



Nampak
packaging excellence

**Group consolidated
financial results**
for the year ended
30 September 2023



Key financial features

Revenue



R16.6bn

down 2% (2022: R16.9bn)

Trading profit



R1.6bn

up 2% (2022: R1.6bn)

Net forex losses



R1.2bn

Nigeria and Angola (2022: R0.5bn)

Operating profit before impairments



R276m

down 76% (2022: R1.2bn)

Net impairment losses



R2.8bn

up from R0.5bn in 2022

Operating loss



R2.6bn

compared to operating profit of R0.6bn in 2022

Headline loss per share



46 811.7cps

compared to headline earnings of 7 589.2cps in 2022

Loss for the year



R4.0bn

compared to a loss of R26m in 2022

Current ratio



1.8

compared to 1.4 in 2022

Cash generated from operations



R1.6bn

compared to R0.8bn in 2022

Covenants complied with

Agreements for the next 3 years signed

Rights issue



R1.0bn raised

R960m net of costs

Commentary

"2023 was a year of much needed intervention at Nampak. We embarked on implementing a comprehensive turnaround plan, inclusive of board and management changes; a business model review; a capital and debt restructuring programme; rights offer and the adoption of a new strategy focused on our core Metals business. The extensive transformation agenda has been well executed to date notwithstanding macro-economic headwinds and other vagaries in most geographies. Increased competition was particularly evident in the short term attempting to capitalise on the temporary hiatus that the company has been experiencing. We have remained resolute in ensuring that Nampak remains a critical contributor to the extensive value chain within which we participate. Significant milestones have been reached and the momentum of renewal gains traction.

I wish to express my gratitude to our stakeholders who supported the process of concluding a successful rights offer and a new debt package for the next three years. Our investment thesis articulates our path of rejuvenation and growth, that of "One Nampak" — a high-quality business with distinctive capabilities, operating in a mostly defensive market with sustainable growth characteristics.

For the year ending 30 September 2023, the group reported a 2% decline in revenue to R16.6 billion. Despite a decline in revenue the group increased trading profit by 2%. Operating profit before net impairments was significantly impacted by forex losses.

Doing business in Africa, inclusive of South Africa, has become particularly onerous given pedestrian economic growth, currency vagaries, leadership changes and policy uncertainty, which all manifest in constrained consumer spending and volatility. Against this backdrop, the group reported forex losses of R1.2 billion (mainly stemming from the devaluation of the Nigerian naira), net impairments of R2.8 billion and interest costs of R1.2 billion resulting in a loss for the year of R4.0 billion.

Despite these challenges, we recorded sustainable cash generation of R1.6 billion and a working capital improvement of R905 million, in part due to a step change in working capital disciplines.

Bevcan SA performed strongly improving its trading profit by 28% despite a lower revenue. DivFood returned to profitability posting a R77 million improvement in its trading profit. Plastic reported a reduction in cash consumption. Our focus now turns to the development of a structural blueprint for the DivFood manufacturing architecture and category rationalisation.

We committed to raise R2.7 billion through the disposal of non-core assets over the next 18 months. In 2023, we recorded a few early wins, including the disposal of the South African Plastic crates business and of Metals properties in Tanzania and Nigeria.

Our work to achieve broad-based and sustainable cost cuts progressed to plan. In pursuit of this, we incurred retrenchment and restructuring costs of R150 million, completed the merger of Bevcan and DivFood as well as the first phase of retrenchments.

Non-recurring finance costs of R335 million in lender advisory fees were incurred.

Looking ahead, the macro-economic environment will remain tough with sustained low growth and hard currency constraints in key markets. We will continue to strengthen our value proposition and competitor status, build cultural grit and focus on our strategic transformation agenda. In 2023, we overcame challenges that some thought were insurmountable. We still have much work to do in the year ahead. Our sincere thanks to all our stakeholders for their ongoing support."

Phil Roux

Chief Executive Officer

Our overall performance

The year has been characterised by exigent macroeconomic conditions and rising interest rates that have placed consumer spending under pressure with concomitant impact on the group's revenue. Profitability has been adversely impacted by margin pressures, elevated forex losses, restructuring costs, increased net impairments and a material increase in net finance costs. Notwithstanding the aforementioned the group generated R1.6 billion in cash from operations supported by a R905 million release of cash from working capital. Bevcan South Africa, the economic engine room, continued to perform well amidst heightened competitor pressure growing EBITDA by 19%.

Group financial performance

R million	2023	2022	% change
Revenue	16 634	16 937	(2)
Trading profit	1 638	1 611	2
Devaluation losses from Angolan and Nigerian exchange rate movements	(1 235)	(546)	(>100)
Capital and other items	(127)	87	(>100)
Operating profit before net impairments	276	1 152	(76)
Cash generated from operations before working capital changes	740	1 504	(51)
Net working capital changes	905	(659)	>100
Cash generated from operations	1 645	845	95
Operating (loss)/profit	(2 566)	640	(>100)
(Loss)/profit before tax	(3 796)	59	(>100)
Loss for the year	(3 952)	(26)	(>100)
Current ratio	1.8	1.4	
Loss per share (cents)	(117 295.5)	(4 879.5)	(>100)
Headline (loss)/earnings per share (cents)	(46 811.7)	7 589.2	(>100)

The group's revenue declined by 2% with volume reductions primarily in Bevcan Nigeria, DivFood and Bevcan SA. A 5% decrease in Metals was partially offset by increases of 2% and 28% for Plastic and Paper respectively.

Trading profit increased by 2% to R1.6 billion assisted by improvements of 8% and 37% in Metals and Paper respectively partially offset by a 12% decline in Plastic.

Forex losses of R1.2 billion were incurred in the year with R1.0 billion attributable to Nigeria.

The Nigerian losses were caused by a consistently weakening Naira in a forex market that was increasingly dysfunctional as foreign exchange became more scarce and dealings in the secondary currency market were commonplace at punitive rates. In June 2023 the Naira was floated and although healthy for the economy in the longer term, this resulted in a further significant weakening of the currency in both the official and secondary market. Due to the significant lack of liquidity in the Nigerian currency market, there are no formal hedging opportunities and our treasury function is reliant upon the allocation of US dollar liquidity by the Central Bank of Nigeria.

The large majority of raw material for our Nigerian Bevcan business is imported and denominated in US dollars. From the date raw materials are procured, until the date foreign suppliers are settled, the group is exposed to foreign currency risks and this can straddle financial reporting periods. The US dollar cost of inputs based on secondary market rates at invoice date is passed on to customers, but the cost of subsequent adverse currency movements on the group's exposure to foreign creditors typically exceeds the cost originally charged to customers. The increased cost to customers has an observed negative impact on local volume demand and this has to be considered when attempting to recover currency losses.

In Nigeria, the naira devalued by 44% during the year from NGN437.74/US dollar to NGN 776.79/US dollar. In Angola, the kwanza devalued by 47% from AOA 443.55/US dollar to AOA 842.04/US dollar with the majority of this devaluation occurring in the 47 days following 6 May 2023.

Operating net profit before impairment losses of R276 million reflects a decline of 76% compared to R1.2 billion in the prior year with forex losses being the major contributor to this decline in profitability. The impact of the net devaluation in Zimbabwe decreased to R67 million from R70 million in the prior year.

Impairment losses of R2.8 billion recognised for the year adversely impacted the results and reduced the group's shareholder equity base by 61% to R1.6 billion from R4.7 billion. The impairment losses were mainly driven by increases in the weighted average cost of capital and downward revisions to sales volumes in Angola and Nigeria. Further impairments were also required in DivFood and Plastic.

Net finance costs increased by 109% to R1.2 billion from R586 million. Rising interest rates coupled with an on average higher investment in working capital and the extension of maturity dates on existing funding led to a significant increase in interest cost. A significant modification in the financial liabilities of the group resulted in transaction costs expensed of R335 million.

The group's effective tax rate for the year under review is negative 4.1% with an effective tax rate of 143.7% in the prior year. The tax rate for the period has been materially impacted by the impairments.

A loss of R4.0 billion attributable to owners of Nampak Limited was incurred compared to a loss of R147 million in the prior year and results in a loss per share of 117 295.5 cents compared to a loss of 4 879.5 cents per share (cps) in the prior year. Headline loss of R1.6 billion is reported compared to R229 million headline earnings in the prior period, resulting in a headline loss of 46 811.7cps compared to headline earnings of 7 589.2cps. The weighted average number of shares has taken into account the 250:1 share consolidation and the impacts of the rights issue.

The net asset value per share of 19 810 cents decreased from 183 723 cents in September 2022, largely due to impairments.

Cash generated from operations of R1.6 billion increased by R800 million primarily through improved working capital management resulting in a release of R905 million from the net working capital cycle.

The group's capital and financing structure was strengthened through the successful rights issue of R1.0 billion raising R960 million (net of transaction costs) and the restructuring and refinancing of the group banking facilities.

The group's capital structure was strengthened through the rights issue and by deleveraging, refinancing maturing debt facilities, reducing currency risk and improving cash generation.

The refinancing and rights issue were key events during the year that have significantly improved the structure of the group's balance sheet and have provided a sound platform for the group to operate from for the foreseeable future. There has been a significant reduction in the US dollar denominated component of debt, thereby reducing the risk in the group's capital and funding structure.

Historical debt that arose from expansion activities into the rest of Africa has been separated from funding required for operational requirements with the former component to be settled from the proceeds from the asset disposal plan over the ensuing 18 months. A funding structure utilising borrowing based financing, underpinned by inventories and trade receivables, has been created to fund the group's operational requirements.

Despite net interest-bearing debt at 30 September 2023 declining compared to the prior year significant foreign exchange losses, net impairments and interest costs incurred during the year have impacted the debt gearing levels negatively.

