



Nampak
packaging excellence

**Audited Annual
Financial Statements
2020**



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Directors' responsibility for annual financial statements

for the year ended 30 September 2020

The directors of Nampak Limited present the consolidated and separate annual financial statements for the year ended 30 September 2020.

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

The Audit and Risk Committee assessed the effectiveness of the system of internal controls and risk management for the year under review, principally through self-assessment by, and information from, management and reports from the internal and external auditors. On the recommendation of the Committee, the directors considered and are satisfied that adequate accounting records, risk management and internal controls and systems have been maintained to provide reasonable assurance on the integrity and reliability of the annual financial statements and to sufficiently safeguard, verify and maintain accountability for the group's assets and ensure that the possibility of material loss or misstatement is minimised.

The directors have reviewed the appropriateness of the accounting policies and concluded that the judgements and estimates contained herein are prudent. They are of the opinion that the annual financial statements fairly present in all material respects the state of affairs and business of the group as at 30 September 2020 and believe that the group has adequate resources to continue in operation for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis.

The annual financial statements for the year ended 30 September 2020, set out on pages 13 to 96, were approved by the board of directors at its meeting on 30 November 2020 and were signed on its behalf by:



PM Surgey
Chairman



EE Smuts
Chief executive officer

Preparer of financial statements

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



Glenn Fullerton
Chief financial officer

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, I certify that the Company has filed with the Commissioner all required returns and notices in terms of the Act and that all such returns and notices are true, correct and up to date.



IH van Lochem
Company Secretary

30 November 2020

Independent auditor's report

To the Shareholders of Nampak Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Nampak Limited (the Group and Company) set out on pages 19 to 96, which comprise the consolidated and separate statements of financial position as at 30 September 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 September 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 1.3 in the consolidated financial statements, which indicates that the Group incurred a net loss of R4.0 billion during the year ended 30 September 2020 and the Group's and Company's ability to continue as a going concern is dependent on (a) its ability to meet its debt covenant requirements at 31 December 2020, 31 March 2021, 30 June 2021 and 30 September 2021, and (b) meet milestones as agreed with its funders, which include a mandatory debt redemption of R1.0 billion by 30 September 2021. As described in Note 1.3, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. As set out in notes 1.2, 1.3 and 6.1 of the consolidated annual financial statements, at 30 September 2020, the net debt to adjusted EBITDA (defined per note 2.4) covenant is 4.94 which is just below the maximum covenant requirement of 5.25x and the EBITDA to interest cover of 2.55 is just above the minimum covenant requirement of 2.25x, which is considered to increase the uncertainties pertaining to the going concern assumption used in the preparation of the financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

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

Independent auditor's report continued

Key audit matter

How the matter was addressed in the audit

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

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

For the major part of the financial year, the share price of Nampak Limited has been trading at a discount to net asset value ("NAV"). Where market capitalisation is lower than NAV, on a sustained basis, this is considered an indicator of potential impairment of long-term assets, including property, plant and equipment, right of use assets and goodwill. As at 30 September 2020, the NAV of the Group was R4.2 billion compared to its market capitalisation of R600.0 million.

This key audit matter is pinpointed to the following underperforming group operations: Bevcan Angola, Divfood, and Rigids. Furthermore, it placed focus on the robustness of the impairment assessments undertaken with regard to the property, plant and equipment and right of use assets impairment reviews for the remainder of the businesses.

The Group's Board of Directors ("Directors") performed impairment assessments which included the following key assumptions which required judgement to be exercised:

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

Impairments of property plant and equipment and right of use assets, in aggregate of R1.8 billion, were recorded during the year.

Directors' impairment considerations have been disclosed in notes 1.2, 2.3, 7.1 and 7.2 of the consolidated financial statements and note 4 of the separate financial statements.

Furthermore, included in the separate financial statements are investments in subsidiaries with a carrying value of R3.7 billion which are similarly considered to indicate impairment risk.

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

We evaluated the relevant controls designed and implemented by the directors to conduct the various group impairment tests at the year-end.

These included controls designed and implemented to understand the robustness of key assumptions, including the controls in place for Those Charged with Governance to challenge the directors' assumptions.

With respect to the valuation models used by the directors to assess impairment, our internal valuation specialists were utilised as part of the audit with:

- › The assessment of the discounted cash flow valuation model, to ensure that it complied with the requirements of IAS 36,
- › Testing of key assumptions such as discount rates applied and terminal growth rates assumed, and
- › Testing of the mathematical accuracy of the model;

With respect to the individual CGUs of Bevcan Angola, Divfood and Rigids, we have considered and challenged the following more significant areas of judgements and estimates applied by the directors in the impairment models, with the assistance of our internal valuation specialists:

- › Reasonableness of future sales volume estimates and pricing strategies;
- › Future revenue assumptions and growth rates;
- › Reasonableness of forecast EBITDA margins, and the cost reductions associated with restructuring initiatives enacted at the year-end.

This was performed with reference to the budgets approved by the board, external market data, historical actual performance of these CGUs compared to their budgets.

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

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

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

Taking into account the impairments of plant and equipment and right of use assets recognised, we found the estimates of the carrying values of plant and equipment to be reasonable.

Where relevant and necessary, we assessed the accounting treatment of the impairment losses recognised in relation to property, plant and equipment, right of use assets and the disclosures in notes 1.2, 2.3, 7.1 and 7.2 in the consolidated financial statements to be appropriate.

We assessed the valuation of the investment in subsidiaries in the separate financial statements and the disclosures in note 4 in the separate financial statements to be appropriate.

Nampak Zimbabwe: Hyperinflation, effect of settlement of intragroup debt owing by Nampak Zimbabwe Limited to Nampak International Limited ("NIL") and the valuation of the Reserve Bank of Zimbabwe ("RBZ") receivable.

Hyperinflation accounting

Zimbabwe was deemed hyperinflationary effective 31 July 2019 in terms of the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies as a hyperinflationary economy ("IAS 29").

During the current year a monetary adjustment loss of R181.9 million was recognised in operating loss for the year.

The Directors performed the hyperinflation calculations which included utilising the consumer price indices used as a basis for hyperinflation.

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

Hyperinflation accounting

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

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

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

We considered the disclosure included in notes 1.2 and 9.4 to the consolidated financial statements to be appropriate.

Key audit matter

How the matter was addressed in the audit

Nampak Zimbabwe: Hyperinflation, effect of settlement of intragroup debt owing by Nampak Zimbabwe Limited to Nampak International Limited ("NIL") and the valuation of the Reserve Bank of Zimbabwe ("RBZ") receivable.
Valuation of the RBZ receivable

Effective 2 January 2019, Nampak Zimbabwe Limited ("NZL") entered into an agreement with the RBZ and Nampak International Limited ("NIL"). NIL is the main holding company (and a direct subsidiary of the Group) of the non-South African, African operations and is based in the Isle of Man. The initial agreement provides for a payment of RTGS 57 million by NZL to RBZ. This would allow for the subsequent settlement on a trade account by NZL to NIL of RTGS57 million on a RTGS1:USD1 basis over a three-year period. The settlement was to be made directly from RBZ to NIL.

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

At 30 September 2019, NZL had paid RTGS67 million (R861.5 million) to RBZ in accordance with the new agreement. As reflected in Note 1.2 of the consolidated financial statements, the Directors have applied an expected credit loss rate of 85% against this receivable, based on a key judgement made by the Directors related to the current economic situation in Zimbabwe.

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

Valuation of the RBZ receivable

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

In the prior year we reviewed the agreements entered into between NZL, RBZ and NIL effective 2 January 2019 and 27 September 2019 respectively and considered whether there were any changes to the agreements in the current year which could impact on the accounting.

We further reviewed the evidence provided by the Directors' and their representations relating to the timeline of events surrounding the agreements as well as payments made to RBZ.

We critically reviewed the Directors' key judgements described in note 1.2 that, given the current market conditions prevalent in Zimbabwe including devaluation of the local currency and lack of liquidity, it is unlikely that the Reserve Bank of Zimbabwe ("RBZ") will have sufficient foreign currency to fully honour its commitments to NIL of R1.1 billion. As a result of this judgement, the Directors have recognised an expected credit loss ("ECL") of 85%.

We have assessed the approach applied by the Directors in estimating the ECL, the estimates of the economic indicators used as well as any contradictory evidence available. Furthermore we also considered the judgments presented by the Directors in note 1.2 to the consolidated financial statements as well as the challenge thereof by the Audit and Risk Committee.

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

Effect of settlement of intragroup debt owing by Nampak Zimbabwe Limited to Nampak International Limited ("NIL")

During the current year, a revocation agreement was entered into between Nampak International Limited ("NIL") and Nampak Zimbabwe Limited ("NZL") subsidiaries in terms of which NIL waives its rights under the recourse agreement. The result of this is that the recourse agreement between NIL and NZL's subsidiaries was cancelled in order for de-recognition of the financial asset and US dollar based liability to be recognised in the NZL books.

Given the material impact of the consequences of this revocation agreement on the foreign exchange losses, we assessed this as a key audit matter.

The Director's key judgements with respect to the Loan to NZL from NIL has been disclosed in Note 1.2 to the consolidated financial statements.

Effect of settlement of intragroup debt owing by Nampak Zimbabwe Limited to Nampak International Limited ("NIL")

We assessed the controls designed and implemented by the directors to ensure to ensure that the transaction has been appropriately accounted for in the consolidated financial statements.

We assessed the business rationale of the transaction for reasonableness.

We reviewed the accounting for the revocation agreement with respect to the following areas:

- › The effective date of the transaction;
- › The treatment of the foreign exchange losses on the loan at a Group level; and
- › The de-recognition entries processed.

We reviewed the legal opinion obtained by the directors to ensure that the appropriateness of the effective date used and that the agreement does not have any impact on the Reserve Bank of Zimbabwe ("RBZ") agreement. We obtained a further independent legal opinion to confirm the appropriateness of the effective date applied to the transaction.

We reviewed the taxation opinion obtained by management to ensure that the tax treatment has been appropriately accounted for in the books of NZL.

We considered the accounting treatment and disclosure included in the Consolidated statement of comprehensive income and note 1.2 to the consolidated financial statements to be appropriate.

Independent auditor's report continued

Key audit matter

How the matter was addressed in the audit

Impairment considerations of Nampak Bevcan Nigeria Goodwill (consolidated financial statements).

The assessment of the recovery of the carrying value of goodwill involves the use of significant estimates with regard to forecast free cash flows, weighted average cost of capital (discount rate) and other related inputs.

The goodwill recognised on the acquisition of Nampak Bevcan Nigeria is R3.7 billion.

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

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

An impairment of R2.2 billion was recognised during the current year.

As disclosed in Notes 1.2, 2.3 and 7.3 of the consolidated financial statements, there are a number of key estimates made in determining the inputs into the impairment model which include:

- › Revenue growth (which includes pricing, market share and sales volumes);
- › Forecast operating margins; and
- › The discount and growth rates applied to the projected future cash flows.

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

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

These include controls implemented by the Directors' to understand robustness of key assumptions.

We focused our testing of the impairment of goodwill on the key assumptions made by the directors. Our audit procedures included:

- › Assessing the future projected volumes and pricing of products to determine whether they are reasonable and supportable given the current economic environment in Nigeria;
- › Testing of forecasts, including operational margins, to historical performance;
- › Engaging our internal valuation specialists to assist with:
 - » Evaluating whether the impairment model complies with the requirements of IAS 36; and
 - » Validating the assumptions used to calculate the discount and growth rates, and recalculating thereof. Specific focus was placed on in-country risk premiums and capital structure of a market participant;
- › subjecting the key assumptions to sensitivity analyses;
- › considering, where appropriate contradictory evidence, and
- › Reviewing the appropriateness of the disclosure in the consolidated financial statements.

We challenged certain assumptions based on our understanding of historical performance and market conditions. In aggregate, the assumptions applied appear to be reasonable.

We consider the impairment recognised and disclosure in notes 2.3 and 7.3 to the consolidated financial statements regarding goodwill to be appropriate.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled Nampak Limited Annual Financial Statements for the year ended 30 September 2020, which includes the Director's responsibility statements, the Certificate by the Company secretary, the Report of the Audit and Risk Committee, the Directors' Report, and the Supplementary Information as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

We also provide the Audit and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit and Risk Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nampak Limited for 52 years.



Deloitte & Touche
Registered Auditor
Per: JHW de Kock
Partner
30 November 2020

5 Magwa Crescent, Waterfall City, 2090 South Africa

Report of the audit and risk committee

for the year ended 30 September 2020

This report has been prepared based on the requirements of the Companies Act, 71 of 2008 as amended (“the Companies Act”), the JSE Listings Requirements (“the Listings Requirements”) and the King IV Report on Corporate Governance for South Africa 2016 (“King IV”).

The Audit and Risk Committee (“the committee”) is satisfied that it has discharged all its responsibilities and carried out all the functions assigned to it in accordance with section 94(7) of the Companies Act, King IV and as contained in the committee charter.

The committee is constituted as a statutory committee of Nampak Limited and acts as the audit and risk committee for all the South African subsidiaries of the company in terms of the Companies Act; the committee is accountable in this regard to both the board and the shareholders. A formal charter, setting out the committee’s duties and responsibilities, is reviewed annually by the Nampak Limited board (“the board”).



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

Overview

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

The year was characterised by a weak economic climate and pressure on consumers’ disposable income, as we faced the unprecedented circumstances caused by COVID-19. During this time, the committee specifically focussed on the impact of COVID-19 related risks, especially on demand, supply chains, requirements of funders of the group and the outlook going forward.

During the year we focused on:

- › Sound financial governance and compliance
- › Ensuring sound financial management and effective reporting
- › Key audit matters and significant areas of judgement
- › Ensuring that financial systems, processes and controls operate effectively and respond to changes in the operating and regulatory environment – specifically also in response to the impact of COVID-19 on the business
- › Financial performance and monitoring the impact of COVID-19
- › Balance sheet and liquidity management and assessing the robustness of deleveraging plans
- › External audit and the process of mandatory audit firm rotation
- › Combined assurance, internal control and risk management

The committee considered management’s going concern conclusion by reviewing the assessment on liquidity, the debt covenants and arrangements with financial institutions as well as by assessing the robustness of the deleveraging plans.

Nampak obtained covenant relaxations from its funders for both the 30 September 2020 and quarterly measurement periods within the ensuing 2021 financial year with a return to normal covenant levels required to be reached by September 2021. The group also made significant progress in reducing US Dollar debt. The committee noted that optimisation of working capital and conservative capital expenditure have been key focus areas, and as a result, the group remained cash positive for the period impacted by the pandemic. It was also noted that margin improvement activities and cash generation will continue to be key focus areas.

Composition and meetings

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

For details regarding the members’ qualifications and experience see the Integrated Report: our board of directors

| Members | Meeting dates | | | | |
|-------------------------------------------|-------------------------|-------------|--------------------------|-------------------------|-------------|
| | 5 Nov 2019 [#] | 15 Nov 2019 | 18 Nov 2019 [#] | 7 May 2020 [#] | 15 May 2020 |
| Independent non-executive director | | | | | |
| SP Ridley (chairman) ¹ | ✓ | ✓ | ✓ | ✓ | ✓ |
| IN Mkhari ² | ✓ | ✓ | ✓ | – | – |
| KW Mzondeki ³ | ✓ | ✓ | ✓ | ✓ | ✓ |
| LJ Sennelo ⁴ | – | – | – | ✓ | ✓ |
| N Khan ⁵ | – | – | – | – | – |

Notes:

- 1 Appointed as chairman with effect from 1 November 2019 subsequent to Ms J John resigning as non-executive director and chairman of the Audit and Risk Committee with effect from 1 November 2019.
- 2 Retired as non-executive director and member of the Audit and Risk Committee with effect from 12 February 2020.
- 3 Appointed as member with effect from 1 October 2019.

- 4 Appointed as member with effect from 22 November 2019.
 - 5 Appointed as member with effect from 1 August 2020.
- [#] Special meeting
– Not appointed as member at this point in time.

The Chairman of the board, the Lead Internal Auditor, the external auditors, the Chief Executive Officer and the Chief Financial Officer are invited to attend all committee meetings. The committee also meets, with the external and internal auditors without management being present.

Executing on our statutory duties and other areas of responsibilities

Reporting

In overseeing the quality and integrity of the company's interim results, its annual financial statements and integrated report and ensuring that Nampak has established appropriate financial reporting procedures which operate effectively and has adequate and effective internal financial controls, the committee:

- › Reviewed the interim financial results and is satisfied that they fairly presented the consolidated and separate results of the operations, cash flows and financial position of Nampak for the six months ended 31 March 2020 and complied in all material respects, with the relevant provisions of the Companies Act, the International Financial Reporting Standards (IFRS) and Interpretations of IFRS as issued by the International Accounting Standards Board.
- › Reviewed the summary financial results and annual financial statements and is satisfied that they fairly present the consolidated and separate results of the operations, cash flows and financial position of Nampak for the year ended 30 September 2020 and comply, in all material respects, with the relevant provisions of the Companies Act, the International Financial Reporting Standards (IFRS) and Interpretations of IFRS as issued by the International Accounting Standards Board.

- › Considered the going concern assumption by reviewing the assessment of solvency and liquidity, compliance with the financial conditions of loan covenants, arrangements held with financial institutions, assessed the robustness of the deleveraging plans and confirmed the going concern as the basis for preparation of the annual financial statements.
- › Obtained commentary from the external auditors that adequate accounting records are maintained and determined that there were no reportable irregularities identified and reported by the external auditors in terms of the Auditing Profession Act, 2005.
- › Considered the appropriateness of the accounting policies adopted and changes thereto, accounting treatment of significant unusual transactions and accounting judgements and considered whether any concerns and/or risks were identified regarding significant tax, legal and other matters that could have a material bearing on the financial statements.
- › Confirmed that in reviewing the annual financial statements, it has considered the findings contained in the 2019 Proactive Monitoring report, published by the JSE Limited.
- › Confirmed that it is satisfied with the quality and integrity of the integrated report, the annual financial statements and the sustainability information published, and wish to highlight the following key audit matters and significant areas of judgement taken under consideration during the year:

Key audit matters and significant areas of judgement

After discussion with management and the external auditor, the committee concurred with the key audit matters as set out in the Deloitte's report on the audit of the consolidated annual financial statements for the year ended 30 September 2020 and the areas of significant judgement below and were comfortable that the matters were correctly represented.

| Matter | Comment |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Going concern | <p>In determining the appropriate basis of preparation of the annual financial statements, the directors are required to consider whether the Nampak Group ("the group") will continue as a going concern for the next twelve months and for the foreseeable future.</p> <p>The financial performance of the group was significantly impacted by an unprecedented set of combined challenges driven by the significant impact of the global COVID-19 pandemic, the decline in global oil prices and generally depressed consumer spending during uncertain times. Due to the global economic lockdowns associated with COVID-19, the group experienced a substantial decline in demand for products, particularly in South Africa and Angola.</p> <p>These events came at a time when the balance sheet was under severe pressure due to high off-shore US Dollar debt translated at weaker rand/dollar exchange rates after South Africa lost its investment grade rating. This position was further affected by a significant reduction in EBITDA as a consequence of the impact of COVID-19 and the severe downturn in the Angolan consumer market. At 30 September 2020, the balance sheet reached a gearing level of 149% (115% excluding capitalised lease liabilities under IFRS16), a covenant level of net debt to EBITDA of 4.94 times and an EBITDA/interest cover of 2.55 times compared to the relaxation levels of 5.25 for net debt/EBITDA and 2.25 for EBITDA/interest granted by the revolving credit facility consortium as well as the USPP lenders.</p> <p>In terms of the recently renegotiated funding arrangements the group is required to repay at least R1 billion of interest-bearing debt by 30 September 2021 with covenants being measured quarterly as opposed to the historic measurement dates of March and September each year.</p> <p>The ability of the group to meet its quarterly debt covenant requirements during its financial year ended 30 September 2021 and to repay its debts as they become due is dependent on the timing and magnitude of cash flows from operations as the effects of COVID-19 ease and the successful disposal of operations and/or assets to realise proceeds of at least R1 billion by 30 September 2021. Continued focus on working capital and a controlled capital expenditure plan remains a critical focus area. The group's ability to realise cash through a combination of asset disposals and if required the successful raising of the required balance via a capital injection has been assessed with the group having met all the deadlines in terms of the required milestones to date.</p> |

Report of the audit and risk committee continued

| Matter | Comment |
|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Going concern continued | <p>The events, conditions, judgements and assumptions described above inherently include a material uncertainty 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.</p> <p>Notwithstanding the material uncertainty, the directors have determined that the group is a going concern based on the financial plans and forecasts, available funding facilities, actions taken by the group, the historic track record of the group to deliver on disposals, cost reduction and optimisation plans as well as the management of working capital and capital expenditure.</p> <p>Based on these assessments, the committee is of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements as the group is expected to continue as a going concern for the foreseeable future.</p> |
| Group wide asset impairment review | <p>Given that the group's net asset value significantly exceeds the group's market capitalisation, the consideration of potential asset impairments was an important focus area for the committee. This was also a focus area at the half-year ended 31 March 2020, at which stage total asset impairments of R3 040 million were raised. However, the severity of the pandemic has only become visible since March and a range of additional information was taken into account for the impairment reviews at year-end. The reviews comprised two areas: review of goodwill and a review of other assets based on a sum-of-the-parts valuation and these were considered as follows.</p> |
| Goodwill | <p>Goodwill is assessed at least annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates. The cash flow projections are prepared by divisional management and approved by executive management. The discount rates are established by the corporate finance and treasury team, taking into account geographic and other risk factors.</p> <p>In March 2020, the group assessed goodwill in Bevcan Nigeria for impairment, taking into account the significant changes in market conditions post 30 September 2019, with a resultant impairment recognised at the half-year of R2.2 billion (US\$130.4 million). Foreign exchange currency shortages have slowed economic growth, resulting in volume growth being lower than previously anticipated. Post this impairment, the carrying value of goodwill attributed to Bevcan Nigeria is R1.7 billion (US\$102.6 million). The goodwill was re-tested for impairment as at September 2020 and it was determined that no further adjustment was necessary.</p> <p>The committee agreed with these assessments.</p> <p>Goodwill of R37 million attributable to DivFood was impaired at year-end pursuant to a re-assessment of value based on updated economic data and business volumes.</p> |
| Group-wide asset impairment review based on a sum of the parts valuation | <p>A group sum-of-the-parts valuation was performed based on discounted cash flow valuation principles with individual operations/cash-generating units being tested for specific impairment. These valuations were performed at year-end taking into account the 2021 budget and stratplans to 2025 and resulted in 3 areas of impairment.</p> <p>Nampak Angola</p> <p>With respect to Angola, depressed consumer demand, as a consequence of the significant fall in the oil price, lagging wage inflation and changes in pricing dynamics in the Angolan market, necessitated an asset impairment of R858 million (US\$51.4 million) in Bevcan Angola as at 31 March 2020. Additional testing was performed as at September 2020, taking into account the impacts of COVID-19 and other risk factors related to Angola, and an increased weighted average cost of capital. A further impairment of US\$18.4 million was required at year-end. This resulted in a total impairment for the year of US\$69.8 million or the rand equivalent of R1.2 billion.</p> <p>DivFood South Africa and Plastics</p> <p>In South Africa, the future cash flows of DivFood and Plastics were reassessed at the year-end based on updated forecasts. Despite the expected positive effects of various restructuring initiatives, an expected reduction in cash flows and a higher weighted average cost of capital, resulted in asset impairments of R224.3 million (including the above-mentioned goodwill of R37 million) and R423.5 million respectively. The committee agreed that these impairments of assets in Angola and South Africa are appropriate.</p> |
| Taxation | <p>The group is exposed to amendments in tax laws in various jurisdictions.</p> <p>Taxation</p> <p>The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.</p> <p>Deferred taxation is recognised in profit or loss except when it relates to items credited or charged to other comprehensive income, in which case it is also recognised in other comprehensive income.</p> |

| Matter | Comment |
|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Taxation continued | <p>Deferred taxation</p> <p>A deferred taxation asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred taxation assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The deferred tax asset value is R388.6 million as at 30 September 2020. The deferred tax asset value is considered to be recoverable.</p> <p>A deferred taxation liability represents the amount of income taxes payable in future periods in respect of taxable temporary differences. Deferred taxation liabilities are recognised for taxable temporary differences, unless specifically exempt. The deferred tax liability value is R242.3 million as at 30 September 2020.</p> |
| Reserve Bank of Zimbabwe agreement and expected credit losses | <p>In 2019, Nampak Zimbabwe Limited (NZL) entered into a legal agreement with the Reserve Bank of Zimbabwe (RBZ) in terms of which the RBZ agreed to settle blocked funds related to legacy debt owing by NZL to Nampak International Limited (NIL) amounting to US\$67 million. The agreement is based on payments being made on a one for one basis to the US dollar over a period of 3 years in equal quarterly instalments of \$5.6 million commencing on 31 March 2021.</p> <p>Subsequently, NZL and NIL reached agreement, effective 13 March 2020, that the recourse agreement be terminated and that NIL unconditionally and for all time releases NZL from the obligations placed on them in the recourse agreement. Further to this NIL acknowledged that, in terms of the settlement agreement, it is entitled to look exclusively to the RBZ as its debtor in respect of the legacy debts and that NZL has ceded to NIL any rights which it may have had to enforce the terms of the settlement agreement against the RBZ. It is considered that this arrangement better recognises the economic substance of the amounts due by the Zimbabwe operations.</p> <p>The continued judgement related to the expected credit loss raised at 85% in 2019 to continue at a similar rate for 2020 is based on the following factors:</p> <ul style="list-style-type: none"> › The World Bank estimated the recovery of Zimbabwe at 17.5% › Circumstances in Zimbabwe remain similar to 2019 › No defaults have yet been experienced with regard to settlement of this agreement by the RBZ with the first payment due on 31 March 2021. <p>The committee agreed that the expected credit loss of 85% raised at 30 September 2019 no further impairment of the RBZ agreement was required.</p> |
| Loss on restructuring of financial liabilities | <p>In terms of IFRS 9, a substantial modification of a financial liability requires the extinguishment of the original financial liability and the recognition of a new debt instrument. The new debt instrument is recorded at fair value and any difference from the extinguished liability is recorded in profit or loss. The main financial reporting consequence of this was an accelerated charge to profit and loss of transaction costs of R136 million that would previously have been capitalised and amortises over the term of the agreements.</p> <p>The committee agreed with this treatment.</p> |

External and internal¹ audit

The committee:

- › Nominated Deloitte and Touche (“Deloitte”) for re-appointment by the shareholders as the external auditor of Nampak for the financial year ending 30 September 2021. Mr JHW de Kock, appointed in May 2019, was re-confirmed as the designated auditor.

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

Deloitte has been Nampak’s auditor for 52 years. A new auditor must be appointed by no later than 2023 in line with the Independent Regulatory Board for Auditors’ rule on mandatory audit firm rotation and the committee has commenced with the process to ensure that a new audit firm is appointed by such time.

- › Satisfied itself that the external auditor is qualified and independent of the group and upon review, taking into consideration the external auditor’s internal quality-control procedures and the Independent Regulatory Board for Auditors’ report on the firm, concluded that the quality and effectiveness of the external audit process was satisfactory. No material issues were raised by the most recent internal quality-control review, or by the peer review of the external auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities. Deloitte maintains professional scepticism on material issues and significant judgements, and they continue to demonstrate an independence of mind in all their engagements. They have a risk-focused approach and the team is selected to ensure that they have the right subject matter expertise and industry knowledge at hand. Deloitte does not receive any direct or indirect remuneration or other benefit from Nampak, except as auditor or for rendering permissible non-audit services to Nampak, pre-approved in line with the approval thresholds and to the extent permitted by the approved non-audit services policy. It was confirmed that no unresolved issues of concern exist between Nampak and the external or internal auditors.

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

Report of the audit and risk committee continued

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

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

Combined assurance, internal controls and risk management

- › Considered reports from the internal and external auditors on the effectiveness of the group's systems of internal control, including internal financial controls and controls relating to information technology and fraud as far as it pertains to financial reporting, reviewed the findings and significant matters and conclusions reported and considered the adequacy of any corrective action proposed and taken and is of the opinion that there were no material breakdowns in internal control during the financial year.
- › Reviewed the company's approach to risks and risk appetite as they pertain to financial reporting, as well as Nampak's combined approach to address the significant risks, and found them to be evolving. The coordination, integration and alignment of assurance activities are continuously being refined and a robust Combined Assurance Policy and Framework, designed to provide the committee with a holistic view of risks, controls and risk mitigation interventions, has been adopted.
- › Satisfied itself that the Chief Financial Officer, Mr GR Fullerton CA (SA), has the appropriate expertise and experience and is supported by a sufficiently experienced financial function.
- › Received and considered tip-offs anonymous reports in so far as they related to the financial and reporting affairs of the group and is comfortable that there were no material areas of concern identified.

Conclusion

The committee is committed to continue ensuring effective reporting and that financial systems, processes and controls operate effectively and respond to changes in the environment. It will continue to actively monitor balance sheet and liquidity management and ensure that identified risks are appropriately mitigated. Having considered all material risks and factors that may impact on the integrity of the integrated and financial reporting and following appropriate review, the committee recommended the consolidated and separate annual financial statements and the integrated report for the year ended 30 September 2020 for approval to the board.



SP Ridley CA(SA)

Chairman of the Audit and Risk Committee

30 November 2020

Directors' report

for the year ended 30 September 2020

The directors wish to present their report which forms part of the annual financial statements of Nampak Limited for the year ended 30 September 2020.

Nature of business of the company

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

Nampak is Africa's leading diversified packaging manufacturer, offering packaging products across metal, plastic and paper substrates. Nampak's Glass business was disposed of, effective midnight on 31 March 2020, following the conclusion of a sale of business agreement in September 2019.

Nampak is a market leader in the manufacture of beverage cans in South Africa and Angola, and the second largest in Nigeria. The group also has strong positions in other metal and plastic packaging in South Africa and other parts of the African continent. More detail on the nature of Nampak's businesses can be found in the integrated report.

Financial results

2020 was one of the most challenging years for Nampak as the impact of COVID-19 took effect in the second half of our financial year. Most of the countries we operate in went into hard economic lockdowns towards the end of March 2020 as governments grappled with limiting the spread of the virus. In South Africa this included a ban on the production, distribution and sale of alcohol products for effectively three months of the financial year. This negatively impacted the sale of beverage cans, paper conical cartons, closures for the wine and spirit markets, and other products deemed as non-essential during this period. It also had a secondary impact on associated products as consumer patterns changed due to restrictions on social events.

