup>3</sup>	—	—	—	—	—	32 642
N Khan <sup>4</sup>	327 400	258 500	—	—	<b>585 900</b>	98 550
IN Mkhari <sup>5</sup>	—	—	—	—	—	280 351
KW Mzondeki	327 400	258 500	—	—	<b>585 900</b>	531 553
CD Raphiri <sup>6</sup>	327 400	—	261 300	193 300	<b>782 000</b>	705 985
SP Ridley <sup>7</sup>	327 400	515 700	137 000	—	<b>980 100</b>	970 873
L Sennelo <sup>8</sup>	327 400	258 500	—	97 400	<b>683 300</b>	450 670
PM Surgey	1 575 000	—	—	—	<b>1 575 000</b>	1 600 000
<b>Total</b>	<b>3 212 000</b>	<b>1 291 200</b>	<b>398 300</b>	<b>290 700</b>	<b>5 192 200</b>	<b>4 835 456</b>

Directors fees are shown excluding VAT where applicable.

1 The non-executive directors reduced their fees earned for a three-month period by 30% due to the impacts of COVID-19. The reduced value is reflected as total fees invoiced 2020.

2 E Ikazoboh retired from the board and committees with effect from 12 February 2020.

3 J John resigned from the board and committees with effect from 1 November 2019.

4 N Khan was appointed to the board and audit and risk committee with effect from 1 August 2020.

5 IN Mkhari retired from the board and committees with effect from 12 February 2020.

6 CD Raphiri was appointed chairman of the nominations and remuneration committee with effect from 1 October 2020.

7 SP Ridley resigned as the chairman of the nominations and remuneration committee with effect from 1 October 2020, but remains a member of the committee for the 2021 period.

8 L Sennelo was appointed to the board and audit and risk committee with effect from 22 November 2019 and to the social, ethics and transformation committee with effect from 15 May 2020.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 8. Equity, distributions and group information

### 8.1 Reconciliation of movement in capital and reserves

R million	Capital reserves			
	Share capital	Share premium	Treasury shares	Share-based payments reserve
<b>At 30 September 2019 (as previously reported)</b>	35.5	268.9	(515.7)	170.7
Adjustment due to adoption of IFRS 16	—	—	—	—
<b>At 30 September 2019 (restated)</b>	35.5	268.9	(515.7)	170.7
Employee share option scheme:				
Value of employee services	—	—	—	(13.6)
Transfer between reserves	—	—	—	(140.2)
Treasury shares disposed	—	—	2.3	—
Exchange difference on translation of foreign operations — excluding Zimbabwe operations	—	—	—	—
Exchange difference on hyperinflation and related effects — Zimbabwe operations	—	—	—	—
Gain on cash flow hedges	—	—	—	—
Net actuarial gain	—	—	—	—
Disposal of business — FCTR recycled through profit/loss	—	—	—	—
Attribution of Zimbabwe revocation agreement to non-controlling interest	—	—	—	—
Fair value adjustment on bonds*	—	—	—	—
Disposal of liquid bonds — recycled through profit/loss	—	—	—	—
Loss for the year	—	—	—	—
Dividends paid	—	—	—	—
<b>At 30 September 2020</b>	35.5	268.9	(513.4)	16.9
Employee share option scheme:				
Value of employee services	—	—	—	3.3
Proceeds from shares issued	—	2.0	—	—
Transfer between reserves	—	—	—	(4.6)
Exchange difference on translation of foreign operations — excluding Zimbabwe operations	—	—	—	—
Exchange difference on hyperinflation and related effects — Zimbabwe operations	—	—	—	—
Loss on cash flow hedges	—	—	—	—
Net actuarial loss	—	—	—	—
Disposal of liquid bonds — recycled through profit/loss*	—	—	—	—
Profit for the year	—	—	—	—
Dividends paid	—	—	—	—
<b>At 30 September 2021</b>	<b>35.5</b>	<b>270.9</b>	<b>(513.4)</b>	<b>15.6</b>

\* Liquid bonds are measured at fair value through other comprehensive income.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