The short-term liquidity improved due to the successful refinancing of the group with the short-term portion of loans reducing to R720 million from R2.2 billion in the prior year. This was complimented by an improvement in net working capital.

Divisional reviews

Trading performance by substrate:

R million	Revenue		Trading profit		Trading margin (%)		Operating profit before net impairments		Operating margin (%)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Metals	12 269	12 915	1 387	1 281	11.3	9.9	178	732	1.5	5.7
Plastic	2 999	2 953	217	247	7.2	8.4	224	212	7.5	7.2
Paper	1 366	1 069	250	183	18.3	17.1	216	157	15.8	14.7
Corporate Services	—	—	(216)	(100)	—	—	(342)	51	—	—
Group total	16 634	16 937	1 638	1 611	9.8	9.5	276	1 152	1.7	6.8

Metals

Revenue from the Metals division decreased by 5% to R12.3 billion and operating profit decreased by 76% to R178 million from R732 million as volumes significantly reduced in Nigeria and increased forex losses were incurred.

Bevcan South Africa's revenue declined marginally year on year, but improved production efficiencies and overhead management across our key operations significantly boosted profitability. Beverage can sales continued to be supported by encouraging growth in demand for 500ml cans in which our customers package mainly alcoholic (c.55%) and energy drinks (c.45%), while sales of 440ml cans decreased notably year-on-year due to a drop in export demand and volume shift to other pack sizes.

Bevcan Nigeria's revenue declined sharply year-on-year due to lower sales of beverage cans. Elasticity of demand has been impacted by rising inflation linked to the higher costs of imports and a concomitant decline in demand as wage increases lagged inflation. While the new government initiated the implementation of critical macroeconomic reforms, the Nigerian economy continues to face steady headwinds in the form of economic instability, low levels of investment and lethargic economic growth. The naira devalued by 44% during the year from NGN437.74/US dollar to NGN776.79/US dollar with volumes declining by 34%.

Bevcan Angola's revenue increased by 7%. Excellent year on year volume growth was achieved for the first ten months of the financial year, however it was adversely affected by a key customer being placed on hold for the last four months in order to manage our working capital and to ensure that outstanding amounts were recovered before more cans were supplied. Profitability during the second half of 2023 was negatively affected by the weakening of the kwanza.

Trading results at DivFood South Africa improved by R77 million consequent to a robust turnaround plan. However, demand across the food, closures and diversified business units was subdued for most of the year because of pressure on consumers' disposable income. Improvements in operational efficiencies in the last quarter supported higher gross margins towards year-end.

Key operations were affected by loadshedding with this risk mitigated to the extent possible through active and effective production planning and shift scheduling. Manufacturing assets were regularly maintained throughout the year and operationally equipped to address any sudden uptick in customer demand.

Plastic

Revenue for the Plastic division increased by 2% to R3.0 billion despite subdued economic activity in South Africa and the Rest of Africa markets facing power and packing material challenges. Operating profit before net impairments increased by 6% to R224 million from R212 million.

Progress was made on our strategic initiatives to reduce overhead costs. When complete, these initiatives are expected to lower the cost base significantly. Lower volumes were recorded in plastic bottles and crates, however, volumes of Pure-Pak cartons and tubes increased. Demand for closures was flat.

Drum volumes for both large and small drums declined because of suppressed demand in the local and export markets. The tubes business enjoyed an increase in demand and volume as our primary customer increased market share.

Lower volumes were achieved in beverage and conical cartons in Zambia and plastic bottles in Zimbabwe. Volumes increased in conical cartons in Malawi and crates in Zambia and Zimbabwe.

The Zimbabwean operations continue to be self-funding and commenced the payment of dividends in 2023 with Nampak receiving R11m with R10m being paid to the minority shareholders.

Paper

Revenue increased by 28% to R1.4 billion from R1.1 billion with operating profit before net impairments increasing by 38% to R216 million from R157 million.

The Paper business performed well driven by volume growth across categories. Although the Zimbabwe operation continued to perform well, hyperinflation remained a deterrent.

In Zambia, demand for conical cartons remained constrained due to a major producer encouraging the uptake of returnable plastic bottles and independent producers continuing to drive sales of beer in bulk containers. Demand for self-opening bags was suppressed because of production issues at a major customer and the effects of a carryover season from the prior year.

In Zimbabwe, the easing of raw material constraints encountered in 2022 supported the strong performance of corrugated cartons in 2023.

We ceased self-opening bags manufacturing operations in Kenya in October 2022 and continued to pursue the sale of equipment.

Corporate Services

The corporate services variance at an operating profit before net impairments is largely attributable to the non-recurrence of the Malbak Pension Fund surplus of R222 million and the reversal of restructuring provisions of R48 million no longer required which were partially offset by the insurance gap cover loss of R50 million in the prior year. In the current year corporate services was impacted by a top-up of R65 million of the expected credit loss provision related to the Reserve Bank of Zimbabwe receivable, a loss of R49 million on the liquidation of NHUK Holdings Limited and DivFood Botswana, adverse unrealised movements of R44 million on forward cover contracts, retrenchment costs of R33 million in August 2023 partially offset by other cost savings of R11 million.

Trading performance by region

R million	Revenue		Trading profit		Trading margin (%)		Operating profit before net impairments		Operating margin (%)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
South Africa	11 115	11 495	554	399	5.0	3.5	482	412	4.3	3.6
Rest of Africa	5 519	5 442	1 300	1 312	23.6	24.1	136	689	2.5	12.7
Corporate Services	—	—	(216)	(100)			(342)	51	—	—
Group total	16 634	16 937	1 638	1 611	9.8	9.5	276	1 152	1.7	6.8

Cash transfers and forex

During the year R1.3 billion (2022: R1.7 billion) and R621 million (2022: R717 million) for Nigeria and Angola respectively were transferred to group in respect of raw material purchases. In Nigeria we held the equivalent of R192 million (2022: R369 million) in cash at the official naira-to-US dollar rate and in Angola we held the equivalent of R46 million (2022: R50 million) in cash at the official kwanza-to-US dollar rate at year end.

The rand's 15% average weakening against the US dollar benefited reported results from US dollar operations. However, the 5% weaker rand at 30 September 2023, negatively impacted the translation of US dollar-denominated debt.

Unless there is a fully recovered pass-through pricing arrangement with customers, it is the group's policy to hedge foreign currency exposures, except for the US dollar component of the group's debt. Notably, we cannot hedge against currency fluctuations in Nigeria, Angola and Zimbabwe where hedging instruments are not available.

Net impairments

R million	2023	2022
Asset and right of use asset impairments	1 293	498
Metals	985	324
Plastic	129	31
Right of use assets	179	143
Asset impairment reversals	–	(31)
Metals	–	–
Plastic	–	(30)
Paper	–	(1)
Goodwill impairment	1 549	45
Net impairment losses	2 842	512

Net impairments consisted of goodwill impairments in Nigeria of R1.5 billion and asset impairments of R827 million in Angola and R291 million and R175 million in DivFood and Plastic respectively.

Asset Disposal Plan

In line with the funding criteria from the new funding package, the group is required to raise R2.7 billion in proceeds through asset disposals in the next 18 months and utilise such proceeds to repay interest-bearing debt.

Outlook

Bevcan

The global economy continues to be characterised by rising interest rates, stubborn inflation and higher country risk premiums. Consequently, we expect volume demand in the short to medium term to come under pressure as consumer spending is constrained. In mitigation, we will continue to focus on maintaining high levels of customer service and delivering superior quality products to our customers while improving on our operational efficiencies, rationalising and effectively managing our cost base in order to deliver value to our key stakeholders.

The investment in additional 500ml capacity in Springs Line 2 is well underway, with commercial production expected towards the middle of the third quarter of 2024.

DivFood

We expect a recovery in demand for DivFood's packaging and overall performance the next year due to improved revenue growth management disciplines and improvements in operational efficiencies. Our strategy focuses on ensuring a customer-orientated culture, improving efficiencies and rationalising products to optimise working capital.

Rest of Africa

In the year ahead, Angolan economic activity is expected to be sluggish as oil production remains constrained, the depreciation of the kwanza keeps inflation elevated and unemployment continues to hover around 30%. However, we expect demand for our aluminium cans to increase. This, after key customers secured distribution rights for their beverages in neighbouring countries, where they have since invested in distribution hubs.

In Nigeria, although appropriate monetary reform policy action has been taken, demand is expected to decline as consumers come under increasing pressure in a challenging macroeconomic environment. With respect to forex losses, the Nigerian monetary market reforms are expected to gradually result in liquidity returning to forex markets which, coupled with the reduction in the group's open position in monetary items in Nigeria at year-end, is expected to materially reduce the group's exposure to forex losses.

Dividend

The board decided not to declare a dividend for 2023, a decision aligned with the requirements of Nampak's funding agreements and stated objective to actively reduce net interest-bearing debt.

Annual results presentation webcast

Nampak management will hold a webcast on Monday, 4 December 2023 at 10h00 South Africa Standard Time (UTC+2) to present the annual results, provide a business update and address questions from the investment community. Webcast details are available on the company website <http://www.nampak.com/Investors>. The final results announcement and presentation will be uploaded on the website on the morning of the webcast.

On behalf of the Board

PM Surgey

Chairman

P Roux

Chief executive officer

GR Fullerton

Chief financial officer

Bryanston

1 December 2023

Sponsor

PSG Capital

Forward-looking statements

Forward-looking statements: This announcement contains statements about Nampak that are or may be forward-looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements, including without limitation, those concerning: strategy; the economic outlook for the packaging industry; cash costs and other operating results; growth prospects and outlook for operations individually or in the aggregate; liquidity and capital resource and expenditure and the other outcome and consequences of any pending litigation proceedings and specifically including the proposed rights offer. These forward-looking statements are not based on historical facts but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases. Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditure, acquisition strategy, or future capital expenditure levels.