Significant progress was made in reducing US dollar debt, defending our market shares in key markets and developing new growth opportunities. The group remains well funded with significant headroom in its available funding facilities. The use of such funding is, however, constrained by EBITDA generated. The proceeds from the disposals of Glass and Cartons Nigeria have positively impacted net borrowings and gearing and were applied to reduce dollar denominated gearing by \$123 million. The positive impacts of the disposal proceeds were however negated by the decline in group EBITDA. As part of the revised funding agreement with our lenders, the group has committed to a further reduction of R1 billion of net interest-bearing debt in FY21.

Revenue declined by 23% and trading profit by 56%, primarily due to the decline in the profitability of the Metals division. A net loss before impairments of R730 million is reported, compared to a net profit before impairments of R154 million in the prior year. A net profit of R369 million is reported from discontinued operations, compared to a net loss of R1.1 billion in the prior year.

Net losses for the year from continuing and total operations of R4.3 billion and R4.0 billion respectively include net impairments of R4.0 billion. A headline loss for continuing and total operations of R500 million and R565 million respectively was incurred for the year compared to the prior year's headline profit of R349 million and a headline loss of R125 million respectively.

Basic losses per share of 594.9 cents and 537.7 cents from continuing operations and total operations respectively are reported, compared to a basic earnings per share of 42.2 cents and a loss per share of 132.1 cents in the prior year. Headline losses per share of 77.6 cents and 87.7 cents from continuing operations and total operations respectively are reported, compared to a headline earnings per share of 54.1 cents and a headline loss per share of 19.4 cents in the prior year.

A release of R367 million cash from working capital compared to an absorption of R705 million in the prior year compensated for a decline in trading activities, with cash generated from operations of R1.1 billion being almost in line with the prior year. The disposal proceeds and cash realised from the decrease in the US dollar denominated kwanza bonds in Angola were used to repay interest bearing debt.

Net gearing of 149% (115% excluding IFR16 lease liabilities) has been adversely impacted by the impairments of R4.0 billion. Short-term liquidity remains sound.

Disposals

Nampak Plastics Europe Limited (NPE)

NPE was disposed of effective 13 December 2019 for a nominal consideration. A net profit on disposal of R547 million arose primarily due to the derecognition of retirement fund liabilities and the recycling on disposal of a historic foreign currency translation reserve. NPE was previously reported in the Plastics operating segment for segmental reporting purposes.

Nampak Glass Division (Glass)

Glass was disposed of effective 31 March 2020 for a net consideration of R1.4 billion and a net loss on disposal of R100 million, inclusive of true-up adjustments and disposal costs. Glass was the only operation in the Glass operating segment for segmental reporting purposes.

Directors' report continued

Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited

Nampak Cartons Nigeria and Nampak Properties Nigeria Limited were disposed of effective 31 December 2019. A net loss on disposal of R160 million has been reported during the year after the recycling of a negative foreign currency translation reserve attributable to this asset of R276 million. These disposal groups were not recognised as discontinued operations as they neither represented a separate major line of business or geographical area of operation. Therefore, they have been reported in the Paper operating segment for segmental reporting purposes.

Megapak Drums Business

The assets of this intermediary bulk container business were disposed effective 25 November 2019 for a net profit of R19 million. This disposal group was not recognised as a discontinued operations as it neither represented a separate major line of business or geographical area of operation. Therefore, it has been reported in the Plastics operating segment for segmental reporting purposes.

Asset impairment reviews

In March 2020, the group assessed goodwill in Bevcan Nigeria for impairment, taking into account the significant changes in market conditions post 30 September 2019, with a resultant impairment recognised at the half-year of R2.2 billion (US\$130.4 million). Foreign exchange currency shortages have slowed economic growth, resulting in volume growth being lower than previously anticipated. Post this impairment, the carrying value of goodwill attributed to Bevcan Nigeria is R1.7 billion (US\$102.6 million). The goodwill was re-tested for impairment as at September 2020 and it was determined that no further adjustment was necessary.

With respect to Angola, depressed consumer demand, as a consequence of the significant fall in the oil price, lagging wage inflation and changes in pricing dynamics in the Angolan market, necessitated an asset impairment of R858 million (US\$51.4 million) in Bevcan Angola as at 31 March 2020. Additional testing was performed as at September 2020, taking into account the impacts of COVID-19 and other risk factors related to Angola, and an increased weighted average cost of capital. A further impairment of US\$18.4 million was required at September 2020. This resulted in a total impairment for the year of US\$69.8 million or the rand equivalent of R1.2 billion.

In South Africa, the future cash flows of DivFood and Rigids were reassessed at the year-end based on updated forecasts. Despite the expected positive effects of various restructuring initiatives, lower expected cash flows and a higher weighted average cost of capital, asset impairments of R224 million (including goodwill of R37.0 million) and R423 million were required respectively. Total impairments as a consequence of the above impairment reviews for the year amounted to R4 020 million (2019: R148 million).

Borrowing facilities

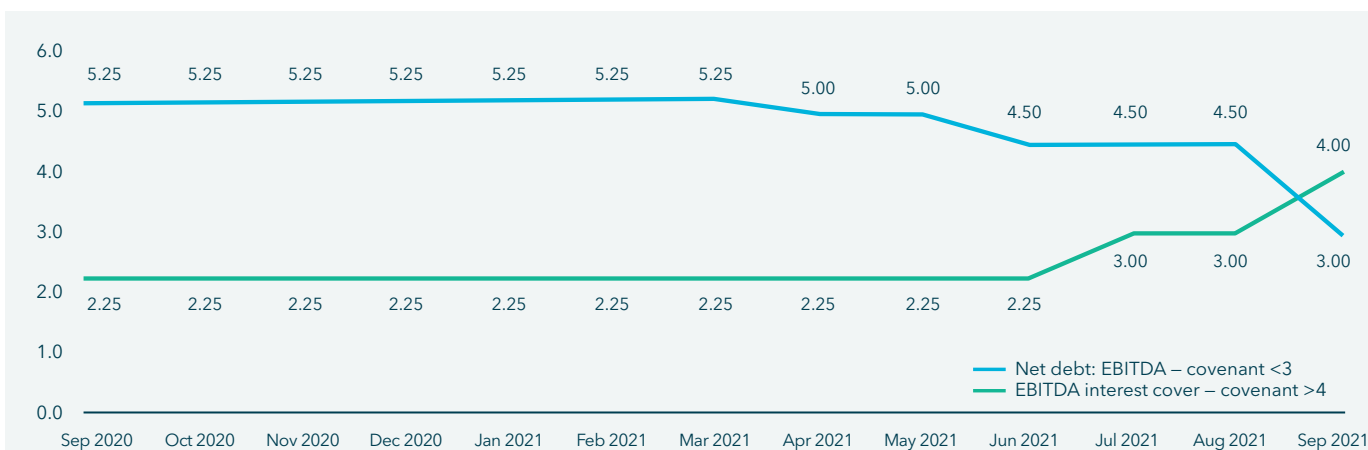
Group gross borrowings at 30 September 2020 amounted to R8.3 billion (2019: R8.1 billion). In terms of the company's memorandum of incorporation, the borrowing powers are unlimited. Details of the borrowings and facilities are set out in notes 6.1, 6.4 and 6.6 to the full annual financial statements.

The group's revolving credit facilities (RCF) are secured by cross-guarantees between Nampak Limited, Nampak International Limited and Nampak Products Limited. The settlement of the US\$115 million USPP facility that matured in May 2020, utilising the specifically created Facility E in the RCF that was secured in September 2018, resulted in this funding being classified as short-term funding in the group's statement of financial position at 30 September 2019 and March 2020, while being classified as a long-term liability at 30 September 2020. This strengthened the group's statement of financial position and improved the short-term liquidity ratios. The balance of the USPP termed facility of US\$60 million matures in May 2023. The R1 billion repayment of net interest-bearing debt by 30 September 2021, as mandated by the covenant relaxation agreement, has been classified as a short-term liability.

Covenant relaxation

The group's funding covenants were successfully renegotiated during September 2020 with relaxations that were designed to allow the group to trade in line with its budget for the 2021 financial year. The group's EBITDA was adversely impacted primarily due to the slowdown in the Angolan economy and COVID-19 lockdown restrictions, which included the ban on the sale of alcohol in South Africa for a significant portion of the second half of the year.

The revised funding agreement requires the group to reduce net interest-bearing debt by a further R1 billion by September 2021. The group has identified potential assets for disposal and plans to minimise the need for supplemental capital raise.



Covenants will be monitored monthly and measured quarterly until 30 September 2021 and reported to the group's funders. EBITDA for covenant calculations is based on a rolling twelve-month period to the date of measurement. Consequently, most of the adverse impacts of COVID-19 on the group's EBITDA will only be excluded from the computation for the September 2021 measurement. The revised covenant levels took this factor into account and were structured accordingly.

The historic covenants levels relating to debt facilities were set at net debt, not to exceed 3.0 times EBITDA and an EBITDA interest cover of not less than 4.0 times. The renegotiated covenants for the period September 2020 to September 2021 are set out graphically on page 27.

It must be noted that the definition of cash for covenant purposes excludes all Zimbabwe cash and only includes 50% of the US dollar-linked kwanza bonds plus 45 days of net working capital in Angola.

Accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, No 71 of 2008. The principal accounting policies have been applied consistently with the previous year with the exception of the adoption of IFRS 16: Leases and IFRIC 23: Tax uncertainties, the impacts of which are detailed in note 10.1.

Share capital

| | Authorised | | Issued | |
|----------------------------------------------|--------------------|-------------|--------------------|-------------|
| | Number of shares | R million | Number of shares | R million |
| Ordinary shares of 5 cents each | 776 857 200 | 38.8 | 689 811 504 | 34.5 |
| 6.5% cumulative preference shares of R2 each | 100 000 | 0.2 | 100 000 | 0.2 |
| 6% cumulative preference shares of R2 each | 400 000 | 0.8 | 400 000 | 0.8 |
| Redeemable preference shares of 5 cents each | 100 | – | – | – |
| Total | 777 357 300 | 39.8 | 690 311 504 | 35.5 |

Notes:

- The issued ordinary share capital includes 44 719 790 treasury shares and 11 096 shares held by the Nampak Black Management Trust (351 064 Treasury shares were transferred in Settlement of Awards made in line with the Share Scheme Rules in December 2019, thereby reducing the number of Treasury Shares held from 45 070 854 to 44 719 790).
- At the annual general meeting of 11 February 2020, shareholders granted the authority to Nampak's directors to authorise a repurchase of up to 10% of Nampak's ordinary issued shares. No shares were repurchased during the year under review.
- Share premium as at 30 September 2020: R268.9 million.
- There were no changes to the 6.5% and 6% preference shares.
- The issued ordinary share capital was not increased from the previous year.

Share plans

Details of the share plans are included in the remuneration report appearing on pages 70 to 77.

The Nampak Share Appreciation Plan 2009 ("SAP")

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

| Number of shares | 2020 | 2019 |
|-------------------------------------------------------------------------------------------------------------------|--------------------|-----------|
| Balance at the commencement of the financial year | 4 335 053 | 3 038 759 |
| Number of conditional share appreciation rights awarded during the year to employees | – | 1 315 000 |
| Forfeitures/cancellations | (140 275) | (231 537) |
| Adjustment in forfeitures/cancellations from prior year | – | 212 831 |
| Share appreciation rights forfeited as at 30 September of each year due to performance target not being fulfilled | (2 489 423) | – |
| Rights exercised | – | – |
| Balance at the end of the financial year | 1 705 355 | 4 335 053 |

Directors' report continued

The Nampak Performance Share Plan 2009 ("PSP")

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

| Number of shares | 2020 | 2019 |
|------------------------------------------------------------------------------------------------------|--------------------|-----------|
| Balance at the commencement of the financial year | 7 076 751 | 5 237 658 |
| Number of conditional shares awarded during the year | 3 442 691 | 2 133 362 |
| Executive directors (Nampak Limited) | 1 540 496 | 988 818 |
| Employees | 1 902 195 | 1 144 544 |
| Forfeitures/cancellations | (1 372 761) | (248 559) |
| PSP rights forfeited as at 30 September of each year due to underachievement of performance criteria | (1 667 241) | (45 710) |
| PSP rights exercised | (195 965) | – |
| Balance at the end of the financial year | 7 283 475 | 7 076 751 |

The Nampak Deferred Bonus Plan 2009 ("DBP")

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

| Number of shares | 2020 | 2019 |
|----------------------------------------------------------------------|------------------|---------|
| Balance at the commencement of the financial year | 504 904 | 508 813 |
| Number of bonus shares purchased by employees during the year | 576 608 | – |
| Executive directors (Nampak Limited) | 251 412 | – |
| Employees | 325 196 | – |
| Number of bonus shares transferred/sold by employees during the year | (155 102) | – |
| Cancellations | (134 419) | (3 909) |
| Balance at the end of the financial year | 791 991 | 504 904 |

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

In terms of resolutions passed by shareholders of the company at the annual general meeting held on 8 February 2006, no more than 7.13% of the total issued ordinary shares as at 24 January 2006 (46.4 million shares) may be set aside from the unissued share capital of the company for purposes of all share plans. The total unissued shares under the control of the directors for purposes of all share plans at 30 September 2020 is summarised below:

| Number of shares | 20 September 2020 |
|--------------------------------------------------------------------------------------------------------|--------------------|
| Balance at the commencement of the financial year | 9 935 447 |
| Less: | – |
| Awards granted in terms of the SAP during the current financial year | – |
| Less: | – |
| Awards granted in terms of the PSP during the current financial year | (3 442 691) |
| Less: | – |
| Number of conditional shares purchased during the year and prior financial years in terms of DBP | (791 991) |
| Less: | – |
| Shares allotted in respect of dividends declared and paid during the current and prior financial years | – |
| Add: | – |
| Share appreciation rights forfeited in terms of SAP during the current financial year | 2 629 698 |
| Add: | – |
| Awards forfeited in terms of the PSP during the current financial year | 3 040 002 |
| Add: | – |
| PSP rights exercised during the current financial year | 195 965 |
| Add: | – |
| Number of conditional shares cancelled during the year in terms of DBP | 134 419 |
| Add: | – |
| Number of bonus shares transferred/sold during the year | 155 102 |
| Maximum available for future allocations: | 11 855 951 |

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

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

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

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

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

Dividends

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

| Class of share | Dividend number | Cents per share (gross) | Declaration date | Last day to trade | Payment date |
|----------------------------|-----------------|-------------------------|------------------|-------------------|--------------|
| 6% cumulative preference | 102 | 6.00 | 26/11/2019 | 11/02/2020 | 17/02/2020 |
| | 103 | 6.00 | 28/05/2020 | 11/08/2020 | 17/08/2020 |
| 6.5% cumulative preference | 102 | 6.50 | 26/11/2019 | 11/02/2020 | 17/02/2020 |
| | 103 | 6.50 | 28/05/2020 | 11/08/2020 | 17/08/2020 |

Ordinary dividend

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

Directors

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

Ms KW Mzondeki was appointed as member of the Audit and Risk Committee with effect from 1 October 2019.

Ms J John resigned as independent non-executive director and chairman of the audit and risk committee with effect from 1 November 2019. Mr SP Ridley was appointed as chairman of the audit and risk committee with effect from 1 November 2019.

Ms LJ Sennelo was appointed as independent non-executive director and member of the Audit and Risk Committee with effect from 22 November 2019 and as member of the Social, Ethics and Transformation Committee with effect from 15 May 2020.

Mr E Ikazoboh retired as non-executive director and member of the social, ethics and transformation committee effective 12 February 2020.

Ms IN Mkhari retired as non-executive director and member of the audit, and nominations and remuneration committees effective 12 February 2020.

Mr AM de Ruyter resigned as chief executive officer, executive director and member of the social, ethics and transformation committee with effect on 5 January 2020 and Mr EE Smuts was appointed as chief executive officer, executive director and member of the social, ethics and transformation committee with effect 6 January 2020.

Ms N Khan was appointed as independent non-executive director with effect from 1 August 2020.

Mr SP Ridley stepped down as chairman of the nominations and remuneration committee with effect 1 October 2020, while remaining a member, and Mr CD Raphiri was appointed as chairman of the nominations and remuneration committee with effect from 1 October 2020.

Ms KW Mzondeki and Mr CD Raphiri are the directors who are required to retire as directors of the Company in terms of clause 29.1 of the MOI. They are both eligible and available for re-election.

The remuneration of Nampak Limited's directors are set out on pages 76 and 77 of these annual financial statements.

Interests of directors, prescribed officers and group executive committee members

The total direct and indirect beneficial and non-beneficial interests of the directors (including directors who retired during the financial year), the prescribed officers and group executive committee members of Nampak Limited in the issued ordinary share capital of the company at 30 September 2020 are shown below:

| | 2020 | 2019 |
|--------------------------------|----------------|---------|
| Beneficial interests | | |
| <i>Executive directors</i> | | |
| EE Smuts | 477 243 | 201 306 |
| GR Fullerton | 46 058 | 61 478 |
| AM de Ruyter ¹ | 25 617 | 247 387 |
| <i>Non-executive directors</i> | | |
| PM Surgey | 180 001 | 0 |
| SP Ridley | 176 000 | 0 |

¹ Resigned on 5 January 2020.

Directors' report continued

| | Ordinary shares | |
|-----------------------------|-----------------|---------|
| | 2020 | 2019 |
| Beneficial interests | | |
| <i>Prescribed officers</i> | | |
| H Nel | 44 397 | – |
| C Burmeister | 240 000 | 214 864 |
| CB Farndell | 19 317 | – |
| LD Kidd | 88 965 | 87 715 |
| RG Morris ² | 132 680 | 461 187 |
| IH van Lochem | 29 702 | 3 064 |

² Resigned on 31 July 2020.

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

Litigation statement

The directors are not aware of any material legal or arbitration proceedings (including proceedings which are pending or threatened) which may have a material effect on the financial position of the group.

Going concern

Notes 1.2 and 1.3 to the financial statement set out the group's going concern assessment. The board has assessed the group consolidated budget for 2021, the resultant profitability levels, financial position and cash flows, taking into account the material factors in each of the geographies and substrates in which the group operates, the group's available funding facilities and potential assets for disposal and are of the view that the group has adequate access to liquidity for the foreseeable future.

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

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

Based on these assessments, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements and that the group will continue to operate for the foreseeable future.

Subsequent events

On 9 October 2020 Nampak entered into a Supply Chain Financing agreement for approximately R395 million with one of its customers in order to free up cash flow from the working capital cycle. The contract is evergreen with a 30-day notice period.

A new joint venture with Elopak (Elopak Nampak Africa JV, based in Kenya) was established to commence trading 1 November 2020 with the purpose of growing the footprint of gable cartons in the fresh and aseptic beverage markets and in turn enabling the group to expand its product offering and to compete effectively in market segments previously unavailable to it, within sub-Saharan Africa.

On 18 November 2020, Nampak Products Limited declared a cash special dividend of R1 billion to Nampak Limited. The cash will be utilised to subscribe for additional shares in Nampak International Limited and thereafter used to further settle US dollar denominated debt. This will result in the proportionate US Dollar denominated debt reducing to 51% of the group's gross secured debt.

As the market is aware Nampak has strategically placed certain of its assets on the market. To date Nampak has received non-binding offers in excess of R1 billion for various of its assets which therefore meets milestone 3 in line with the lenders amended and restated funding agreements. Nampak is anticipated to obtain binding offers by no later than 30 March 2021 for these assets.

Retirement funds

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

Subsidiaries, joint ventures and associate companies

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

External auditors

Deloitte & Touche was the external auditor of Nampak Limited and other group companies for the financial year ended 30 September 2020. At the annual general meeting of 11 February 2021, the reappointment of Deloitte & Touche as auditor of Nampak Limited for the financial year commencing 1 October 2020 will be recommended to shareholders. Mr JHW de Kock, a partner of Deloitte and Touche, will be the individual responsible for performing the functions of the auditor.

Company Secretary

The company secretary of Nampak Limited is Ms IH van Lochem. Her contact details appear on page 100 of these annual financial statements.

Consolidated statement of comprehensive income

for the year ended 30 September 2020

| R million | Notes | 2020 | 2019* |
|------------------------------------------------------------------------------------------|----------|------------------|-----------|
| Continuing operations | | | |
| Revenue | 2.1 | 11 277.9 | 14 642.4 |
| Raw materials and consumables used | | (6 303.0) | (8 128.6) |
| Employee benefit expense | | (2 078.2) | (2 316.1) |
| Depreciation and amortisation expense | | (536.6) | (485.3) |
| Other operating expenses* | | (2 475.5) | (2 402.7) |
| Other operating income | | 96.2 | 129.6 |
| Operating (loss)/profit before items below | | (19.2) | 1 439.3 |
| Net impact of devaluation in Zimbabwe | | (263.8) | (1 037.3) |
| Net foreign exchange losses in Zimbabwe operations | | (81.9) | (1 944.5) |
| Monetary adjustment for hyperinflation – Zimbabwe | | (181.9) | 831.5 |
| Gain on recognition of Reserve Bank of Zimbabwe financial instrument | | – | 794.5 |
| Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument | | – | (718.8) |
| Operating (loss)/profit | 2.2, 2.4 | (283.0) | 402.0 |
| Finance costs | 6.2 | (524.1) | (376.2) |
| Finance income | 6.2 | 76.5 | 129.9 |
| Share of net profit/(loss) in associates and joint venture | | 0.5 | (1.4) |
| (Loss)/profit before net impairment losses on goodwill, plant and equipment | | (730.1) | 154.3 |
| Net impairment losses* | 2.3 | (4 020.2) | (148.2) |
| (Loss)/profit before tax | | (4 750.3) | 6.1 |
| Income tax benefit/(expense) | 3.1 | 401.5 | (395.8) |
| Loss for the year from continuing operations | | (4 348.8) | (389.7) |
| Discontinued operations | | | |
| Profit/(loss) for the year from discontinued operations | 4.5 | 368.7 | (1 123.9) |
| Loss for the year | | (3 980.1) | (1 513.6) |
| Other comprehensive income/(loss) for the year, net of tax | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Net actuarial gain/(loss) from retirement benefit obligations | | 72.7 | (14.7) |
| <i>Items that may be reclassified to profit or loss</i> | | | |
| Exchange difference on translation of foreign operations – excluding Zimbabwe operations | | 703.2 | 298.9 |
| Exchange difference on hyperinflation and related effects – Zimbabwe operations | | (592.7) | (1 012.1) |
| Fair value loss on liquid bonds | | (9.9) | – |
| Gain/(loss) on cash flow hedges | | 11.3 | (65.9) |
| Other comprehensive income/(loss) for the year, net of tax | | 184.6 | (793.8) |
| Total comprehensive loss for the year | | (3 795.5) | (2 307.4) |
| Loss attributable to: | | | |
| Owners of Nampak Limited | | (3 467.6) | (851.6) |
| Non-controlling interest in subsidiaries | 9.5 | (512.5) | (662.0) |
| Total | | (3 980.1) | (1 513.6) |
| Total comprehensive loss attributable to: | | | |
| Owners of Nampak Limited | | (3 492.6) | (1 132.9) |
| Non-controlling interest in subsidiaries | 9.5 | (302.9) | (1 174.5) |
| Total | | (3 795.5) | (2 307.4) |
| (Loss)/earnings per share | | | |
| Basic (cents per share) | 5.1 | | |
| Continuing operations | | (594.9) | 42.2 |
| Discontinued operations | | 57.2 | (174.3) |
| Total | | (537.7) | (132.1) |
| Diluted (cents per share) | 5.2 | | |
| Continuing operations | | (594.4) | 42.0 |
| Discontinued operations | | 57.2 | (173.5) |
| Total | | (537.2) | (131.5) |

* Rerepresented to separately disclose net impairment losses for disclosure comparability and enhancement purposes. Operating expenses in the prior year were reduced as a result.

Consolidated statement of financial position

at 30 September 2020

| R million | Notes | 2020 | 2019 |
|-------------------------------------------------------------------------|-------|-----------------|----------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant, equipment and investment property | 7.1 | 5 905.8 | 7 195.2 |
| Right of use assets | 7.2 | 880.7 | – |
| Goodwill | 7.3 | 1 877.9 | 3 734.9 |
| Other intangible assets | 7.4 | 164.5 | 169.4 |
| Investments in associates and joint venture | | 14.9 | 21.0 |
| Deferred tax assets | 3.2 | 388.6 | 429.3 |
| Liquid bonds and other loan receivables – non-current | 6.3 | 139.7 | 862.2 |
| | | 9 372.1 | 12 412.0 |
| Current assets | | | |
| Inventories | 7.5 | 2 815.9 | 3 388.5 |
| Trade and other current receivables | 7.6 | 1 980.6 | 2 628.8 |
| Tax assets | | 45.5 | 133.3 |
| Liquid bonds and other loan receivables – current | 6.3 | 358.6 | 40.1 |
| Bank balances and deposits | 6.7 | 1 528.9 | 1 462.7 |
| | | 6 729.5 | 7 653.4 |
| Assets classified as held for sale | 7.7 | 92.7 | 2 394.2 |
| Total assets | | 16 194.3 | 22 459.6 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 9.2 | 35.5 | 35.5 |
| Capital reserves | 9.3 | (227.6) | (76.1) |
| Other reserves | 9.4 | 475.7 | (86.3) |
| Retained earnings | | 4 701.3 | 9 059.2 |
| Shareholders' equity | | 4 984.9 | 8 932.3 |
| Non-controlling interest | 9.5 | (770.4) | (722.4) |
| Total equity | | 4 214.5 | 8 209.9 |
| Non-current liabilities | | | |
| Loans – non-current | 6.4 | 5 755.2 | 6 132.8 |
| Lease liabilities – non-current | 6.5 | 1 291.2 | – |
| Retirement benefit obligation | 8.1 | 775.5 | 923.9 |
| Deferred tax liabilities | 3.2 | 242.3 | 528.3 |
| Other non-current liabilities | | 14.9 | 17.8 |
| | | 8 079.1 | 7 602.8 |
| Current liabilities | | | |
| Trade and other current payables | 7.8 | 2 327.4 | 3 318.8 |
| Provisions | 7.9 | 275.4 | 332.9 |
| Tax liabilities | | 34.9 | 14.5 |
| Loans, lease liabilities and bank overdrafts | 6.6 | 1 263.0 | 1 954.1 |
| | | 3 900.7 | 5 620.3 |
| Liabilities directly associated with assets classified as held for sale | 7.7 | – | 1 026.6 |
| Total equity and liabilities | | 16 194.3 | 22 459.6 |

Consolidated statement of changes in equity

for the year ended 30 September 2020

| R million | Notes | 2020 | 2019 |
|-----------------------------------------------------------|-------|----------------------------|---------------------|
| Opening balance | | 8 209.9 | 10 612.5 |
| Adjustment to opening balance – adoption of new standards | 10.1 | (209.0)¹ | (89.2) ² |
| Share-based payment expense | | (13.6) | (5.9) |
| Net impact of Zimbabwe debt capitalised | | 155.8 | – |
| Disposal of businesses ³ | | (153.0) | – |
| Disposal of liquid bonds ⁴ | | 20.0 | – |
| Total comprehensive loss for the year | | (3 795.5) | (2 307.4) |
| Dividends paid | | (0.1) | (0.1) |
| Closing balance | | 4 214.5 | 8 209.9 |
| Comprising: | | | |
| Share capital | 9.2 | 35.5 | 35.5 |
| Capital reserves | 9.3 | (227.6) | (76.1) |
| Share premium | | 268.9 | 268.9 |
| Treasury shares | | (513.4) | (515.7) |
| Share-based payments reserve | | 16.9 | 170.7 |
| Other reserves | 9.4 | 475.7 | (86.3) |
| Foreign currency translation reserve | | 1 113.8 | 1 368.9 |
| Financial instruments hedging reserve | | 0.5 | (10.8) |
| Recognised actuarial losses reserve | | (602.5) | (1 427.4) |
| Other | | (36.1) | (17.0) |
| Retained earnings | | 4 701.3 | 9 059.2 |
| Shareholders' equity | | 4 984.9 | 8 932.3 |
| Non-controlling interest | 9.5 | (770.4) | (722.4) |
| Total equity | | 4 214.5 | 8 209.9 |

1 IFRS 16: Leases.

2 IFRS 9: Financial instruments.

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

4 Cumulative fair value loss relating to liquid bonds measured at fair value through other comprehensive income recycled through profit/loss on disposal.

Consolidated statement of cash flows

for the year ended 30 September 2020

| R million | Notes | 2020 | 2019 |
|-----------------------------------------------------------|-------|-------------------|------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 11 945.5 | 14 360.6 |
| Cash paid to suppliers and employees | | (10 858.4) | (13 219.2) |
| Cash generated from operations | 2.5 | 1 087.1 | 1 141.4 |
| Interest received | | 77.3 | 163.5 |
| Interest paid | | (629.7) | (669.9) |
| Retirement benefits, contributions and settlements | | (77.9) | (143.2) |
| Income tax paid | | (42.0) | (228.3) |
| Cash flows from operations | | 414.8 | 263.5 |
| Dividends paid | | (0.1) | (0.1) |
| Cash generated from operating activities | | 414.7 | 263.4 |
| Cash flows from investing activities | | | |
| Cash flows from investing activities | | | |
| Capital expenditure | | (666.2) | (734.8) |
| Replacement | | (541.4) | (517.0) |
| Expansion | | (124.8) | (217.8) |
| Disposal of property, plant, equipment and investments | | 51.8 | 144.8 |
| Net proceeds on the disposal of businesses | 4.5 | 1 568.3 | – |
| Proceeds on disposal of liquid bonds | | 456.6 | 1 469.2 |
| Decrease/(increase) in other non-current financial assets | | 2.5 | (45.9) |
| Cash generated from investing activities | | 1 413.0 | 833.3 |
| Net cash generated before financing activities | | 1 827.7 | 1 096.7 |
| Cash flows from financing activities | | | |
| Non-current loans raised | | 2 388.4 | 294.2 |
| Non-current loans repaid | | (4 127.5) | (858.1) |
| Net current loans raised | | 1.5 | – |
| Repayment of lease liabilities | | (79.0) | – |
| Cash repaid in financing activities | | (1 816.6) | (563.9) |
| Net increase in cash and cash equivalents | | 11.1 | 532.8 |
| Net cash and cash equivalents at beginning of year | | 1 358.4 | 1 836.8 |
| Translation of cash in foreign subsidiaries | | 30.9 | (1 011.2) |
| Cash and cash equivalents at end of year | 6.7 | 1 400.4 | 1 358.4 |

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Notes to the consolidated financial statements

for the year ended 30 September 2020

1. Basis of preparation

1.1 General

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

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

The accounting policies set out in the respective notes to the financial statements have been applied, in all material respects, consistently by all group entities to all periods presented in these financial statements, except for the newly effective IFRS 16: Leases (refer note 10.1).