Other reserves				Retained earnings	Total attributable to owners of Nampak Limited	Non-controlling interest	Total equity
Foreign currency translation reserve	Financial instruments hedging reserve	Recognised actuarial gains/(losses)	Other				
1 368.9	(10.8)	(1 427.4)	(17.0)	9 059.2	8 932.3	(722.4)	8 209.9
—	—	—	—	(209.0)	(209.0)	—	(209.0)
1 368.9	(10.8)	(1 427.4)	(17.0)	8 850.2	8 723.3	(722.4)	8 000.9
—	—	—	—	—	(13.6)	—	(13.6)
—	—	—	—	140.2	—	—	—
—	—	—	—	(2.3)	—	—	—
673.7	—	—	—	—	673.7	29.5	703.2
(775.8)	—	—	—	—	(775.8)	183.1	(592.7)
—	11.3	—	—	—	11.3	—	11.3
—	—	72.7	—	—	72.7	—	72.7
(153.0)	—	752.2	—	(752.2)	(153.0)	—	(153.0)
—	—	—	(26.2)	(66.9)	(93.1)	248.9	155.8
—	—	—	(6.9)	—	(6.9)	(3.0)	(9.9)
—	—	—	14.0	—	14.0	6.0	20.0
—	—	—	—	(3 467.6)	(3 467.6)	(512.5)	(3 980.1)
—	—	—	—	(0.1)	(0.1)	—	(0.1)
1 113.8	0.5	(602.5)	(36.1)	4 701.3	4 984.9	(770.4)	4 214.5
—	—	—	—	—	3.3	—	3.3
—	—	—	—	—	2.0	—	2.0
—	—	—	—	3.3	(1.3)	—	(1.3)
(318.7)	—	—	—	—	(318.7)	81.6	(237.1)
(7.5)	—	—	—	—	(7.5)	(7.1)	(14.6)
—	(0.5)	—	—	—	(0.5)	—	(0.5)
—	—	(32.4)	—	—	(32.4)	—	(32.4)
—	—	—	(7.1)	—	(7.1)	(3.0)	(10.1)
—	—	—	—	207.2	207.2	170.2	377.4
—	—	—	—	(0.1)	(0.1)	—	(0.1)
<b>787.6</b>	<b>—</b>	<b>(634.9)</b>	<b>(43.2)</b>	<b>4 911.7</b>	<b>4 829.8</b>	<b>(528.7)</b>	<b>4 301.1</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 8. Equity, distributions and group information continued

### 8.2 Share capital

R million	2021	2020
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 6.0% cumulative preference shares of R2 each	0.8	0.8
Total	39.8	39.8
Issued:		
690 474 523 (2020: 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 6.0% cumulative preference shares of R2 each	0.8	0.8
Total	35.5	35.5

14 393 061 (2020: 11 855 951) ordinary shares have been set aside for employees' share schemes.

There were no changes to the issued 6.5% and 6.0% preference shares.

### 8.3 Capital reserves

R million	2021	2020
Share premium	270.9	268.9
Treasury shares*	(513.4)	(513.4)
11 096 ordinary shares held by the Nampak Black Management Share Trust	(0.1)	(0.1)
44 719 790 ordinary shares held by Nampak Products Limited	(513.3)	(513.3)
Share-based payments reserve	15.6	16.9
Total	(226.9)	(227.6)
<b>Reconciliation of number of ordinary shares issued</b>		
Number of ordinary shares issued at beginning of year	689 811 504	689 811 504
Ordinary shares allotted to employees, former employees and directors in terms of Nampak share schemes	663 019	—
Number of ordinary shares issued at end of year	690 474 523	689 811 504
Treasury shares*	(44 730 886)	(44 730 886)
Net number of ordinary shares	645 743 637	645 080 618

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

### 8.4 Other reserves

R million	2021	2020
Foreign currency translation reserve	787.6	1 113.8
Financial instruments hedging reserve	—	0.5
Recognised actuarial losses	(634.9)	(602.5)
Other	(43.2)	(36.1)
Total	109.5	475.7

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 8. Equity, distributions and group information *continued*

### 8.4 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, as well as differences between these comparative amounts and the hyperinflation adjusted equity opening balances of group entities, whose functional currencies are the currencies of hyperinflationary economies, as recognised in other comprehensive income.

The functional currency of Nampak Zimbabwe is a currency of a hyperinflationary economy. The results and the financial position, including comparative amounts have been adjusted in terms of the measuring unit current at the end of the reporting period.

The carrying amount of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of the acquisition to the end of the reporting period.

#### 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.

#### Other reserves

Other reserves relate to a put option in favour of the Botswana Development Corporation created on the acquisition of the group's interest in Nampak DivFood Botswana (Pty) Ltd of R17.0 million and deferred tax on the equity contribution by NIL to Nampak Zimbabwe of R26.2 million. During the year, the cumulative fair value gains relating to liquid bonds (R7.1 million after non-controlling interests of R3.0 million) were recycled to profit and loss on the disposal of the bonds.

### 8.5 Non-controlling interests

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

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 (%)	
			2021	2020
Nampak Bevcan Angola Limitada (Bevcan Angola)	Angola	Metals	<b>30.00</b>	30.00
Nampak Zimbabwe Limited (Nampak Zimbabwe)	Zimbabwe	Plastics/Paper	<b>48.57</b>	48.57
DivFood Botswana (Pty) Limited (DivFood Botswana)	Botswana	Metals	<b>26.00</b>	26.00

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 8. Equity, distributions and group information continued