By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. Nampak cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments including with thin the industry in which Nampak operates, may differ materially from those made in, or suggested by, the forward-looking statements contained in this notice. All these forward-looking statements are based on estimates and assumptions, which estimates and assumptions, although Nampak may consider them to be reasonable, are inherently uncertain and as such may not eventuate. Many factors (including factors not yet known to Nampak, or not currently considered material), could cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those estimates, statements or assumptions. These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the group's future revenue, cost structure and capital expenditure; the group's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and related foreign exchange gains or losses; a lack of market liquidity which holds up the repatriation of funds; changes in commodity prices and working capital; increased competition; higher inflation; increased interest rates; slower than expected customer growth and reduced customer retention; acquisitions and divestments of group businesses and assets and the pursuit of new, unexpected strategic opportunities; the extent of any future write-downs or impairment charges on the group's assets; changes in taxation rates; the impact of legal or other proceedings against the group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. Nampak shareholders should keep in mind that any forward-looking statement made in this notice or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors may emerge from time to time that could cause the business of Nampak or other matters to which such forward-looking statements related, not to develop as expected and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Nampak has no duty and does not intend to update or revise the forward-looking statements contained in this notice after the date of this notice, except as may be required by law.

Summarised consolidated statement of comprehensive income

for the year ended 30 September 2023

R million	Notes	2023	2022
Revenue	4.1	16 633.6	16 936.5
Operating profit before items below		342.6	1 221.9
Net impact of devaluation associated with Zimbabwe		(66.8)	(69.7)
Operating profit before net impairment losses	4.2	275.8	1 152.2
Net impairment losses	5	(2 841.6)	(512.1)
Operating (loss)/profit		(2 565.8)	640.1
Finance costs	6	(1 255.5)	(605.9)
Finance income	6	31.7	19.5
Share of net (loss)/profit in associates and joint venture		(6.2)	5.1
(Loss)/profit before tax		(3 795.8)	58.8
Income tax expense	7	(156.0)	(84.5)
Loss for the year		(3 951.8)	(25.7)
Other comprehensive income for the year, net of tax		16.0	464.0
Items that will not be reclassified to profit or loss			
Net actuarial (loss)/gain from retirement benefit obligations		(0.7)	11.1
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations excluding Zimbabwe operations		38.0	609.7
Exchange differences on translation and hyperinflation effects of Zimbabwe operations		(24.7)	(160.1)
Gain on cash flow hedges		3.4	3.3
Total comprehensive (loss)/income for the year		(3 935.8)	438.3
(Loss)/profit for the year attributable to:			
Owners of Nampak Limited		(4 032.8)	(146.9)
Non-controlling interest in subsidiaries		81.0	121.2
Total		(3 951.8)	(25.7)
Total comprehensive (loss)/income for the year attributable to:			
Owners of Nampak Limited		(4 008.2)	375.1
Non-controlling interest in subsidiaries		72.4	63.2
Total		(3 935.8)	438.3
Loss per share*			
Basic (cents per share)	8	(117 295.5)	(4 879.5)
Diluted basic (cents per share)	8	(117 295.5)	(4 879.5)

* Loss per share has been restated due to the share consolidation and rights issue. Refer to note 17.

Summarised consolidated statement of financial position

at 30 September 2023

R million	Notes	2023	2022
Assets			
Non-current assets			
Property, plant, equipment and investment property	9	4 341.4	5 452.0
Right of use assets		453.0	679.5
Goodwill		457.7	1 976.1
Other intangible assets		132.3	141.8
Investments in associates, joint venture and other		34.6	39.3
Retirement benefit asset		97.8	221.6
Deferred tax assets		495.7	436.0
Loan and lease receivables — non-current	10	12.5	84.5
		6 025.0	9 030.8
Current assets			
Inventories		3 413.5	3 934.9
Trade and other current receivables		2 488.6	3 258.4
Tax assets		15.4	24.0
Loan and lease receivables — current	10	34.1	51.8
Bank balances and deposits		1 843.9	1 501.6
		7 795.5	8 770.7
Assets classified as held for sale	11	90.3	51.2
Total assets		13 910.8	17 852.7
Equity and liabilities			
Capital and reserves			
Stated and share capital		1 266.3	35.5
Capital reserves		(501.5)	(245.9)
Other reserves		729.2	667.1
Retained earnings		143.8	4 205.7
Shareholders' equity		1 637.8	4 662.4
Non-controlling interests		276.3	213.9
Total equity		1 914.1	4 876.3
Non-current liabilities			
Loans — non-current	12.1	5 809.9	4 721.9
Lease liabilities — non-current	12.2	1 016.1	1 090.9
Retirement benefit obligation		727.6	746.3
Deferred tax liabilities		46.4	95.6
Other non-current liabilities		8.4	10.5
		7 608.4	6 665.2
Current liabilities			
Trade and other current payables		3 257.6	3 753.8
Provisions	13	135.1	115.9
Tax liabilities		65.6	68.4
Loans and lease liabilities — current	12.3	930.0	2 373.1
		4 388.3	6 311.2
Total equity and liabilities		13 910.8	17 852.7

Summarised consolidated statement of changes in equity

for the year ended 30 September 2023

R million	2023	2022
Opening balance	4 876.3	4 459.1
Rights issue – net proceeds of shares issued during the year	959.9	–
Share-based payment expense	(1.1)	26.5
Share grants forfeited	–	(2.0)
Liquidation of business ¹	37.5	–
Treasury shares purchased ²	(12.6)	(45.5)
Total comprehensive (loss)/income for the year	(3 935.8)	438.3
Dividends paid	(10.1)	(0.1)
Closing balance	1 914.1	4 876.3
Comprising:		
Stated and share capital	1 266.3	35.5
Capital reserves	(501.5)	(245.9)
Share premium	–	270.9
Treasury shares	(523.7)	(558.9)
Share-based payments reserve	22.2	42.1
Other reserves	729.2	667.1
Foreign currency translation reserve	1 373.2	1 313.8
Financial instruments hedging reserve	6.7	3.3
Recognised actuarial losses reserve	(624.5)	(623.8)
Other ³	(26.2)	(26.2)
Retained earnings	143.8	4 205.7
Shareholders' equity	1 637.8	4 662.4
Non-controlling interests	276.3	213.9
Total equity	1 914.1	4 876.3

1. Represents the foreign currency translation reserve relating to Nampak Holdings UK Ltd that was recycled on its liquidation.
2. During the year 8 884 629 Nampak Limited shares were acquired pre-consolidation at a cost of R12.6 million as the deferred incentive portion of the Executive Incentive Plan for 2022. The deferred incentive is structured as forfeitable shares, meaning participants are the owners of the shares, but the shares are subject to forfeiture (until vesting) and disposal restrictions (until the expiry of the holding period, where applicable).
3. Other reserves relate to deferred tax on the equity contribution by Nampak International Limited to Nampak Zimbabwe of R26.2 million (debit).

Summarised consolidated statement of cash flows

for the year ended 30 September 2023

R million	Notes	2023	2022 ¹
Cash generated from operations	14.1	1 645.0	845.2
Finance costs paid		(1 169.3)	(557.4)
Finance income received		14.6	10.7
Retirement benefits, contributions and settlements		(78.2)	(75.4)
Income tax paid		(226.0)	(169.6)
Cash flows from operations		186.1	53.5
Dividends paid		(10.1)	(0.1)
Cash generated from operating activities		176.0	53.4
Capital expenditure		(352.5)	(208.3)
Replacement		(258.2)	(192.7)
Expansion		(94.3)	(15.6)
Proceeds from disposal of property, plant, equipment and investments		235.5	43.0
Proceeds from Reserve Bank of Zimbabwe receivable		18.2	—
Decrease in other non-current financial assets		11.1	3.4
Cash utilised in investing activities		(87.7)	(161.9)
Net cash generated/(utilised) before financing activities		88.3	(108.5)
Loans raised		6 649.7	912.1
Loans repaid		(7 097.0)	(511.6)
Invoice discounting finance (repaid)/raised		(66.5)	177.9
Lease liabilities repaid		(120.8)	(125.4)
Treasury shares purchased ²		(12.6)	(45.5)
Proceeds from issue of shares		1 000.0	—
Share issue expenses		(40.1)	—
Cash raised in financing activities		312.7	407.5
Net increase in cash and cash equivalents		401.0	299.0
Net cash and cash equivalents at beginning of year		1 501.6	1 111.6
Translation of cash in foreign subsidiaries		(58.7)	91.0
Net cash and cash equivalents at end of year	14.2	1 843.9	1 501.6

1. Represented for the disaggregation of proceeds from the disposal of property, plant, equipment and investments from the decrease in other non-current financial assets for enhanced disclosure.
2. Refer to footnote 2 on the consolidated statement of changes in equity.

Notes

1. Basis of preparation

The summarised consolidated financial statements are derived from the audited consolidated financial statements approved by the directors on 1 December 2023. They are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summarised consolidated financial statements. The JSE Limited Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

The consolidated financial statements and the summarised consolidated financial statements have been prepared under the supervision of the chief financial officer, GR Fullerton CA(SA).

2. Accounting policies, new and revised standards and restated comparatives

2.1 Accounting policies

The accounting policies adopted and methods of computation used are consistent with those applied for the group's 2022 annual financial statements other than for the adoption of new standards.

