Nampak
packaging excellence

# FINANCIAL STATEMENTS 2018


SUSTAINABLE PROFITABILITY

# Contents

# Directors' responsibility for annual financial statements

for the year ended 30 September 2018

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

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

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

It is the responsibility of the independent auditors to report on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework. The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the external auditors.

The financial statements of the year ended 30 September 2018, set out on 11 to 84, were approved by the board of directors at its meeting on 26 November 2018 and are signed on its behalf by:

PM Surgey
Chairperson

AM de Ruyter
Chief executive officer

# Preparer of financial statements

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

GR Fullerton
Chief financial officer

# Certificate by company secretary

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

IH van Lochem
Company secretary

# Independent auditor's report

## TO THE SHAREHOLDERS OF NAMPAK LIMITED

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated and separate financial statements of Nampak Limited (the group) set out on 18 to 82 which comprise the statements of financial position as at 30 September 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Nampak Limited as at 30 September 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

### Basis for opinion

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

## KEY AUDIT MATTERS

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

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Classification of Nampak Glass division as held for sale** | |
| During the year the board of directors (directors) resolved to dispose of the Nampak Glass division. An assessment was performed and the directors concluded that the intention to dispose of the operation triggers the consideration that the Nampak Glass division would meet the definition of a disposal group in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5).<br><br>The classification of a disposal group as non-current assets held for sale involves significant judgement, specifically in determining whether the sale is deemed to be highly probable and actively marketed for sale at a sales prices reasonable in relation to its fair value. Given the significant nature of the judgements, we have assessed this as a key audit matter.<br><br>Disclosed in note 4 of the consolidated financial statements is a description of the facts and circumstances of the expected disposal and the expected manner and timing of that disposal. | We have evaluated the relevant controls designed and implemented by the directors to conclude on the classification of Nampak Glass division as a disposal group held for sale. These include controls designed and implemented by the directors to understand the robustness of key assumptions.<br><br>We have assessed the criteria of IFRS 5 including:<br>■ directors are committed to a plan to sell the disposal group;<br>■ the asset is available for immediate sale;<br>■ an active programme to locate a buyer has been initiated;<br>■ the sale is deemed to be highly probable, within 12 months of classification as held for sale;<br>■ the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and<br>■ actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn.<br><br>We challenged certain assumptions based on our understanding of market conditions.<br><br>We have concluded that the classification and disclosure as a disposal group in accordance with IFRS 5 is appropriate. |

| Key audit matter | How the matter was addressed in the audit |
|---|---|
| **Valuation of the Nampak Glass division disposal group** | |
| IFRS 5 requires that when a disposal group is classified as held for sale, it shall be measured at the lower of its carrying amount and fair value less costs to sell. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.<br><br>As the valuation of fair value of the disposal group is not based upon observable market data, the directors have elected to use the income approach valuation method. Hence, the group uses a valuation model for which a number of assumptions have to be made, the key estimates being:<br>■ revenue growth (which includes pricing and volume growth);<br>■ asset efficiency and margin performance;<br>■ capital maintenance cash flow requirements;<br>■ working capital movements; and<br>■ the discount rate applied to projected cash flows.<br><br>Disclosed in note 4 of the consolidated financial statements are the judgements in determining estimates applied by management to estimate fair value, as well as the disclosure of sensitivities to such estimates.<br><br>Following a review by the directors of key assumptions used in estimating the fair value of the disposal group, an impairment of R677.3 million was recognised and allocated to the property, plant and equipment. The impairment consists of R665.0 million on the carrying value and R12.3 million related to the impairment of certain moulds.<br><br>Due to the significant judgement applied in determining the assumptions and estimates used for valuation of the disposal group, 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 fair value model are reasonable, that changes are monitored, scrutinised and approved by appropriate personnel and that the final assumptions used in the model have been appropriately approved. These include controls designed and implemented by the directors to understand the robustness of key assumptions.<br><br>We focused our testing of the fair value model on the key assumptions made by the directors. Our audit procedures included the following:<br>■ analysing the sales volumes and prices, including the probability of achievement of these targets in the future;<br>■ comparison of the following key forecast assumptions to historical performance:<br>(a) asset efficiency;<br>(b) margin performance; and<br>(c) working capital movements.<br>■ assessment of the reasonableness of the forecast capital maintenance cash flows;<br>■ assessment of the valuation technique applied in line with the requirements of IFRS 13 *Fair Value Measurement* (IFRS 13); and<br>■ engaging our internal specialists to assist with:<br>(a) evaluating whether the model complies with the requirements of IFRS 13;<br>(b) validating the assumptions used to calculate the growth and discount rates and recalculating these rates; and<br>(c) subjecting the key assumptions to sensitivity analyses.<br><br>We challenged the appropriateness of the key assumptions in the impairment test.<br><br>In particular, our challenge was based on our assessment of the historical accuracy of the group's estimates in previous periods, our understanding of the commercial prospects of key improvements implemented, and being implemented to enhance and achieve forecasts.<br><br>We found that the assumptions used by the directors were reasonable, however we noted that the model is highly sensitive to changes in key variables.<br><br>We concur with management's assessment that the fair value appears to be reasonable.<br><br>We assessed whether the group's disclosures about the sensitivity of the outcome of the valuation to changes in key assumptions appropriately reflected the risks inherent in the valuation of the disposal group. We consider the disclosure to be adequate. |