Accounting policies which are useful to users, especially where particular accounting policies are based on judgement regarding choices within IFRS, have been disclosed. Accounting policies for which no choice is permitted in terms of IFRS have been included only if management concluded that the disclosure would assist users in understanding the financial statements as a whole, taking into account the materiality of the item being discussed.

1.2 Critical judgements and estimates

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

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

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

› Going concern

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

The directors have assessed all matters related to the going concern assumption as set out in note 1.3 below and have determined that the group will continue as a going concern for the foreseeable future.

› Impairment of assets

In terms of IAS 36: Impairment of Assets, the group is required to perform tests for impairment of assets based on the expected future cash flows pertaining to these assets whenever there is an indication that these assets may be impaired, while goodwill must be tested on an annual basis.

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

As the group's net asset value significantly exceeds the group's market capitalisation, potential asset impairment losses were considered at the year-end. This consideration was also a key focus area of the directors at 31 March 2020 resulting in total asset impairment losses of R3 040.3 million. However, the severity of the COVID-19 pandemic only become visible after March and a range of additional information was taken into account for the impairment assessments at the year-end. The assessments comprised two areas: an assessment of the carrying value of goodwill that is attributable to various divisions and an assessment of other assets based on a sum-of-the-parts valuation for the group.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

1. Basis of preparation continued

1.2 Critical judgements and estimates continued

The impairment assessments impacted the assets of four divisions in particular. The assets impacted and the circumstances indicating the possible impairment losses ultimately incurred are as follows:

Bevcan Nigeria

Due to the significant changes in market conditions post 30 September 2019, coupled with foreign exchange currency shortages that have slowed economic growth and resulted in volume growth being lower than previously anticipated, the group assessed the carrying value of goodwill in Bevcan Nigeria for possible impairment. A resulting impairment loss was recognised at 31 March 2020 of R2 176.4 million (US\$130.4 million) reducing the carrying value of goodwill attributed to Bevcan Nigeria to R1 711.3 million (US\$102.6 million). A further assessment of this goodwill was carried out at the year-end and it was determined that no further adjustment was necessary. The recoverable amount of the Bevcan Nigerian operation amounts to R2 916.1 million (US\$174.8 million).

Bevcan Angola

Due to depressed consumer demand as a consequence of the significant fall in the oil price, lagging wage inflation and changes in pricing dynamics in the Angolan market, an impairment loss of R857.5 million (US\$ 51.4 million) relating to plant and equipment was incurred at 31 March 2020. A further assessment was carried out at the year-end taking into account the impacts of COVID-19, as well as other risk factors related to Angola and an increased weighted average cost of capital. As a consequence, a further impairment of R308.2 million (US\$ 18.4 million) was required at the year-end resulting in a total impairment loss for the year of R1 165.7 million (US\$ 69.8 million). The recoverable amount of the Bevcan Angola operation amounts to R1 511.9 million (US\$90.6 million).

DivFood South Africa and Rigids South Africa

The future cash flows of the South African divisions DivFood and Plastics were reassessed at the year-end based on updated forecasts. Despite the expected positive effects of various restructuring initiatives, a lower expected reduction in cash flows and a higher weighted average cost of capital resulted in impairment losses of R224.3 million and R423.5 million respectively being incurred. The impairment loss incurred at DivFood was allocated to the goodwill (R37.0 million), plant and equipment (R131.4 million) and right of use assets (R55.9 million), while the impairment loss incurred at Rigids was allocated to plant and equipment (R270.2 million) and right of use assets (R153.3 million). The recoverable amount of the DivFood and Rigids operations amounted to R1 103.6 million and R350.8 million respectively.

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

› Impact of Reserve Bank of Zimbabwe agreement and expected credit loss assessment

Nampak International Limited (NIL), based in the Isle of Man, is the main holding company for the African operations and provides treasury and procurement support to the African operations. At 30 September 2019, NIL was owed US\$67 million by Nampak Zimbabwe Limited (NZL). No further funding has been provided by NIL to NZL since April 2018 with NZL being self-funding from that date.

In order to protect shareholder interests from foreign currency devaluation on NZL's dollar denominated liabilities to NIL, management secured an agreement with the Reserve Bank of Zimbabwe (RBZ) on 27 September 2019 in terms of which the RBZ undertook to repay US\$67 million relating to historic inter-group funding owed by NZL to NIL over a period of five years in quarterly repayments commencing on 31 March 2021. In terms of IFRS 9: Financial Instruments the group recognised a financial asset at amortised cost based on the contract. As at 30 September 2019 an expected credit loss provision of 85% was applied to the agreement after having regard to the prevailing economic challenges and financial uncertainty in Zimbabwe. This was supported by the outlook of the World Bank and International Monetary Fund and related to the ability of the Zimbabwean economy to recover from its economic crisis. This assessment of the RBZ credit risk has not changed and therefore the expected credit loss provision of 85% of the RBZ financial asset continues to be recognised at 30 September 2020. Refer note 6.3.

With effect from 13 March 2020, NZL ceded its rights to repayment with no further recourse of the US\$67 million owed to it by RBZ to NIL in full and final settlement of its liability to NIL. This transaction has not changed the group's legal rights to receive payments under the RBZ agreement and has removed the exposure of NZL to further foreign currency losses related to its dollar denominated liability to NIL.

› Functional currency of Bevcan Angola and Bevcan Nigeria

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

1. Basis of preparation continued

1.2 Critical judgements and estimates continued

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

The functional currency of Bevcan Angola and Bevcan Nigeria remains US dollar.

› Current and deferred taxation

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

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

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

The group is not recognising any deferred tax in respect of unrealised foreign exchange losses and tax losses carried forward in Nampak Bevcan Angola Limitada. In light of the recent forecast data, it appears unlikely that a full recovery of this asset would be achieved.

The adoption of IFRIC23 during the current year did not have an impact on the current and deferred taxation of the group as management had previously applied similar considerations when accounting for any uncertainties in its tax positions.

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

1.3 Going concern assessment

The directors have assessed the group's ability to continue as a going concern for the foreseeable future as set out below.

› Financial performance during the year

The financial performance of the group was significantly impacted by an unprecedented set of combined challenges, driven by the significant impact of the global COVID-19 pandemic, the decline in global oil prices and generally depressed consumer spending during uncertain times. Due to the global economic lockdowns associated with COVID-19, the group experienced a substantial decline in demand for products, particularly in South Africa and Angola.

These events came at a time when the balance sheet was under severe pressure due to high off-shore US dollar debt translated at weaker rand/dollar exchange rates after South Africa lost its investment grade rating, combined with a significant reduction in EBITDA, as a consequence of adverse impacts of COVID-19 and the severe downturn in the Angolan consumer market. At 30 September 2020, the balance sheet reached a gearing level of 149% (115% excluding capitalised lease liabilities under IFRS16) and covenant levels of net debt to EBITDA of 4.94 times and an EBITDA/interest cover of 2.55 times compared to the relaxed covenant levels of 5.25 for net debt/EBITDA and 2.25 for EBITDA/interest granted by the revolving credit facility (RCF) consortium as well as the USPP lenders. Safety margin of compliance to the net interest-bearing debt to EBITDA is represented by R62.0 million EBITDA or R325.7 million net interest-bearing debt.

The ability of the group to continue as a going concern for the 12 months following the approval of the financial statements and repay debt as it becomes due is dependent on:

- › recovery of Nampak Angola and turnaround in the DivFood business;
- › complying with quarterly covenants, commenting in December 2020 until 30 September 2021;
- › the timing and magnitude of cash flows from operations as the effects of COVID-19 are reversed;
- › continued critical focus on working capital,
- › a well-controlled conservative capital expenditure programme;
- › meeting the milestone programme as agreed with the RCF funders;

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

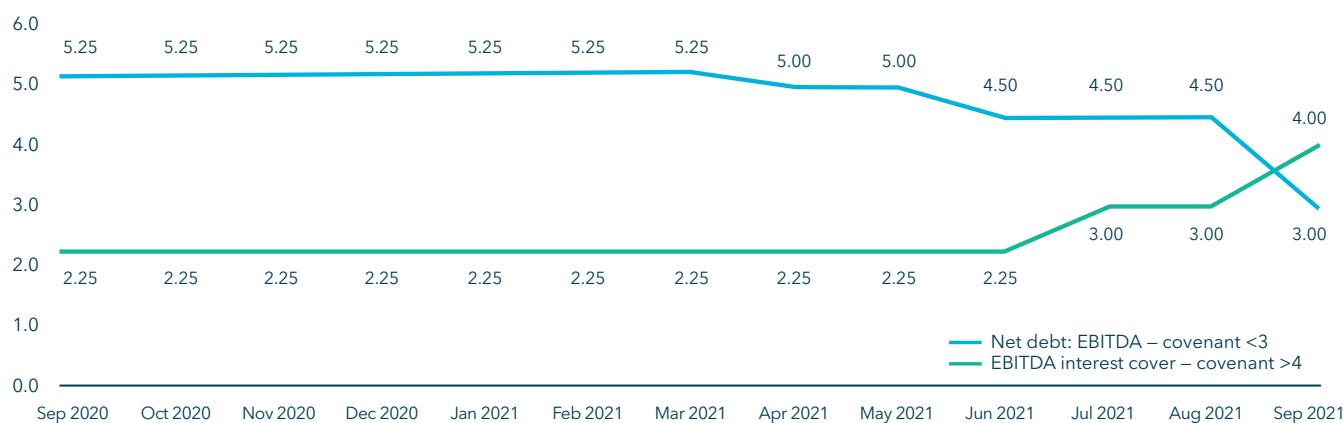
1. Basis of preparation continued

1.3 Going concern assessment continued

- › the ability to raise R1 billion to reduce interest bearing-debt from the proceeds from the disposal of asset or a combination of asset disposals and a capital raise, should the proceeds on disposal of identified assets fall short of the required R1 billion; and
- › uncertainty in future movements of the rand/dollar exchange rate over the next 12 months.

In line with the expectation of the recovery plan the following relaxations in the covenants have been agreed for the year to September 2021. Covenants will be measured quarterly with the group required to return to the former covenant levels by 30 September 2021. As the EBITDA is based on a rolling twelve-month calculation the covenant calculation benefits materially from April 2021 when the impacts of COVID-19 fall off the rolling 12-month EBITDA.

The graph below indicates the agreed covenant relation levels to 30 September 2021:



The following terms sheet and milestones have been set down by the RCP and USPP lenders:

| Key milestone | Requirement | Required completion date |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Milestone 1 | Appointment of an independent financial advisor to advise in the Independent Valuation of each Business Disposal, the identity of which is to the satisfaction of the Agent. | 15 October 2020 (or such later date as agreed to by the Agent in writing). Nampak response: Achieved within deadline. |
| Milestone 2 | Delivery of the Independent Valuation in relation to each Business Disposal to the Agent. | 30 October 2020 (or such later date as agreed to by the Agent in writing). Nampak response: Achieved within deadline. |
| Milestone 3 | Receipt of all non-binding offers for the Business Disposals satisfactory to the Agent (acting on the instructions of the Majority Lenders, acting reasonably). | 1 December 2020 (or such later date as agreed to by the Agent in writing). Nampak response: Achieved within deadline. |
| Milestone 4 | Delivery of each duly executed sale and purchase agreement in relation to each Business Disposal, in form and substance satisfactory to the Agent. | 31 March 2021 (or such later date as agreed to by the Agent in writing). |
| Milestone 5 | Delivery of each duly executed sale and purchase agreement in relation to each Business Disposal, in form and substance satisfactory to the Agent. | 30 June 2021 (or such later date as agreed to by the Agent in writing). |
| | Permanent repayment of Senior Financial Indebtedness by a principal amount of not less than ZAR1 billion in aggregate. | 30 September 2021 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

1. Basis of preparation continued

1.3 Going concern assessment continued

The group has already instituted the following action plans to respond to the reduced EBITDA generated and additional cash conservation plans:

- › Several restructuring, cost savings and retrenchment processes and initiatives were completed during the 2020 year, resulting in an employee cost line that corresponds with the relationship to revenue that is acceptable to the group and thereby conserving cash by reducing these outflows;
- › Capital expenditures have been moderate for the past two years and are budgeted at significantly lower levels for foreseeable future and at levels which do not damage the group's ability to deliver adequately from a well-maintained asset base;
- › Working capital remains a critical area of focus across all sectors of the business, with trade receivables continuing to be well managed within terms and a focus on ensuring inventory holdings are funded by matching trade payables.
- › Implementing asset disposal processes. These processes have already identified targeted disposals and are aligned to the term sheet requirements to generate at least R1 billion in disposal proceeds by September 2021;
- › Independent expert valuations of the possible disposal targets have been received that support the group's internal valuations;
- › There may be a potential requirement to pursue a capital raise to the extent that the total proceeds from the actual disposals fall below the required R1 billion;
- › Continuing and expediting cash extractions from businesses in Angola and Nigeria;
- › The business has specific plans set out for the 2021 year and quarterly milestones are required to be met as indicated in the term sheet failing which a capital raise will be triggered;
- › Internal budgets for 2021 per operation and the group have been thoroughly reviewed and focus on revenue growth, primarily driven by a recovery from the impacts of COVID-19 and profitability improvements from the optimisation of trading margins off a lower cost base and cash generation through well managed working capital and strictly controlled capital expenditure. No material expansionary capital expenditure is budgeted for 2021;
- › The group has appointed advisors and is considering the implications of various capital raising alternatives. In assessing the various options available to reduce debt, the group is mindful of the impact that different potential disposals may have on the business's cash flow generation thereafter and believes that a capital raise for a portion of the required debt reduction may be required but this is considered a last resort;
- › The group has no intention to cease trading, curtail operations or liquidate the businesses, other than planned asset disposals, which are aligned with the requirements of the term sheet.

› Timing and success of asset disposals

As part of the asset review programme, the group has identified various assets which could be disposed of, entirely or partially, and has embarked on various simultaneous initiatives to potentially dispose of these assets in a structured manner and at prices in line with the balance sheet, shareholder value and strategic objectives. Non-binding offers have been received in relation to one of the identified operations. Non-binding offers are expected to be received for the other two identified possible disposal assets by 1 December 2020.

Internal valuations have been tested by an external independent valuation expert with the combined valuations of identified asset on a debt free cash free basis that may be considered for disposal exceeding R1 billion with an adequate safety margin. These asset disposals are expected to generate significant cash to enable the group to meet its debt reduction milestone of R1 billion by September 2021. The group has not yet classified any of the potential disposal groups as held for sale at 30 September 2020 as not all the requirements of IFRS 5: Non-current assets held for sale and discontinued operations were met at 30 September 2020 but does expect that the identified transactions will be completed by 30 September 2021 in order to meet the deleveraging requirement deadlines.

The group is asset rich with a good prospect of being able to dispose of assets that will result in the further deleveraging of the group by R1 billion by 30 September 2021. Furthermore, the group has proven that it has the ability to dispose of identified assets with three successful disposals executed during 2020 and several other disposals having been completed over the past number of years. In house corporate finance and group finance skills will be complimented by external corporate finance teams to ensure that the milestones are met. All milestones to date have been complied with.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

1. Basis of preparation continued

1.3 Going concern assessment continued

› Capital raise

The revised funding agreements contain clear and strict milestones which if not complied with will trigger a capital raise event but not a debt default. The group will only consider a capital raise as a last resort in the event that the asset disposal programme is unsuccessful or fails to raise the required R1 billion to affect the required deleveraging of the group by 30 September 2021. Consideration has been given to the potentially dilutionary impacts of a capital raise given the significantly depressed share price. Should this be required it will be considered to be supplementary to the other actions already instituted by the group and to the extent required, if any, the exact amount of the capital raise and its timing will be subject to the cash received from the disposal of assets and prevailing operating and market conditions.

Milestones 1 and 2 have already been adhered to.

In the event of non-compliance with the business disposal milestone 3, 4 or 5, the group is required to publicly announce its intention to implement a rights offer, if a capital raise is to be implemented in this manner. and call an extraordinary general meeting of the shareholders by 14 June 2021 or 1 July 2021 respectively.

If there is non-compliance with the business disposal milestone 3, 4 or 5, the group is required to launch a capital raise by 28 February 2021, 13 August 2021 or 31 August 2021 respectively.

The permanent repayment of senior financial indebtedness by a principal amount of not less than R1 billion in aggregate is required by 30 September 2021.

› Solvency and liquidity

As a result of the liquidity constraints caused by the need to generate R1 billion within the short-term, weak trading environments and the risk of a second COVID-19 outbreak, the group undertook a comprehensive assessment of its solvency and liquidity status.

Solvency

At 30 September 2020, after impairments, the valuations of the group's assets, fairly 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 2020 and at the date of this report.

Liquidity management

Net gearing, including the first-time adoption of IFRS 16: Leases, has increased to 149% as at September 2020 from 68% in 2019. It should, however, be noted that net debt in 2020 includes the impact of the capitalisation of finance leases as required by the IFRS 16 leases standard. On a comparative basis, gearing would be 115% up from the comparative period's level of 68%. Net borrowings increased to R6.2 billion or R4.9 billion excluding capitalised leases (2019: R5.6 billion).

On a comparable basis, net borrowings have declined by R0.7 billion from September 2019. In September 2018, Nampak successfully negotiated the exclusion of capitalised leases from the covenant calculations. Hence, the capitalised lease effects are excluded from the covenant calculations.

Inventory levels have improved significantly in comparison to 2019 and show a pleasing reduction of R569.9 million for the year to September 2020 with a significant drive from management to reach optimal inventory levels at 30 September 2020, thereby resulting in a release of cash from inventory. Procurement activities were curtailed to meet declining demand as a consequence of COVID-19. Trade receivables remained under control for the period with an inflow of R589.9 million for the year ended 30 September 2020, primarily due to a significant change in terms by ABInBev from 30 days to 120 days offset by reduced revenue. Trade payables outflow of R792.8 million is primarily due to a reduction in trade creditor funding when compared to 30 September 2019 as the group adjusted procurement in response to expected lower future volumes. These actions have resulted in a net working capital inflow of R367.0 million (2019: R705.3 million outflow) for the year to date. Capital expenditure has been contained at R666.2 million to September 2020, compared to slightly higher levels last year. The increase is primarily due to the conversion of the Angolan tin plate line to aluminium, representing R212.5 million of the total group capex spend. We continue to focus on cash generation and in particular on working capital reduction and capital expansion programmes. The target is to fund inventory holdings using trade payables with the group funding the high-quality trade receivables book.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

1. Basis of preparation continued

1.3 Going concern assessment continued

The group's current ratio and therefore short-term liquidity remains strong with an actual ratio at September 2020 of 2.3 improving from 1.6 times at 30 September 2019. The acid test ratio of 1.4 is improved from the 1.1 times in the prior financial year-end. Daily cash management procedures continue the focus on efforts to ensure outflows are clearly understood and managed. Due to the requirements of the term sheet R1 billion of long-term debt has been reclassified as short-term resulting in the current ratio changing to 1.7 times and the acid test ratio to 1.0 times.

On 25 September 2018, Nampak refinanced its funding structure, through a Revolving Credit Facility in order to optimise liquidity, flexibility and capacity for growth. The group refinanced its existing, bilateral ZAR and US\$ facilities into one common terms agreement catering for multiple currencies and borrowers in order to address a maturing group debt profile. The funding structure included US\$175 million of US private placement notes, with US\$115 million maturing in May 2020. The US\$115 million was disclosed as a current liability at 30 September 2019 and 31 March 2020, as it was payable within a year. This was settled using an existing unutilised long-term banking facility, which has strengthened the group's short-term liquidity ratios. The US\$60 million maturing in May 2023 is reflected as a long-term liability. Accordingly, the US private placement liability of \$60 million will be refinanced on maturity utilising the group's existing facilities.

› Estimates and judgements considered within the liquidity assessment

The board has assessed the group consolidated budget for 2021, the resultant profitability levels, financial position and cash flows, taking into account the material factors in each of the geographies and substrates in which the group operates, the group's available funding facilities and potential assets for disposal and are of the view that the group has adequate access to liquidity for the foreseeable future. Detailed valuations have been performed for each cash generating unit, with assets being impaired at 30 September 2020 where considered necessary.

› 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, the historic track record of the group to deliver on disposals, cost reduction and optimisation plans, as well as the management of working capital and capital expenditures.

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

1.4 Subsequent events

On 9 October 2020 Nampak entered into a Supply Chain Financing agreement for approximately R395 million with one of its customers in order to free up cash flow from the working capital cycle. The contract is evergreen with a 30-day notice period.

A new joint venture with Elopak (Elopak Nampak Africa JV, based in Kenya) was established to commence trading 1 November 2020 with the purpose of growing the footprint of gable cartons in the fresh and aseptic beverage markets and in turn enabling the group to expand its product offering and to compete effectively in market segments previously unavailable to it, within sub-Saharan Africa.

On 18 November 2020, Nampak Products Limited declared a cash special dividend of R1 billion to Nampak Limited. The cash will be utilised to subscribe for additional shares in Nampak International Limited and thereafter used to further settle US dollar denominated debt. This will result in the proportionate US Dollar denominated debt reducing to 51% of the group's gross secured debt.

As the market is aware Nampak has strategically placed certain of its assets on the market. To date Nampak has received non-binding offers in excess of R1 billion for various of its assets which therefore meets milestone 3 in line with the lenders amended and restated funding agreements. Nampak is anticipated to obtain binding offers by no later than 30 March 2021 for these assets.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

2. Operational performance

2.1 Revenue

| R million | Continuing operations | | Discontinued operations | | Total | |
|-----------------------|-----------------------|----------|-------------------------|---------|-----------------|----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Sale of goods | 11 119.7 | 14 221.3 | 922.2 | 2 491.8 | 12 041.9 | 16 713.1 |
| Rendering of services | 1.7 | 170.9 | – | – | 1.7 | 170.9 |
| Other | 156.5 | 250.2 | – | – | 156.5 | 250.2 |
| Total | 11 277.9 | 14 642.4 | 922.2 | 2 491.8 | 12 200.1 | 17 134.2 |

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

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

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

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

Other revenue primarily relates to scrap sales.

Revenue is disaggregated in line with segmental reporting (note 2.4).

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

2. Operational performance

2.2 Operating (loss)/profit

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

| R million | Continuing operations | | Discontinued operations | | Total | |
|-------------------------------------------------------------------------|-----------------------|-----------|-------------------------|---------|----------------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Cost of goods sold | 8 246.9 | 9 714.6 | 264.0 | 1 584.3 | 8 510.9 | 11 298.9 |
| Employee benefit expense includes: | | | | | | |
| Retrenchment costs | 136.0 | 34.3 | – | 12.3 | 136.0 | 46.6 |
| Defined benefit plan expense | 85.3 | 141.2 | – | – | 85.3 | 141.2 |
| Pension fund curtailment gain on restructure | (54.8) | (24.7) | – | – | (54.8) | (24.7) |
| Other share-based payment expenses | (13.6) | (8.2) | – | – | (13.6) | (8.2) |
| Depreciation and amortisation consists of: | | | | | | |
| Freehold and leasehold buildings | 48.5 | 44.3 | – | 2.3 | 48.5 | 46.6 |
| Plant, equipment and vehicles | 341.0 | 416.4 | – | 30.6 | 341.0 | 447.0 |
| Right of use assets | 131.7 | – | – | – | 131.7 | – |
| Intangible assets | 15.4 | 24.6 | – | – | 15.4 | 24.6 |
| Total | 536.6 | 485.3 | – | 32.9 | 536.6 | 518.2 |
| Other operating expenses and income include: | | | | | | |
| <i>Auditors' remuneration</i> | | | | | | |
| Audit and professional fees | 32.2 | 28.9 | 0.6 | 3.2 | 32.8 | 32.1 |
| Tax services | 0.9 | 2.9 | – | – | 0.9 | 2.9 |
| Other services | 4.0 | 0.7 | – | 0.1 | 4.0 | 0.8 |
| Total | 37.1 | 32.5 | 0.6 | 3.3 | 37.7 | 35.8 |
| <i>Rentals in respect of operating leases</i> | | | | | | |
| Property | 8.8 | 200.9 | 8.5 | 26.8 | 17.3 | 227.7 |
| Plant, equipment and vehicles | 28.9 | 30.7 | 9.2 | 18.5 | 38.1 | 49.2 |
| Total | 37.7 | 231.6 | 17.7 | 45.3 | 55.4 | 276.9 |
| <i>Net (gain)/loss on financial instruments</i> | | | | | | |
| Derivatives | (14.2) | 29.8 | – | – | (14.2) | 29.8 |
| Other financial Instruments ¹ | 172.1 | 157.5 | 1.5 | 2.4 | 173.6 | 159.9 |
| Total | 157.9 | 187.3 | 1.5 | 2.4 | 159.4 | 189.7 |
| <i>Net (profit)/loss on disposals</i> | | | | | | |
| Net profit on disposal of property | – | (67.3) | – | – | – | (67.3) |
| Net loss/(profit) on disposal of plant, equipment and intangible assets | 9.0 | (3.7) | – | 3.0 | 9.0 | (0.7) |
| Net loss/(profit) on disposal of businesses | 141.0 | – | (446.8) | – | (305.8) | – |
| Total | 150.0 | (71.0) | (446.8) | 3.0 | (296.8) | (68.0) |
| Other (income)/expenses | | | | | | |
| Net impact of devaluation in Zimbabwe | (263.8) | (1 037.3) | – | – | (263.8) | (1 037.3) |
| Administration and technical fees | 16.4 | 33.0 | 2.2 | 15.5 | 18.6 | 48.5 |
| Selling expenses ² | (24.6) | 34.9 | – | 1.2 | (24.6) | 36.1 |
| Distribution expenses | 367.0 | 447.2 | 84.3 | 260.2 | 451.3 | 707.4 |
| Research and development expenditure | 3.9 | 1.8 | 0.6 | 2.4 | 4.5 | 4.2 |
| Cash transferred and liquid bond disposal costs | – | 48.4 | – | – | – | 48.4 |
| Costs incurred to rectify goods | – | – | – | – | – | – |
| Restructuring costs ³ | (0.8) | 9.3 | 6.4 | 18.4 | 5.6 | 27.7 |

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

2 Includes prior year customer claims reversed. This amount relates restructuring provisions carried at the group level in continuing operations.

3 Includes prior year provisions reversed.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

2. Operational performance

2.2 Operating (loss)/profit continued

Directors and prescribed officers' remuneration

Full details of remuneration are included in note 8.3. No contributions were made in respect of past directors and prescribed officers.

2.3 Net impairment (losses)/loss reversals

| R million | Continuing operations | | Discontinued operations | | Total | |
|--------------------------------------|-----------------------|--------|-------------------------|-------|----------------|--------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Impairment losses | | | | | | |
| Freehold land and buildings | – | 121.2 | – | – | – | 121.2 |
| Plant, equipment and vehicles | 1 595.5 | 76.5 | – | 362.8 | 1 595.5 | 439.3 |
| Right of use assets | 209.2 | – | – | – | 209.2 | – |
| Intangible assets | 7.9 | – | – | – | 7.9 | – |
| Goodwill | 2 213.4 | – | – | – | 2 213.4 | – |
| Assets held for sale | – | – | 12.9 | 336.0 | 12.9 | 336.0 |
| Loan receivables | 3.8 | – | 3.3 | – | 7.1 | – |
| Impairment losses | 4 029.8 | 197.7 | 16.2 | 698.8 | 4 046.0 | 896.5 |
| Reversal of impairment losses | | | | | | |
| Plant and equipment | (9.6) | – | – | – | (9.6) | – |
| Loan receivables | – | (49.5) | – | – | – | (49.5) |
| Reversal of impairment losses | (9.6) | (49.5) | – | – | (9.6) | (49.5) |
| Total | 4 020.2 | 148.2 | 16.2 | 698.8 | 4 036.4 | 847.0 |

As the group's net asset value significantly exceeds the group's market capitalisation, potential asset impairment losses were considered at the year-end. This consideration was also a key focus area of the directors at 31 March 2020 resulting in total asset impairment losses of R3 040.3 million. However, the severity of the pandemic only become visible after March and a range of additional information was taken into account for the impairment assessments at the year-end. The assessments comprised two areas: a assessment of the carrying value of goodwill that is attributable to various divisions and an assessment of other assets based on a sum-of-the-parts valuation for the group.

The group sum-of-the-parts valuation was performed based on discounted cash flow valuation principles (value-in-use calculations) with individual operations/cash-generating units (CGUs) being tested for specific impairment. These valuations were performed at year-end taking into account the the most recent financial budgets approved by management for the next five years. Cash flows beyond the five year period were extrapolated using the growth rates below.

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

| % | South Africa | Nigeria | Angola | Rest of Africa (excl. Nigeria and Angola) | Europe |
|--------------------------|--------------|-------------|-------------|-------------------------------------------|--------|
| 2020 | | | | | |
| Growth rate* | 4.2 | 2.0 | 1.0 | 1.0 - 2.0 | – |
| Discount rate (post-tax) | 12.4 | 11.2 | 13.5 | 6.6 - 18.1 | – |
| 2019 | | | | | |
| Growth rate* | 5.1 | 2.7 - 12.0 | 14.6 | 2.7 - 8.4 | 2.0 |
| Discount rate (post-tax) | 11.7 | 10.5 - 21.1 | 11.4 | 11.4 - 23.1 | 7.3 |

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

Additionally, management considers the impact of sales volumes both from a market and customer variation point of view, production efficiencies and the impact of fluctuations in overhead when determining the cash flow projections used in value-in-use calculations. Sensitivity in the calculation of headroom, being the difference between the value-in-use and the net asset value (including goodwill) is assessed through the value-in-use calculation process.