2.2 New and revised International Financial Reporting Standards in issue

IFRS 17: Insurance contracts, is effective for annual reporting periods beginning on or after 1 January 2023. Nampak Insurance Company Ltd is currently in the process of unwinding without taking on any new risk for the new financial year. The implementation of IFRS 17 will not be material to the group as no new insurance contracts will be written by the company from 1 September 2023.

There are also 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.

3. Critical judgements and key sources of estimation uncertainty

3.1 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.

Financial performance during the year

The group's revenue declined by 2% with volume reductions primarily in Bevcan Nigeria, DivFood and Bevcan SA. A 5% decrease in Metals was partially offset by increases of 2% and 28% for Plastic and Paper respectively.

Forex losses of R1.2 billion were incurred in the year with R1.0 billion attributable to Nigeria.

3. Critical judgements and key sources of estimation uncertainty continued

3.1 Going concern continued

The Nigerian losses were caused by a consistently weakening Naira in a forex market that was increasingly dysfunctional as foreign exchange became more scarce and dealings in the secondary currency market were commonplace at punitive rates. In June 2023 the Naira was floated and although healthy for the economy in the longer term, this resulted in a further significant weakening of the currency in both the official and secondary market. Due to the significant lack of liquidity in the Nigerian currency market, there are no formal hedging opportunities and our treasury function is reliant upon the allocation of US dollar liquidity by the Central Bank of Nigeria.

The large majority of raw material for our Nigerian Bevcan business is imported and denominated in US dollars. From the date raw materials are procured, until the date foreign suppliers are settled, the group is exposed to foreign currency risks and this can straddle financial reporting periods. The US dollar cost of inputs based on secondary market rates at invoice date is passed on to customers, but the cost of subsequent adverse currency movements on the group's exposure to foreign creditors typically exceeds the cost originally charged to customers. The increased cost to customers has an observed negative impact on local volume demand and this has to be considered when attempting to recover currency losses.

Operating net profit before impairment losses of R276 million reflects a decline of 76% compared to R1.2 billion in the prior year with forex losses being the major contributor to this decline in the results.

The operating loss of R2.6 billion reflects an adverse movement of R3.2 billion from the prior year's operating profit of R640 million due to a significant increase in net impairments to R2.8 billion from R512 million.

Net impairment losses

The increase in net impairments to R2.8 billion from R512 million was primarily due to significantly higher WACC rates in Nigeria and Angola driven by increased country risk premiums and risk-free rates coupled with increased interest rates in these countries. Downward revision in future expected volumes in Nigeria and Angola given the downturn in these markets during the second half of the group's financial year have also been contributing factors.

Net impairments of R2.8 billion recognised at 30 September 2023 consisted of the impairment of goodwill in Bevcan Nigeria of R1.5 billion, Bevcan Angola asset impairment of R827 million, DivFood asset impairment of R290 million and Rigids impairment of R175 million. These impairments represent 61% of the group's last reported shareholders' equity of R4 662 million.

Net finance costs

Net finance costs of R1.2 billion reflects an increase of 109% or R637 million over the prior year's net finance costs of R586 million and includes expensed transaction costs of R335 million due to the substantial modification of debt and R109 million relating to the capitalised leased assets (2022: R98 million). On average significantly high interest rates charged within the lender agreements and higher working capital throughout the year contributed to this significant increase in net funding costs.

Effective tax rate

The group's effective tax rate for the year under review is negative 4.1% with an effective tax rate of 143.7% in the prior year. The tax rate for the period has been materially impacted by the impairments.

3. Critical judgements and key sources of estimation uncertainty continued

3.1 Going concern continued

Loss for the year

A loss of R4.0 billion attributable to owners of Nampak Ltd was incurred compared to a loss of R147 million in the comparative period and results in a loss per share of 117 295.5 cents compared to a loss of 4 879.5 cents per share (cps) in the prior year. Headline loss of R1.6 billion is reported compared to R229 million headline earnings in the prior period, resulting in a headline loss of 46 811.7 cps compared to headline earnings of 7 589.2 cps. The weighted average number of shares has taken into account the share consolidation and the impacts of the rights issue.

The net asset value per share of 19 810 cents decreased from 183 723 cents in September 2022, largely due to forex losses, impairments, high interest costs and the dilution impact of the rights issue.

Statement of financial position

The group's total assets at 30 September 2023 of R13.9 billion have been significantly reduced by the R2.8 billion impairment in the year. Current assets have declined to R7.9 billion from R8.8 billion at 30 September 2022. Cash balances have increased from R1.5 billion at 30 September 2022 to R1.8 billion at 30 September 2023.

Non-current liabilities have increased to R7.6 billion from R6.7 billion due to the increase in longer term debt post the group debt restructure process. Current liabilities are affected by lower trade payables moving from R3.8 billion in 2022 to a balance of R3.3 billion in 2023, largely due to decreased inventory levels.

Lower short-term debt as net debt decreased from R5.2 billion to R4.6 billion following the successful rights offer process and reduced terms to a key customer but offset by higher forex losses and higher transaction costs and interest costs following the debt restructure process.

Statement of cash flows

The key contributors to the increase in the net cash and cash equivalents of R1.8 billion held at 30 September 2023 are depicted below, net cash and cash equivalents amounted to R1.5 billion at 30 September 2022:

- › a reduction of R763 million in cash generated before working capital charges primarily due to the significant forex losses in Nigeria and Angola and reported operating losses in Bevcan Nigeria and Nampak Nigeria;
- › offset by the release of R905 million working capital primarily due to inventory delivering positive cash flows of R370 million, trade receivables of R423 million and trade payables of R112 million despite the cancellation of the invoice discounting facility due to finalisation of agreements related to the debt restructure with no further drawdowns allowed after 26 September 2023;
- › higher cash interest paid of R608 million in the year ended 30 September 2023;
- › capital expenditure of R352 million partially offset by R236 million proceeds from asset disposals
- › debt repaid of R447 million; and
- › net proceeds from the successful rights offer process of R960 million.

Working capital absorption has been an issue in the past and was reflective of a structural imbalance in Bevcan South Africa's trading terms offered to a key customer. Post 31 March 2023 an agreement was reached with the customer for credit terms to be reduced to 30 days from invoice with effect from 1 April 2023 down from 137 days which resulted in an approximate improvement of R400 million in working capital.

3. Critical judgements and key sources of estimation uncertainty continued

3.1 Going concern continued

Impacts of volatile commodity prices, continued disruptions in supply chains and increased demand from our customers required careful planning given the impacts on the group's funding requirements. High commodity prices resulted in elevated working capital levels for a significant portion of the year which have been funded by a combination of internally generated cash and existing borrowing facilities. 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. The group was not able to fund all inventory holdings utilising funding from trade creditors with certain creditors not having the financial flexibility to accommodate the increased demand from the group and the higher commodity prices. This absorbed working capital for a significant part of the year and led to increased net finance costs.

The current ratio as at 30 September 2023 was 1.8 times and the acid test ratio at 1.0 times, well ahead of the prior year ratios of 1.4 times and 0.8 times, respectively. This is due to the successful rights offer process being concluded and the debt restructure implemented at the end of September 2023 which converted debt previously classified as short term at 30 September 2022 to long term at 30 September 2023. The requirements from the delivery of the asset disposal plan as approved by the board will be critical in delivering the required debt reduction

Debt has been successfully termed to 31 March 2026 except for R720 million which falls due for settlement against facilities A1 and A2, and USPP noteholders in at 31 March 2024 (R243 million) and 30 September 2024 (R477 million) respectively.

Short-term liquidity, funding facilities and negotiations with funders

The salient features of the revised debt structure are set out below:

- › a simplified lender structure on implementation date, as one lender will no longer form part of the consortium;
- › usage of the proceeds from the rights offer to repay debt;
- › borrowing-base facility of R2.6 billion in Nampak Products Ltd and a revolving credit facility of US\$10 million in Nampak International Ltd, providing flexible working capital financing secured through the group's high-quality debtors book and raw material and finished goods inventory;
- › a significant reduction in the US Dollar based financing to minimise exchange rate exposure with a clear path to redeem the USPP debt of US\$25 million within the next 18 months; and
- › strong support from the big four South African banks including a commitment to finance the group in the long term.

The group's asset base remains well capitalised with no significant capital expenditure requirements expected in the short to medium term other than a R350 million expansion required to Springs line 2 at Bevcan South Africa.

Timing and success of asset disposals

The requirements from the delivery of the asset disposal plan as approved by the board will be critical in delivering the required debt reduction and amounts to R2.7 billion.

3. Critical judgements and key sources of estimation uncertainty continued

3.1 Going concern continued

Rights offer

On 22 September 2023 Nampak completed a successful, oversubscribed rights offer and generated R1.0 billion in cash partially offset by transaction costs raising a net proceeds of R960 million. This was a significant milestone and the single most important step in the debt restructure programme, this set in motion the funds flow agreement and the group successfully executed this highly complex funds flow agreement within 4 days.

Solvency and liquidity

Solvency

At 30 September 2023, after impairments, the valuations of the group's assets, at fair valued, exceed their 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 2023 and at the date of this report.