### 8.5 Non-controlling interests continued

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

R million	Bevcan Angola		Nampak Zimbabwe		DivFood Botswana		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenue</b>	<b>604.8</b>	582.5	<b>1 666.0</b>	1 048.6	<b>0.1</b>	21.5	<b>2 270.9</b>	1 652.6
<b>Net profit/(loss) for the year</b>	<b>187.8</b>	(1 389.9)	<b>235.1</b>	(192.9)	<b>(1.1)</b>	(7.1)	<b>421.8</b>	(1 589.9)
Attributable to:								
Owners of Nampak Ltd	<b>131.5</b>	(972.9)	<b>120.9</b>	(99.2)	<b>(0.8)</b>	(5.3)	<b>251.6</b>	(1 077.4)
Non-controlling interests in subsidiaries	<b>56.3</b>	(417.0)	<b>114.2</b>	(93.7)	<b>(0.3)</b>	(1.8)	<b>170.2</b>	(512.5)
<b>Other comprehensive income/(loss)</b>	<b>279.5</b>	(177.5)	<b>(14.6)</b>	540.9	<b>(8.8)</b>	0.4	<b>256.1</b>	363.8
<b>Total comprehensive income/(loss)</b>	<b>467.3</b>	(1 567.4)	<b>220.5</b>	348.0	<b>(9.9)</b>	(6.7)	<b>677.9</b>	(1 226.1)
Attributable to:								
Owners of Nampak Ltd	<b>327.1</b>	(1 097.2)	<b>113.4</b>	179.0	<b>(7.3)</b>	(5.0)	<b>433.2</b>	(923.2)
Non-controlling interests in subsidiaries	<b>140.2</b>	(470.2)	<b>107.1</b>	169.0	<b>(2.6)</b>	(1.7)	<b>244.7</b>	(302.9)
<b>Other equity movements*</b>	<b>(10.1)</b>	20.0	—	512.5	—	—	<b>(10.1)</b>	532.5
Attributable to:								
Owners of Nampak Ltd	<b>(7.1)</b>	14.0	—	263.6	—	—	<b>(7.1)</b>	277.6
Non-controlling interests in subsidiaries	<b>(3.0)</b>	6.0	—	248.9	—	—	<b>(3.0)</b>	254.9
<b>Total assets*</b>	<b>1 750.1</b>	2 141.5	<b>707.9</b>	472.2	<b>15.2</b>	29.5	<b>2 473.2</b>	2 643.2
Non-current assets	<b>1 243.3</b>	1 278.4	<b>134.2</b>	90.9	<b>12.5</b>	13.5	<b>1 390.0</b>	1 382.8
Current assets	<b>506.8</b>	863.1	<b>573.7</b>	381.3	<b>2.7</b>	16.0	<b>1 083.2</b>	1 260.4
<b>Total liabilities*</b>	<b>4 343.5</b>	5 192.1	<b>194.2</b>	177.8	<b>18.2</b>	22.7	<b>4 555.9</b>	5 392.6
Non-current liabilities	<b>305.4</b>	364.7	<b>12.8</b>	14.1	—	—	<b>318.2</b>	378.8
Current liabilities	<b>4 038.1</b>	4 827.4	<b>181.4</b>	163.7	<b>18.2</b>	22.7	<b>4 237.7</b>	5 013.8
<b>Total equity</b>	<b>(2 593.4)</b>	(3 050.6)	<b>513.7</b>	294.4	<b>(3.0)</b>	6.8	<b>(2 082.7)</b>	(2 749.4)
Attributable to:								
Owners of Nampak Ltd	<b>(1 815.4)</b>	(2 135.4)	<b>263.6</b>	151.4	<b>(2.2)</b>	5.0	<b>(1 554.0)</b>	(1 979.0)
Non-controlling interests in subsidiaries	<b>(778.0)</b>	(915.2)	<b>250.1</b>	143.0	<b>(0.8)</b>	1.8	<b>(528.7)</b>	(770.4)

\* Disclosure has been expanded and comparatives have been included accordingly.

### 8.6 Group composition

The consolidated financial statements include the accounts of Nampak Ltd (the Company) and all of its subsidiaries at 30 September 2021.

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

Nampak Products Ltd is registered in South Africa and operates primarily in South Africa and Angola. Nampak International Ltd is registered in the Isle of Man and operates in 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.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 8. Equity, distributions and group information continued