The impairment assessments impacted the assets of four divisions in particular. The assets impacted and the circumstances indicating the possible impairment losses ultimately incurred are set out below:

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

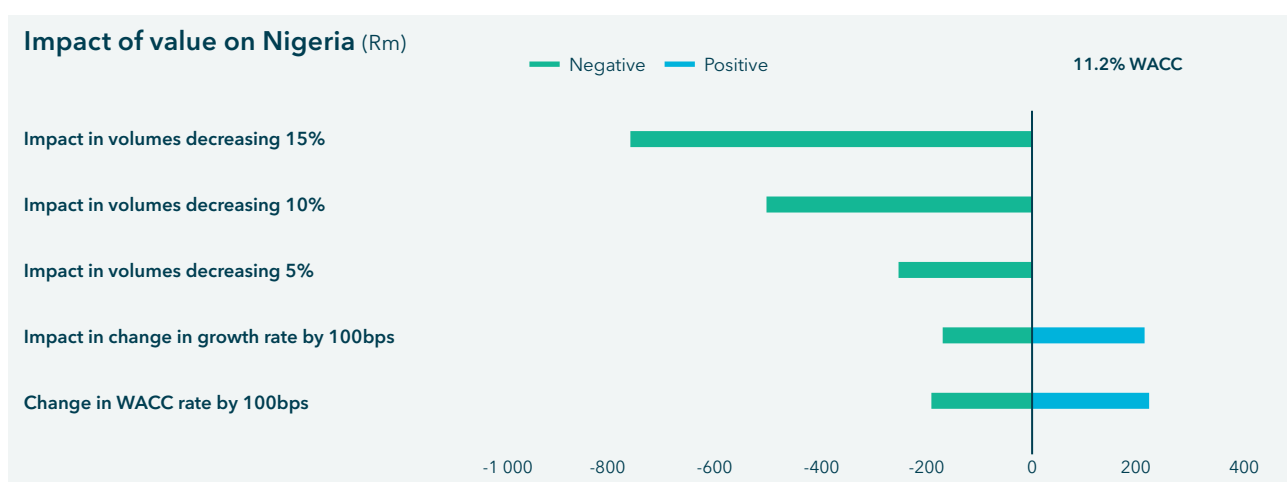
2. Operational performance continued

2.3 Net impairment (losses)/loss reversals continued

Bevcan Nigeria

Due to the significant changes in market conditions post 30 September 2019, coupled with foreign exchange currency shortages that have slowed economic growth and resulted in volume growth being lower than previously anticipated, the group assessed the carrying value of goodwill in Bevcan Nigeria for possible impairment. A resulting impairment loss was recognised at 31 March 2020 of R2 176.4 million (US\$130.4 million) reducing the carrying value of goodwill attributed to Bevcan Nigeria to R1 711.3 million (US\$102.6 million). A further assessment of this goodwill was carried out the year-end and it was determined that no further adjustment was necessary. The recoverable amount of the Bevcan Nigeria operation amounts to R2 916.1 million (US\$174.8 million).

This impairment loss is subject to the sensitivities indicated below:



Bevcan Angola

Due to depressed consumer demand as a consequence of the significant fall in the oil price, lagging wage inflation and changes in pricing dynamics in the Angolan market, an impairment loss of R857.5 million (US\$ 51.4 million) relating to plant and equipment was incurred at 31 March 2020. A further assessment was carried out at the year-end taking into account the impacts of COVID-19, as well as other risk factors related to Angola and an increased weighted average cost of capital. As a consequence, a further impairment of R308.2 million (US\$ 18.4 million) was required at the year-end resulting in a total impairment loss for the year of R1 165.7 million (US\$ 69.8 million). The recoverable amount of the Bevcan Angola operation amounts to R1 511.9 million (US\$90.6 million).

This impairment loss is subject to the sensitivities indicated below:



Notes to the consolidated financial statements continued

for the year ended 30 September 2020

2. Operational performance continued

2.3 Net impairment (losses)/loss reversals continued

DivFood South Africa and Rigids South Africa

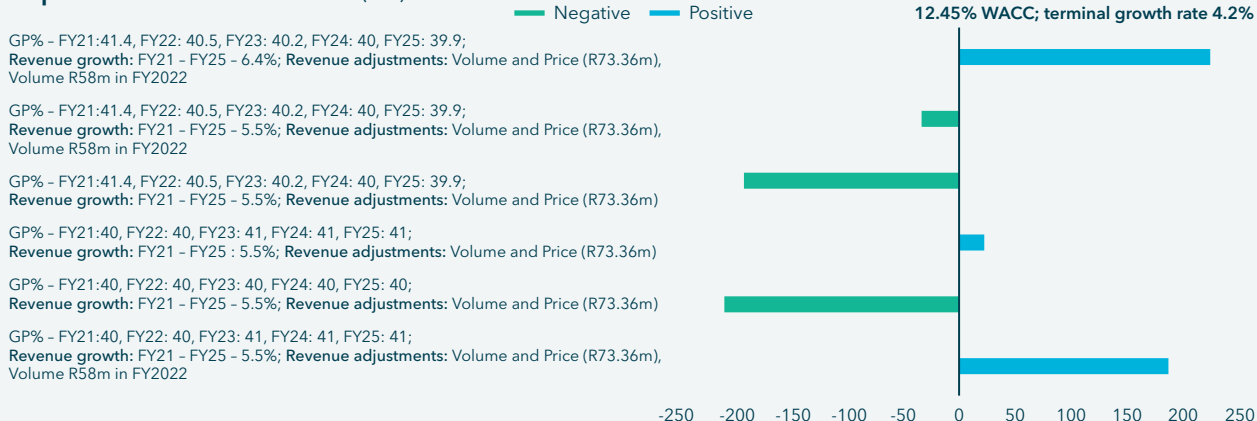
The future cash flows of the DivFood and Rigids operations were reassessed at the year-end based on updated forecasts. Despite the expected positive effects of various restructuring initiatives, a lower expected reduction in cash flows and a higher weighted average cost of capital resulted in impairment losses of R224.3 million and R423.5 million respectively being incurred. The recoverable amounts of the DivFood and Rigids operations amounted to R1 103.6 million and R350.8 million respectively.

These impairment losses were allocated to the following assets at the divisions concerned and are subject to the sensitivities indicated below:

DivFood South Africa

| R million | 2020 |
|---------------------|--------------|
| Plant and equipment | 131.4 |
| Right of use assets | 55.9 |
| Goodwill | 37.0 |
| Total | 224.3 |

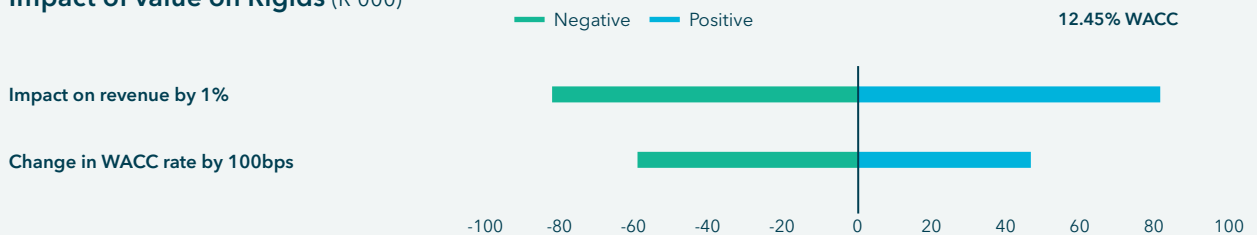
Impact of value on DivFood (Rm)



Rigids South Africa

| R million | 2020 |
|---------------------|--------------|
| Plant and equipment | 270.2 |
| Right of use assets | 153.3 |
| Total | 423.5 |

Impact of value on Rigids (R'000)



Notes to the consolidated financial statements continued

for the year ended 30 September 2020

2. Operational performance continued

2.4 Segmental performance

| R million | External revenue | | Internal revenue | | Trading profit/(loss) ¹ | | Trading margin (%) | | Restated adjusted EBITDA ² | |
|-------------------------|------------------|----------|------------------|-----------|------------------------------------|---------|--------------------|-------|---------------------------------------|---------|
| | 2020 | 2019* | 2020 | 2019* | 2020 | 2019* | 2020 | 2019* | 2020 | 2019* |
| Segment analysis | | | | | | | | | | |
| Metals | 7 852.9 | 10 943.0 | 7.7 | 4.4 | 421.3 | 1 380.2 | 5.4 | 12.6 | 710.5 | 1 728.0 |
| Plastics | 2 479.0 | 2 645.1 | 0.2 | 9.3 | 142.5 | 196.7 | 5.7 | 7.4 | 210.3 | 274.2 |
| Paper | 946.0 | 1 054.3 | 8.1 | 32.1 | 157.8 | 159.7 | 16.7 | 15.1 | 167.6 | 185.8 |
| Operations | 11 277.9 | 14 642.4 | 16.0 | 45.8 | 721.6 | 1 736.6 | 6.4 | 11.9 | 1 088.4 | 2 188.0 |
| Corporate | – | – | 1 209.0 | 2 271.0 | (39.5) | (178.9) | – | – | (76.8) | (145.0) |
| Eliminations | – | – | (1 225.0) | (2 316.8) | – | – | – | – | – | – |
| Continuing operations | 11 277.9 | 14 642.4 | – | – | 682.1 | 1 557.7 | 6.0 | 10.6 | 1 011.6 | 2 043.0 |
| Discontinued operations | 922.2 | 2 491.8 | – | – | 56.3 | (49.3) | 6.1 | (2.0) | 56.3 | (16.5) |
| Total | 12 200.1 | 17 134.2 | – | – | 738.4 | 1 508.4 | 6.1 | 8.8 | 1 067.9 | 2 026.5 |

* Restated for moving the Metals closures business from the Plastics segment to the Metals segment in line with the management of this business.

1 Trading profit is the main measure of profitability used for segmental reporting purposes and includes foreign exchange movements on forward exchange contracts. Trading profit is determined after excluding capital and other items, as defined below, from operating profit.

2 The adjusted EBITDA calculation is based on trading profit before depreciation and amortisation and excludes the impact of IFRS 16: Leases.

Adjusted EBITDA is considered as more reflective of what management considers in assessing the performance of divisions as opposed to EBITDA based on operating profit as previously used. The prior year numbers have been restated accordingly.

| R million | External revenue | | Internal revenue | | Trading profit | | Trading margin (%) | | Adjusted EBITDA | |
|-------------------------------------------------------|------------------|----------|------------------|-----------|----------------|---------|--------------------|------|-----------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Geographical analysis (continuing operations): | | | | | | | | | | |
| South Africa | 7 577.0 | 9 849.0 | 281.7 | 377.2 | 160.4 | 643.5 | 2.1 | 6.5 | 362.5 | 890.4 |
| Rest of Africa | 3 700.9 | 4 793.4 | 55.6 | 31.6 | 561.2 | 1 093.1 | 15.2 | 22.8 | 725.9 | 1 297.6 |
| Operations | 11 277.9 | 14 642.4 | 337.3 | 408.8 | 721.6 | 1 736.6 | 6.4 | 11.9 | 1 088.4 | 2 188.0 |
| Corporate | – | – | 1 209.0 | 2 271.0 | (39.5) | (178.9) | – | – | (76.8) | (145.0) |
| Eliminations | – | – | (1 546.3) | (2 679.8) | – | – | – | – | – | – |
| Total | 11 277.9 | 14 642.4 | – | – | 682.1 | 1 557.7 | 6.0 | 10.6 | 1 011.6 | 2 043.0 |

| R million | 2020 | 2019 |
|------------------------------------------------------------|-----------------|----------|
| Revenue to external customers by customer location: | | |
| South Africa | 7 441.9 | 10 039.1 |
| United Kingdom | 144.0 | 902.3 |
| Angola | 582.5 | 1 436.6 |
| Kenya | 148.7 | 202.3 |
| Namibia | 243.5 | 428.0 |
| Nigeria | 1 587.2 | 1 913.9 |
| Zambia | 226.7 | 370.0 |
| Zimbabwe | 1 022.0 | 432.0 |
| Rest of the world | 803.6 | 1 410.0 |
| Total | 12 200.1 | 17 134.2 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

2. Operational performance continued

2.4 Segmental performance continued

| R million | Continuing operations | | Discontinued operations | | Total | |
|-------------------------------------------------------------------------------------------|-----------------------|----------------------|-------------------------|--------------------|--------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Reconciliation of operating (loss)/profit to trading profit | | | | | | |
| Operating (loss)/profit | (283.0) | 402.0 | 496.8 | (353.0) | 213.8 | 49.0 |
| Adjusted for capital and other items | | | | | | |
| Capital items ¹ | 58.3 | (67.3) | (446.8) | – | (388.5) | (67.3) |
| Net loss/(profit) on disposal of businesses | 141.0 | – | (446.8) | – | (305.8) | – |
| Net profit on disposal of property | – | (67.3) | – | – | – | (67.3) |
| Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant | (82.7) | – | – | – | (82.7) | – |
| Other items ² | 906.8 | 1 223.0 | 6.3 | 303.7 | 913.1 | 1 526.7 |
| Net impact of devaluation in Zimbabwe | 263.8 | 1 037.3 | – | – | 263.8 | 1 037.3 |
| Devaluation loss arising from Angolan and Nigerian exchange rate movements | 323.8 | 212.1 | – | – | 323.8 | 212.1 |
| Retrenchment and restructuring costs | 135.3 | 43.6 | 6.3 | 30.7 | 141.6 | 74.3 |
| Cash transfer and liquid bond disposal losses | – | 48.4 | – | – | – | 48.4 |
| Loss on restructuring secured loans | 136.0 | – | – | – | 136.0 | – |
| Other | 47.9 | (118.4) ³ | – | 273.0 ⁴ | 47.9 ⁵ | 154.6 |
| Trading profit | 682.1 | 1 557.7 | 56.3 | (49.3) | 738.4 | 1 508.4 |

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

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

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

4 Primarily relates to inventory written-off.

5 Primarily relates to ineffective cash flow hedging losses.

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

The principal activities of the segments are as follows:

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

Plastics – manufacture of plastic bottles, crates, drums and tubes;

Paper – manufacture of corrugated boxes and folding cartons;

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

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

2. Operational performance continued

2.5 Cash generated from operations

| R million | Sep 2020 | Sep 2019 |
|-----------------------------------------------------------------------------------|------------------|-----------|
| Reconciliation of loss before tax to cash generated from operations | | |
| (Loss)/profit before taxation | (4 369.5) | (1 245.6) |
| Continuing operations | (4 750.3) | 6.1 |
| Discontinued operations | 380.8 | (1 251.7) |
| Adjustment for: | | |
| Depreciation and amortisation | 536.6 | 518.2 |
| Net loss/(profit) on disposal of property, plant, equipment and intangible assets | 9.0 | (68.0) |
| Net profit on disposal of businesses | (305.8) | – |
| Financial instruments fair value adjustment | (14.2) | 29.8 |
| Net defined benefit plan expense | 30.5 | 116.4 |
| Impairment losses | 4 046.0 | 896.5 |
| Reversal of impairment losses | (9.6) | (49.5) |
| Net devaluation impact in Zimbabwe | 263.8 | 1 037.3 |
| Foreign exchange losses in Zimbabwe operations | 81.9 | 1 944.5 |
| Monetary adjustment for hyperinflation | 181.9 | (831.5) |
| Gain on Reserve Bank of Zimbabwe receivable | – | (794.5) |
| Expected credit loss on Reserve Bank of Zimbabwe financial instrument | – | 718.8 |
| Inventory written off | – | 172.2 |
| Share of net (profit)/loss in associates and joint ventures | (0.5) | 1.4 |
| Share based payments expense | (13.6) | (8.2) |
| Net finance costs | 547.4 | 446.2 |
| Cash generated from operations before working capital changes | 720.1 | 1 846.7 |
| | 367.0 | (705.3) |
| Decrease/(increase) in inventories | 569.9 | (384.1) |
| Decrease/(increase) in trade receivables and other current assets | 589.9 | (158.2) |
| Decrease in trade payables and other current liabilities | (792.8) | (163.0) |
| Cash generated from operations | 1 087.1 | 1 141.4 |

3. Taxation

3.1 Income tax

| R million | Continuing operations | | Discontinued operations | | Total | |
|-----------------------------|-----------------------|---------|-------------------------|---------|----------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current tax | | | | | | |
| Current year | 82.0 | 132.0 | – | (80.5) | 82.0 | 51.5 |
| Prior year | (38.7) | (127.8) | – | (2.4) | (38.7) | (130.2) |
| Hyper-inflation adjustment | 40.1 | 19.8 | – | – | 40.1 | 19.8 |
| Deferred tax | | | | | | |
| Current year | (451.6) | 244.8 | (24.6) | (45.0) | (476.2) | 199.8 |
| Prior year | (33.2) | 6.8 | 36.7 | 0.1 | 3.5 | 6.9 |
| Change in tax rate | (62.3) | – | – | – | (62.3) | – |
| Hyper-inflation adjustment | (5.6) | 8.9 | – | – | (5.6) | 8.9 |
| Withholding and foreign tax | 67.8 | 111.3 | – | – | 67.8 | 111.3 |
| Total | (401.5) | 395.8 | 12.1 | (127.8) | (389.4) | 268.0 |

The company tax rate in South Africa is 28% (2019: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those relevant jurisdictions.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

3. Taxation continued

3.1 Income tax continued

| % | Continuing operations | | Discontinued operations | | Total | |
|---------------------------------------------------------------------------------------------------|-----------------------|-----------|-------------------------|-------|--------------|--------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Reconciliation of rate of tax | | | | | | |
| Statutory tax rate | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 | 28.0 |
| Reduction in tax rate due to: | | | | | | |
| Exempt income ¹ (including capital profits) | 1.2 | (420.0) | (27.5) | – | 3.7 | 2.1 ¹ |
| Government incentives | 0.1 | (181.4) | – | – | 0.1 | 0.9 |
| Adjustment for prior year | 1.5 | (1 983.9) | 9.6 | 0.2 | 0.8 | 9.9 |
| Amount not debited to income statement | (0.0) | – | (4.7) | – | 0.4 | – |
| Increase in tax rate due to: | | | | | | |
| Foreign currency translation impact when converting local tax computations to functional currency | (0.9) | – | – | – | (0.9) | – |
| Recoupment of tax incentives on disposal of business | – | – | 7.7 | – | (0.7) | – |
| Capital gains tax | – | (1.8) | – | – | – | – |
| Deferred taxation not recognised | (5.6) | 3 453.7 | – | (7.8) | (6.1) | (24.7) |
| Losses not protected in Angola due to tax holiday | – | 2 561.4 | – | – | – | (12.5) |
| Angolan tax law changes | – | 4 793.1 | – | – | – | (23.6) |
| Tax rate reduction | 1.3 | – | – | – | 1.4 | – |
| Hyperinflation adjustments | (2.2) | 145.4 | – | – | (2.4) | (0.7) |
| Foreign tax rate differential | (3.8) | (4 272.8) | (12.1) | (4.7) | (3.1) | 16.2 |
| Withholding and other foreign taxes | (1.4) | 1 894.6 | – | – | (1.6) | (9.3) |
| Impairments | (8.4) | – | – | – | (9.2) | – |
| Disallowable expenses ² | (1.3) | 472.2 | 2.2 | (5.5) | (1.5) | (7.8) ² |
| Effective group rate of tax | 8.5 | 6 488.5 | 3.2 | 10.2 | 8.9 | (21.5) |

1 Exempt income includes the capital profit on the disposal of the Rigids fixed assets and the profit on the disposal of Nampak Plastics Europe Limited.

2 Disallowable expenses includes expenses of a capital nature and expenses relating to the disposal of businesses.

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 R186.8 million (2019: R6.7 million) has been recognised in equity during the year.

The group also incurred unrealised foreign exchange losses in Angola on the Angolan Kwanza tax computation in the current year of R1 billion on which no deferred tax asset was raised, due to the unpredictability of future profit streams. The net impact of this in the current financial year on the tax rate reconciliation was zero.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

3. Taxation continued

3.2 Deferred tax

| R million | Accele- rated tax depreciation | Provisions | Retire- ment benefit obligation | Right of use assets | Tax losses | Inventory | Foreign exchange differ- ences | Other | Total |
|----------------------------------------------------------------------|--------------------------------------|----------------|------------------------------------------|---------------------------|----------------|--------------|-----------------------------------------|-------------|----------------|
| At 1 October 2018 | 1 314.1 | (294.7) | (262.5) | – | (886.0) | 65.6 | (119.0) | 177.1 | (5.4) |
| Charge/(credit) to other comprehensive income for the year | – | – | 9.1 | – | – | – | – | (2.4) | 6.7 |
| Charge/(credit) to profit for the year | 472.2 | 48.8 | 10.1 | – | 59.9 | 42.3 | (405.2) | (21.5) | 206.6 |
| Hyperinflation adjustment | – | – | – | – | – | – | 8.9 | – | 8.9 |
| Reclassified to non-current asset held for sale | (0.6) | 0.8 | – | – | 17.9 | – | (3.1) | – | 15.0 |
| Reclassified to liability associated with assets held for sale | (18.0) | – | – | – | – | – | 0.5 | – | (17.5) |
| Translation differences | (152.5) | 23.1 | (4.9) | – | (81.2) | (0.3) | 237.1 | (136.6) | (115.3) |
| At 30 September 2019 | 1 615.2 | (222.0) | (248.2) | – | (889.4) | 107.6 | (280.8) | 16.6 | 99.0 |
| Charge/(credit) to other comprehensive income for the year | 40.9 | (0.2) | 17.4 | (99.8) | – | – | 219.4 | 9.1 | 186.8 |
| (Credit)/charge to profit for the year | (558.8) | 13.0 | 25.6 | (64.4) | 122.8 | (29.6) | (29.3) | (14.3) | (535.0) |
| Hyperinflation adjustment | (30.4) | 0.5 | – | – | – | – | 11.4 | 12.9 | (5.6) |
| Translation differences | 89.3 | (30.0) | (12.2) | 0.3 | (1.8) | 23.0 | 14.9 | 25.0 | 108.5 |
| At 30 September 2020 | 1 156.2 | (238.7) | (217.4) | (163.9) | (768.4) | 101.0 | (64.4) | 49.3 | (146.3) |
| R million | | | | | | | 2020 | | 2019 |
| Analysed between: | | | | | | | | | |
| Deferred tax assets | | | | | | | (388.6) | | (429.3) |
| Deferred tax liabilities | | | | | | | 242.3 | | 528.3 |
| | | | | | | | (146.3) | | 99.0 |

At year end the group had unused tax losses of R4 414,3 million (2019: R4 476.7million) available for offset against future taxable profits. Deferred tax assets have been recognised in respect of R2 726,0 million (2019: R2 985.9 million) of such losses based on the assessment of budgets prepared by management of the entities concerned. No deferred tax asset has been recognised on the remaining R1 688.3 million (2019: R1 490.8 million) due to the unpredictability of future profit streams. The group has tax losses of R1 825.6 million (2019: R714 million) that will expire within the next 10 years and tax losses of R489.2m (2019:R675.4m) that will expire within the next 5 years. No deferred tax was raised on the losses expiring within 5 years due to the unpredictability of future profit streams. Deferred tax has been raised on R255.9 million (2019: R345.4 million) of the losses expiring within 10 years.

The above losses for 2020 are made up as follows:

| R million | Deferred tax raised | Deferred tax not raised | Total |
|---------------------------------------|------------------------|----------------------------|---------|
| Nampak Products Limited | 2 468.3 | – | 2468.3 |
| Nampak Bevcan Nigeria Limited | 255.0 | – | 255.0 |
| Bullpak Kenya Limited | 1.7 | – | 1.7 |
| Nampak Malawi Limited | 0.6 | 42.7 | 43.3 |
| Megapak Swaziland Proprietary Limited | 0.4 | 17.0 | 17.4 |
| Nampak Bevcan Angola LDA | – | 1 252.4 | 1252.4 |
| Nampak Tanzania Limited | – | 107.6 | 107.6 |
| Nampak Kenya Limited | – | 167.0 | 167.0 |
| Nampak Holdings UK Limited | – | 101.6 | 101.6 |
| | 2 726.0 | 1 688.3 | 4 414.3 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

3. Taxation continued

3.2 Deferred tax continued

Key judgements

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

For Nampak Malawi Limited and Megapak Swaziland Limited deferred tax have been raised up to the point of the liabilities, to make the deferred tax zero.

In addition, the group had capital losses available for utilisation against future capital gains to the value of R2 678.8 million (2019: R2 803.2 million).

During the year capital losses of R8.1 million (2019: R0) were utilised.

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

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

4. Disposal of businesses

4.1 Nampak Plastics Europe – discontinued operation

On 28 August 2019, the Nampak Limited board took a decision to dispose of Nampak Plastics Europe Limited following a protracted period of continued poor performance and cash consumption. Additionally, the business faced further challenges with regard to its capital investment requirements and the deficit funding associated with its defined benefit pension plan. The group met the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations as at 30 September 2019 and therefore classified the disposal group as held for sale and as a discontinued operation at that date. A formal disposal process was managed by independent professional advisers in the United Kingdom with the disposal concluded and effective 13 December 2019.

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

| R million | 2020 | 2019 |
|----------------------------------------------------------------------------------|----------------|-----------|
| Results of the discontinued operation | | |
| Revenue | 131.3 | 974.2 |
| Operating expenses other than depreciation, amortisation and impairment expenses | (151.0) | (1 231.9) |
| EBITDA ¹ | (19.7) | (257.7) |
| Depreciation and amortisation ² | – | (32.9) |
| Impairment of plant and assets held for sale | (12.6) | (362.8) |
| Net finance costs | – | 0.2 |
| Net loss for the year before disposal effect ³ | (32.3) | (653.2) |
| Net profit on disposal of discontinued operation ³ | 547.2 | – |
| Net profit/(loss) for the year | 514.9 | (653.2) |

1 Adjusted EBITDA is calculated before net impairments.

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

3 No income tax is provided on either the operating loss or disposal profit due to the operation being in an assessed loss position.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

4. Disposal of businesses continued

4.1 Nampak Plastics Europe – discontinued operation continued

The profit on disposal of the discontinued operation was calculated as follows:

| R million | 2020 |
|-------------------------------------------------------|----------------|
| Proceeds on disposal | – |
| Net liabilities disposed | 296.8 |
| Property, plant and equipment | (40.9) |
| Inventories | (24.5) |
| Trade and other current receivables | (323.2) |
| Bank and cash | (27.9) |
| Retirement benefit obligation | 538.3 |
| Trade payables, provisions and other current payables | 175.0 |
| Profit on disposal before items below | 296.8 |
| Disposal costs | (128.0) |
| Translation reserve recycled | 378.4 |
| Net profit on disposal | 547.2 |

| R million | 2020 | 2019 |
|-------------------------------------------------------------|----------------|---------|
| Cash flows of the discontinued operation | | |
| Net cash flows from operating activities | (73.3) | (314.9) |
| Net cash flows from investing activities excluding disposal | (13.8) | (162.7) |
| Net cash flow from disposal | (155.9) | – |
| Bank and cash balances disposed | (27.9) | – |
| Disposal costs | (128.0) | – |
| Net cash flows | (243.0) | (477.6) |

4.2 Nampak Glass division – discontinued operation

On 16 February 2018, the Nampak Limited board took a decision to dispose of the Nampak Glass division. The group met the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations as at 31 March 2018 and therefore classified the business as held for sale and as a discontinued operation at that date. A sale of business agreement was concluded on 26 September 2019 with a suitable buyer and the required filing was made with the competition authorities. The sale was concluded effective 31 March 2020 and proceeds of R1 571.0 million were received. Following working capital and other adjustments in terms of the agreement, R174.6 million was required to be remitted to the purchaser.

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

| R million | 2020 | 2019 |
|----------------------------------------------------------------------------------|----------------|-----------|
| Results of the discontinued operation | | |
| Revenue | 790.9 | 1 517.6 |
| Operating expenses other than depreciation, amortisation and impairment expenses | (721.2) | (1 580.0) |
| EBITDA ¹ | 69.7 | (62.4) |
| Depreciation and amortisation ² | – | – |
| Impairment of plant, goodwill and intangible assets | (3.6) | (336.0) |
| Net finance costs | (99.8) | (200.1) |
| Loss before tax | (33.7) | (598.5) |
| Attributable income tax benefit | (12.1) | 127.8 |
| Net loss for the year before disposal effect | (45.8) | (470.7) |
| Net loss on disposal of discontinued operation ³ | (100.4) | – |
| Net loss for the year | (146.2) | (470.7) |

1 Adjusted EBITDA is calculated before net impairments.

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

3 No income tax is provided on the disposal loss as the loss is considered disallowable for tax purposes.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

4. Disposal of businesses continued

4.2 Nampak Glass division – discontinued operation continued

The net loss on disposal of the discontinued operation was calculated as follows:

| R million | 2020 |
|-------------------------------------------------------|-----------|
| Proceeds on disposal | 1 571.0 |
| Working capital and other adjustments | (174.6) |
| Adjusted proceeds on disposal | 1 396.4 |
| Net assets disposed | (1 422.5) |
| Property, plant and equipment | (894.9) |
| Right of use asset | (89.6) |
| Intangible assets | (3.2) |
| Inventories | (531.1) |
| Trade and other current receivables | (203.4) |
| Lease liability | 108.6 |
| Trade payables, provisions and other current payables | 191.1 |
| Loss on disposal | (26.1) |
| Disposal costs | (74.3) |
| Net loss on disposal | (100.4) |

| R million | 2020 | 2019 |
|-------------------------------------------------------------|---------|--------|
| Cash flows of the discontinued operation | | |
| Net cash flows from operating activities | (18.3) | 121.5 |
| Net cash flows from investing activities excluding disposal | (63.1) | (92.4) |
| Net cash flow from disposal | 1 322.1 | – |
| Adjusted proceeds on disposal | 1 396.4 | – |
| Disposal costs | (74.3) | – |
| Net cash flows | 1 240.7 | 29.1 |

4.3 Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited

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

These disposal groups were not recognised as discontinued operations in accordance with the above standard as they neither represented a separate major line of business or geographical area of operations. They therefore continued to be reported in the Paper operating segment for segmental reporting purposes.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

4. Disposal of businesses continued

4.3 Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited continued

The loss on disposal of the disposal groups was calculated as follows:

| R million | 2020 |
|-------------------------------------------------------|---------|
| Proceeds on disposal | 444.0 |
| Net assets disposed | (293.9) |
| Property, plant and equipment | (123.5) |
| Deferred tax asset (Nampak Cartons Nigeria) | (14.7) |
| Inventories | (98.4) |
| Trade and other current receivables | (87.0) |
| Tax assets | (5.0) |
| Bank and cash | (39.9) |
| Deferred tax liability (Nampak Properties Nigeria) | 16.5 |
| Trade payables, provisions and other current payables | 58.1 |
| Profit on disposal before items below | 150.1 |
| Disposal costs | (34.2) |
| Translation reserve recycled | (275.7) |
| Net loss on disposal | (159.8) |
| Net cash flows on disposal of the disposal groups | |
| Proceeds on disposal | 444.0 |
| Bank and cash balances disposed | (39.9) |
| Disposal costs | (34.2) |
| Net cashflow from disposal | 369.9 |

4.4 Megapak Crates and Drums businesses

On 30 May 2018, the board took a decision to dispose of the Megapak business consisting of the Drums and Crates businesses. The group met the criteria of IFRS 5: Non-current Assets Held for Sale for the Drums and Crates disposal groups as at 30 May 2018 and 31 July 2018 respectively, and therefore classified these businesses as disposal groups held for sale at those dates. During the prior year, the disposal of the majority of the Megapak Crates and Drums businesses was halted after the businesses completed a restructuring process and secured a contract from a major soft drinks manufacturer for a period of three years. Consequently, the net operating assets of these businesses other than the net operating assets pertaining to the intermediary bulk container business were reclassified to their respective asset and liability classes on the statement of financial position. The assets of the intermediary bulk container business was disposed effective 15 December 2019.