Liquidity management

Covenants have been complied with for all measurement periods including 30 June 2023. As debt had already been restructured at 30 September 2023 the lenders have allowed a dispensation for measuring the covenant at 30 September 2023. Set out in the first table below are the covenant positions and thresholds applied and met during the current financial year:

Covenant	Measurement period		
	31 Dec 2022	31 Mar 2023	30 Jun 2023
Net debt/EBITDA	2.93	2.90	3.18
Net debt/EBITDA threshold	<3.50	<3.00	<3.30
EBITDA/Interest	3.83	3.35	2.87
EBITDA/Interest threshold	>3.00	>3.00	>2.75

The second set of tables set out the covenant ratios going forward:

Leverage ratio

Measurement period	Leverage ratio
Period ending 31 December 2023	8.75 : 1.00
Period ending 31 March 2024	5.50 : 1.00
Period ending 30 June 2024	5.50 : 1.00
Period ending 30 September 2024	5.50 : 1.00

The leverage ratio is the total outstanding loans and drawn-down facilities (other than for a loan of R1.9 billion that forms part of the junior debt package which is required to be settled from the disposal of businesses and assets in terms of the group's asset disposal plan i.e. the 'junior debt component') expressed as a ratio of the adjusted EBITDA (defined for covenant purposes i.e. the 'covenant EBITDA') relating to Nampak Products Ltd for the previous 12 months determined on a rolling 12-month basis for all measurement periods.

Interest coverage ratio

Measurement period	Interest cover ratio
Period ending 31 December 2023	0.80 : 1.00
Period ending 31 March 2024	1.10 : 1.00
Period ending 30 June 2024	1.20 : 1.00
Period ending 30 September 2024	1.15 : 1.00

3. Critical judgements and key sources of estimation uncertainty continued

3.1 Going concern continued

The interest coverage ratio is the covenant EBITDA relating to Nampak Products Ltd for the previous 12 months determined on a rolling 12-month basis expressed as a ratio of the net finance costs of the group relating to the total outstanding loans and drawn-down facilities (other than the junior debt component). These net finance costs are annualised for all measurement periods concerned in the financial year ending 30 September 2024. For all measurement periods after 30 September 2024, these net finance costs relate to the previous 12 months on a rolling 12-month basis.

Current ratio

Measurement period	Current ratio
Period ending 31 December 2023	1.40 : 1.00
Period ending 31 March 2024	1.10 : 1.00
Period ending 30 June 2024	1.20 : 1.00
Period ending 30 September 2024	1.10 : 1.00

The current ratio is the total current assets of Nampak Products Ltd expressed as a ratio of the total current liabilities of Nampak Products Ltd.

Group tangible net asset value

Measurement period	Group tangible net asset value
Period ending 31 March 2024	2.60 : 1.00
Period ending 30 September 2024	2.60 : 1.00

The group tangible net asset value ratio is the total net tangible asset value of Nampak Ltd (excluding the junior debt component) expressed as a ratio of the junior debt component.

The parent shall, at all times, ensure that the group maintains available liquidity of no less than R650 million.

Security

On 25 September 2023, the group entered into new financing agreements with its lenders and US private placement noteholders which replaced the financing agreements from 31 March 2023. The new financing was secured through inter alia, the following security granted to the lenders:

Nampak Ltd

- › A first ranking pledge and cession in security under South African law in terms of which Nampak Ltd pledges its shares in, and cedes its shareholder claims against, Nampak Products Ltd and any other entity incorporated in South Africa (other than a member of the group which is a dormant company); and
- › To the extent applicable, local law governed first ranking security over its shares in and shareholder claims against Nampak International Ltd and any other entity incorporated in a jurisdiction other than South Africa (other than a member of the group which is a dormant company).

Nampak Products Limited

- › A first ranking cession in security of its present and future claims (including trade receivables), cash and cash equivalents, bank accounts, intellectual property rights (other than trademarks), insurances, insurance proceeds and disposal proceeds Deed of hypothecation over trademarks under South African law:
 - » first mortgage bonds over fixed assets;
 - » general notarial bond over moveable assets and inventory; and
 - » special notarial bond over certain specified moveable assets.

3. Critical judgements and key sources of estimation uncertainty continued

3.1 Going concern continued

Nampak International Limited

- › local law governed first ranking security agreements in terms of which it charges its shares in, and assigns its shareholder claims against Nampak Bevcan Nigeria Ltd and Nampak Bevcan Angola, LDA; and
- › to the extent possible, customary local law all asset security over its present and future assets, including but not limited to all present and future claims (including trade receivables), cash and cash equivalents, bank accounts, insurances, insurance proceeds, disposal proceeds intellectual property rights (including trademarks and patents).

Estimates and judgements considered within the liquidity assessment

Management is of the view that, despite a material uncertainty existing at the reporting date regarding the group's ability to effectively deliver on the group's asset disposal plan ("ADP"), with a very high proportion of the proceeds derived from the disposal of Bevcan Nigeria, the group has already delivered a successful, oversubscribed rights offer process with net R960 million settled against debt as well as the full implementation of the restructured debt package. These were two critical items previously in doubt and now delivered. The disposals of the Tanzania, UK property and Nampak Nigeria properties have already been completed with proceeds to flow in due course (albeit after the year-end) as well as progress made on locating a buyer for Bevcan Nigeria (although not all criteria have been met for an asset held for sale), all pointing towards the ADP being well under way and likely to deliver on expectations from our lenders and shareholders. The debt restructure and rights offer process has strengthened the balance sheet and significantly improved the group's short-term liquidity. Furthermore, increased focus on the collection of overdue trade receivables as well as the tightening of credit terms to customers is expected to positively impact working capital, cash flow and resultant debt levels. In terms of the restructured lender agreements, the group is required to reduce debt by R243 million by 31 March 2024 and R477 million by 30 September 2024 through internally generated activities and asset disposals. The combined amount of R720 million has been reflected as a short-term liability at 30 September 2023.

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.

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, cost reduction and optimisation plans, the management of working capital and capital expenditures, as well as the group already having refinanced the group and executed a successful raise capital through a proposed rights offer.

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.

3. Critical judgements and key sources of estimation uncertainty continued

3.2 Impairment of assets

In terms of IAS 36: Impairment of Assets, the group is required to perform tests for the impairment of property, plant and equipment, right of use assets and intangible 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 in a similar manner on an annual basis.

Discounted cash flow valuation principles are applied in assessing the expected future cash flows pertaining to assets. The key assumptions used are cash flow projections, growth rates and the weighted average cost of capital (WACC). 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.

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 2023 taking into account the approved budget for 2024 and the strategic plans for the years 2025 to 2028.

The impairment assessments impacted the assets of four cash generating units in particular. The cash generating units impacted and the circumstances in which the impairment losses occurred are as follows:

Bevcan Nigeria

The Nigerian economy has been adversely impacted in the current financial year by rampant inflation caused largely by the removal of the fuel subsidy and the depreciation of the Naira due to a forex market that was increasingly dysfunctional during the period under review as forex illiquidity worsened. These events have slowed economic growth and resulted in volume growth being lower than previously anticipated. The WACC rate has also increased to 16.6% from 12.5% in the previous year due to an increase in the risk-free rate and the increased country risk premium. In light of these developments, the group assessed the carrying value of goodwill in Bevcan Nigeria for impairment at 30 September 2023. As a result, an impairment loss was recognised of R1 549.2 million (US\$84.8 million) reducing the carrying value of goodwill attributed to Bevcan Nigeria to R336.3 million (US\$17.8 million). The estimated recoverable amount of the Bevcan Nigeria operation is R1.3 billion (US\$71.2 million).

Bevcan Angola

The Angolan economy has deteriorated over the past 12 months due to lower oil production volumes, the fall in the oil price and the depreciation of the Kwanza, which in turn has impacted the distributable income of customers (and thereby, sales volumes). As a result, GDP growth is expected to be around 1.7% for the year (compared to 3.3% in the prior year). The WACC rate has increased to 17.7% from 14.9% in the previous year due to the higher risk-free rate, higher cost of debt and increased country risk premium, resulting in the recognition of an impairment loss at 30 September 2023 of R827.1 million (US\$44.6 million). The recoverable amount of the Bevcan Angola operation amounts to R927.6 million (US\$49.0 million).

3. Critical judgements and key sources of estimation uncertainty continued

3.2 Impairment of assets continued

DivFood South Africa

The DivFood business continues to experience low demand for certain product categories. The net working capital, however, has improved due to the reduction in commodity prices and the improved collection from customers. Several initiatives to increase the profitability of this business are also currently being pursued including the correction of customer pricing and reduced overheads. In light of the current circumstances however, as well as the WACC rate for this business being increased to 14.2% (2022: 13.6%), management has determined that an impairment loss at 30 September 2023 of R290.4 million should be recognised. The recoverable amount of the DivFood business amounts to R975.4 million.

Rigids South Africa

The Rigids business continues to experience pressure on volumes. Imported material is also impacting margins. Internal projects to simplify and optimise operations are ongoing and the benefits have not yet been fully realised. Due to these circumstances, as well as the higher WACC of 14.2% (2022: 13.6%), an impairment loss of R174.8 million was recognised at 30 September 2023. The recoverable amount of the Rigids business amounts to R84.3 million.

3.3 Classification of non-current assets and disposal groups as held for sale

The classification of non-current assets and disposal groups as 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.

During the current year, management took a decision to dispose of certain plant and equipment in Nampak Nigeria Ltd due to the decision to close this business, as well as a property in the United Kingdom due to this asset being redundant to the group's requirements. An operating line in the DivFood business was also classified as held for sale due to it being unprofitable.

The remaining plant and equipment in Bullpak Ltd continue to be classified as held for sale due to the decision to close this business still being effective and that these assets are expected to be disposed during 2024.

After an assessment of the transactions pertaining to other assets (including businesses) that are earmarked for sale in terms of group's asset disposal plan, the directors determined that these assets and disposal groups met all the criteria to be classified as held for sale in terms of the above standard other than for the sale of these assets and disposal groups being considered highly probable at 30 September 2023. These assets and disposal groups have not, therefore, been classified as held for sale at this date.

In particular, the group is actively engaged in market exploration and the evaluation of multiple alternatives for the disposal of Nampak Bevan Nigeria Ltd. This ongoing evaluation process introduces uncertainties about the likelihood of this disposal.