### 8.6 Group composition continued

#### Subsidiaries

R million	Type	Country of incorporation	Issued share capital	Effective percentage holding (%)		Interest of holding company			
				2021	2020	Shares at cost		Indebtedness	
				2021	2020	2021	2020	2021	2020
<b>Direct holdings</b>									
Malbak Ltd	D	RSA	R100	100	100	1 482.9	1 482.9	—	—
Nampak International Ltd	O/I	Isle of Man	US\$219 794	100	100	4 347.9	3 347.9	—	—
Nampak Products Ltd	O/I	RSA	R3 758 641	100	100	93.7	93.7	79.6	79.6
Nampak Paper Ltd*	D	RSA	R2 037 533	100	100	—	—	—	—
<b>Indirect holdings</b>									
Bullpak Ltd	O	Kenya	KES4 760 000	100	100	—	—	—	—
CarnaudMetalbox Zimbabwe Ltd	O	Zimbabwe	ZWL98 994	51.43	51.43	—	—	—	—
Hunyani Forests Ltd	O	Zimbabwe	ZWL110 000	51.43	51.43	—	—	—	—
Hunyani Paper and Packaging (Pvt) Ltd	O	Zimbabwe	ZWL24 000	51.43	51.43	—	—	—	—
Hunyani Properties Ltd	P	Zimbabwe	ZWL426 000	51.43	51.43	—	—	—	—
Megapak Swaziland (Pty) Ltd	O	Swaziland	R1 000	100	100	—	—	—	—
Megapak Zimbabwe (Pty) Ltd	O	Zimbabwe	ZWL20 100	51.43	51.43	—	—	—	—
Megaplastics Ltd	I	Zimbabwe	ZWL0	51.43	51.43	—	—	—	—
Metal Box South Africa Ltd	D	RSA	—	—	—	—	—	—	—
Nampak Bevcan Angola Lda	O	Angola	US\$50 000	70	70	—	—	—	—
Nampak Bevcan Nigeria Ltd	O	Nigeria	US\$5 402 000	100	100	—	—	—	—
Nampak DivFood Botswana (Pty) Ltd	O	Botswana	BWP120	74	74	—	—	—	—
Nampak Holdings (UK) Ltd	I	UK	US\$184	100	100	—	—	—	—
Nampak Holdings Ltd	I	Mauritius	US\$37 094	100	100	—	—	—	—
Nampak Insurance Company Ltd	N	Isle of Man	R1 142 472	100	100	—	—	—	—
Nampak Kenya Ltd	O	Kenya	KES40 280 000	100	100	—	—	—	—
Nampak Liquid Botswana (Pty) Ltd	O	Botswana	BWP100	100	100	—	—	—	—
Nampak Liquid Cartons (Pty) Ltd*	D	RSA	—	—	—	—	—	—	—
Nampak Nigeria Ltd	O	Nigeria	NGN107 044 183	100	100	—	—	—	—
Nampak Packaging Pvt Ltd	O	Ethiopia	ETB32 626 000	100	100	—	—	—	—
Nampak Petpak (Namibia) (Pty) Ltd	O	Namibia	N\$100	100	100	—	—	—	—
Nampak Properties (Isle of Man) Ltd	P	Isle of Man	£100	100	100	—	—	—	—
Nampak Southern Africa Holdings Ltd	I	Mauritius	US\$4 726 922	100	100	—	—	—	—
Nampak Tanzania Ltd	O	Tanzania	TZS304 638 620	100	100	—	—	—	—
Nampak Technical Services Ltd	O	Isle of Man	£1	100	100	—	—	—	—
Nampak Zambia Ltd	O	Zambia	ZMK15 000	100	100	—	—	—	—
Nampak Packaging Malawi Ltd	O	Malawi	MWK13 450 000	100	100	—	—	—	—
Nampak Zimbabwe Ltd	O/I	Zimbabwe	ZWL755 648	51.43	51.43	—	—	—	—
TeknoL SARRL	D	Luxembourg	—	—	100	—	—	—	—
TeknoL NV	I	Netherlands Antilles	—	—	100	—	—	—	—
Transmar (Isle of Man) Ltd	I	Isle of Man	£364 232	100	100	—	—	—	—
<b>Total</b>						<b>5 924.5</b>	<b>4 924.5</b>	<b>79.6</b>	<b>79.6</b>

O = Operating; I = Investment holding; D = Dormant; P = Property; N = Insurance

\* In the process of being deregistered.

# Notes to the consolidated financial statements

for the year ended 30 September 2021 continued

## 8. Equity, distributions and group information continued

### 8.6 Group composition continued

	Type	Country of incorporation	Issued share capital	Effective percentage holding (%)	
				2021	2020
<b>Associates</b> (Equity accounted)					
Collect-a-Can (Pty) Ltd <sup>1</sup>	O	RSA	R4 000 000	<b>40</b>	40
Group Risk Holdings (Pty) Ltd	N	RSA	R11 300	<b>15</b>	18
<b>Joint ventures</b> (Equity accounted)					
Elopak Nampak Africa <sup>2</sup>	O	Kenya	€250 000	<b>50</b>	—
Softex Tissue Products (Pvt) Ltd <sup>3</sup>	O	Zimbabwe	US\$2 897	—	50

O = Operating; N = Insurance

1 31 December year-end.