These disposal groups are not recognised as discontinued operations in accordance with the above standard as they neither represent a separate major line of business or geographical area of operations. They therefore continued to be reported in the Plastics operating segment for segmental reporting purposes.

The profit on disposal of the disposal group was calculated as follows:

| R million | 2020 |
|---------------------------------------------|--------|
| Proceeds on disposal | 32.2 |
| Net assets disposed | (13.4) |
| Plant and equipment | (8.2) |
| Inventories | (0.6) |
| Trade and other current receivables | (4.6) |
| Net profit on disposal | 18.8 |
| Net cash flow on disposal of disposal group | |
| Proceeds on disposal | 32.2 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

4. Disposal of businesses continued

4.5 Summary

Net loss from discontinued operations

| R million | 2020 | 2019 |
|------------------------|----------------|-----------|
| Nampak Plastics Europe | 514.9 | (653.2) |
| Nampak Glass | (146.2) | (470.7) |
| Total | 368.7 | (1 123.9) |

Net profit/(loss) on disposal of discontinued operations and other disposal groups

| R million | 2020 |
|--------------------------------------------------------------|----------------|
| Nampak Plastics Europe Limited | 547.2 |
| Nampak Glass division | (100.4) |
| Nampak Cartons Nigeria Limited and Nampak Properties Limited | (159.8) |
| Megapak Crates and Drums businesses | 18.8 |
| Total | 305.8 |

Net cash flows on disposal of discontinued operations and other disposal groups

| R million | 2020 |
|--------------------------------------------------------------|----------------|
| Nampak Plastics Europe Limited | (155.9) |
| Nampak Glass division | 1 322.1 |
| Nampak Cartons Nigeria Limited and Nampak Properties Limited | 369.9 |
| Megapak Crates and Drums businesses | 32.2 |
| Total | 1 568.3 |

5. Basic and headline (loss)/earnings per share

5.1 Basic (loss)/earnings per share

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

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

| R million | Continuing operations | | Discontinued operations | | Total | |
|----------------------------------------------------------------------------|-----------------------|---------|-------------------------|-----------|------------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Basic (loss)/earnings | | | | | | |
| (Loss)/profit attributable to equity holders of the company for the period | (3 836.3) | 272.3 | 368.7 | (1 123.9) | (3 467.6) | (851.6) |
| Less: Preference dividend | (0.1) | (0.1) | – | – | (0.1) | (0.1) |
| Total | (3 836.4) | 272.2 | 368.7 | (1 123.9) | (3 467.7) | (851.7) |
| Weighted average number of shares in issue ('000) | 644 935 | 644 727 | 644 935 | 644 727 | 644 935 | 644 727 |
| Basic (loss)/earnings per share | (594.9) | 42.2 | 57.2 | (174.3) | (537.7) | (132.1) |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

5. Basic and headline earnings per share continued

5.2 Diluted basic (loss)/earnings per share

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

| R million | Continuing operations | | Discontinued operations | | Total | |
|--------------------------------------------------------------------------------------------------------------|-----------------------|---------|-------------------------|-----------|------------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Diluted basic (loss)/earnings | | | | | | |
| Diluted basic earnings/(loss) * | (3 836.4) | 272.2 | 368.7 | (1 123.9) | (3 467.7) | (851.7) |
| Weighted average number of ordinary shares for the purpose of diluted basic earnings/(loss) per share ('000) | 645 465 | 647 934 | 645 465 | 647 934 | 645 465 | 647 934 |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | 644 935 | 644 727 | 644 935 | 644 727 | 644 935 | 644 727 |
| Effect of dilutive potential ordinary shares: Other share incentive plans ('000) | 530 | 3 207 | 530 | 3 207 | 530 | 3 207 |
| Diluted basic earnings/(loss) per share | (594.4) | 42.0 | 57.2 | (173.5) | (537.2) | (131.5) |

* No dilution of basic earnings/(loss).

5.3 Headline (loss)/earnings per share

Headline earnings are basic earnings calculated above adjusted to exclude remeasurements as prescribed by circular 1/2019 issued by the Johannesburg Stock Exchange.

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

| R million | Continuing operations | | Discontinued operations | | Total | |
|-----------------------------------------------------------------------------------------------------------------|-----------------------|---------|-------------------------|-----------|------------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Headline (loss)/earnings | | | | | | |
| Basic (loss)/earnings | (3 836.4) | 272.2 | 368.7 | (1 123.9) | (3 467.7) | (851.7) |
| <i>Adjusted for:</i> | | | | | | |
| Net impairment losses on property, plant, equipment, goodwill, other intangible assets and assets held for sale | 4 016.4 | 197.7 | 12.9 | 698.8 | 4 029.3 | 896.5 |
| Net loss/(profit) on disposal of businesses | 141.0 | – | (446.8) | – | (305.8) | – |
| Net loss/(profit) on disposal of property, plant, equipment and intangible assets | 9.0 | (71.3) | – | 3.0 | 9.0 | (68.3) |
| Insurance proceeds – Rigids Dundee plant | (82.7) | – | – | – | (82.7) | – |
| Tax effects and outside shareholders' interest | (747.4) | (49.8) | (0.1) | (51.5) | (747.5) | (101.3) |
| Total | (500.1) | 348.8 | (65.3) | (473.6) | (565.4) | (124.8) |
| Weighted average number of shares in issue ('000) | 644 935 | 644 727 | 644 935 | 644 727 | 644 935 | 644 727 |
| Headline (loss)/earnings per share (cents) | (77.6) | 54.1 | (10.1) | (73.5) | (87.7) | (19.4) |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

5. Basic and headline earnings per share continued

5.4 Diluted headline (loss)/earnings per share

| R million | Continuing operations | | Discontinued operations | | Total | |
|-------------------------------------------------------------------------------------------------------------------|-----------------------|---------|-------------------------|---------|----------------|---------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Diluted headline (loss)/earnings* | (500.1) | 348.8 | (65.3) | (473.6) | (565.4) | (124.8) |
| Weighted average number of ordinary shares for the purpose of diluted headline (loss)/earnings per share ('000)** | 645 465 | 647 934 | 645 465 | 647 934 | 645 465 | 647 934 |
| Diluted headline (loss)/earnings per share (cents) | (77.5) | 53.8 | (10.1) | (73.1) | (87.6) | (19.3) |

* No dilution of headline (loss)/earnings.

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

6. Financial risk management and net debt

6.1 Financial risk management

Financial risk management objectives

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

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

Where relevant, selected derivative and non-derivative hedging instruments are used to hedge risks. Hedging instruments are used to cover risks that affect the group's cash flows and are not used for trading or speculative purposes.

Compliance with policies and exposure limits are periodically reviewed by the treasury committee.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

Carrying amount and maturity profile of financial instruments

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

| | Notes | Carrying amount | Current year | 1 - 2 years | 2 - 3 years | 3 - 4 years | Over 4 years |
|-------------------------------------------------------------------|-------|-----------------|----------------|----------------|----------------|--------------|----------------|
| At 30 September 2020 | | | | | | | |
| Financial assets | | | | | | | |
| <i>At amortised cost</i> | | | | | | | |
| Other loan receivables | 6.3 | 190.9 | 51.2 | 64.2 | 63.7 | 20.9 | 8.7 |
| Trade receivables and other current assets ¹ | 7.6 | 1 781.3 | 1 781.3 | – | – | – | – |
| Bank balances and deposits | 6.7 | 1 528.9 | 1 528.9 | – | – | – | – |
| <i>At fair value through other comprehensive income – level 1</i> | | | | | | | |
| Liquid bonds ⁴ | 6.3 | 307.4 | 307.4 | – | – | – | – |
| <i>At fair value – level 2</i> | | | | | | | |
| Derivative assets ³ | 7.6 | 13.7 | 13.7 | – | – | – | – |
| Total | | 3 822.2 | 3 682.5 | 64.2 | 63.7 | 20.9 | 8.7 |
| Financial liabilities | | | | | | | |
| <i>At amortised cost</i> | | | | | | | |
| Loans | 6.4 | 6 755.2 | 1 000.0 | 2 954.0 | 2 801.2 | – | – |
| Lease liabilities | 6.5 | 1 425.7 | 134.5 | 165.8 | 172.6 | 179.6 | 1 460.3 |
| Trade payables and other current liabilities ² | 7.8 | 2 232.9 | 2 232.9 | – | – | – | – |
| Bank overdrafts | 6.7 | 128.5 | 128.5 | – | – | – | – |
| <i>At fair value – level 2</i> | | | | | | | |
| Derivative liabilities ³ | 7.8 | 11.1 | 11.1 | – | – | – | – |
| Total | | 10 553.4 | 3 507.0 | 3 119.8 | 2 973.8 | 179.6 | 1 460.3 |

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

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

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

4 During the current year, at 1 October 2019, the liquid bonds were reclassified from financial assets measured at amortised cost to financial assets measured at fair value through other comprehensive income - level 1. The amortised cost balance of US\$48.9million was increased by approximately US\$1million to the fair value amount of US\$49.9million. The business model objective for which the assets are held is now achieved by both collecting contractual cash flows and selling the financial assets. The contractual terms of the liquid bonds still give rise, on specified dates, to cash flows that are solely payments of principal and interest on the amount outstanding. The level 1 fair value hierarchy is based on inputs received from quoted prices from the bank for USD linked kwanza bonds on the respective measurement dates.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

| R million | Notes | Carrying amount | Current year | 1 - 2 years | 2 - 3 years | 3 - 4 years | Over 4 years |
|-----------------------------------------------------------|-------|-----------------|----------------|--------------|----------------|--------------|--------------|
| At 30 September 2019 | | | | | | | |
| Financial assets | | | | | | | |
| <i>At amortised cost</i> | | | | | | | |
| Liquid bonds and other loan receivables | 6.3 | 902.3 | 41.7 | 788.9 | 52.6 | 47.4 | 19.4 |
| Trade receivables and other current assets ¹ | 7.6 | 2 469.6 | 2 469.6 | – | – | – | – |
| Bank balances and deposits | 6.7 | 1 462.7 | 1 462.7 | – | – | – | – |
| <i>At fair value – level 2</i> | | | | | | | |
| Derivative assets ³ | 7.6 | 26.2 | 26.2 | – | – | – | – |
| Total | | 4 860.8 | 4 000.2 | 788.9 | 52.6 | 47.4 | 19.4 |
| Financial liabilities | | | | | | | |
| <i>At amortised cost</i> | | | | | | | |
| Secured loans | 6.4 | 7 859.1 | 1 744.70 | – | 5 260.2 | 910.3 | – |
| Trade payables and other current liabilities ² | 7.8 | 3 228.0 | 3 228.0 | – | – | – | – |
| Bank overdrafts | 6.7 | 227.8 | 227.8 | – | – | – | – |
| <i>At fair value – level 2</i> | | | | | | | |
| Derivative liabilities ³ | 7.8 | 11.3 | 11.3 | – | – | – | – |
| Total | | 11 326.2 | 5 211.8 | – | 5 260.2 | 910.3 | – |

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

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

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

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

Financial risk management techniques

a) Capital risk management

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

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

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

The group is in the process of reviewing its asset portfolio and its capital and funding structures. Focus continues to be on margin improvement activities and cash generation. Given the impact of COVID-19 on normal demand patterns, the optimisation of working capital and conservative capital expenditure have been key focus areas. As a result, the group has continued to be cash positive throughout the period impacted by the pandemic.

The group monitors capital based on two gearing ratios namely net debt to EBITDA ratio and an interest cover ratio. These ratios are calculated as net debt divided by EBITDA and EBITDA divided by net interest payable respectively. The adoption of IFRS 16 has specifically been excluded for purposes of the covenant calculations. These ratios are the covenant terms of the Revolving Credit Agreement and apply to the group results.

The group has obtained covenant relaxations from its lenders for both the 30 September 2020 and the 31 March 2021 measurement periods with a return to normal covenant levels expected to be reached by September 2021. Additional quarterly measurement periods are now 31 December 2020 and 30 June 2021.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

This was mainly due to the negative group EBITDA impact of COVID-19 and reduced economic activity in Angola during the year.

Covenants will be measured quarterly until 31 December 2021 and reported to the group's funders. EBITDA for covenant calculations is based on a rolling twelve-month period to the date of measurement.

Consequently, the adverse impacts of COVID-19 on the group's EBITDA will only be excluded from the computation for the September 2021 measurement. The revised covenant levels have taken this factor into account and have been structured accordingly.

The respective covenant limits for these reporting periods has been relaxed as follows:

| | 30 Sep 19 | 31 Mar 20 | 30 Sep 20 | 31 Dec 20 | 31 Mar 21 | 30 Jun 21 | 30 Sep 21 |
|-----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Covenant requirement | | | | | | | |
| Net debt : EBITDA | Less than or = to 3.5 x | Less than or = to 3.5 x | Less than or = to 5.25 x | Less than or = to 5.25 x | Less than or = to 5.25 x | Less than or = to 4.5 x | Less than or = to 3.0 x |
| EBITDA : Interest cover | More than or = to 4.0 x | More than or = to 3.25 x | More than or = to 2.25 x | More than or = to 2.25 x | More than or = to 2.25 x | More than or = to 2.25 x | More than or = to 4.0 x |

As part of the covenant waiver and to reduce gearing, Nampak is committed to explore the sale of certain assets. We are also in the process of implementing the restructuring of certain businesses, in order to further improve profitability. Together with internally generated cash, these actions will support a deleveraging plan through the 2021 financial year.

b) Liquidity risk management

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

In order to address the group's maturing debt profile the group successfully refinanced its funding structure in September 2018 into one common terms agreement catering for multiple currencies and borrowers over a four and a five year term. This common agreement improved the mix of short and long-term facilities and provided additional cash resources to aid in optimising liquidity, flexibility and capacity for growth.

In line with the intention to reduce US dollar denominated debt, the R1.4 billion net proceeds from the disposal of Glass and US\$16 million from Cartons Nigeria were utilised to reduce this debt by US\$100 million.

This improved the mix of Rand and US dollar denominated debt, reduced the group's exposure to foreign exchange fluctuations going forward and will alleviate to some extent the adverse impacts on the funding covenants of a dislocation between the spot and average Rand and US dollar exchange rates late in a reporting period. US dollar debt now comprises 66% of total gross debt, a reduction from 75% in September 2019.

Bevcan Angola remained challenged by low consumer spending and a strictly enforced COVID-19 lockdown, resulting in reduced informal trading. Volumes to date have more than halved compared to the prior period. Management reacted swiftly and substantially lowered the business's fixed cost structure and headcount, but trading profit is significantly lower than the prior period.

Despite the decrease in economic activity, cash transfers of R1.1 billion (2019: R1.7 billion) to Nampak International Limited and repayments of accounts payable to Bevcan South Africa for ends exported to Angola continued during the year due to active management.

R307 million or 92% of the remaining cash balance of R335 million is hedged using USD linked kwanza bonds which have proven to be highly effective hedging instruments. The remaining R27 million is required for day to day working capital requirements. The Kwanza continues to devalue with a 64.3% devaluation from AOA389.485 in 2019 to AOA640.097 in 2020. The current rate of exchange has devalued to AOA654.759 which is a further 2% devaluation. The group continues to hedge its foreign exchange exposures in Angola.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

Overall R1.2 billion (2019: R1.5 billion) was transferred from Nigeria despite slowing availability of foreign currencies. Cash balances at year end amounted to R294 million (2019: R217 million). No cash balances are hedged in Nigeria as economic hedges are not available.

The availability of foreign currency in Zimbabwe remains challenging and only R9 million or 16% of the opening cash position of R57 million was transferred to the group for the period.

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

| R million | South Africa | Rest of Africa | Europe | Total |
|-------------------------------------------|----------------|----------------|----------------|----------------|
| Expiry period at 30 September 2020 | | | | |
| One year | 1 275.0 | – | 107.0 | 1 382.0 |
| Two years | 1 000.0 | – | (383.8) | 616.2 |
| Three years | 1 036.0 | – | 2 586.3 | 3 622.3 |
| Total | 3 311.0 | – | 2 309.5 | 5 620.5 |
| Expiry period at 30 September 2019 | | | | |
| One year | 999.4 | 170.1 | – | 1 169.5 |
| Three years | – | – | 836.1 | 836.1 |
| Four years | 2 000.0 | – | 2 351.6 | 4 351.6 |
| Total | 2 999.4 | 170.1 | 3 187.7 | 6 357.2 |

Whilst the group is well funded with significant headroom in its total banking facilities, the use of available headroom is restricted by current EBITDA levels, which are lower than anticipated due to limited trading activity during the lockdown and overall weaker economic conditions.

The group's current banking facilities are surplus to its medium-term requirements. In order to reduce banking commitment fees, the group has restructured its funding mix, profile and capacity to more closely align the facility levels with expected future trading levels, but has ensured that significant headroom remains. The revised funding package is expected to positively benefit earnings and has reduced the funding limits by approximately R2.8 billion from R13.8 billion.

c) Market risk management

Interest rate risk management

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

The rand and dollar interest rate risks are mainly managed on a floating rate basis using derivative instruments, where appropriate, to limit the effects of adverse movements in rates. There were no interest rate derivatives in place during the year.

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

| R million | Floating rate liabilities | Fixed rate liabilities | Floating rate assets | Fixed rate assets | Net (liability)/asset |
|-----------------------------|---------------------------|------------------------|----------------------|-------------------|-----------------------|
| At 30 September 2020 | | | | | |
| South African rand | (3 827.9) | – | 1 241.4 | 2.2 | (2 584.3) |
| UK pound | – | – | 7.5 | – | 7.5 |
| US dollar | (3 459.0) | (1 001.2) | 278.6 | – | (4 181.6) |
| Nigerian naira | (8.1) | – | 64.2 | – | 56.1 |
| Angolan kwanza | (13.2) | – | 35.6 | 307.4 | 329.8 |
| Other currencies | – | – | 90.3 | – | 90.3 |
| Total | (7 308.2) | (1 001.2) | 1 717.6 | 309.6 | (6 282.2) |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

| R million | Floating rate liabilities | Fixed rate liabilities | Floating rate assets | Fixed rate assets | Net (liability)/asset |
|--------------------------------------------------------|---------------------------|------------------------|----------------------|-------------------|-----------------------|
| At 30 September 2019 | | | | | |
| South African rand | (2 183.4) | – | 888.0 | 4.2 | (1 291.2) |
| UK pound | – | – | 143.5 | – | 143.5 |
| US dollar | (3 238.5) | (2 652.3) | 216.8 | – | (5 674.0) |
| Nigerian naira | – | – | 90.4 | – | 90.4 |
| Angolan kwanza | – | – | 295.7 | 723.1 | 1 018.8 |
| Other currencies | (12.7) | – | 126.8 | – | 114.1 |
| Total | (5 434.6) | (2 652.3) | 1 761.2 | 727.3 | (5 598.4) |
| | 2020 | | | | 2019 |
| | Bank balances % | Borrowings* % | Bank balances % | Borrowings* % | |
| Weighted average interest rates are as follows: | | | | | |
| South African rand | 5.4 | 7.1 | 6.3 | 8.9 | |
| UK pound | – | – | 0.7 | – | |
| US dollar | 2.9 | 4.4 | – | 4.8 | |

* Borrowings include overnight call facilities.

If the market interest rates had been 100 basis points higher/lower at 30 September 2020 profit or loss would have been R67.3 million lower/higher (2019: R79.2 million).

The amount of R67.3 million (2019: R79.2 million) is calculated based on the assumption that the daily average weighted cost of borrowings was higher/lower by 100 basis points throughout the year and such rate was applied to the borrowings as at year-end. This would not necessarily equate to the actual profit or loss as year end borrowings do not reflect actual borrowings throughout the year.

Currency risk management

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

The group uses forward contracts in particular, together with other hedging instruments such as swaps and options, to manage transactional currency risks. Specific translation risks are managed through the selective use of options and hedge positions. In South Africa, all capital commitments are required to be designated as a cash flow hedge. The DivFood division has also historically designated imports of tinsplate as cash flow hedges. These hedges are tested for hedge effectiveness on a regular basis. In the current year a gain on the fair value of FEC contracts amounting to R53.5 million (2019: R2.9 million loss) was taken to equity. When risks and rewards of ownership transfer to the group, a basis adjustment will be made against the assets and inventory purchased. During the current year, the cost of inventory was reduced by R42.2 million (2019: Nil).

Nampak has sizeable operations outside of South Africa and is exposed to various foreign currency movements, as a result, the group's performance is impacted by foreign currency movements.

The Nigerian Naira remained relatively stable, while the Angolan Kwanza devalued by more than 60% over the period. The Zimbabwean Dollar devalued by more than 440% and as a result, foreign exchange losses are expected for the full year period.

The Zimbabwe operations performed well in local currency. Unfortunately, these results were materially adversely impacted by the impacts of hyperinflation when translating these results to rands at the year-end spot rate.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

| | 2020 | 2019 |
|----------------------------------------------------|---------------|--------|
| Currency conversion guide at 30 September | | |
| <i>Statement of comprehensive income (average)</i> | | |
| Rand/UK pound | 20.68 | 18.30 |
| Rand/Euro | 18.19 | 16.18 |
| Rand/US dollar | 16.24 | 14.35 |
| Kwanza/US dollar | 549.67 | 333.94 |
| Naira/US dollar | 375.15 | 361.55 |
| Zimbabwean dollar/US dollar | 36.76 | 5.01 |
| <i>Statement of financial position (spot)</i> | | |
| Rand/UK pound | 21.55 | 18.65 |
| Rand/Euro | 19.56 | 16.54 |
| Rand/US dollar | 16.69 | 15.17 |
| Kwanza/US dollar | 640.10 | 389.49 |
| Naira/US dollar | 381.75 | 362.04 |
| Zimbabwean dollar/US dollar | 81.44 | 15.20 |

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

If the exchange rates with these currencies had weakened by 5% at 30 September 2020, with all other variables held constant, the impact on profit and loss for the year would have been a decrease of R13.5 million (2019: R10.5 million). Conversely, if the exchange rates with these currencies strengthened by 5%, profit and loss would increase by R13.5 million (2019: R10.5 million).

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

| R million | Average contract rate (R) | | Notional amount net imports | | Fair value (liability)/asset | |
|-----------------------------------|---------------------------|-------|-----------------------------|---------|------------------------------|------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Fair value hedges and FECs | | | | | | |
| <i>US dollar</i> | | | | | | |
| Less than 3 months | 17.05 | 14.86 | 9.0 | (80.5) | (2.9) | 2.0 |
| 3 to 6 months | 17.07 | 15.23 | 3.6 | (7.4) | (0.5) | 0.1 |
| 6 to 9 months | 17.17 | 14.64 | 3.3 | (3.2) | (0.3) | 0.2 |
| <i>Euro</i> | | | | | | |
| Less than 3 months | 19.79 | 16.57 | 7.8 | (140.7) | (1.3) | – |
| 3 to 6 months | 20.30 | 16.54 | 2.1 | (15.5) | (1.1) | 0.4 |
| <i>UK pound</i> | | | | | | |
| Less than 3 months | 21.80 | 18.52 | 0.7 | (15.2) | (0.2) | 0.1 |
| 3 to 6 months | 22.53 | – | 0.7 | – | (0.4) | – |
| <i>Other</i> | | | | | | |
| Less than 3 months | | | 0.3 | (9.9) | – | – |
| | | | | | (6.7) | 2.8 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

The values of open forward contracts designated as cash flow hedges entered into at 30 September and their expected maturity profiles are:

| R million | Average contract rate (R) | | Notional amount net imports | | Fair value (liability)/asset | |
|-----------------------------|---------------------------|-------|-----------------------------|---------|------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Cash flow hedge FECs | | | | | | |
| <i>US dollar</i> | | | | | | |
| Less than 3 months | 16.79 | 14.87 | 8.4 | (302.4) | 6.9 | 15.7 |
| 3 to 6 months | 16.95 | 15.16 | 1.3 | (225.3) | (0.5) | 2.7 |
| 6 to 9 months | 17.04 | 15.45 | 0.1 | (111.6) | – | 1.1 |
| <i>Euro</i> | | | | | | |
| Less than 3 months | 19.72 | 16.83 | 0.4 | (52.6) | 1.1 | (0.6) |
| 3 to 6 months | – | 17.48 | – | (25.3) | – | (0.6) |
| 6 to 9 months | – | 17.70 | – | (3.7) | – | (0.1) |
| | | | | | 7.5 | 18.2 |

Commodity price risk management

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

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

| R million | Average contract rate (R) | | Notional amount | | Fair value (liability) | |
|--------------------|---------------------------|--------|-----------------|--------|------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Less than 3 months | 27 100 | 26 833 | (25.9) | (70.7) | 1.8 | (3.8) |
| 3 to 6 months | – | 26 774 | – | (55.7) | – | (1.7) |
| 6 to 9 months | – | 26 897 | – | (18.8) | – | (0.6) |
| | | | | | 1.8 | (6.1) |

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.1 Financial risk management continued

d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. In order to minimise credit risk, the group has a policy of only dealing with creditworthy, blue-chip counterparties.

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

In order to manage the group's liquidity risk, it has hedged its cash position in Angola using US dollar indexed kwanza bonds. The recoverability of the bonds is subject to the credit risk of the Angolan government. The rating of Angola has deteriorated from September 2016 to September 2020. However, the group has concluded that there is no significant increase in credit risk, due to there being no default on the bonds, and thus the bonds are in stage 1 as defined by IFRS 9. As a result, a 12-month Probability of Default ("PD") was used as opposed to a lifetime PD at both year end and adoption date.

During the current year, the group acquired 6 038 bonds with a nominal value of \$7.6 million and sold 31 582 bonds with a nominal value of \$39.6 million. At year end the group holds 14 979 bonds with a nominal value of \$18.8 million (2019: 40 523 bonds with a nominal value of \$50.8 million).

As a result of the Reserve Bank of Zimbabwe (RBZ) financial instrument arising from the arrangement with the RBZ, in order to protect the group's cash position in that jurisdiction, the group is exposed to the credit risk and probability of default of the Zimbabwean government. The continued judgement related to the expected credit loss raised at 85% in 2019 to continue at a similar rate for 2020, is based on the following factors:

- › The World Bank estimated the recovery of Zimbabwe at 17.5%
- › Circumstances in Zimbabwe remain similar to 2019
- › No defaults have yet been experienced with regard to settlement of this agreement by the RBZ with the first payment due on 31 March 2021.

The board agreed that no further impairment to the expected credit loss of 85% raised at 30 September 2019 was required.

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

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

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

ECL assessment

For trade receivables, the group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. See note 7.6. The loss allowance on liquid bonds and other loans receivable is measured as per Note 6.3.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.2 Net finance costs

| R million | Continuing operations | | Discontinued operations | | Total | |
|-----------------------------------------------|-----------------------|-------|-------------------------|-------|--------------|-------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Finance costs | | | | | | |
| Interest expense – short-term facilities | 68.6 | 185.3 | – | 199.9 | 68.6 | 385.2 |
| Interest expense – long-term facilities | 329.2 | 190.1 | 98.7 | 0.2 | 427.9 | 190.3 |
| Interest expense – lease liabilities | 129.0 | – | – | – | 129.0 | – |
| Interest expense – other | 4.9 | 0.8 | 0.1 | – | 5.0 | 0.8 |
| Total | 531.7 | 376.2 | 98.8 | 200.1 | 630.5 | 576.3 |
| Finance income | | | | | | |
| Interest income – short-term facilities | 29.7 | 56.4 | – | – | 29.7 | 56.4 |
| Interest income – liquid bonds | 34.9 | 66.7 | – | – | 34.9 | 66.7 |
| Interest income – equipment sales receivables | 1.8 | – | – | – | 1.8 | – |
| Interest income – other | 10.1 | 6.8 | 6.6 | 0.2 | 16.7 | 7.0 |
| Total | 76.5 | 129.9 | 6.6 | 0.2 | 83.1 | 130.1 |

6.3 Liquid bonds and other loan receivables

| R million | 2020 | 2019 |
|---------------------------------------------------------------|--------------|-------|
| Liquid bonds ¹ | 307.4 | 723.1 |
| Equipment sales receivables ² | 24.1 | 28.9 |
| Reserve Bank of Zimbabwe financial instrument ³ | 150.4 | 129.1 |
| Other loan receivables | 16.4 | 21.2 |
| Gross liquid bonds and other loan receivables | 498.3 | 902.3 |
| Less: Amounts receivable within one year reflected as current | 358.6 | 40.1 |
| Liquid bonds | 307.4 | 25.3 |
| Equipment sales receivables | 5.4 | 5.8 |
| Reserve Bank of Zimbabwe financial instrument | 41.3 | – |
| Other loan receivables | 4.5 | 9.0 |
| Net non-current liquid bonds and other loan receivables | 139.7 | 862.2 |

1 Liquid bonds relate to US dollar indexed Angolan kwanza bonds. As at 30 September the Angolan kwanza equivalent of US\$18.8 million (2019: US\$51.5 million) had been hedged through these bonds in order to protect the group against further Angolan kwanza devaluation. Interest rates earned are between 5.0% and 7.0% (2019: 7.0%). Amounts are presented net of the calculated expected credit loss allowance – refer below.

2 Equipment sales receivables are repayable from 2021 to 2026. Interest rates charged are from 6.0% to 15.5% (2019: from 7.0% to 15.5%). Amounts are presented net of the calculated expected loss allowance – refer below.