Details of these assets are disclosed in note 11.

3. Critical judgements and key sources of estimation uncertainty continued

3.4 Expected credit loss determination of the Reserve Bank of Zimbabwe settlement agreement

During the 2019 financial year, Nampak Zimbabwe Ltd (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 Ltd amounting to US\$66.8 million.

The RBZ defaulted on the terms of the agreement during the financial year ended 30 September 2021 but repayments totalling US\$4.0 million had been received by that date. The 90% expected credit loss (ECL) provision at this date was accordingly maintained at 30 September 2022.

Following the finalisation of the Blocked Funds Framework by Zimbabwe, the group received US\$3.3 million of treasury bonds which were discounted by 69% resulting in a further US\$1.0 million received during the current year. A further allocation of treasury bonds was received in September 2023 and based on the aforementioned position and taking into account all other forward-looking macroeconomic scenarios, management amended the ECL provision to 97.5%. The treasury bonds are not tradeable instruments but rather represent a legal acknowledgement by the RBZ of outstanding legacy debt.

Details of the carrying value of the RBZ financial instrument are disclosed in note 10.

3.5 Modification and extinguishment of financial liabilities

The contractual terms for the revolving credit facilities, defined as floating rate financial liabilities measured at amortised cost, were amended on 31 March 2023. A new finance package consisting of loan and revolving credit facilities was agreed to on 25 September 2023 effectively replacing the previous facilities.

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 an extinguishment of the financial liability or in a modification to the financial instrument concerned. 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 assessment of the revised contractual terms in March 2023, management determined that these terms were substantially different from the terms of the previous facility. Accordingly, the financial liabilities were extinguished and the unamortised transaction fees of R87.9 million relating to these liabilities were recognised in profit and loss at this date.

A further qualitative assessment of the contractual terms for the new financing package agreed to in September was conducted and based on a qualitative assessment of these terms, management determined that the loans and revolving credit facilities in terms of the previous agreement as amended were extinguished. All transaction fees relating to the new finance package (R246.9 million) were recognised as incurred in profit and loss.

Details of the revised contract terms are disclosed in note 3.1.

3. Critical judgements and key sources of estimation uncertainty continued

3.6 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. 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 these 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.

3.7 Functional currency and translation of Zimbabwe group companies

The functional currency of the Nampak Zimbabwe group companies is the ZWL dollar and their results have been prepared in accordance with IAS 29: Financial reporting in hyperinflationary economies as if the economy had been hyperinflationary from 1 October 2018. Hyperinflationary accounting requires transactions and balances to be stated in terms of the measuring unit current at the end of the reporting period in order to account for the effect of loss of purchasing power during the period.

Nampak has adopted the use of the exchange rate movements between the Zimbabwe Dollar (functional currency) and the US Dollar (a relatively stable foreign currency) in determining the general price index from February 2023 onwards. Management has applied these factors in determining the hyperinflation numbers for year ended 30 September 2023.

The economy in Zimbabwe remained hyperinflationary during the 2023 financial year with annual inflation reaching 650.4% as at 30 September 2023.

Nampak Zimbabwe's hyperinflated results have also been converted to rand, being the reporting currency of the group for consolidation purposes, at the closing rate on 31 March 2023 in terms of IAS 21: The effects of changes in foreign exchange rates. The exchange rate used in translating these results are derived from the Bloomberg market internet site and are based on the official auction mid-rates as published by the Reserve Bank of Zimbabwe.

3. Critical judgements and key sources of estimation uncertainty continued

3.8 Aggregation of operating segments

The group is required to report financial information about each operating segment separately in terms of IFRS 8: Operating Segments. Operating segments may be aggregated into a single operating segment if they meet the criteria set out in IFRS 8.

The operating segments of the group are aggregated in line with the core principle of IFRS 8 which is to enable users to evaluate the nature and financial effects of the business activities in which the group engages and the economic environments in which it operates. These segments are aggregated based on their similar economic characteristics, the nature of their products, the nature of their production processes, the type of customers for their products and the methods to distribute their products.

The operating segments of the group are aggregated into the Metals, Plastic and Paper operating segments for segmental reporting purposes where the type of packaging material of the products produced by the operating segments is the key aggregation determining factor.

3.9 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.

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. Deferred tax was not raised on a portion of the tax losses due to uncertainty about the recoverability beyond the normal strategic plan period. Further deferred tax assets were recognised in Nampak Bevan Angola Limitada in respect of assessed losses carried forward from prior years as well as unrealised foreign exchange losses. 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. A deferred tax asset was also recognised at Nampak Bevan Nigeria Ltd in relation to unrealised foreign exchange losses and tax losses carried forward. However, deferred tax was not recognised on unabsorbed interest cost due to uncertainty about the recoverability thereof against future taxable profits.

4. Revenue and operating profit before net impairment losses

4.1 Revenue

	30 Sep 2023	30 Sep 2022
Sale of finished goods	16 151.2	16 304.7
Transport cost recoveries	117.4	171.9
Rendering of services	20.9	38.1
Scrap sales	344.1	421.8
Total	16 633.6	16 936.5

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.

Revenue is recognised on the sale of goods when control is transferred to the customer usually by means of delivery of the goods concerned and is primarily earned in the Metals segment. 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.

Revenue from scrap sales is recognised on the sale of goods when control is transferred to the customer being at the point where the goods are loaded on to the transport vehicle of the customer concerned.

4.2 Operating profit 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.

Included in operating profit before net impairment losses are the following items in addition to those indicated in the reconciliation below:

R million	30 Sep 2023	30 Sep 2022
Depreciation	395.2	453.3
Amortisation	14.1	18.4
Net loss on financial instruments	1 272.9	534.3
Derivatives	16.1	(8.1)
Net foreign exchange losses excluding Zimbabwe*	1 256.8	542.4

* Includes devaluation losses arising from Angolan and Nigerian exchange rate movements 1 234.7 (2022: R545.6 million) relating to trade receivables, trade payables and bank balances.

Fair value gain on assets	(8.1)	(17.8)
Legal and related fees	—	8.9
Net expected credit loss reversals/(losses) — financial instruments other than the Reserve Bank of Zimbabwe financial instrument	3.0	(41.3)
Net impact of devaluation associated with Zimbabwe	(66.8)	(69.7)
Net foreign exchange gains	256.7	64.8
Monetary adjustment for hyperinflation	(258.1)	(125.5)
Net expected credit losses — Reserve Bank of Zimbabwe financial instrument	(65.4)	(9.0)

4. Revenue and operating profit before net impairment losses continued

4.3 Reconciliation of operating profit before net impairment losses to trading profit¹

R million	30 Sep 2023	30 Sep 2022
Operating profit before net impairment losses	275.8	1 152.2
Adjusted for capital and other items	1 362.1	459.2
Capital items ¹	(89.8)	
Net loss on liquidation of businesses	49.2	—
Net profit on property, plant and equipment disposed due to business closure	(139.0)	—
Other items ²	1 451.9	459.2
Net impact of devaluation in Zimbabwe	66.8	69.7
Devaluation loss arising from Angolan and Nigerian exchange rate movements	1 234.7	545.6
Retirement benefit plan surplus ³	—	(221.6)
Insurance loss ⁴	—	50.0
Retrenchment and restructuring costs	150.4	11.6
Net measurement of expected credit loss allowance on loan and lease receivables (other than the Reserve Bank of Zimbabwe financial instrument)	—	4.0
Other	—	(0.1)
Trading profit	1 637.9	1 611.4

- Capital items relate to items other than impairment losses/(reversals) that are adjusted for in the headline earnings per share calculation.
- 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.
- Prior year relates to the portion of the actuarial surplus in the Malbak Group Pension Fund accruing to Nampak Products Limited, a direct subsidiary of Nampak Limited.
- Prior year relates to the gap cover for insurance claims intimated due to the exceptional losses arising from the flood damage incurred in KwaZulu-Natal during April 2022.

5. Net impairment losses

R million	30 Sep 2023	30 Sep 2022
Impairment losses	2 841.6	543.6
Plant, equipment and vehicles	1 113.7	345.4
Right of use assets	178.2	142.8
Goodwill	1 549.2	45.4
Other Intangible assets	0.5	0.2
Assets held for sale	—	9.8
Reversal of impairment losses	—	(31.5)
Freehold land and buildings	—	(0.9)
Plant and equipment	—	(30.6)
Net impairment losses	2 841.6	512.1

6. Net finance costs

R million	30 Sep 2023	30 Sep 2022
Finance costs		
Short-term facilities ¹	111.1	75.6
Long-term facilities	700.0	428.5
Lease liabilities	109.2	98.3
Other	0.4	3.5
Finance costs before transaction costs	920.7	605.9
Previously capitalised transaction costs now expensed ²	87.9	—
Transaction costs incurred in current year ²	246.9	—
Total	1 255.5	605.9
Finance income		
Short-term facilities	14.4	15.9
Equipment sales receivables	0.8	1.9
Other ³	16.5	1.7
Total	31.7	19.5
Net finance costs	1 223.8	586.4

1. Finance costs in respect of short-term facilities includes the factoring loss on the invoice discounting facility of R21.6 million (2022: R13.1 million).
2. Transaction costs previously capitalised on the previous facilities were expensed on the extinguishment of these facilities while the transaction costs incurred in the current year were expensed immediately as they were considered part of the same financing transaction. Refer note 3.5.
3. Finance income received for the current year primarily relates to interest received on the retirement benefit asset. Refer note 7.1 of the group financial statements.