2 Acquired for KES33 million with an effective date of 6 May 2021.

3 Disposed of during the year.

Aggregate information of associates and joint ventures:

R million	Associates		Joint venture	
	2021	2020	2021	2020
Cost of investment	<b>4.7</b>	4.9	—	5.9
Increase in investment	—	—	<b>4.3</b>	—
Decrease in investment	<b>(0.5)</b>	(0.2)	—	—
Group's share of profit/(loss) after tax	<b>10.1</b>	10.2	<b>(1.4)</b>	11.2
Opening balance	<b>10.2</b>	12.0	—	9.1
Decrease in investment	<b>(0.6)</b>	(0.2)	—	—
Share of current year profit after tax	<b>0.5</b>	(1.6)	<b>(1.4)</b>	2.1
Translation differences	—	—	<b>0.3</b>	(13.2)
	<b>14.3</b>	14.9	<b>3.2</b>	3.9
Reclassified to non-current assets held for sale	—	—	—	(3.9)
Aggregate carrying amount of the Group's interest in these associates and joint ventures	<b>14.3</b>	14.9	<b>3.2</b>	—

Summarised financial information in respect of the group's associates and joint ventures is set out below:

R million	Associates		Joint venture	
	2021	2020	2021	2020
Revenue	<b>385.9</b>	326.6	—	102.0
Net profit/(loss) for the year	<b>1.2</b>	(1.4)	<b>(2.8)</b>	4.1
Group's share of net profit/(loss) for the year	<b>0.5</b>	(1.6)	<b>(1.4)</b>	2.1
Total assets	<b>3 041.7</b>	1 319.2	<b>1.2</b>	27.2
Total liabilities	<b>2 983.1</b>	1 261.7	<b>4.1</b>	10.4
Net assets	<b>58.6</b>	57.5	<b>(2.9)</b>	16.8
Group's share of net assets	<b>14.3</b>	14.9	<b>3.2</b>	3.9

### Other investments

	Type	Number of shares held by group		Effective percentage holding	
		2021	2020	2021	2020
Ethiopian Crown Cork & Can Industry	O	<b>5 750</b>	5 750	<b>25</b>	25
PET RecoZim (Pvt) Ltd	D	<b>10</b>	10	<b>5</b>	5

O = Operating; D = Dormant

# Notes to the consolidated financial statements

for the year ended 30 September 2021 *continued*

## 8. Equity, distributions and group information *continued*

### 8.7 Related party transactions

Material related party transactions were as follows:

R million	2021	2020
<b>Sales and services rendered to related parties:</b>		
Associate	23.8	17.8
Total	23.8	17.8
<b>Interest received from related parties:</b>		
Associate	0.2	0.3
Total	0.2	0.3

Amounts owing (after eliminating intercompany balances) by related parties are disclosed in the respective notes to the financial statements for those balance sheet items.

R million	2021	2020
<b>Amounts receivable from related parties:</b>		
Loans to associate	—	2.5
Joint venture receivable	0.2	—
Total	0.2	2.5

### 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
LD Kidd	Nampak 1979 Share Purchase Trust	Trustee
	Nampak Employee Share Trust	Trustee
	Black Management Trust	Trustee
	Malbak Limited Share Trust	Trustee
CD Raphiri	Nampak Limited Performance Share Trust	Trustee
	Nampak Limited Share Appreciation Trust	Trustee
SP Ridley	Nampak Limited Performance Share Trust	Trustee
	Nampak Limited Share Appreciation Trust	Trustee
PM Surgey	Nampak 1979 Share Purchase Trust	Trustee
	Nampak Limited Performance Share Trust	Trustee
	Nampak Limited Share Appreciation Trust	Trustee
IH van Lochem	Nampak 1979 Share Purchase Trust	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

for the year ended 30 September 2021 *continued*

## 8. Equity, distributions and group information *continued*

### 8.7 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:

R million	2021	2020
Short-term employee benefits	<b>69.0</b>	43.0
Termination benefits	<b>0.3</b>	5.7
Share-based payments	<b>6.7</b>	2.1
	<b>76.0</b>	50.8

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 7.3 for detailed analysis of directors' remuneration.

#### Shareholders

An analysis of major shareholders is provided on page 102.

# Company statement of comprehensive income

for the year ended 30 September 2021

R million	Notes	2021	2020
<b>Revenue</b>	1	<b>1 008.2</b>	395.8
Employee benefit expense		<b>(5.8)</b>	(5.6)
Other operating expenses		<b>(2.0)</b>	(6.4)
Other operating income		<b>7.1</b>	—
<b>Operating profit</b>		<b>1 007.5</b>	383.8
Finance costs		<b>(4.0)</b>	—
<b>Profit before tax</b>		<b>1 003.5</b>	383.8
Income tax benefit/(expense)	2	<b>2.5</b>	(22.4)
<b>Total comprehensive income for the year</b>		<b>1 006.0</b>	361.4