3 The Reserve Bank of Zimbabwe financial instrument relates to an arrangement in terms of which an amount of US\$66.8 million owing by Nampak Zimbabwe Limited (“NZL”) on its trade account to Nampak International Limited (“NIL”), a direct subsidiary of Nampak Limited, will be settled in 12 quarterly payments of US\$5.6 million by the Reserve Bank of Zimbabwe (“RBZ”). Repayments commence 31 March 2021 and zero interest is earned on the outstanding balance. Due to the long-term nature of this receivable and uncertainty around the RBZ being able to access foreign currency to honour this agreement, an expected credit loss of 85% of the balance has been recognised. With effect from 13 March 2020, NZL ceded its rights to repayment of the RBZ financial instrument to NIL in full and final settlement of its liability to NIL. This transaction has not changed the group’s legal rights to receive payments under the RBZ agreement and has removed the exposure of NZL to further foreign currency losses related to its dollar denominated liability to NIL.

Liquid bonds and other loan receivables are measured initially at fair value, and are subsequently measured at fair value through other comprehensive income and amortised cost, respectively. The liquid bonds are held for collecting contractual cash flows and for sale. The liquid bonds are included in current receivables as these receivables are due to mature before 30 September 2021. The fair values approximate their carrying values, due to their short-term nature.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.3 Liquid bonds and other loan receivables continued

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

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

| R million | 2020 | 2019 |
|------------------------------------------------------------------------------------------------------------------|--------------|--------|
| At 1 October | 751.7 | 69.2 |
| Net measurement of loss allowance – 12 month ECL movement on liquid bonds, equipment sales and other receivables | (8.1) | (49.3) |
| Net measurement of loss allowance – lifetime ECL of Zimbabwe "sovereign" hedge | – | 732.0 |
| Translation differences | 72.7 | (0.2) |
| At 30 September | 816.3 | 751.7 |

6.4 Loans – non-current

| R million | Redeemable/ repayable | Year-end interest rates (%) | 2020 | 2019 |
|----------------------------------------------------------------------------------|--------------------------|--------------------------------|----------------|---------|
| Local* | 2022 – 2023 | 5.4 | 2 300.0 | 1 982.9 |
| Foreign* | 2020 – 2023 | 2.2 – 4.6 | 4 455.2 | 5 876.2 |
| Gross non-current loans | | | 6 755.2 | 7 859.1 |
| Less: amounts due for repayment within one year, reflected as current (note 6.6) | | | 1 000.0 | 1 726.3 |
| Net non-current loans | | | 5 755.2 | 6 132.8 |

* Loans are secured as follows:

R6 755.2 million (2019: R7 859.1 million) debt is secured by guarantees issued by the Nampak Limited group. These facilities are subject to covenants relating to interest cover and liquidity of the Nampak Limited group.

The Nampak Limited group was within the relaxed covenant requirements at the measurement dates.

No liabilities have been recognised for the outstanding guarantees as all actual liabilities have been recognised.

The R1 000.0 million reflected as current relates to the requirement in the revised revolving credit facility agreement to permanently reduce the group's indebtedness by this amount by 30 September 2021.

| R million | | Total | Local | Foreign |
|----------------------------------------------------------|------|---------|---------|---------|
| Summary of loans by year of redemption or payment | | | | |
| <i>Total owing at 30 September 2020</i> | | 6 755.2 | 2 300.0 | 4 455.2 |
| Repayable during the year ending 30 September | 2021 | 1 000.0 | 500.0 | 500.0 |
| | 2022 | 2 954.0 | – | 2 954.0 |
| | 2023 | 2 801.2 | 1 800.0 | 1 001.2 |

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.5 Lease liabilities – non-current

| R million | Redeemable/ repayable | Year-end interest rates (%) | 2020 | 2019 |
|-------------------------------------------------------------------------------------|--------------------------|--------------------------------|----------------|------|
| Local | 2021 - 2031 | 8.90 | 1 420.7 | – |
| Foreign | | | 5.0 | – |
| Gross non-current lease liabilities | | | 1 425.7 | – |
| Less: amounts due for repayment within one year, reflected as current (note 6.6) | | | 134.5 | – |
| Net non-current lease liabilities | | | 1 291.2 | – |

With effect from 1 October 2019, the group has applied IFRS 16: Leases. Refer note 10.1.

The group has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The accounting treatment under IFRS 16 is set out below.

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

6. Financial risk management and net debt continued

6.5 Lease liabilities – non-current

| R million | | Total | Local | Foreign |
|----------------------------------------------------------------------|--------------|---------|---------|---------|
| Summary of lease liabilities by year of redemption or payment | | | | |
| <i>Total owing at 30 September 2020</i> | | 2 112.8 | 2 107.8 | 5.0 |
| Repayable during the year ending 30 September | 2021 | 134.5 | 133.5 | 1.0 |
| | 2022 | 165.8 | 165.0 | 0.8 |
| | 2023 | 172.6 | 171.6 | 1.0 |
| | 2024 | 179.6 | 178.4 | 1.2 |
| | 2025 onwards | 1 460.3 | 1 459.3 | 1.0 |

Sale and leaseback

During 2016, the group entered into a significant sale and leaseback transaction for 15 of its industrial properties at their carrying amount. The group accounted for the transaction as an operating sale and lease back as the significant risks and rewards of ownership were transferred to, and remained with, the purchaser.

In total, 14 of the properties are leased for a period of 15 years with an option to renew the lease agreements for one additional period of 10 years, and an option to repurchase the properties at market related prices on termination of the lease agreements. One of the properties is leased for a period of three years. Escalation of lease payments is provided for in the agreements at inflation-related rates.

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

6.6 Loans, lease liabilities and bank overdrafts

| R million | 2020 | 2019 |
|-------------------------------------------------|----------------|---------|
| Current portion of loans (note 6.4) | 1 000.0 | 1 726.3 |
| Current portion of lease liabilities (note 6.5) | 134.5 | – |
| Loans and lease liabilities – current | 1 134.5 | 1 726.3 |
| Bank overdrafts (note 6.7) | 128.5 | 227.8 |
| Total | 1 263.0 | 1 954.1 |

Secured loans and lease liabilities are measured at amortised cost, and the carrying amounts approximate fair value.

6.7 Net cash and cash equivalents

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

| R million | 2020 | 2019 |
|------------------------------------|----------------|---------|
| Cash and cash equivalents | 1 528.9 | 1 586.2 |
| Bank balances and deposits* | 1 528.9 | 1 462.7 |
| Assets classified as held for sale | – | 123.5 |
| Bank overdrafts (note 6.6)** | (128.5) | (227.8) |
| Total | 1 400.4 | 1 358.4 |

* Included in bank balances and deposits are balances relating to Nampak Zimbabwe Limited of R61.9 million (2019: R57.3 million) which is regarded as having limited transferability.

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets

7.1 Property, plant, equipment and investment property

| R million | Freehold land and buildings | Leasehold buildings | Plant, equipment and vehicles | Capitalised lease plant and vehicles | Investment properties | Total property, plant and equipment and investment property |
|---------------------------------------------------|-----------------------------|---------------------|-------------------------------|--------------------------------------|-----------------------|-------------------------------------------------------------|
| Gross carrying amount | | | | | | |
| At 1 October 2018 | 700.8 | 1 081.2 | 12 493.2 | 15.3 | 5.4 | 14 295.9 |
| Additions | 0.9 | 0.3 | 626.3 | – | – | 627.5 |
| Disposals | – | – | (661.5) | (3.0) | (1.1) | (665.6) |
| Reclassified from assets held for sale (note 7.7) | – | – | 333.6 | – | – | 333.6 |
| Reclassified to assets held for sale (note 7.7) | (114.9) | – | (1 275.8) | – | – | (1 390.7) |
| Impairment loss | (121.2) | – | (439.3) | – | – | (560.5) |
| Translation differences | (274.4) | 73.0 | (630.8) | – | – | (832.2) |
| Other movements | (70.1) | (0.3) | 24.2 | (2.8) | – | (49.0) |
| At 30 September 2019 | 121.1 | 1 154.2 | 10 469.9 | 9.5 | 4.3 | 11 759.0 |
| Additions | 4.5 | 3.5 | 530.6 | – | – | 538.6 |
| Disposals | – | – | (335.0) | – | – | (335.0) |
| Reclassified to right of use assets (note 7.2) | – | – | – | (9.5) | – | (9.5) |
| Reclassified to assets held for sale (note 7.7) | – | – | (72.6) | – | – | (72.6) |
| Impairment loss | – | – | (1 595.5) | – | – | (1 595.5) |
| Reversal of impairment loss | – | – | 9.6 | – | – | 9.6 |
| Translation differences | (29.0) | 114.6 | 259.6 | – | – | 345.2 |
| Other movements | 39.6 | (0.1) | (55.5) | – | – | (16.0) |
| At 30 September 2020 | 136.2 | 1 272.2 | 9 211.1 | – | 4.3 | 10 623.8 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.1 Property, plant, equipment and investment property continued

| R million | Freehold land and buildings | Leasehold buildings | Plant, equipment and vehicles | Capitalised lease plant and vehicles | Investment properties | Total property, plant and equipment and investment property |
|--------------------------------------------|-----------------------------|---------------------|-------------------------------|--------------------------------------|-----------------------|-------------------------------------------------------------|
| Accumulated depreciation | | | | | | |
| At 1 October 2018 | 211.0 | 246.4 | 5 645.8 | 11.2 | 4.5 | 6 118.9 |
| Depreciation charge for the year | 5.5 | 41.1 | 447.0 | – | – | 493.6 |
| Disposals | – | – | (585.5) | (2.8) | (1.1) | (589.4) |
| Reclassification from assets held for sale | – | – | 208.2 | – | – | 208.2 |
| Reclassification to assets held for sale | (97.9) | – | (1 099.7) | – | – | (1 197.6) |
| Translation differences | (30.1) | 17.9 | (432.3) | – | – | (444.5) |
| Other movements | (2.4) | 0.5 | (23.0) | (0.5) | – | (25.4) |
| At 30 September 2019 | 86.1 | 305.9 | 4 160.5 | 7.9 | 3.4 | 4 563.8 |
| Depreciation charge for the year | 1.9 | 46.6 | 341.0 | – | – | 389.5 |
| Disposals | – | – | (299.3) | – | – | (299.3) |
| Reclassification to right of use assets | – | – | – | (7.9) | – | (7.9) |
| Reclassification to assets held for sale | – | – | (8.8) | – | – | (8.8) |
| Translation differences | (5.2) | 31.3 | 58.8 | – | – | 84.9 |
| Other movements | 3.3 | 0.1 | (7.6) | – | – | (4.2) |
| At 30 September 2020 | 86.1 | 383.9 | 4 244.6 | – | 3.4 | 4 718.0 |
| Net book value at 30 September 2020 | 50.1 | 888.3 | 4 966.5 | – | 0.9 | 5 905.8 |
| Net book value at 30 September 2019 | 35.0 | 848.3 | 6 309.4 | 1.6 | 0.9 | 7 195.2 |

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 Bevcam operations where the units of production method is applied. Depreciation is not provided in respect of land.

Assets previously held under finance leases in terms of IAS 17: Leases were depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. These assets were reclassified to right of use assets on the adoption of IFRS 16: Leases (refer note 10.1).

The average straight-line rates of depreciation used are:

| | |
|--------------------------------------------|-----------------------------------------|
| Freehold buildings and investment property | 30 to 50 years |
| Leasehold buildings | Shorter of asset life or the lease term |
| Plant and equipment | 2 to 20 years |
| Furniture and equipment | 4 to 10 years |
| Motor vehicles | 2 to 10 years |

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.1 Property, plant, equipment and investment property continued

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

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

- › Bevcan Angola (Rest of Africa Metals segment): R1 165.7 million;
- › DivFood (South Africa Metals segment): R131.4 million;
- › Rigids (South Africa Plastics segment): R270.2 million.

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

7.2 Right of use assets

| R million | Property | Plant and equipment | Total |
|--------------------------------------------------------------------------|--------------|---------------------|----------------|
| Cost | | | |
| Adoption of IFRS 16 Leases | 1 273.9 | 27.0 | 1 300.9 |
| Reclassification from property, plant, equipment and investment property | – | 9.5 | 9.5 |
| Additions | 32.0 | 0.2 | 32.2 |
| Disposals | (26.6) | (1.4) | (28.0) |
| Disposal of business | (89.6) | – | (89.6) |
| Impairment loss | (209.2) | – | (209.2) |
| At 30 September 2020 | 980.5 | 35.3 | 1 015.8 |
| Depreciation | | | |
| Reclassification from property, plant, equipment and investment property | – | 7.9 | 7.9 |
| Charge for the year | 125.6 | 6.1 | 131.7 |
| Disposals | (3.4) | (1.1) | (4.5) |
| At 30 September 2020 | 122.2 | 12.9 | 135.1 |
| Net carrying value at 30 September 2020 | 858.3 | 22.4 | 880.7 |
| Net carrying value at 30 September 2019 | – | – | – |

With effect from 1 October 2019, the group has applied IFRS 16: Leases. Refer note 10.1. Assets previously capitalised to property, plant and equipment in terms of previous finance leases under IAS 17: Leases have been reclassified to right of use assets.

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

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.2 Right of use assets continued

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

- › DivFood (South Africa Metals segment): R55.9 million;
- › Rigids (South Africa Metals segment): R153.3 million.

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

7.3 Goodwill

| R million | Carrying amount |
|-----------------------------|-----------------|
| Carrying amount | |
| At 1 October 2018 | 3 512.8 |
| Translation differences | 222.1 |
| At 30 September 2019 | 3 734.9 |
| Impairment loss | (2 213.4) |
| Translation differences | 356.4 |
| At 30 September 2020 | 1 877.9 |

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

| R million | Cost | Cumulative impairment | Net carrying value |
|-----------------------------|----------------|-----------------------|--------------------|
| At 30 September 2020 | | | |
| Metals | 3 662.2 | (1 879.4) | 1 782.8 |
| Plastics | 114.0 | (60.1) | 53.9 |
| Paper | 41.2 | – | 41.2 |
| | 3 817.4 | (1 939.5) | 1 877.9 |
| At 30 September 2019 | | | |
| Metals | 3 662.2 | (22.4) | 3 639.8 |
| Glass | 321.1 | (321.1) | – |
| Plastics | 114.0 | (60.1) | 53.9 |
| Paper | 41.2 | – | 41.2 |
| | 4 138.5 | (403.6) | 3 734.9 |

Goodwill represents amounts arising on acquisition of subsidiaries in terms of IFRS3: Business Combinations and is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquirer, and the fair value of the acquirer's previously held equity interest in the acquiree, if any, over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

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

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

The group assesses goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The key assumptions used are cash flow projections, growth rates and discount rates. The cash flow projections are prepared by divisional management and approved by executive management. The discount rates are established by the corporate finance and treasury team, taking into account geographic and other risk factors. These key assumptions are disclosed in note 2.3.

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

- › Bevcan Nigeria (Rest of Africa Metals segment): R2 176.4 million;
- › DivFood (South Africa Metals segment): R37.0 million.

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.4 Other intangible assets

| R million | ERP systems and software | Other* | Total |
|--------------------------------------------------|--------------------------|--------------|--------------|
| Cost | | | |
| At 1 October 2018 | 199.9 | 310.4 | 510.3 |
| Additions | 14.9 | – | 14.9 |
| Reclassification to assets held for sale | (3.1) | – | (3.1) |
| Translation differences | (0.1) | 1.0 | 0.9 |
| Other movements | 1.6 | (2.7) | (1.1) |
| At 30 September 2019 | 213.2 | 308.7 | 521.9 |
| Additions | 10.7 | 7.7 | 18.4 |
| Disposals | (1.5) | (3.8) | (5.3) |
| Impairment loss | (7.9) | – | (7.9) |
| Translation differences | (0.5) | 12.0 | 11.5 |
| Other movements | (9.7) | 2.5 | (7.2) |
| At 30 September 2020 | 204.3 | 327.1 | 531.4 |
| Amortisation | | | |
| At 1 October 2018 | 139.8 | 175.3 | 315.1 |
| Charge for the year | 13.0 | 11.6 | 24.6 |
| Reclassified to non-current assets held for sale | (3.1) | – | (3.1) |
| Translation differences | 1.7 | (0.2) | 1.5 |
| Other movements | (0.3) | 14.7 | 14.4 |
| At 30 September 2019 | 151.1 | 201.4 | 352.5 |
| Charge for the year | 8.3 | 7.1 | 15.4 |
| Disposals | (1.3) | (3.8) | (5.1) |
| Translation differences | (0.6) | 3.1 | 2.5 |
| Other movements | 1.7 | (0.1) | 1.6 |
| At 30 September 2020 | 159.2 | 207.7 | 366.9 |
| Net carrying value at 30 September 2020 | 45.1 | 119.4 | 164.5 |
| Net carrying value at 30 September 2019 | 62.1 | 107.3 | 169.4 |

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.5 Inventories

| R million | 2020 | 2019 |
|----------------------------------------------------------------------------------------------------------|----------------|---------|
| Raw materials | 1 128.1 | 1 513.2 |
| Work in progress | 73.2 | 78.4 |
| Finished goods | 857.4 | 1 079.8 |
| Consumables | 757.2 | 717.1 |
| Total | 2 815.9 | 3 388.5 |
| Carrying amount of inventories included at net realisable value | 97.3 | 512.9 |
| Amount of write-down of inventory to net realisable value included in raw materials and consumables used | 2.4 | 44.2 |
| Amount of reversals of previous inventory write downs included in raw materials and consumables used | 17.8 | 16.3 |

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials and, where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. The inventory balances of the group have reduced therefore requiring a reduction to the inventory provisions resulting in the reversal of previous write downs included in raw materials and consumables used.

7.6 Trade and other current receivables

| R million | 2020 | 2019 |
|---------------------------------------------|----------------|---------|
| Trade receivables ¹ | 1 688.1 | 2 377.2 |
| Prepayments | 185.6 | 133.0 |
| Derivative financial instruments (note 6.1) | 13.7 | 26.2 |
| Other ² | 93.2 | 92.4 |
| Total | 1 980.6 | 2 628.8 |

1 Net of loss allowance.

2 Other items mainly relate to refunds and deposits.

Credit quality of trade and other receivables

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

The average credit term on the sale of goods is 30 days from statement with some customers having extended terms resulting in an average trade receivables days of 69.1 (2019: 64.4). No interest is charged on outstanding trade receivables.

The table below illustrates the trade receivables ageing analysis:

| R million | 2020 | 2019 |
|----------------------------|----------------|---------|
| Performing | 1 359.6 | 1 787.1 |
| Overdue and non performing | 406.1 | 665.9 |
| Total | 1 765.7 | 2 453.0 |

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.6 Trade and other current receivables continued

Fair value of trade and other receivables

Trade receivables are measured initially at fair value, and are subsequently measured at amortised cost. There is no material difference between the fair value of trade and other receivables and their book value due to the short-term nature of these items.

The group always measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit losses (ECL). The expected credit losses on these financial assets are estimated using a loss-rate approach based on the group's historical credit loss experience over the past four years, adjusted for factors that are specific to the debtors, general economic conditions, country risk premium and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Macroeconomic factors used for each statutory jurisdiction where the group's products are sold, were Gross Domestic Product (GDP) growth rates, interest rates, Producer Price Index (PPI), industrial production, retail sales and Consumer Price Index (CPI). None were considered to be significant and had little impact on the determination of the ECL allowance. The impact of COVID-19 has been taken into account in the macroeconomic factors mentioned here, as well as in the specific provisions raised against nonperforming debtors.

The directors are comfortable with the adequacy of the provisions.

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

The group does not hold any collateral as security.

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

| R million | 2020 | 2019 |
|---------------------------------------------------------|--------------|-------|
| At 1 October | 75.8 | 67.4 |
| Net measurement of loss allowance based on lifetime ECL | 11.3 | 17.2 |
| Amounts written off* | (3.4) | (3.1) |
| Amounts recovered | – | 0.2 |
| Translation differences | (6.1) | (5.9) |
| Balance at end of year** | 77.6 | 75.8 |

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

** 41% of the ECL relates to performing trade receivables, while 59% relates to overdue and non-performing trade receivables.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.6 Trade and other current receivables continued

Derivative financial assets

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

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised by applying the hedge accounting rules as per IAS 39, in other comprehensive income. The ineffective portion is recognised immediately in profit or loss. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gain or loss on the derivative that had previously been recognised in equity is included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedge item affects profit or loss.

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

7.7 Disposal groups and other non-current assets held for sale

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

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

Assets classified as held for sale

| R million | Disposal groups held for sale | | | | | Total |
|--------------------------------------------|---------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------------|-------------|
| | Nampak Plastics Europe Limited (discontinued operation) | Nampak Glass division (discontinued operation) | Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited | Megapak Crates and Drums business | Other non-current assets | |
| At 30 September 2019 | 381.0 | 1 589.9 | 377.7 | 20.6 | 25.0 | 2 394.2 |
| Property, plant and equipment | 39.2 | 837.9 | 128.9 | 8.5 | 25.0 | 1 039.5 |
| Intangible assets | – | 2.7 | – | – | – | 2.7 |
| Deferred tax asset | – | – | 15.0 | – | – | 15.0 |
| Inventories | 22.9 | 504.8 | 77.3 | 0.5 | – | 605.5 |
| Trade receivables and other current assets | 283.5 | 244.5 | 63.8 | 11.6 | – | 603.4 |
| Tax asset | – | – | 4.6 | – | – | 4.6 |
| Bank and cash | 35.4 | – | 88.1 | – | – | 123.5 |
| At 30 September 2020 | – | – | – | – | 92.7 | 92.7 |
| Property, plant and equipment | – | – | – | – | 88.8¹ | 88.8 |
| Investment in joint venture | – | – | – | – | 3.9² | 3.9 |

1 Plant and equipment classified as held for sale were regarded as redundant at the following divisions:

| R million | 2020 | 2019 |
|---------------------------------|-------------|------|
| DivFood division | 71.9 | – |
| Megapak Swaziland (Pty) Limited | 6.6 | – |
| Nampak Nigeria Limited | 10.3 | – |
| Total | 88.8 | 25.0 |

2 The investment in joint venture classified as held for sale relates to the investment in Softex Tissue Products (Pty) Limited held by Nampak Zimbabwe Limited.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.8 Trade and other current payables

Liabilities directly associated with assets classified as held for sale

| R million | Disposal groups held for sale | | | | | Total |
|----------------------------------|---------------------------------------------------------|------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------------|----------|
| | Nampak Plastics Europe Limited (discontinued operation) | Nampak Glass division (discontinued operation) | Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited | Megapak Crates and Drums business | Other non-current assets | |
| At 30 September 2019 | 747.6 | 214.3 | 60.3 | 4.4 | – | 1 026.6 |
| Retirement benefit obligation | 539.8 | – | – | – | – | 539.8 |
| Deferred tax liability | – | – | 17.5 | – | – | 17.5 |
| Trade and other current payables | 203.4 | 214.3 | 42.8 | 4.4 | – | 464.9 |
| Provisions | 4.4 | – | – | – | – | 4.4 |
| At 30 September 2020 | – | – | – | – | – | – |

| R million | 2020 | 2019 |
|---------------------------------------------|----------------|---------|
| Trade payables | 1 241.2 | 1 966.1 |
| Accruals | 884.7 | 1 076.1 |
| Derivative financial instruments (note 6.1) | 11.1 | 11.3 |
| Value-Added Tax | 83.4 | 79.5 |
| Other* | 107.0 | 185.8 |
| Total | 2 327.4 | 3 318.8 |

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

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

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

The directors consider that the carrying amounts of trade payables and other current liabilities approximate their fair values due to the short-term nature of these items.

7.9 Provisions

| R million | Restructuring | Customer claims | Other | Total |
|-----------------------------|---------------|-----------------|-------------|--------------|
| At 1 October 2018 | 249.2 | 18.8 | 148.1 | 416.1 |
| Additions | 7.7 | 40.0 | 0.3 | 48.0 |
| Usage | (27.0) | (14.4) | (3.1) | (44.5) |
| Reversals | (63.9) | (8.6) | (17.2) | (89.7) |
| Translation differences | (0.4) | 0.1 | 9.3 | 9.0 |
| Other | (5.9) | (0.1) | – | (6.0) |
| At 30 September 2019 | 159.7 | 35.8 | 137.4 | 332.9 |
| Additions | 169.5 | 9.0 | 11.0 | 189.5 |
| Usage | (31.7) | (23.2) | (0.3) | (55.2) |
| Reversals | (40.3) | (18.1) | (150.2) | (208.6) |
| Translation differences | (0.5) | 3.6 | 13.7 | 16.8 |
| At 30 September 2020 | 256.7 | 7.1 | 11.6 | 275.4 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.9 Provisions continued

Restructuring and rehabilitation provision

Provisions for restructuring are recognised when the group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. Restructuring provisions only include those direct expenditures which are necessarily entailed by the restructuring and are not associated with the ongoing activities of the group. During the year provisions pertaining mainly to the disposal costs for the Glass business carried at group were reversed on the disposal of Glass.

Customer claims

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

Other

These provisions mainly relate to matters arising from the Glass disposal for which the group may be responsible.

7.10 Contingent liabilities

| R million | 2020 | 2019 |
|------------------------------------------|-------------|-------------|
| Guarantees in respect of property leases | 3.9 | 5.4 |
| Customer claims and other | 6.8 | 5.8 |
| Total | 10.7 | 11.2 |

Contingent liabilities mainly relate to potential property lease payments and potential customer claims in respect of packaging already supplied.

7.11 Segmental operating assets and liabilities

| R million | Operating assets | | Operating liabilities | | Capital expenditure | |
|-------------------------------------------------------|------------------|-----------------|-----------------------|----------------|---------------------|--------------|
| | 2020 | 2019* | 2020 | 2019* | 2020 | 2019* |
| Segment analysis | | | | | | |
| Metals | 9 121.2 | 10 969.2 | 1 614.7 | 2 335.2 | 387.8 | 290.8 |
| Plastics | 1 231.4 | 1 466.5 | 404.3 | 1 291.9 | 152.2 | 127.3 |
| Paper | 334.2 | 626.7 | 157.8 | 474.8 | 9.0 | 41.8 |
| Operations | 10 686.8 | 13 062.4 | 2 176.8 | 4 101.9 | 549.0 | 459.9 |
| Corporate | 3 450.1 | 5 864.2 | 833.3 | 1 079.8 | 40.2 | 19.8 |
| Eliminations | (403.9) | (1 473.2) | (392.4) | (1 465.0) | – | – |
| Continuing operations | 13 733.0 | 17 453.4 | 2 617.7 | 3 716.7 | 589.2 | 479.7 |
| Discontinued operations | – | 1 935.5 | – | 422.1 | 77.0 | 255.1 |
| Total | 13 733.0 | 19 388.9 | 2 617.7 | 4 138.8 | 666.2 | 734.8 |
| Geographical analysis (continuing operations): | | | | | | |
| South Africa | 6 498.4 | 7 676.3 | 1 373.8 | 2 212.4 | 226.9 | 266.4 |
| Rest of Africa | 4 515.8 | 5 655.1 | 1 130.5 | 2 163.5 | 322.1 | 193.5 |
| Operations | 11 014.2 | 13 331.4 | 2 504.3 | 4 375.9 | 549.0 | 459.9 |
| Corporate | 3 450.1 | 5 864.2 | 833.3 | 1 079.8 | 40.2 | 19.8 |
| Eliminations | (731.3) | (1 742.2) | (719.9) | (1 739.0) | – | – |
| Total | 13 733.0 | 17 453.4 | 2 617.7 | 3 716.7 | 589.2 | 479.7 |

* Restated for moving the Metals closures business from the Plastics segment to the Metals segment in line with the management of this business.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

7. Net operating assets continued

7.11 Segmental operating assets and liabilities continued

| R million | Non-current assets* | |
|---------------------------------|---------------------|----------|
| | 2020 | 2019 |
| Geographical information | | |
| South Africa | 4 403.9 | 4 026.9 |
| Angola | 1 272.5 | 2 062.9 |
| Nigeria | 1 028.4 | 983.1 |
| Rest of the world | 2 134.0 | 4 047.6 |
| Total | 8 838.8 | 11 120.5 |

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

7.12 Capital commitments

| R million | 2020 | 2019 |
|----------------------------------------------------------------------|--------------|-------|
| Capital commitments for acquisition of property, plant and equipment | | |
| – contracted | 89.5 | 300.2 |
| – approved | 50.4 | 154.3 |
| Total | 139.9 | 454.5 |

8. Staff remuneration

8.1 Retirement benefit information

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

Defined contribution funds

Membership and costs for defined contribution funds are as follows:

The total number of members for all defined contribution funds operated by the group as at 30 September 2020 is 5 565 (2019: 6 898). Total contribution costs for the year ended 30 September 2020 are R140.9 million (2019: R180.6 million).