7. Income tax expense

R million	30 Sep 2023	30 Sep 2022
South Africa		
Current tax		
Current year	—	0.3
Prior year	(0.2)	(0.3)
Deferred tax		
Current year	(8.2)	(61.9)
Prior year	10.2	12.6
Change in tax rate	—	13.3
Withholding tax	1.4	4.9
Total South African income tax charge/(credit)	3.2	(31.1)
Foreign		
Current tax		
Current year	144.3	109.6
Prior year	4.3	9.8
Capital gains tax	0.6	0.6
Hyper-inflation adjustment	83.9	51.5
Deferred tax		
Current year	(142.1)	(71.8)
Prior year	—	(43.7)
Change in tax rate	—	1.2
Hyper-inflation adjustment	29.2	32.1
Withholding and other taxes	32.6	26.3
Total foreign tax charge	152.8	115.6
	156.0	84.5

7. Income tax expense continued

The company tax rate in South Africa is 27% (2022: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those relevant jurisdictions.

%	30 Sep 2023	30 Sep 2022
Reconciliation of rate of tax¹		
Statutory tax rate	27.0	28.0
Increase in tax rate due to:	(32.0)	542.0
Goodwill impaired ²	(10.9)	—
Deferred taxation not recognised ³	(7.7)	135.5
Foreign currency translation impact	(5.0)	68.7
Hyperinflation adjustments	(3.0)	166.8
Foreign tax rate differential	(1.9)	—
Disallowable expenses ⁴	(2.2)	92.3
Withholding and other foreign taxes	(0.9)	53.9
Adjustment for prior years	(0.4)	—
Tax rate reduction	—	24.8
Reduction in tax rate due to:	0.9	(426.3)
Recognition of losses and temporary differences not previously recognised	—	(34.4)
Adjustment for prior years	—	(36.8)
Foreign tax rate differential	—	(84.1)
Utilisation of tax losses not previously recognised	0.2	(247.4)
Government incentives and exempt income (including capital profits) ⁵	0.7	(23.6)
Effective group rate of tax	(4.1)	143.7

1. Current year signage of reconciling items is impacted by the loss before tax for the year.
2. Due to the economic slow down in Nigeria, the carrying value of the Nampak Bevcan Nigeria Ltd goodwill was assessed and an impairment loss was recognised for which no tax shield is available.
3. Deferred tax not recognised relates mainly to a deferred tax assets not recognised on a portion of the tax loss of Nampak Products Ltd and Nampak Bevcan Nigeria Ltd disallowed interest expense carried forward where the forecast level of EBITDA is insufficient to allow recoverability.
4. Disallowed expenses include unproductive interest, expenses not in the production of income, expenses not deductible in terms of local tax law and expenses of a capital nature.
5. Exempt income relates mostly to the profit on the disposal of property in Tanzania.

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

In addition to the income tax charge to profit or loss, a deferred tax charge of R31.5 million (2022: R5.8 million charge) has been recognised in other comprehensive income during the year.

8. (Loss)/earnings per share

R million	30 Sep 2023	30 Sep 2022
Loss attributable to equity holders of the company for the year	(4 032.8)	(146.9)
Less: preference dividend	(0.1)	(0.1)
Basic loss	(4 032.9)	(147.0)
Adjusted for:		
Net impairment losses	2 841.6	512.1
Freehold land and buildings	—	(0.9)
Plant, equipment and vehicles	1 113.7	314.8
Right of use assets	178.2	142.8
Goodwill	1 549.2	45.4
Other intangible assets	0.5	0.2
Assets held for sale	—	9.8
Net loss on liquidation of businesses	49.2	—
Net profit on disposal of property, plant, equipment and intangible assets	(156.9)	(9.8)
Tax effects and non-controlling interests	(310.5)	(126.7)
Headline (loss)/earnings for the year	(1 609.5)	228.6
Basic loss per ordinary share (cents) ¹	(117 295.5)	(4 879.5)
Diluted basic loss per share (cents) ²	(117 295.5)	(4 879.5)
Headline (loss)/earnings per ordinary share (cents) ¹	(46 811.7)	7 589.2
Diluted headline (loss)/earnings per share (cents) ²	(46 811.7)	7 453.1

1. The weighted average number of shares (loss)/earnings per share have been restated for the effect of the share consolidation and rights issue. See note 17.
2. No dilution in the current year.

9. Property, plant, equipment and investment property

R million	30 Sep 2023	30 Sep 2022
Net carrying value at the beginning of the year	5 452.0	5 360.9
Additions	344.5	199.9
Depreciation	(296.6)	(342.4)
Disposals	(67.7)	(14.2)
Net impairment losses	(1 113.7)	(313.9)
Net reclassifications from/(to) assets held for sale	(78.5)	184.4
Translation differences	(13.0)	324.3
Other movements	114.4	53.0
Net carrying value at the end of the year	4 341.4	5 452.0

Property, plant and equipment are secured as indicated in note 3.1.

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.

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.

10. Loan and lease receivables

R million	30 Sep 2023	30 Sep 2022
Equipment sales receivables ¹	6.8	12.3
Reserve Bank of Zimbabwe financial instrument ²	27.2	105.8
Other loan receivables	12.6	18.2
Loan and lease receivables	46.6	136.3
Less: Amounts receivable within one year reflected as current	(34.1)	(51.8)
Equipment sales receivables	(5.7)	(4.3)
Reserve Bank of Zimbabwe financial instrument	(27.2)	(42.3)
Other loan receivables	(1.2)	(5.2)
Loan and lease receivables — non-current	12.5	84.5

- Equipment sales receivables are repayable from 2024 to 2025. Interest rates charged are from 10.5% to 11.8% (2022: from 8.0% to 15.5%). Amounts are presented net of the calculated expected loss allowance — refer below.
- The gross carrying value of RBZ financial instrument is R1 087.6 million, while the expected credit loss (ECL) provision relating to this instrument is R1 060.4 million being 97.5% of the gross carrying value. The net carrying value of this instrument is therefore R27.2 million. During the year, the group received R18.3 million (US\$1.0 million) towards the settlement of this instrument. However, after taking into account further quantitative and qualitative factors, management determined that the risk of non-recoverability of the remaining net carrying value of this instrument had increased at 30 September 2023 such that a further 7.5% increase in the ECL provision was required.

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

11. Non-current assets classified as held for sale

Non-current assets held for sale by entity

R million	30 Sep 2023	30 Sep 2022
Nampak Nigeria Ltd	30.1	—
DivFood division	40.0	40.2
Nampak Properties Ltd	9.2	—
Megapak Swaziland (Pty) Ltd	—	0.1
Bullpak Kenya Ltd	11.0	10.9
Total	90.3	51.2

Non-current assets classified as held for sale relate to plant and equipment of divisions that are being wound down for operational reasons or are regarded as redundant to the operational requirements of the divisions concerned. No impairment losses were recorded during the current year (2022: R9.8 million).

Reconciliation of movement in non-current assets held for sale during the year

Net carrying value at the beginning of the year	51.2	59.4
Reclassified from property, plant and equipment	78.5	16.1
Disposals	(21.4)	(14.6)
Net impairment losses	—	(9.8)
Translation differences	(18.0)	0.1
Net carrying value at the end of the year	90.3	51.2

12. Loans

12.1 Loans – non-current

R million	Redeemable/ repayable	Year-end interest rates (%)	2023	2022
Local*	2024 – 2026	13.3 – 14.1	5 775.0	3 445.0
Foreign*	2025	13.3 – 13.5	754.9	3 435.4
Loans			6 529.9	6 880.4
Less: amounts due for repayment within one year, reflected as current			(720.0)	(2 158.5)
Loans – non-current			5 809.9	4 721.9

* Loans are secured and subject to covenants as follows:

- › R6 529.9 million (2022: R6 880.4 million) debt is secured by guarantees issued by the Nampak Ltd group as well as indicated in note 3.1. These facilities are also subject to covenants relating to leverage, interest cover, the current ratio and the tangible net asset value. Refer note 3.1.
- › the Nampak Ltd group was within the relaxed covenant requirements at the measurement dates for the current year.

12.2 Lease liabilities – non-current

R million	Redeemable/ repayable	Year-end interest rates (%)	2023	2022
Local	2024 – 2031	6.3 – 12.0	1 215.6	1 287.4
Foreign			10.5	18.1
Lease liabilities			1 226.1	1 305.5
Less: amounts due for repayment within one year, reflected as current			(210.0)	(214.6)
Lease liabilities – non-current			1 016.1	1 090.9

12.3 Loans and lease liabilities – current

R million	30 Sep 2023	30 Sep 2022
Current portion of loans (note 12.1)	720.0	2 158.5
Current portion of lease liabilities (note 12.2)	210.0	214.6
Total	930.0	2 373.1

13. Provisions

R million	Restructuring	Customer claims	Other	Total
At 1 October 2021	178.6	6.1	7.3	192.0
Additions	8.6	23.0	0.5	32.1
Usage	(19.0)	(20.5)	(0.7)	(40.2)
Reversals	(61.3)	(5.5)	(1.8)	(68.6)
Translation differences	(1.2)	–	0.1	(1.1)
Other	1.5	–	0.2	1.7
At 30 September 2022	107.2	3.1	5.6	115.9
Additions	42.9	5.6	10.4	58.9
Usage	(29.6)	(2.2)	(0.2)	(32.0)
Reversals	(3.8)	(3.0)	–	(6.8)
Translation differences	(0.9)	–	–	(0.9)
Other	0.5	–	(0.5)	–
At 30 September 2023	116.3	3.5	15.3	135.1

13. Provisions continued

Restructuring

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

Customer claims

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, as well as on-going tax audits in Nampak Bevcan Angola Lda.