# Company statement of financial position

at 30 September 2021

R million	Notes	2021	2020
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in associate	3	<b>2.7</b>	3.1
Interests in subsidiaries	4	<b>4 724.6</b>	3 721.3
		<b>4 727.3</b>	3 724.4
<b>Current assets</b>			
Subsidiary companies and trusts	8	<b>1.0</b>	1.1
Tax assets		<b>0.9</b>	—
		<b>1.9</b>	1.1
<b>Total assets</b>		<b>4 729.2</b>	3 725.5
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	5	<b>35.5</b>	35.5
Capital reserves	5	<b>286.5</b>	285.8
Retained earnings	5	<b>4 405.1</b>	3 394.6
		<b>4 727.1</b>	3 715.9
<b>Current liabilities</b>			
Other payables	7	<b>0.6</b>	7.3
Subsidiary companies and trusts	8	<b>1.5</b>	1.5
Tax liabilities		<b>—</b>	0.8
		<b>2.1</b>	9.6
<b>Total equity and liabilities</b>		<b>4 729.2</b>	3 725.5

# Company statement of changes in equity

for the year ended 30 September 2021

R million	Notes	2021	2020
<b>Opening balance</b>		<b>3 715.9</b>	3 368.1
Net shares issued during the year		<b>2.0</b>	—
Share-based payment expense		<b>3.3</b>	(13.5)
Total comprehensive income for the period		<b>1 006.0</b>	361.4
Dividends paid	6	<b>(0.1)</b>	(0.1)
Closing balance		<b>4 727.1</b>	3 715.9
<b>Comprising:</b>			
Share capital	5	<b>35.5</b>	35.5
Capital reserves	5	<b>286.5</b>	285.8
Share premium		<b>270.9</b>	268.9
Share option reserve		<b>15.6</b>	16.9
Retained earnings	5	<b>4 405.1</b>	3 394.6
Total equity		<b>4 727.1</b>	3 715.9

# Company statement of cash flows

for the year ended 30 September 2021

R million	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	9.1	<b>1 002.9</b>	1 409.3
Interest paid		<b>(4.0)</b>	—
Income tax refund/(paid)		<b>0.8</b>	(9.4)
<b>Cash flows from operations</b>		<b>999.7</b>	1 399.9
Dividends paid		<b>(0.1)</b>	(0.1)
<b>Cash generated from operating activities</b>		<b>999.6</b>	1 399.8
<b>Cash flows from investing activities</b>			
(Increase) in investments		<b>(999.6)</b>	(1 399.8)
<b>Cash utilised in investing activities</b>		<b>(999.6)</b>	(1 399.8)
<b>Net movement in cash and cash equivalents</b>		<b>—</b>	—
Cash and cash equivalents at beginning of year		<b>—</b>	—
<b>Cash and cash equivalents at end of year</b>		<b>—</b>	—

# Notes to the company financial statements

for the year ended 30 September 2021

## 1. Revenue

R million	2021	2020
Normal dividends – South Africa	1 000.0	352.4
Interest received from subsidiaries	–	31.8
Fees received from subsidiaries	8.2	11.6
	<b>1 008.2</b>	395.8

## 2. Income tax benefit/(expense)

R million	2021	2020
<b>Current tax</b>		
– current year	0.1	10.1
– prior year	(2.6)	11.6
<b>Deferred tax</b>		
– current year	–	0.7
Total	<b>(2.5)</b>	22.4

The company tax rate in South Africa is 28% (2020: 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 (%)	(28.0)	(25.7)
– adjustment for prior year normal tax (%)	(0.3)	–
Increase in tax charge due to:		
– imputed income – section 9D (%)	–	0.1
– adjustment for prior year normal tax (%)	–	3.0
– disallowable expenses (%)	0.1	0.4
Effective company rate of tax (%)	<b>(0.2)</b>	5.8

## 3. Investment in associate

R million	2021	2020
Cost of investment in associate	2.7	3.1
	<b>2.7</b>	3.1

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

## 4. Interests in subsidiaries

R million	2021	2020
(Refer to note 8.6 of the consolidated financial statements for details)		
Interests in subsidiaries	5 924.5	4 924.5
Share-based payments contribution	209.5	206.2
Net amount due by subsidiaries*	79.6	79.6
Less: Impairment losses	(1 489.0)	(1 489.0)
Shares at cost less impairments	<b>4 724.6</b>	3 721.3
Directors' valuation	<b>4 724.6</b>	3 721.3

\* Expected to be repaid within 4 to 5 years.