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

8. Staff remuneration continued

8.1 Retirement benefit information continued

Defined benefit obligations

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

| % | Pension plans | | Post-retirement medical |
|--------------------------------------|---------------|---------------|-------------------------|
| | South Africa | UK | |
| 2020 | | | |
| Assumptions | | | |
| Discount rate | 11.0 | – | 11 |
| Consumer price inflation (long-term) | 5.8 | – | 5.8 |
| Expected return on funds' assets | | – | |
| Rate of compensation increase | | – | |
| Pension increase | 0.0 | – | |
| Rate of medical inflation | | | 7.3 |
| Membership data | | | |
| Total membership | 13 | – | 1 375 |
| 2019 | | | |
| Assumptions | | | |
| Discount rate | 9.5 | 1.8 | 9.5 |
| Consumer price inflation (long-term) | 5.8 | 2.3 | 5.8 |
| Expected return on funds' assets | – | 2.3 | |
| Rate of compensation increase | – | 2.3 | |
| Pension increase | 6.0 | 1.95/2.20/3.1 | |
| Rate of medical inflation | – | – | 7.3 |
| Membership data | | | |
| Total membership | 22 | 1 362 | 1 471 |

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

| R million | Pension funds | | Post-retirement medical | Total |
|--------------------------------------|---------------|----|-------------------------|--------------|
| | South Africa | UK | South Africa | |
| 2020 | | | | |
| Valuation results | | | | |
| Fair value of plan assets | – | – | – | – |
| Present value of benefit obligations | 1.3 | – | 774.2 | 775.5 |
| Net liability | 1.3 | – | 774.2 | 775.5 |
| 2019 | | | | |
| Valuation results | | | | |
| Fair value of plan assets | – | – | – | – |
| Present value of benefit obligations | 2.8 | – | 921.1 | 923.9 |
| Net liability | 2.8 | – | 921.1 | 923.9 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

8. Staff remuneration continued

8.1 Retirement benefit information continued

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

| R million | Pension funds | | Post-retirement medical | Total |
|----------------------------------------------------------------------------|---------------|-----------|-------------------------|-----------|
| | South Africa | UK | South Africa | |
| At 1 October 2018 | – | 1 653.0 | – | 1 653.0 |
| Movements recognised in profit or loss | | | | |
| Interest income | – | 45.7 | – | 45.7 |
| Actuarial gains recognised in other comprehensive income | | | | |
| Return on plan assets (excluding amounts included in net interest expense) | – | 238.9 | – | 238.9 |
| Contributions by employers | – | 64.9 | – | 64.9 |
| Translation difference on foreign plans | – | 23.7 | – | 23.7 |
| Benefits paid | – | (72.6) | – | (72.6) |
| Reclassification to assets held for sale | – | (1 927.8) | – | (1 927.8) |
| Settlements | – | (25.7) | – | (25.7) |
| At 30 September 2019 | – | – | – | – |
| At 30 September 2020 | – | – | – | – |

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

| R million | Pension funds | | Post-retirement medical | Total |
|------------------------------------------------------------------------|---------------|-----------|-------------------------|-----------|
| | South Africa | UK | South Africa | |
| At 1 October 2018 | 2.7 | 2 164.5 | 964.2 | 3 131.4 |
| Movements recognised in profit or loss | | | | |
| Current service cost | – | – | 2.4 | 2.4 |
| Past service cost | – | 39.4 | – | 39.4 |
| Interest cost | 0.3 | 59.0 | 85.8 | 145.1 |
| Curtailement gain * | (0.2) | – | (24.6) | (24.8) |
| Actuarial (gains)/losses recognised in other comprehensive income | | | | |
| Actuarial (gains)/losses from changes in demographic assumptions | – | 22.8 | – | 22.8 |
| Actuarial losses/(gains) arising from changes in financial assumptions | – | 265.9 | (60.2) | 205.7 |
| Actuarial (gains)/losses arising from experiences adjustments | – | (12.1) | 28.0 | 15.9 |
| Translation difference on foreign plans | – | 30.1 | – | 30.1 |
| Benefits paid | – | (72.6) | (74.3) | (146.9) |
| Reclassification to assets held for sale | – | (2 467.6) | – | (2 467.6) |
| Settlements* | – | (29.4) | (0.2) | (29.6) |

* During the 2016 financial year, Nampak Products Limited offered continuation members in receipt of a monthly medical scheme contribution subsidy, the option of converting the monthly subsidy into an annuity secured in the pensioner's own individual name. The result of the offer and acceptance by members resulted in Nampak Limited's liability with regard to these members, being replaced by the purchase of an annuity in the continuation members' individual names. This resulted in significant curtailment gains recognised in the 2016 and 2017 financial year ends. During the current and prior financial year, no significant settlements were made and curtailment gains were realised as a result of pensioner terminations.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

8. Staff remuneration continued

8.1 Retirement benefit information continued

| R million | Pension funds | | Post-retirement medical | Total |
|----------------------------------------------------------------------------------------|---------------|----------|-------------------------|--------------|
| | South Africa | UK | South Africa | |
| At 30 September 2019 | 2.8 | – | 921.1 | 923.9 |
| Movements recognised in profit or loss | | | | |
| Current service cost | – | – | 1.5 | 1.5 |
| Interest cost | 0.3 | – | 83.5 | 83.8 |
| Curtailed gain* | (1.8) | – | (53.0) | (54.8) |
| Actuarial (gains)/losses recognised in other comprehensive income | | | | |
| Actuarial (gains)/losses from changes in financial assumptions | – | – | (88.1) | (88.1) |
| Actuarial (gains)/losses from experiences adjustments | – | – | (12.9) | (12.9) |
| Benefits paid | – | – | (77.0) | (77.0) |
| Settlements* | – | – | (0.9) | (0.9) |
| At 30 September 2020 | 1.3 | – | 774.2 | 775.5 |
| Expected contributions to defined benefit plans in the next financial reporting period | 0.3 | – | 81.5 | 81.8 |

* During the 2016 financial year, Nampak Products Limited offered continuation members in receipt of a monthly medical scheme contribution subsidy, the option of converting the monthly subsidy into an annuity secured in the pensioner's own individual name. The result of the offer and acceptance by members resulted in Nampak Limited's liability with regard to these members, being replaced by the purchase of an annuity in the continuation members' individual names. This resulted in significant curtailment gains recognised in the 2016 and 2017 financial year ends. During the current and prior financial year, no significant settlements were made and curtailment gains were realised as a result of pensioner terminations.

The total unfunded pension liability is R1.3 million (2019: R2.8 million) and the unfunded post-retirement medical liability is R774.2 million (2019: R921.1 million).

Post-retirement medical plans

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

The group does not provide post-retirement medical benefits for employees who joined the company after 1 June 1996. The obligations in respect of medical benefits to employees and pensioners employed before that date are treated as defined benefit plans. The current duration of the combined group of active employees and pensioners has been calculated at approximately 12.9 years. The expected expense in the next financial year is R81.5 million.

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

8. Staff remuneration continued

8.1 Retirement benefit information continued

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

| R million | Healthcare cost trends | |
|------------------------------------------------------------|------------------------|-------------------|
| | 1% point increase | 1% point decrease |
| Effect on aggregate of the service costs and interest cost | 6.6 | (4.5) |
| Effect on defined benefit obligation | 60.2 | (36.9) |

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

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

| R million | Valuation date | Fair value of assets | Fair value of liabilities | Valuation basis |
|-----------------------------------------------|----------------|----------------------|---------------------------|-----------------------|
| Nampak Post-Retirement Medical Aid Obligation | 30/09/2020 | – | 774.3 | Projected unit credit |

Pension Fund UK

During the 2020 financial year-end, the Pension Fund UK was sold as part of the Nampak UK disposal group.

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

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs.

8.2 Share-based payments

Share-based payment expenses recognised:

| R million | 2020 | 2019 |
|-------------------------|--------|--------|
| Performance Share Plan | 2.5 | (10.9) |
| Share Appreciation Plan | (16.5) | 1.1 |
| Deferred Bonus Plan | 0.4 | 1.6 |
| Total | (13.6) | (8.2) |

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

8. Staff remuneration continued

8.2 Share-based payments continued

The detailed rules of the schemes, the movements pertaining to each allocation in terms of the schemes, as well as the significant inputs into the valuation models used for each scheme are available for inspection at the company's registered office. A summary of the movements pertaining to each scheme is contained in the directors' report on pages 15 to 17.

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

Performance Share Plan

Overview

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

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

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

Performance criteria for December 2019 and March 2020 awards

Three performance conditions are imposed under this scheme:

- › 30% of the performance shares will be subject to the total shareholder return (TSR) condition. The threshold performance criterion is that the company obtains an improvement in TSR of CPI + 3% over the three year performance period, with the full performance criterion being an improvement in TSR of CPI + 15%;
- › 40% of the performance shares will be subject to the headline earnings per share (HEPS) condition. The threshold performance criterion is that the cumulative HEPS of the company for the financial year in which the shares vest exceeds the HEPS for the financial year in which the awards were granted by the percentage change in the CPI over the performance period, plus 3%, with the full performance criterion being CPI plus 15%.
- › 30% of the Performance Shares will be subject to the return on net assets (RONA) condition. The condition ranges from 60% of the shares vesting on the achievement of a RONA of 11.5% to 100% vesting on a RONA of 13.5%.

Share Appreciation Plan

Overview

Participation in the scheme is restricted to senior, middle management and executive directors and is subject to approval by the remuneration committee. The scheme's allocations are made on condition that certain performance criteria will be satisfied during the specific performance period for the allocation concerned. In order to simplify and streamline Nampak's long term incentive structures, the committee took the decision in the prior year to cease making awards under the SAP, and to rather make awards under the PSP. This will align the entire management structure of Nampak under the PSP. Unvested awards under the SAP will remain in operation under the scheme.

Share allocations vest after three years if the performance condition is achieved.

Participants have seven years from the allocation date to exercise their awards.

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

8. Staff remuneration continued

8.2 Share-based payments continued

Performance criteria for September 2019 awards

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

Deferred Bonus Plan

Overview

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

A matching award, which is based on the number of bonus shares acquired and still held at the vesting date, is made to all participants. The matching award vests after three years.

Performance criteria

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

8.3 Remuneration of directors and prescribed officers

In terms of total guaranteed packages, plus other benefits for 2020, this detail is set out in the table below.

Table 1(a): Executive directors' and group executive committee members' total remuneration 2020

| Rand | Basic salary | Company contribution to retirement | Guaranteed package | Value of other benefits ¹ | Termination | STI ² | Total remuneration | Gains on share plans |
|---------------------------------|-------------------|------------------------------------|--------------------|--------------------------------------|------------------|------------------|--------------------|----------------------|
| Executive directors | | | | | | | | |
| EE Smuts ³ | 6 497 351 | 48 279 | 6 545 630 | 16 203 | – | 2 097 254 | 8 659 087 | 168 033 |
| GR Fullerton | 5 532 226 | 44 794 | 5 577 020 | 15 121 | – | 1 781 844 | 7 373 985 | 89 717 |
| | 12 029 577 | 93 073 | 12 122 650 | 31 324 | – | 3 879 098 | 16 033 072 | 257 750 |
| Resigned during the year | | | | | | | | |
| AM De Ruyter ⁴ | 2 195 488 | 18 027 | 2 213 515 | 5 649 | 244 492 | – | 2 463 656 | – |
| Total | 14 225 065 | 111 100 | 14 336 165 | 36 973 | 244 492 | 3 879 098 | 18 496 728 | 257 750 |
| Group executives | | | | | | | | |
| C Burmeister | 2 953 245 | 76 310 | 3 029 555 | 8 003 | – | 779 594 | 3 817 152 | 251 860 |
| CB Farndell ⁶ | 1 470 859 | 107 527 | 1 578 386 | 4 141 | – | 690 452 | 2 272 979 | – |
| LD Kidd | 3 133 125 | 82 461 | 3 215 586 | 8 648 | – | 1 120 592 | 4 344 826 | 255 753 |
| RG Morris ⁵ | 3 182 735 | 25 262 | 3 207 997 | 8 812 | 5 487 318 | 1 111 638 | 9 815 765 | 217 992 |
| H Nel ⁷ | 2 279 543 | 15 944 | 2 295 487 | 5 281 | – | 1 035 707 | 3 336 475 | – |
| Q Swart ⁶ | 1 565 619 | 12 766 | 1 578 385 | 4 198 | – | 926 885 | 2 509 468 | – |
| IH van Lochem | 3 029 574 | 23 847 | 3 053 421 | 8 050 | – | 1 109 790 | 4 171 261 | – |
| Total | 17 614 700 | 344 117 | 17 958 817 | 47 133 | 5 487 318 | 6 774 658 | 30 267 926 | 725 605 |

1 Other benefits refer to group personal accident cover.

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

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

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

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

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

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

8. Staff remuneration continued

8.4 Remuneration of directors and prescribed officers

Table 1(b): Executive directors' and group executive committee members' total remuneration 2019

| Rand | Basic salary | Company contribution to retirement | Guaranteed package | Value of other benefits ¹ | Termination | STI ² | Total remuneration | Gains on share plans |
|---------------------------------|-------------------|------------------------------------|--------------------|--------------------------------------|------------------|------------------|--------------------|----------------------|
| Executive directors | | | | | | | | |
| AM De Ruyter | 8 057 594 | 80 406 | 8 138 000 | 21 113 | – | 2 669 264 | 10 828 377 | – |
| GR Fullerton | 5 504 471 | 54 929 | 5 559 400 | 14 423 | – | 2 670 597 | 8 244 420 | – |
| | 13 562 065 | 135 335 | 13 697 400 | 35 536 | – | 5 339 861 | 19 072 797 | – |
| Resigned during the year | | | | | | | | |
| MMF Seleokane ³ | 1 297 896 | 36 354 | 1 334 250 | 3 452 | 123 266 | – | 1 460 968 | – |
| Total | 14 859 961 | 171 689 | 15 031 650 | 38 988 | 123 266 | 5 339 861 | 20 533 765 | – |
| Group executives | | | | | | | | |
| C Burmeister | 3 015 760 | 80 940 | 3 096 700 | 8 034 | – | 661 964 | 3 766 698 | – |
| M Khutama ⁴ | 1 217 362 | 16 055 | 1 233 417 | 3 192 | 1 001 199 | – | 2 237 808 | – |
| LD Kidd | 2 970 175 | 79 692 | 3 049 867 | 7 913 | – | 1 460 458 | 4 518 238 | – |
| RG Morris | 3 771 069 | 37 631 | 3 808 700 | 9 881 | – | 1 085 443 | 4 904 024 | – |
| EE Smuts | 4 049 986 | 40 414 | 4 090 400 | 10 612 | – | 2 769 039 | 6 870 051 | – |
| IH van Lochem ⁵ | 2 921 166 | 28 834 | 2 950 000 | 7 591 | – | 1 504 500 | 4 462 091 | – |
| Total | 17 945 518 | 283 566 | 18 229 084 | 47 223 | 1 001 199 | 7 481 404 | 26 758 910 | – |

1 Other benefits refers to Group Personal Accident cover.

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

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

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

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

Table 2: Non-executive directors' remuneration

The non-executive remuneration paid during the year under review (as approved by shareholders) and the total comparative figure for 2020 are disclosed below:

| Rand | Director's fees | Audit and risk | Nominations and remuneration | Social, ethics and transformation | Total approved fees earned 2020 | Total fees invoiced 2020 ¹ | Total 2019 |
|-------------------------|-----------------|----------------|------------------------------|-----------------------------------|---------------------------------|---------------------------------------|------------|
| RC Andersen | – | – | – | – | – | – | 348 505 |
| RJ Khoza | – | – | – | – | – | – | 249 600 |
| NV Lila | – | – | – | – | – | – | 446 367 |
| PM Madi | – | – | – | – | – | – | 249 332 |
| TT Mboweni | – | – | – | – | – | – | 46 110 |
| E Ikazoboh ² | 123 128 | – | – | 41 704 | 164 832 | 164 832 | 439 550 |
| J John ³ | 17 867 | 14 775 | – | – | 32 642 | 32 642 | 740 850 |
| N Khan ⁴ | 80 933 | 17 617 | – | – | 98 550 | 98 550 | – |
| IN Mkhari ⁵ | 123 128 | 95 719 | 61 504 | – | 280 351 | 280 351 | 755 505 |
| KW Mzondeki | 372 600 | 201 200 | – | – | 573 800 | 531 553 | 36 883 |
| CD Raphiri | 372 600 | – | 156 800 | 227 300 | 756 700 | 705 985 | 388 233 |
| SP Ridley ⁶ | 372 600 | 382 833 | 295 300 | – | 1 050 733 | 970 873 | 369 883 |
| L Sennelo ⁷ | 319 553 | 128 890 | – | 53 042 | 501 485 | 450 670 | – |
| PM Surgey | 1 800 000 | – | – | – | 1 800 000 | 1 600 000 | 1 842 518 |
| | 3 582 409 | 841 033 | 513 604 | 322 046 | 5 259 092 | 4 835 456 | 5 913 336 |

Directors fees are shown excluding VAT where applicable.

1 The non-executive directors reduced their fees earned for a three-month period by 30%. The reduced value is reflected under total fees invoiced column for the year.

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

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

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

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

6 SP Ridley was appointed as chair of the audit and risk committee with effect from 1 November 2019. He will remain a member of the nominations and remuneration committee when CD Raphiri assumes the role of chair with effect 1 October 2020.

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information

9.1 Reconciliation of movement in capital and reserves

| R million | Capital reserves | | | |
|------------------------------------------------------------------------------------------|------------------|---------------|-----------------|------------------------------|
| | Share capital | Share premium | Treasury shares | Share-based payments reserve |
| At 1 October 2018 | 35.5 | 268.9 | (515.8) | 176.6 |
| Employee share option scheme: | | | | |
| Value of employee services | – | – | – | (5.9) |
| Share grants exercised | – | – | – | – |
| Proceeds from shares issued | – | – | – | – |
| Reinstatement of investment | – | – | – | – |
| Treasury shares disposed | – | – | 0.1 | – |
| Currency translation differences | – | – | – | – |
| Gain on cash flow hedges | – | – | – | – |
| Net actuarial loss | – | – | – | – |
| Loss for the year | – | – | – | – |
| Dividends paid | – | – | – | – |
| At 30 September 2019 (as previously reported) | 35.5 | 268.9 | (515.7) | 170.7 |
| Adjustment due to adoption of IFRS 16 | – | – | – | – |
| At 30 September 2019 (restated) | 35.5 | 268.9 | (515.7) | 170.7 |
| Employee share option scheme: | | | | |
| Value of employee services | – | – | – | (13.6) |
| Share grants exercised | – | – | – | – |
| Proceeds from shares issued | – | – | – | – |
| Transfer between reserves | – | – | – | (140.2) |
| Treasury shares disposed | – | – | 2.3 | – |
| Exchange difference on translation of foreign operations – excluding Zimbabwe operations | – | – | – | – |
| Exchange difference on hyperinflation and related effects – Zimbabwe operations | – | – | – | – |
| Gain on cash flow hedges | – | – | – | – |
| Net actuarial gain | – | – | – | – |
| Disposal of business – FCTR recycled through profit/loss | – | – | – | – |
| Attribution of Zimbabwe revocation agreement to non-controlling interest | – | – | – | – |
| Fair value adjustment on bonds* | – | – | – | – |
| Disposal of liquid bonds – recycled through profit/loss | – | – | – | – |
| Loss for the year | – | – | – | – |
| Dividends paid | – | – | – | – |
| At 30 September 2020 | 35.5 | 268.9 | (513.4) | 16.9 |

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

| Other reserves | | | | | | | | |
|--------------------------------------|---------------------------------------|-------------------------------------|----------------------------------------------------------------------|---------------|-------------------|------------------------------------------------|--------------------------|----------------|
| Foreign currency translation reserve | Financial instruments hedging reserve | Recognised actuarial gains/(losses) | Share of non-distributable reserves in associates and joint ventures | Other | Retained earnings | Total attributable to owners of Nampak Limited | Non-controlling interest | Total equity |
| 1 569.6 | 56.4 | (1 412.7) | 3.7 | (17.0) | 9 906.0 | 10 071.2 | 452.1 | 10 523.3 |
| – | – | – | – | – | – | (5.9) | – | (5.9) |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | (3.7) | – | 3.7 | – | – | – |
| – | – | – | – | – | (0.1) | – | – | – |
| (200.7) | – | – | – | – | – | (200.7) | (512.5) | (713.2) |
| – | (67.2) | – | – | – | 1.3 | (65.9) | – | (65.9) |
| – | – | (14.7) | – | – | – | (14.7) | – | (14.7) |
| – | – | – | – | – | (851.6) | (851.6) | (662.0) | (1 513.6) |
| – | – | – | – | – | (0.1) | (0.1) | – | (0.1) |
| 1 368.9 | (10.8) | (1 427.4) | – | (17.0) | 9 059.2 | 8 932.3 | (722.4) | 8 209.9 |
| – | – | – | – | – | (209.0) | (209.0) | – | (209.0) |
| 1 368.9 | (10.8) | (1 427.4) | – | (17.0) | 8 850.2 | 8 723.3 | (722.4) | 8 000.9 |
| – | – | – | – | – | – | (13.6) | – | (13.6) |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | 140.2 | – | – | – |
| – | – | – | – | – | (2.3) | – | – | – |
| 673.7 | – | – | – | – | – | 673.7 | 29.5 | 703.2 |
| (775.8) | – | – | – | – | – | (775.8) | 183.1 | (592.7) |
| – | 11.3 | – | – | – | – | 11.3 | – | 11.3 |
| – | – | 72.7 | – | – | – | 72.7 | – | 72.7 |
| (153.0) | – | 752.2 | – | – | (752.2) | (153.0) | – | (153.0) |
| – | – | – | – | (26.2) | (66.9) | (93.1) | 248.9 | 155.8 |
| – | – | – | – | (6.9) | – | (6.9) | (3.0) | (9.9) |
| – | – | – | – | 14.0 | – | 14.0 | 6.0 | 20.0 |
| – | – | – | – | – | (3 467.6) | (3 467.6) | (512.5) | (3 980.1) |
| – | – | – | – | – | (0.1) | (0.1) | – | (0.1) |
| 1 113.8 | 0.5 | (602.5) | – | (36.1) | 4 701.3 | 4 984.9 | (770.4) | 4 214.5 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information continued

9.2 Share capital

| R million | 2020 | 2019 |
|-----------------------------------------------------------------|-------------|------|
| Authorised: | | |
| 776 857 200 ordinary shares of 5 cents each | 38.8 | 38.8 |
| 100 000 6.5% cumulative preference shares of R2 each | 0.2 | 0.2 |
| 400 000 6% cumulative preference shares of R2 each | 0.8 | 0.8 |
| 100 redeemable preference shares of 5 cents each | – | – |
| Total | 39.8 | 39.8 |
| Issued: | | |
| 689 811 504 (2019: 689 811 504) ordinary shares of 5 cents each | 34.5 | 34.5 |
| 100 000 6.5% cumulative preference shares of R2 each | 0.2 | 0.2 |
| 400 000 6% cumulative preference shares of R2 each | 0.8 | 0.8 |
| Total | 35.5 | 35.5 |

11 855 951 (2019: 9 935 447) ordinary shares have been set aside for employees' share schemes.

Preference shares

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

9.3 Capital reserves

| R million | 2020 | 2019 |
|--------------------------------------------------------------------------------------------------------|---------------------|--------------|
| Share premium | 268.9 | 268.9 |
| Treasury shares | (513.4) | (515.7) |
| 11 096 ordinary shares held by the Nampak Black Management Share Trust | (0.1) | (0.1) |
| 44 719 790 ordinary shares held by Nampak Products Limited | (513.3) | (515.6) |
| Share-based payments reserve | 16.9 | 170.7 |
| Total | (227.6) | (76.1) |
| Reconciliation of number of ordinary shares issued | | |
| Number of ordinary shares issued at beginning of year | 689 811 504 | 689 811 504 |
| Ordinary shares allotted to employees, former employees and directors in terms of Nampak share schemes | – | – |
| Number of ordinary shares issued at end of year | 689 811 504 | 689 811 504 |
| Treasury shares | (44 730 886) | (45 081 950) |
| Net number of ordinary shares | 645 080 618 | 644 729 554 |

Treasury shares

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

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information continued

9.4 Other reserves

| R million | 2020 | 2019 |
|---------------------------------------|----------------|-----------|
| Foreign currency translation reserve | 1 113.8 | 1 368.9 |
| Financial instruments hedging reserve | 0.5 | (10.8) |
| Recognised actuarial losses | (602.5) | (1 427.4) |
| Other | (36.1) | (17.0) |
| Total | 475.7 | (86.3) |

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as differences between these comparative amounts and the hyperinflation adjusted equity opening balances of group entities, whose functional currencies are the currencies of hyperinflationary economies, as recognised in other comprehensive income.

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

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

Financial instruments hedging reserve

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

Recognised actuarial gains/(losses)

Actuarial gains/(losses) comprise:

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

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

Other reserves

Other reserves mainly relate to a put option in favour of the Botswana Development Corporation created on the acquisition of the group's interest in Nampak DivFood Botswana (Pty) Ltd of R17.0 million, deferred tax on the equity contribution by NIL to Nampak Zimbabwe of R26.2 million and movements on disposal and fair value of liquid bonds of R7.1 million.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information continued

9.5 Non-controlling interests

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

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

The following subsidiaries have non-controlling interests:

| Subsidiary | Principal place of business | Operating segment | Ownership interest held by NCI (%) | |
|---------------------------------------------------|-----------------------------|-------------------|------------------------------------|-------|
| | | | 2020 | 2019 |
| Nampak Bevcan Angola Limitada (Bevcan Angola) | Angola | Metals | 30.00 | 30.00 |
| Nampak Zimbabwe Limited (Nampak Zimbabwe) | Zimbabwe | Plastics/Paper | 48.57 | 48.57 |
| DivFood Botswana (Pty) Limited (DivFood Botswana) | Botswana | Metals | 26.00 | 26.00 |

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

| R million | Bevcan Angola | | Nampak Zimbabwe | | DivFood Botswana | | Total | |
|-------------------------------------------|------------------|-----------|-----------------|-----------|------------------|--------|------------------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenue | 582.5 | 1 468.8 | 1 048.6 | 936.9 | 21.5 | 88.5 | 1 652.6 | 2 494.2 |
| Net profit for the year | (1 389.9) | (1 093.9) | (192.9) | (677.6) | (7.1) | (18.2) | (1 589.9) | (1 789.7) |
| Attributable to: | | | | | | | | |
| Owners of Nampak Ltd | (972.9) | (765.7) | (99.2) | (348.5) | (5.3) | (13.5) | (1 077.4) | (1 127.7) |
| Non-controlling interests in subsidiaries | (417.0) | (328.2) | (93.7) | (329.1) | (1.8) | (4.7) | (512.5) | (662.0) |
| Other comprehensive income | (177.5) | (54.5) | 540.9 | (1 021.6) | 0.4 | 0.7 | 363.8 | (1 075.4) |
| Total comprehensive income | (1 567.4) | (1 148.4) | 348.0 | (1 699.2) | (6.7) | (17.5) | (1 226.1) | (2 865.1) |
| Attributable to: | | | | | | | | |
| Owners of Nampak Ltd | (1 097.2) | (803.7) | 179.0 | (873.9) | (5.0) | (13.0) | (923.2) | (1 690.6) |
| Non-controlling interests in subsidiaries | (470.2) | (344.7) | 169.0 | (825.3) | (1.7) | (4.5) | (302.9) | (1 174.5) |
| Total assets | 2 141.5 | 3 857.5 | 472.2 | 608.4 | 29.5 | 38.1 | 2 643.2 | 4 504.0 |
| Total liabilities | 5 192.1 | 5 360.7 | 177.8 | 1 174.4 | 22.7 | 24.6 | 5 392.6 | 6 559.7 |
| Total equity | (3 050.6) | (1 503.2) | 294.4 | (566.0) | 6.8 | 13.5 | (2 749.4) | (2 055.7) |
| Attributable to: | | | | | | | | |
| Owners of Nampak Limited | (2 135.4) | (1 052.2) | 151.4 | (291.1) | 5.0 | 10.0 | (1 979.0) | (1 333.3) |
| Non-controlling interests in subsidiaries | (915.2) | (451.0) | 143.0 | (274.9) | 1.8 | 3.5 | (770.4) | (722.4) |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information continued

9.6 Group composition

The consolidated financial statements include the accounts of Nampak Ltd (the Company) and all of its subsidiaries at 30 September 2020.