14. Summarised group statement of cash flows analysis

14.1 Reconciliation of (loss)/profit before tax to cash generated from operations

R million	30 Sep 2023	30 Sep 2022
(Loss)/profit before taxation	(3 795.8)	58.8
Adjustment for:		
Depreciation and amortisation	409.3	471.7
Net profit on disposal of property, plant, equipment, intangible assets and investments	(156.9)	(9.8)
Net loss on liquidation of businesses	49.2	—
Financial instruments fair value adjustment	16.1	(8.1)
Net defined benefit plan expense	58.6	40.9
Defined benefit asset utilisation/(surplus)	30.8	(221.6)
Impairment losses	2 841.5	543.6
Reversal of impairment losses	—	(31.5)
Net devaluation impact in Zimbabwe	66.8	69.7
Net foreign exchange gains	(256.7)	(64.8)
Monetary adjustment for hyperinflation	258.1	125.5
Net expected credit losses — Reserve Bank of Zimbabwe financial instrument	65.4	9.0
Share of net loss/(profit) in associate and joint venture	6.2	(5.1)
Share based payments (benefit)/expense	(1.1)	26.5
Fair value gain on assets	(8.1)	(17.8)
Net finance costs	1 223.8	586.4
Cash generated from operations before working capital changes	740.4	1 503.7
Net working capital changes	904.6	(658.5)
Decrease/(increase) in inventories	369.9	(753.8)
Decrease/(increase) in trade and other current receivables	423.0	(404.2)
Increase in trade and other current payables	111.7	499.5
Cash generated from operations	1 645.0	845.2

14.2 Net cash and cash equivalents at the end of the period

R million	30 Sep 2023	30 Sep 2022
Bank balances and deposits	1 843.9	1 501.6

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

15. Carrying amount of financial instruments

The carrying amounts of financial instruments as presented on the statement of financial position are measured as follows:

R million	30 Sep 2023	30 Sep 2022
At fair value – level 2		
Financial assets		
Derivative financial assets ¹	–	50.6
Financial liabilities		
Derivative financial liabilities ¹	84.7	22.4
At fair value – level 3		
Investments	23.5	22.3
At amortised cost		
Financial assets	4 156.6	4 624.2
Loan and lease receivables – non-current	12.5	84.5
Trade and other current receivables ²	2 266.1	2 986.3
Loan and lease receivables – current	34.1	51.8
Bank balances and deposits	1 843.9	1 501.6
Financial liabilities	10 634.8	11 437.8
Loans - non-current	5 809.9	4 721.9
Lease liabilities – non-current	1 016.1	1 090.9
Trade and other current payables ³	2 878.8	3 251.9
Loans and lease liabilities – current	930.0	2 373.1

- Derivative financial assets and liabilities consist of forward exchange contracts and commodity futures. Their fair values are determined using the contract exchange rate at their measurement date, with the resulting value discounted back to the present value.
- Excludes derivative financial assets (disclosed separately), prepayments and trade and other current receivables presented as part of assets classified as held for sale.
- Excludes derivative financial liabilities (disclosed separately), 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. In the current year, additional adjustments include payroll accruals, which do not represent financial instruments, and the invoice discounting financial liabilities. The prior period has been restated accordingly as it was incorrectly presented.

16. Capital expenditure, commitments and contingent liabilities

R million	30 Sep 2023	30 Sep 2022
Capital expenditure	352.5	208.3
Replacement	258.2	192.7
Expansion	94.3	15.6
Capital commitments	322.2	111.9
Contracted	299.3	86.1
Approved not contracted	22.9	25.8
Lease commitments	12.4	15.6
Land and buildings	0.7	1.4
Other	11.7	14.2
Contingent liabilities – customer claims and guarantees	60.1	30.9

17. Share statistics

	30 Sep 2023	30 Sep 2022
Ordinary shares in issue (000)	8 476	690 475
Ordinary shares in issue — net of treasury shares (000)	8 268	634 435
Weighted average number of ordinary shares on which basic loss and headline (loss)/earnings per share are based (000)	3 438	3 013
Weighted average number of ordinary shares on which diluted basic loss per share are based (000)	3 438	3 013
Weighted average number of ordinary shares on which diluted headline (loss)/earnings per share are based (000)	3 438	3 068

The weighted average number of shares used for calculating basic loss per share, headline loss per share, diluted basic loss and diluted headline loss per share for the prior reporting periods have been restated for the effect of the share consolidation of 250:1 and have been adjusted by a factor of 1.18 in accordance with guidance provided in IAS 33 Earnings per share. For the current reporting period the opening weighted average number of shares and share movements that occurred prior to the rights issue have also been adjusted by the factor of 1.18 while the share movements post the rights issue have not been adjusted by the factor.

18. Related party transactions

Group companies, in the ordinary course of business, entered into various purchase and sale transactions with associates, joint ventures and other related parties. The effect of these transactions, other than sales to an associate of R26.5 million (2022: R24.4 million), is not significant and is included in the financial performance and results of the Group.

19. Subsequent events

On 31 October 2023, the group received the first instalment of NGN6.7 billion (US\$8.6 million) from the disposal of property and related plant of Nampak Nigeria Ltd, a group company, in terms of the agreement effected during August 2023 for NGN7.5 billion (US\$9.5 million) on meeting certain conditions pertaining to the agreement. The details of this transaction were communicated in a SENS dated 30 August 2023. R104.7 million (US\$5.5 million) of these proceeds have been remitted to Nampak International Ltd to date. The balance of the purchase price net of related disposal costs is expected to be received in January 2024.

On 31 October 2023, the group disposed of a property located in the United Kingdom for the net amount of R41.4 million (GBP1.8 million). Transfer was effected on 10 November 2023 and these proceeds were received during November 2023. This property is disclosed as held for sale in note 6.7 of the group financial statements.

Both disposals were effected in terms of the group's asset disposal plan and the net proceeds will be applied to the reduction of the group's outstanding debt obligations.

20. Independent Auditor's opinion

These summarised consolidated financial statements for the year ended 30 September 2023 have been audited by Deloitte & Touche, who have expressed an unmodified opinion in terms of the International Standards of Auditing, including a paragraph on material uncertainty relating to going concern. The auditors also expressed an unmodified opinion in terms of the International Standards on Auditing, with a paragraph on material uncertainty relating to going concern on the annual financial statements from which these summarised consolidated financial statements were extracted. Events or conditions indicate that material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

The full auditor's report, including the key audit matter, is available on the link as follows <http://www.nampak.com/Investors/Financial-Information>. Copies of their unmodified audit report on the consolidated and separate financial statements are available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

Independent auditor's report on summary financial statements

To the shareholders of Nampak Limited

Opinion

The summary consolidated financial statements of Nampak Limited, which comprise the summary consolidated statement of financial position as at 30 September 2023, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Nampak Limited for the year ended 30 September 2023.

In our opinion, the summary consolidated financial statements included on pages 08 to 33 are consistent, in all material respects, with the audited consolidated financial statements of Nampak Limited, in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of Nampak Limited and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 1 December 2023. That report also includes the following:

- › A Material Uncertainty Related to Going Concern Section that draws attention to Notes 1.4 and 5.4 in the financial statements, which indicate that R2.7 Billion of the Group's core funding is repayable on or before 31 March 2025. Of this, R720m is disclosed as short-term as it is repayable during the Group's next financial year ending 30 September 2024. As stated in Note 1.4, this debt cannot be repaid out of cash generated from operations in the timeframe allowed. The ultimate success of management's plans to reduce the Group's debt via the Asset Disposal Plan, described in Note 1.4, is inherently uncertain and this, in combination with the outcome of any resultant future negotiations with the Group's funders, indicates that a material uncertainty exists that may cast significant doubt on the Group ability to continue as a going concern. Our opinion is not modified in respect of this matter.
- › The communication of a key audit matter as reported in the auditor's report on the audited consolidated financial statements.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, set out in note 1 to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council, and also contain the information required by IAS 34, Interim Financial Reporting.

Independent auditor's report on summary financial statements

To the shareholders of Nampak Limited continued

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.



Deloitte & Touche

Registered Auditor

Per: MH Holme

Partner

1 December 2023

5 Magwa Crescent, Waterfall City, 2090 South Africa

Key ratios

		30 Sep 2023	30 Sep 2022
EBITDA – operating profit ¹	R million	685.1	1 623.9
Net gearing			
– based on total net borrowings	%	306	134
– based on net borrowings excluding capitalised finance leases	%	242	108
Current ratio	times	1.8	1.4
Acid test ratio	times	1.0	0.8
Return on equity	%	(128.0)	(3.0)
Return on net assets			
– based on trading profit	%	16.6	14.2
– based on operating profit		(26.2)	5.7
Return on invested capital			
– based on trading profit	%	12.5	10.6
– based on operating profit		(19.5)	4.2
Net asset value per ordinary share ²	cents	19 810	183 723
Tangible net asset value per ordinary share ²	cents	12 674	100 266

1. EBITDA – operating profit is calculated as operating profit before depreciation, amortisation and net impairment losses.

2. Calculated on shareholders' equity and ordinary shares in issue, net of treasury shares.

Exchange rates

Key currency conversion rates used for the periods concerned were as follows:

	30 Sep 2023	30 Sep 2022
Rand/UK pound		
Average	22.31	20.22
Closing	23.08	20.21
Rand/Euro		
Average	19.41	17.12
Closing	20.00	17.74
Rand/US dollar		
Average	18.17	15.82
Closing	18.92	18.09
Naira/US dollar		
Average	547.92	419.25
Closing	776.79	437.74
Kwanza/US dollar		
Average	614.99	490.60
Closing	842.04	443.55
RTGS dollar/US dollar		
Closing	5 252.66	621.53

Corporate information

Business address and registered office

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Auditors

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And

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Share registrar

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