# Notes to the company financial statements

for the year ended 30 September 2021 continued

## 5. Capital and reserves

R million	Notes	Attributable to equity holders of the company				
		Share capital	Share premium	Share option reserve	Retained earnings	Total equity
<b>At 1 October 2019</b>		35.5	268.9	190.5	2 873.2	3 368.1
Employee share option scheme:						
– value of employee services		–	–	(13.5)	–	(13.5)
Transfer within equity to retained earnings		–	–	(160.1)	160.1	–
Profit for the year		–	–	–	361.4	361.4
Dividends paid	6	–	–	–	(0.1)	(0.1)
<b>At 30 September 2020</b>		35.5	268.9	16.9	3 394.6	3 715.9
Employee share option scheme:						
– value of employee services		–	–	3.3	–	3.3
Ordinary shares allotted to employees, former employees and directors in terms of the Nampak share schemes		–	2.0	–	–	2.0
Transfer within equity to retained earnings		–	–	(4.6)	4.6	–
Profit for the year		–	–	–	1 006.0	1 006.0
Dividends paid	6	–	–	–	(0.1)	(0.1)
<b>At 30 September 2021</b>		<b>35.5</b>	<b>270.9</b>	<b>15.6</b>	<b>4 405.1</b>	<b>4 727.1</b>
R million					2021	2020
<b>Share capital</b>						
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 6.0% cumulative preference shares of R2 each					0.8	0.8
Total					39.8	39.8
Issued:						
690 474 523 (2020: 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 6.0% cumulative preference shares of R2 each					0.8	0.8
Total					35.5	35.5
14 393 061 (2020: 11 855 951) ordinary shares have been set aside for employees' share schemes.						
<b>Preference shares</b>						
There were no changes to the issued 6.5% and 6.0% preference shares.						
<b>Capital reserves</b>						
Share premium					270.9	268.9
Share option reserve					15.6	16.9
Total					286.5	285.8
<b>Reconciliation of number of ordinary shares issued</b>						
Number of ordinary shares issued at beginning of year					689 811 504	689 811 504
Ordinary shares allotted to employees, former employees and directors in terms of the Nampak share schemes					663 019	–
Number of ordinary shares issued at end of year					690 474 523	689 811 504

## 6. Dividends

R million	2021	2020
Preference dividends	0.1	0.1
Total dividends paid	0.1	0.1

# Notes to the company financial statements

for the year ended 30 September 2021 continued

## 7. Other payables

R million	2021	2020
Accruals	0.5	7.2
Other	0.1	0.1
<b>Total</b>	<b>0.6</b>	<b>7.3</b>

Accruals principally comprise amounts outstanding for ongoing costs.

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

## 8. Related party transactions

R million	2021	2020
<b>Corporate charges received from related parties</b>		
Nampak Products Limited	7.5	8.9
Nampak International Limited	0.7	2.7
<b>Total</b>	<b>8.2</b>	<b>11.6</b>
<b>Interest received from related parties</b>		
Nampak Products Limited	—	31.8
<b>Interest paid to related parties</b>		
Nampak Products Limited	(4.0)	—
<b>Dividends received</b>		
Nampak Products Limited	1 000.0	352.4
Non-current amounts payable by such entities are included in note 4.		
Current amounts due by subsidiary companies and trusts are as follows:		
Nampak Products Ltd <sup>1</sup>	0.9	1.0
Black Management Trust <sup>2</sup>	0.1	0.1
<b>Total</b>	<b>1.0</b>	<b>1.1</b>
Current amounts outstanding to subsidiary companies are as follows:		
Nampak Share Purchase Trust <sup>2</sup>	1.0	1.0
Nampak Employee Share Trust <sup>2</sup>	0.5	0.5
<b>Total</b>	<b>1.5</b>	<b>1.5</b>

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.

R million	2021	2020
<b>Guarantees</b>		
Guarantee for an amount not exceeding US\$59.7 million (2020: US\$60.0 million) in favour of noteholders for the Note Purchase Agreement issued by Nampak International Limited	902.7	1 001.2
Guarantee for an amount not exceeding R500.0 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 R115.0 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 R140.0 million (2020: R553.0 million) on behalf of Nampak Products Limited in favour of Rand Merchant Bank for debt facilities	140.0	553.0
Guarantee for an amount not exceeding R1 080.9 million 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 nil (2020: R1 098.7 million) on behalf of Nampak Products Limited in favour of Citibank for banking facilities	—	1 098.7
Guarantee on behalf of Nampak Products Limited in favour of Imbali Props 21 (Pty) Limited in respect of the annual rental of R165.1 million (2020: R145.2 million) payable under the 15-year lease agreement for factory premises in South Africa.	165.1	145.2
Guarantee on behalf of Nampak Products Limited in favour of Imbali Props 21 (Pty) Limited in respect of the annual rental of nil (2020: R4.6 million) payable under the three-year lease agreement for factory premises in South Africa.	—	4.6
Guarantee for an amount not exceeding US\$204.0 million (2020: US\$525.0 million) on behalf of Nampak International Limited in favour of a conglomerate of banks for revolving credit facilities.	3 083.2	8 760.2
Guarantee for an amount not exceeding R3 662.3 million (R4 000.0 million) on behalf of Nampak Products Limited in favour of a conglomerate of banks for revolving credit facilities.	3 662.3	4 000.0

# Notes to the company financial statements

for the year ended 30 September 2021 continued

## 8. Related party transactions continued

### Key management personnel

Details of significant positions held by key management personnel are provided in note 7.3 of the group financial statements. Remuneration paid is determined by the nominations and remuneration committee, having regard to the performance of individuals and market trends.