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

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

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

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

Subsidiaries

| R million | Type | Country of incorporation | Issued share capital | Effective percentage holding (%) | | Interest of holding company | | | |
|----------------------------------------------|------|--------------------------|----------------------|----------------------------------|-------|-----------------------------|---------|--------------|------|
| | | | | 2020 | 2019 | Shares at cost | | Indebtedness | |
| | | | | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Direct holdings | | | | | | | | | |
| Malbak Ltd | D | RSA | R100 | 100 | 100 | 1 482.9 | 1 482.9 | – | – |
| Nampak International Ltd | O/I | Isle of Man | US\$113 664 | 100 | 100 | 3 295.4 | 1 889.3 | – | – |
| Nampak Products Ltd | O | RSA | R3 758 641 | 100 | 100 | 93.7 | 93.7 | 79.6 | 67.3 |
| Nampak Paper Ltd ¹ | D | RSA | R2 037 533 | 100 | 100 | – | 2.6 | – | – |
| Indirect holdings | | | | | | | | | |
| Bullpak Ltd | O | Kenya | KES4 760 000 | 100 | 100 | | | | |
| CarnaudMetalbox Zimbabwe Ltd | O | Zimbabwe | US\$98 994 | 51.43 | 51.43 | | | | |
| Hunyani Forests Ltd | O | Zimbabwe | US\$110 000 | 51.43 | 51.43 | | | | |
| Hunyani Paper and Packaging (Pvt) Ltd | O | Zimbabwe | US\$24 000 | 51.43 | 51.43 | | | | |
| Hunyani Properties Ltd | P | Zimbabwe | US\$652 700 | 51.43 | 51.43 | | | | |
| Megapak Swaziland (Pty) Ltd | O | Swaziland | R1 000 | 100 | 100 | | | | |
| Megapak Zimbabwe (Pty) Ltd | O | Zimbabwe | US\$20 100 | 51.43 | 51.43 | | | | |
| Megaplastics Ltd | I | Zimbabwe | US\$0 | 51.43 | 51.43 | | | | |
| Metal Box South Africa Ltd | D | RSA | – | – | – | | | | |
| Nampak Bevcan Angola Lda | O | Angola | K4 580 650 | 70 | 70 | | | | |
| Nampak Bevcan Nigeria Ltd | O | Nigeria | US\$5 402 000 | 100 | 100 | | | | |
| Nampak Cartons Nigeria Ltd ² | O | Nigeria | – | – | 100 | | | | |
| Nampak DivFood Botswana (Pty) Ltd | O | Botswana | BWP120 | 74 | 74 | | | | |
| Nampak Glass (Pty) Ltd | D | RSA | – | – | – | | | | |
| Nampak Holdings (UK) Ltd | I | UK | US\$184 | 100 | 100 | | | | |
| Nampak Holdings Ltd | I | Mauritius | US\$37 094 | 100 | 100 | | | | |
| Nampak Insurance Company Ltd | N | Isle of Man | R1 142 472 | 100 | 100 | | | | |
| Nampak Kenya Ltd | O | Kenya | KES40 280 000 | 100 | 100 | | | | |
| Nampak Liquid Botswana (Pty) Ltd | O | Botswana | BWP100 | 100 | 100 | | | | |
| Nampak Liquid Cartons (Pty) Ltd ¹ | D | RSA | – | – | – | | | | |
| Nampak Metal Packaging Ltd ¹ | D | RSA | – | – | – | | | | |
| Nampak Nigeria Ltd | O | Nigeria | NGN107 044 183 | 100 | 100 | | | | |

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

1 In the process of being deregistered.

2 Disposed of during the year. Refer to note 4.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information continued

9.6 Group composition continued

| R million | Type | Country of incorporation | Issued share capital | Effective percentage holding (%) | | Interest of holding company | | | |
|--------------------------------------------------|------|--------------------------|----------------------|----------------------------------|-------|-----------------------------|---------|--------------|------|
| | | | | 2020 | 2019 | Shares at cost | | Indebtedness | |
| | | | | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Nampak Packaging Pvt Ltd | O | Ethiopia | ETB16 126 000 | 100 | 100 | | | | |
| Nampak Petpak (Namibia) (Pty) Ltd | O | Namibia | N\$100 | 100 | 100 | | | | |
| Nampak Plastics Europe Ltd ² | D | UK | – | – | 100 | | | | |
| Nampak Properties (Isle of Man) Ltd | P | Isle of Man | £100 | 100 | 100 | | | | |
| Nampak Properties Nigeria Ltd ² | P | Nigeria | – | – | 100 | | | | |
| Nampak Southern Africa Holdings Ltd | I | Mauritius | US\$4 726 922 | 100 | 100 | 52.5 | 52.5 | – | – |
| Nampak Tanzania Ltd | O | Tanzania | TZS304 638 620 | 100 | 100 | | | | |
| Nampak Technical Services Ltd | O | Isle of Man | £1 | 100 | 100 | | | | |
| Nampak Tissue (Pty) Ltd ¹ | D | RSA | – | – | – | | | | |
| Nampak Zambia Ltd | O | Zambia | ZMK15 000 | 100 | 100 | | | | |
| Nampak Packaging Malawi Ltd | O | Malawi | MWK13 450 000 | 100 | 100 | | | | |
| Nampak Zimbabwe Ltd | O/I | Zimbabwe | US\$755 648 | 51.43 | 51.43 | | | | |
| Southern Paper Industries (Pty) Ltd ¹ | D | RSA | R1 000 000 | 100 | 100 | | | | |
| TeknoL SARL | D | Luxembourg | ZWD 117 660 | 100 | 100 | | | | |
| TeknoL NV | I | Netherlands Antilles | US\$6 000 | 100 | 100 | | | | |
| Transmar (Isle of Man) Ltd | I | Isle of Man | US\$600 000 | 100 | 100 | | | | |
| Total | | | | | | 4 924.5 | 3 521.0 | 79.6 | 67.3 |

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

1 In the process of being deregistered.

2 Disposed of during the year. Refer to note 4.

| | Type | Country of incorporation | Issued share capital | Effective percentage holding (%) | |
|----------------------------------|------|--------------------------|----------------------|----------------------------------|------|
| | | | | 2020 | 2019 |
| Associates | | | | | |
| (Equity accounted) | | | | | |
| Collect-a-Can (Pty) Ltd* | O | RSA | R4 000 000 | 40 | 40 |
| Group Risk Holdings (Pty) Ltd | N | RSA | R11 300 | 18 | 19 |
| Joint ventures | | | | | |
| (Equity accounted) | | | | | |
| Softex Tissue Products (Pvt) Ltd | O | Zimbabwe | US\$2 897 | 50 | 50 |
| Nampak Kenya | D | Kenya | | 50 | 50 |

O = Operating; N = Insurance

* 31 December year-end.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information continued

9.6 Group composition continued

Aggregate information of associates and joint ventures:

| R million | Associates | | Joint venture | |
|------------------------------------------------------------------------------------------|------------|-------|---------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Cost of investment | 4.9 | 5.1 | 5.9 | 5.9 |
| Decrease in investment | (0.2) | (0.2) | – | – |
| Share of post-acquisition reserves | – | – | – | – |
| Group's share of profit/(loss) after tax | 10.2 | 12.0 | 11.2 | 9.1 |
| Opening balance | 12.0 | 12.9 | 9.1 | 6.0 |
| Transfer from post-acquisition reserves | – | 3.7 | – | – |
| Decrease in investment | (0.2) | (0.1) | – | – |
| Share of current year profit after tax | (1.6) | (4.5) | 2.1 | 3.1 |
| Translation differences | – | – | (13.2) | (10.9) |
| | 14.9 | 16.9 | 3.9 | 4.1 |
| Reclassified to non-current assets held for sale | – | – | (3.9) | – |
| Aggregate carrying amount of the group's interest in these associates and joint ventures | 14.9 | 16.9 | – | 4.1 |

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

| R million | Associates | | Joint venture | |
|-------------------------------------------------|------------|-------|---------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| Revenue | 326.6 | 313.5 | 102.0 | 126.9 |
| Net (loss)/profit for the year | (1.4) | (7.9) | 4.1 | 13.5 |
| Group's share of net (loss)/profit for the year | (1.6) | (4.5) | 2.1 | 3.1 |
| Total assets | 1 319.2 | 878.1 | 27.2 | 18.9 |
| Total liabilities | 1 261.7 | 820.2 | 10.4 | 5.2 |
| Net assets | 57.5 | 57.9 | 16.8 | 13.7 |
| Group's share of net assets | 14.9 | 16.9 | 3.9 | 4.1 |

Other investments

| | Type | Number of shares held by group | | Effective percentage holding | |
|-------------------------------------|------|--------------------------------|-------|------------------------------|------|
| | | 2020 | 2019 | 2020 | 2019 |
| Ethiopian Crown Cork & Can Industry | O | 5 750 | 5 750 | 25 | 25 |
| PET RecoZim (Pvt) Ltd | D | 10 | 10 | 5 | 5 |

O = Operating; D = Dormant

9.7 Related party transactions

Material related party transactions were as follows:

| R million | 2020 | 2019 |
|---------------------------------------------------------------|------|------|
| Sales and services rendered to/(from) related parties: | | |
| Associates | 17.8 | 23.6 |
| Total | 17.8 | 23.6 |
| Interest received from related parties: | | |
| Associate | 0.3 | 0.6 |
| Total | 0.3 | 0.6 |

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

9. Equity, distributions and group information continued

9.7 Related party transactions

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

| R million | 2020 | 2019 |
|-------------------------------------------------|------------|------|
| Amounts receivable from related parties: | | |
| Loans to associate | 2.5 | 4.0 |
| Total | 2.5 | 4.0 |

Key members

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

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

| Key member | Entity | Position in entity |
|---------------|-----------------------------------------|--------------------|
| LD Kidd | Nampak 1979 Share Purchase Trust | Trustee |
| | Nampak Employee Share Trust | Trustee |
| | Black Management Trust | Trustee |
| | Malbak Limited Share Trust | Trustee |
| CD Raphiri | Nampak Limited Performance Share Trust | Trustee |
| | Nampak Limited Share Appreciation Trust | Trustee |
| SP Ridley | Nampak Limited Performance Share Trust | Trustee |
| | Nampak Limited Share Appreciation Trust | Trustee |
| PM Surgey | Nampak 1979 Share Purchase Trust | Trustee |
| | Nampak Limited Performance Share Trust | Trustee |
| | Nampak Limited Share Appreciation Trust | Trustee |
| IH van Lochem | Nampak 1979 Share Purchase Trust | Trustee |

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

Related-party transactions include:

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

Compensation relating to key management personnel

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

| R million | 2020 | 2019 |
|------------------------------|-------------|-------|
| Short-term employee benefits | 43.0 | 46.2 |
| Termination benefits | 5.7 | 1.1 |
| Share-based payments | 2.1 | (2.8) |
| | 50.8 | 44.5 |

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

Shareholders

An analysis of major shareholders is provided on page 98.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

10. Adoption of new and revised International Financial Reporting Standards and circulars

10.1 Standards in issue and effective for the current financial year

The following standards are effective for the current financial year:

IFRS 16: Leases

With effect from 1 October 2019, the group has applied IFRS 16: Leases.

IFRS 16 Leases which replaces IAS 17 Leases and related interpretations, was adopted for the period starting 1 October 2019. The new standard no longer requires a distinction between finance and operating leases for lessees but requires the lessee to recognise a lease liability representing its obligation to make future lease payments and a corresponding right-of-use asset representing its rights to use the underlying assets.

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

A weighted average borrowing rate of 8.9% was applied to lease liabilities recognised in the statement of financial position at 30 September 2020.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense amounted to R55.4 million for the year.

The group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases under IAS 17:

- › No recognition of right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application;
- › No recognition of right-of-use assets and lease liabilities to leases in respect of low value assets;
- › The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- › Initial direct costs were excluded from the measurement on initial application.

The group defines low value assets as leases that are below the group threshold of R0.1 million and consist mainly of office equipment.

The group applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the group carried out an implementation project. The project indicated that the new definition in IFRS 16 did not significantly change the scope of contracts that meet the definition of a lease for the group.

The group has applied IFRS 16 using the cumulative catch-up approach which:

- › requires the group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application;
- › does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

IFRS 16 changed the way in which the group recognises leases previously classified as operating leases under IAS 17 which were "off balance sheet".

In applying IFRS 16, for all leases (except as noted below), the group:

- › Recognises right-of-use assets at its carrying amount as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.
- › Recognises the lease liabilities at the present value of the future lease payments.

The group recognised R1 300.9 million of right-of-use assets and R1 591.2 of lease liabilities upon transition to IFRS 16. The difference of R290.3 million (before deferred tax at 28%) is recognised as an adjustment to opening retained earnings being the difference between the present value of cash flows expected in terms of the leases and the carrying value of the assets as if they had been depreciated from the inception of the lease.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

10. Adoption of new and revised International Financial Reporting Standards and circulars continued

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

Reconciliation of the impact of adopting IFRS 16 to the expected impact indicated at 30 September 2019

R million

| | |
|-----------------------------------------------------------|---------|
| Decrease in net assets | |
| As indicated at 30 September 2019 | (335.3) |
| Deferred tax effect | 93.9 |
| Expected lease extension not adopted | 4.3 |
| Actual lease payments compared to expected lease payments | 28.1 |
| As reported 1 October 2019 | (209.0) |

Lease liability

The following is a reconciliation of total operating lease commitments at 30 September 2019, as disclosed in the prior year financial statements, to the lease liability recognised on 1 October 2019:

R million

| | |
|--------------------------------------------------------------------|-----------|
| Operating lease commitments as at 30 September 2019 | 3 086.6 |
| Lease commitments erroneously over disclosed at 30 September 2019* | (284.9) |
| Effect of discounting | (1 210.5) |
| Total lease liability as at 1 October 2019 | 1 591.2 |

* Overestimate of prior year lease commitments.

Reconciliation of the impact of adopting IFRS 16 on the September 2020 reported numbers

R million

| | IFRS 16 | IAS 17 | Impact |
|--------------------------------------------------------|---------|---------|---------|
| Statement of comprehensive income – profit/loss | | | |
| Rental payments – decrease | – | (207.1) | 207.1 |
| Depreciation – increase | (131.7) | – | (131.7) |
| Profit on disposal of right of use assets – increase | (10.9) | – | (10.9) |
| Loss on disposal of businesses – decrease | 19.0 | – | 19.0 |
| Operating loss – increase | (123.6) | (207.1) | 83.5 |
| Finance costs – increase | (129.0) | – | (129.0) |
| Loss before net impairment losses – increase | (252.6) | (207.1) | (45.5) |
| Net impairment losses – increase | (209.2) | – | (209.2) |
| Loss before tax – increase | (461.8) | (207.1) | (254.7) |
| Income tax benefit – increase | 129.3 | 58.0 | 71.3 |
| Loss for the year – increase | (332.5) | (149.1) | (183.4) |
| Statement of financial position | | | |
| Equity (retained earnings) – decrease | (541.5) | (149.1) | (392.4) |
| Adoption – opening balance | (209.0) | – | (209.0) |
| Loss for the period | (332.5) | (149.1) | (183.4) |
| Net assets – decrease | (541.5) | (149.1) | (392.4) |
| Trading profit ¹ – increase | (142.6) | (207.1) | 64.5 |
| Adjusted EBITDA ² – increase | (10.9) | (207.1) | 196.2 |

1 Trading profit is the main measure of profitability used for segmental reporting purposes.

2 Adjusted EBITDA is calculated before net impairment losses on property, plant and equipment and expected credit losses on loan receivables.

Notes to the consolidated financial statements continued

for the year ended 30 September 2020

10. Adoption of new and revised International Financial Reporting Standards and circulars continued

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

IFRIC 23: Uncertainty over income tax treatments

With effect from 1 October 2019, the group has applied IFRIC 23: Uncertainty over Income Tax Treatments.

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

It specifically considers:

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

The application of IFRIC 23 has no impact on the reported results, as management had previously applied similar considerations when accounting for any uncertainties in its tax positions.

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

There are various amendments which have been issued. None of these are expected to have a significant impact on the group.

Company statement of comprehensive income

for the year ended 30 September 2020

| R million | Notes | 2020 | 2019 |
|------------------------------------------------|-------|---------------|-------|
| Revenue | 1 | 395.8 | 51.6 |
| Employee benefit expense | | (5.6) | (6.4) |
| Other operating expenses | | (6.4) | (5.1) |
| Operating profit | | 383.8 | 40.1 |
| Finance income | | – | 0.1 |
| Profit before tax | | 383.8 | 40.2 |
| Income tax expense | 2 | (22.4) | (0.9) |
| Total comprehensive income for the year | | 361.4 | 39.3 |

Company statement of financial position

at 30 September 2020

| R million | Notes | 2020 | 2019 |
|-------------------------------------|-------|----------------|---------|
| Assets | | | |
| Non-current assets | | | |
| Investment in associate | 3 | 3.1 | 3.3 |
| Investment in subsidiaries | 4 | 3 721.3 | 2 325.0 |
| Deferred tax asset | | – | 0.7 |
| | | 3 724.4 | 2 329.0 |
| Current assets | | | |
| Other receivables | 5 | – | 3.7 |
| Subsidiary companies | 9 | 1.1 | 1 037.7 |
| Tax assets | | – | 11.5 |
| | | 1.1 | 1 052.9 |
| Total assets | | 3 725.5 | 3 381.9 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 6 | 35.5 | 35.5 |
| Capital reserves | 6 | 285.8 | 459.4 |
| Retained earnings | 6 | 3 394.6 | 2 873.2 |
| | | 3 715.9 | 3 368.1 |
| Current liabilities | | | |
| Other payables | 8 | 7.3 | 12.3 |
| Subsidiary companies | 9 | 1.5 | 1.5 |
| Tax liabilities | | 0.8 | – |
| | | 9.6 | 13.8 |
| Total equity and liabilities | | 3 725.5 | 3 381.9 |

Company statement of changes in equity

for the year ended 30 September 2020

| R million | Notes | 2020 | 2019 |
|-------------------------------------------|-------|----------------|---------|
| Opening balance | | 3 368.1 | 3 337.1 |
| Share-based payment expense | | (13.5) | (8.2) |
| Total comprehensive income for the period | | 361.4 | 39.3 |
| Dividends paid | 7 | (0.1) | (0.1) |
| Closing balance | | 3 715.9 | 3 368.1 |
| Comprising: | | | |
| Share capital | 6 | 35.5 | 35.5 |
| Capital reserves | 6 | 285.8 | 459.4 |
| Share premium | | 268.9 | 268.9 |
| Share option reserve | | 16.9 | 190.5 |
| Retained earnings | 6 | 3 394.6 | 2 873.2 |
| Total equity | | 3 715.9 | 3 368.1 |

Company statement of cash flows

for the year ended 30 September 2020

| R million | Notes | 2020 | 2019 |
|--------------------------------------------------|-------|------------------|--------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 10.1 | 1 409.3 | 13.7 |
| Interest received | | – | 0.1 |
| Income tax paid | | (9.4) | (13.9) |
| Cash flows from operations | | 1 399.9 | (0.1) |
| Dividends paid | | (0.1) | (0.1) |
| Cash utilised in operating activities | | 1 399.8 | (0.2) |
| Cash flows from investing activities | | | |
| (Increase)/decrease in investments | | (1 399.8) | 0.2 |
| Cash generated from investing activities | | (1 399.8) | 0.2 |
| Net increase in cash and cash equivalents | | – | – |
| Cash and cash equivalents at beginning of year | | – | – |
| Cash and cash equivalents at end of year | | – | – |

Notes to the company financial statements

for the year ended 30 September 2020

1. Revenue

| R million | 2020 | 2019 |
|-------------------------------------|--------------|------|
| Normal dividends – South Africa | 352.4 | – |
| Interest received from subsidiaries | 31.8 | 39.0 |
| Fees received from subsidiaries | 11.6 | 12.6 |
| | 395.8 | 51.6 |

2. Income tax

| R million | 2020 | 2019 |
|---------------------|-------------|--------|
| Current tax | | |
| – current year | 10.1 | 12.5 |
| – prior year | 11.6 | (10.9) |
| Deferred tax | | |
| – current year | 0.7 | (0.7) |
| Total | 22.4 | 0.9 |

The company tax rate in South Africa is 28% (2018: 28%) of the estimated assessable profit for the year.

Reconciliation of rate of tax

| | | |
|--------------------------------------------|---------------|--------|
| Normal tax rate (%) | 28.0 | 28.0 |
| Reduction in tax charge due to: | | |
| – dividend income (%) | (25.7) | – |
| – adjustment for prior year normal tax (%) | – | (26.9) |
| – exempt income (%) | – | (0.1) |
| Increase in tax charge due to: | | |
| – imputed income – section 9D (%) | 0.1 | 1.2 |
| – adjustment for prior year normal tax (%) | 3.0 | – |
| – disallowable expenses (%) | 0.4 | – |
| Effective company rate of tax (%) | 5.8 | 2.2 |

3. Investment in associate

| R million | 2020 | 2019 |
|---------------------------------|------------|------|
| Cost of investment in associate | 3.1 | 3.3 |
| | 3.1 | 3.3 |

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

Notes to the company financial statements continued

for the year ended 30 September 2020

4. Investments in subsidiaries

| R million | 2020 | 2019 |
|--------------------------------------------------------------------------|------------------|-----------|
| (Refer to note 9.6 of the consolidated financial statements for details) | | |
| Interest in subsidiaries | 4 924.5 | 3 521.0 |
| Share-based payments contribution | 206.2 | 219.7 |
| Net amount due by subsidiaries | 79.6 | 67.3 |
| Less: Impairment losses | (1 489.0) | (1 483.0) |
| Shares at cost less impairments | 3 721.3 | 2 325.0 |
| Directors' valuation | 3 721.3 | 2 325.0 |

5. Other receivables

| R million | 2020 | 2019 |
|----------------|------|------|
| Sundry debtors | – | 3.7 |
| Total | – | 3.7 |

The carrying amount of other receivables approximates the carrying amount.

6. Capital and reserves

| R million | Notes | Attributable to equity holders of the company | | | | |
|------------------------------------|-------|-----------------------------------------------|---------------|----------------------|-------------------|----------------|
| | | Share capital | Share premium | Share option reserve | Retained earnings | Total equity |
| At 1 October 2018 | | 35.5 | 268.9 | 198.6 | 2 834.1 | 3 337.1 |
| Employee share option scheme: | | | | | | |
| – value of employee services | | – | – | (8.1) | – | (8.1) |
| Profit for the year | | – | – | – | 39.2 | 39.2 |
| Dividends paid | 7 | – | – | – | (0.1) | (0.1) |
| At 30 September 2019 | | 35.5 | 268.9 | 190.5 | 2 873.2 | 3 368.1 |
| Employee share option scheme: | | | | | | |
| – value of employee services | | – | – | (13.5) | – | (13.5) |
| Transfer to distributable reserves | | – | – | (160.1) | 160.1 | – |
| Profit for the year | | – | – | – | 361.4 | 361.4 |
| Dividends paid | 7 | – | – | – | (0.1) | (0.1) |
| At 30 September 2020 | | 35.5 | 268.9 | 16.9 | 3 394.6 | 3 715.9 |

Notes to the company financial statements continued

for the year ended 30 September 2020

6. Capital and reserves continued

| R million | 2020 | 2019 |
|------------------------------------------------------------------------------------------------|--------------------|-------------|
| Share capital | | |
| Authorised: | | |
| 776 857 200 ordinary shares of 5 cents each | 38.8 | 38.8 |
| 100 000 6.5% cumulative preference shares of R2 each | 0.2 | 0.2 |
| 400 000 6% cumulative preference shares of R2 each | 0.8 | 0.8 |
| Total | 39.8 | 39.8 |
| Issued: | | |
| 689 811 504 (2019: 689 811 504) ordinary shares of 5 cents each | 34.5 | 34.5 |
| 100 000 6.5% cumulative preference shares of R2 each | 0.2 | 0.2 |
| 400 000 6% cumulative preference shares of R2 each | 0.8 | 0.8 |
| Total | 35.5 | 35.5 |
| 11 855 951 (2019: 9 935 447) ordinary shares have been set aside for employees' share schemes. | | |
| Preference shares | | |
| There were no changes to the issued 6.5% and 6% preference shares. | | |
| Capital reserves | | |
| Share premium | 268.9 | 268.9 |
| Share option reserve | 16.9 | 190.5 |
| Total | 285.8 | 459.4 |
| Reconciliation of number of ordinary shares issued | | |
| Number of ordinary shares issued at beginning of year | 689 811 504 | 689 811 504 |
| Number of ordinary shares issued at end of year | 689 811 504 | 689 811 504 |

7. Dividends and cash distributions

| R million | 2020 | 2019 |
|-----------------------------|------------|------|
| Preference dividends | 0.1 | 0.1 |
| Total dividends paid | 0.1 | 0.1 |

8. Other payables

| R million | 2020 | 2019 |
|--------------|------------|------|
| Accruals | 7.2 | 12.3 |
| Other | 0.1 | – |
| Total | 7.3 | 12.3 |

Accruals principally comprise amounts outstanding for ongoing costs.

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

Notes to the company financial statements continued

for the year ended 30 September 2020

9. Related party transactions

| R million | 2020 | 2019 |
|----------------------------------------------------------------------|-------------|---------|
| Interest received from related parties | | |
| Nampak Products Limited | 31.8 | 39.0 |
| Corporate charges received from related parties | | |
| Nampak Products Limited | 8.9 | 3.0 |
| Nampak International Limited | 2.7 | 9.6 |
| Total | 11.6 | 12.6 |
| Non-current amounts payable by such entities are included in note 4. | | |
| Current amounts due by subsidiary companies are as follows: | | |
| Nampak Products Ltd ¹ | 1.0 | 1 012.4 |
| Black Management Trust ² | 0.1 | 0.1 |
| | 1.1 | 1 012.5 |
| Current amounts outstanding to subsidiary companies are as follows: | | |
| Nampak Share Purchase Trust ² | 1.0 | 1.0 |
| Nampak Employee Share Trust ² | 0.5 | 0.5 |
| | 1.5 | 1.5 |

1 These loans bear interest at the average deposit rate and have no fixed repayment terms.

2 These loans do not bear interest and have no fixed repayment terms.

| R million | 2020 | 2019 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------|
| Guarantees | | |
| Guarantee for an amount not exceeding US\$60 million (2019: US\$175 million) in favour of noteholders for the Note Purchase Agreement issued by Nampak International Limited | 1 001.2 | 2 655.0 |
| Guarantee for an amount not exceeding R500 million on behalf of Nampak Products Limited in favour of Nedbank for general banking facilities | 500.0 | 500.0 |
| Guarantee for an amount not exceeding R115 million on behalf of Nampak Products Limited in favour of Nedbank for an indirect facility | 115.0 | 115.0 |
| Guarantee for an amount not exceeding R553.0 million (2019: R747.5 million) on behalf of Nampak Products Limited in favour of Rand Merchant Bank for debt facilities | 553.0 | 747.5 |
| Guarantee for an amount not exceeding R1.1 billion on behalf of Nampak Products Limited in favour of Standard Bank SA Limited for banking facilities | 1 080.9 | 1 080.9 |
| Guarantee for an amount not exceeding R1 098.7 million on behalf of Nampak Products Limited in favour of Citibank for banking facilities | 1 098.7 | 1 098.7 |
| Guarantee on behalf of Nampak Products Limited in favour of Imbali Props 21 (Pty) Limited in respect of the annual rental of R145.2 million payable under the 15-year lease agreement for factory premises in South Africa. | 145.2 | 145.2 |
| Guarantee on behalf of Nampak Products Limited in favour of Imbali Props 21 (Pty) Limited in respect of the annual rental of R4.6 million payable under the three-year lease agreement for factory premises in South Africa. | 4.6 | 4.6 |
| Guarantee for an amount not exceeding US\$525 million on behalf of Nampak International Limited in favour of a conglomerate of banks for revolving credit facilities. | 8 760.2 | 7 965.0 |
| Guarantee for an amount not exceeding R4 billion on behalf of Nampak Products Limited in favour of a conglomerate of banks for revolving credit facilities. | 4 000.0 | 4 000.0 |

Notes to the company financial statements continued

for the year ended 30 September 2020

9. Related party transactions continued

Key management personnel

Details of significant positions held by key management personnel and transactions with these entities are provided in note 8.3 of the consolidated financial statements.

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

| R million | 2020 | 2019 |
|----------------------------------------|-------------|-------|
| Short-term employee benefits | 43.0 | 46.2 |
| Termination benefits | 5.7 | 1.1 |
| Share-based payments | 2.1 | (2.8) |
| | 50.8 | 44.5 |
| Settled by subsidiaries of the company | 46.0 | 38.6 |

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

10. Notes to the statement of cash flows

10.1 Reconciliation of profit before taxation to cash generated from operations

| R million | 2020 | 2019 |
|-------------------------------------------------|----------------|--------|
| Profit before taxation | 383.8 | 40.2 |
| Adjustment for: | | |
| Net finance income | – | (0.1) |
| Operating profit before working capital changes | 383.8 | 40.1 |
| Decrease/(increase) in investments | – | – |
| Decrease in other payables | (11.1) | (1.1) |
| Decrease/(Increase) in subsidiary company loans | 1 036.6 | (25.3) |
| Cash generated from operations | 1 409.3 | 13.7 |

11. Going concern

The company is expected to continue as a going concern for the foreseeable future. Refer note 1.3 of the consolidated financial statements.

12. Subsequent events

Subsequent to year end, on 18 November 2020, the company received a cash special dividend from Nampak Products Limited of R1 billion. The cash will be utilised to subscribe for additional shares in Nampak International Limited and thereafter used to further settle US dollar denominated debt.

As the market is aware Nampak has strategically placed certain of its assets on the market. To date Nampak has received non-binding offers in excess of R1bn for various of its assets which therefore meets milestone 3 in line with the lenders amended and restated funding agreements. Nampak is anticipated to obtain binding offers by no later than 30 March 2021 for these assets.

Analysis of registered shareholders and company schemes

for the year ended 30 September 2020

Registered shareholder spread

In accordance with the JSE Listing Requirements, the following table confirms the spread of registered shareholders as of 25 September 2020 is as per below:

| Shareholder spread | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|----------------------------|-------------------|-------------------------|--------------------|---------------------|
| 1 – 1 000 shares | 5 415 | 58.57 | 1 535 398 | 0.22 |
| 1 001 – 10 000 shares | 2 365 | 25.58 | 8 856 638 | 1.28 |
| 10 001 – 100 000 shares | 1 068 | 11.55 | 36 212 584 | 5.25 |
| 100 001 – 1 000 000 shares | 319 | 3.45 | 106 794 339 | 15.48 |
| 1 000 001 shares and above | 79 | 0.85 | 536 412 545 | 77.77 |
| Total | 9 246 | 100.00 | 689 811 504 | 100.00 |

Public and non-public shareholdings

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

| Shareholder type | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|------------------------------------|-------------------|-------------------------|--------------------|---------------------|
| Non-public shareholders* | 15 | 0.16 | 46 124 508 | 6.69 |
| Directors and associates | 4 | 0.00 | 879 302 | 0.13 |
| Prescribed officers and management | 9 | 0.00 | 514 320 | 0.07 |
| Treasury shares | 1 | 0.00 | 44 719 790 | 6.48 |
| Empowerment | 1 | 0.00 | 11 096 | 0.00 |
| Public shareholders | 9 231 | 99.84 | 597 562 488 | 86.63 |
| Total | 9 261 | 100.00 | 689 811 504 | 100.00 |

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

Analysis of registered shareholders and company schemes continued

for the year ended 30 September 2020

Substantial investment management and beneficial interests above 3%

Through regular analysis of STRATE registered holdings, and pursuant to the provisions of Section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 25 September 2020:

Investment management shareholdings

| Investment manager | Total shareholdings | % of issued capital |
|--------------------|---------------------|---------------------|
| Allan Gray Pty Ltd | 187 522 568 | 27.18 |
| PIC | 136 580 175 | 19.80 |
| Old Mutual Ltd | 62 462 319 | 9.05 |
| Total | 386 565 062 | 56.03 |

Beneficial shareholdings above 3%

| Beneficial shareholdings | Total shareholdings | % of issued capital |
|-----------------------------------------|---------------------|---------------------|
| Government Employees Pension Fund (PIC) | 143 541 869 | 20.81 |
| Allan Gray Balanced Fund | 62 230 679 | 9.02 |
| Allan Gray Equity Fund | 24 720 239 | 3.58 |
| Eskom Pension and Provident Fund | 21 114 366 | 3.06 |
| Old Mutual Life Assurance Co Ltd | 20 825 225 | 3.02 |
| Total | 272 432 378 | 39.49 |

Previously disclosed holdings

Investment managers now holding below 3%

| Investment manager | Total shareholdings | Current % | Previous % |
|-------------------------------|---------------------|-----------|------------|
| Wellington Management Company | 14 609 190 | 2.12 | 10.39 |
| Ninety One Plc | 227 993 | 0.03 | 7.41 |
| Dimensional Fund Advisors Inc | 19 488 197 | 2.83 | 3.69 |
| The Vanguard Group Inc | 1 399 644 | 0.20 | 3.33 |
| Total | 35 725 024 | 5.18 | 24.82 |

Beneficial owners now holding below 3%

| Investment manager | Total shareholdings | Current % | Previous % |
|--------------------|---------------------|-----------|------------|
| – | – | – | – |
| Total | 0 | 0.00 | 0.00 |

Shareholder's diary

at 30 September 2020

Annual general meeting

Tuesday, 9 February 2021

Interim statement and ordinary dividend announcement for the half-year ending 31 March 2021

May 2021

Group results and ordinary dividend announcement for the year ending 30 September 2021

November 2021

Dividend

Ordinary

Final dividend for the year ended 30 September 2020

No dividend declared

Interim dividend for the half-year ending 31 March 2021

To be paid in July 2021 if payable

Preference

6.5% and 6% cumulative preference dividends

Payable twice per annum during February and August

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