R million	2021	2020
Short-term employee benefits	69.0	43.0
Termination benefits	0.3	5.7
Share-based payments	6.7	2.1
Total	76.0	50.8
Settled by subsidiaries of the company	76.0	46.0

Executive directors and prescribed officers of the group are mainly remunerated for their services provided to the operating entities within the group structure. Please refer to note 8.6 of the group financial statements for the group composition.

## 9. Notes to the statement of cash flows

### 9.1 Reconciliation of profit before taxation to cash generated from operations

R million	2021	2020
Profit before taxation	1 003.5	383.8
Adjustment for:		
Net finance costs	4.0	—
Operating profit before working capital changes	1 007.5	383.8
Decrease in other payables	(6.7)	(11.1)
Increase in subsidiary company loans	2.1	1 036.6
Cash generated from operations	1 002.9	1 409.3

## 10. Going concern

The company is expected to continue as a going concern for the foreseeable future. Refer to note 1.4 of the consolidated financial statements.

## 11. Subsequent events

On 21 October 2021, the group concluded a trade finance facility with Standard Bank Group Limited for up to R1.0 billion. This facility allows the group to sell on a non-recourse basis a portion of its accounts receivable balances at terms that are beneficial to the group. During October 2021, an amount of R206.1 million was utilised against this facility and applied against the R1.0 billion debt repayment requirement.

On 29 October 2021, the maturity date of one of the group's dollar-based banking facilities amounting to R504.0 million (US\$33.4 million) was extended from 25 September 2022 to 1 April 2023. The facility, of which R450.0 million was drawn-down, was classified as a short-term liability at 30 September 2021.

# Analysis of registered shareholders and company schemes

for the year ended 30 September 2021

## Registered shareholder spread

In accordance with the JSE Listing Requirements, the following table confirms the spread of registered shareholders as of 24 September 2021 is as per below:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued capital
1 – 1 000 shares	10 845	69.63	1 943 236	0.28
1 001 – 10 000 shares	2 948	18.93	11 229 424	1.63
10 001 – 100 000 shares	1 319	8.47	45 019 706	6.52
100 001 – 1 000 000 shares	359	2.30	115 932 686	16.79
1 000 001 shares and above	105	0.67	516 349 471	74.78
<b>Total</b>	<b>15 576</b>	<b>100.00</b>	<b>690 474 523</b>	<b>100.00</b>

## 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
Public shareholders	15 562	99.90	643 963 585	93.27
Directors and associates	4	0.03	1 204 943	0.17
Prescribed officers and management	8	0.05	575 109	0.08
Treasury shares	1	0.01	44 719 790	6.48
Empowerment	1	0.01	11 096	0.00
<b>Total</b>	<b>15 576</b>	<b>100.00</b>	<b>690 474 523</b>	<b>100.00</b>

\* Includes directors, pension/retirement funds and treasury shares.

Non-public shareholders*	14	0.09	46 510 938	6.74
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# Analysis of registered shareholders and company schemes

for the year ended 30 September 2021 continued

## Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 24 September 2021:

### Investment management shareholdings

Investment manager	Total shareholdings	% of issued capital
Allan Gray Pty Ltd	133 415 641	19.32
Visio Capital Management	67 786 414	9.82
Old Mutual Ltd	60 049 171	8.70
Steyn Capital Management (Pty) Ltd	32 721 870	4.74
36One Asset Management	24 627 208	3.57
	318 600 304	46.14

### Beneficial shareholdings above 3%

Beneficial shareholdings	Total shareholdings	% of issued capital
Allan Gray Balanced Fund	38 987 057	5.65
Allan Gray Stable Fund	22 330 769	3.23
Old Mutual Life Assurance Co Ltd	21 046 977	3.05
	82 364 803	11.93

## Previously disclosed holdings

### Investment managers now holding below 3%

Investment manager	Total shareholdings	Current %	Previous %
PIC	—	—	19.80
Total	—	—	19.80

### Beneficial owners now holding below 3%

Investment manager	Total shareholdings	Current %	Previous %
Government Employees Pension Fund (PIC)	—	—	19.05
Allan Gray Equity Fund	17 526 077	2.54	3.58
Eskom Pension & Provident Fund	6	—	3.06
Total	17 526 083	2.54	25.69

# Shareholders' diary at 30 September 2021

## Annual general meeting

Wednesday, 16 February 2022

## Interim statement and ordinary dividend announcement for the half-year ending 31 March 2022

May 2022

## Group results and ordinary dividend announcement for the year ending 30 September 2022

December 2022

## Dividend

### Ordinary

#### Final dividend for the year ended 30 September 2021

No dividend being paid

#### Interim dividend for the half-year ending 31 March 2022

To be paid in July 2022, if payable

### Preference

#### 6.5% and 6% cumulative preference dividends

Payable twice per annum during February and August

# Corporate information

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## Auditors

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## Company secretary

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## Sponsor

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