# Independent auditor's report continued

| Key audit matter | How the matter was addressed in the audit |
| --- | --- |
| **Impairment considerations of Nampak Bevcan Nigeria goodwill** | |
| The recovery of the carrying value of goodwill involves significant judgement as it relates to achieving forecasts set by the directors. In addition, it requires the directors to make estimates of assumptions supporting weighted average cost of capital (discount rate) and other related inputs.<br><br>The goodwill recognised on the acquisition of Nampak Bevcan Nigeria is R3.3 billion and comprises 31% of the total net assets of the Nampak Group at year-end.<br><br>The directors are required by IAS 36, *Impairment of Assets* (IAS 36), to conduct annual impairment tests to assess the recoverability of the carrying value of goodwill.<br><br>In accordance with IAS 36, this is performed using discounted cash flow models. As disclosed in note 1 and 7.2 of the consolidated financial statements, there are a number of key sensitive judgements made in determining the inputs into these models which include:<br>■ revenue growth (which includes pricing, market share and sales volumes);<br>■ forecast operating margins; and<br>■ the discount and growth rates applied to the projected future cash flows similar to that of a market participant.<br><br>The forecasts also take into account the expected recovery of the Nigerian economy coupled with an ease in US dollar liquidity constraints in the medium term.<br><br>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 those charged with governance to understand robustness of key assumptions.<br><br>We focused our testing of the impairment of goodwill on the key assumptions made by the directors. Our audit procedures included:<br>■ analysing the future projected volumes and pricing of products to determine whether they are reasonable and supportable given the current economic environment in Nigeria;<br>■ testing of forecasts, including operational margins, to historical performance;<br>■ engaging our internal specialists to assist with:<br>(a) evaluating whether the model complies with the requirements of IAS 36; and<br>(b) validating the assumptions used to calculate the discount and growth rates, and recalculating thereof. Specific focus was placed on in-country risk premiums and capital structure of a market participant;<br>■ subjecting the key assumptions to sensitivity analyses;<br>■ considering, where appropriate, contradictory evidence; and<br>■ reviewing the appropriateness of the disclosure in the financial statements.<br><br>We challenged certain assumptions based on our understanding of historical performance and market conditions.<br><br>In aggregate, the assumptions applied appear to be reasonable.<br><br>We consider the disclosure of the goodwill to be appropriate. |
| **Transferring of cash and liquidity constraints** | |
| Angola, Nigeria and Zimbabwe faced severe liquidity restrictions in the past year.<br><br>Liquidity in Angola has improved in 2018 as a result of cash transfers of R1.8 billion in September 2018. The group has continued to invest in US dollar linked kwanza bonds to hedge against the devaluation of the kwanza.<br><br>The liquidity in the Nigerian operations has improved since 2017.<br><br>Transferring of cash remains a challenge in Zimbabwe. During the 2018 financial year, the component cash balance increased by 82%.<br><br>Various controls have been implemented by the directors to expedite the transferring of cash across the group.<br><br>The ability of the group to transfer cash to settle funding obligations as they fall due has a significant impact on the group's liquidity and thus we have identified the transferring of cash as a key audit matter. | We focused our testing on the impact of the transferring of cash and liquidity constraints including the following:<br>■ understanding entity prepared information as it relates to investments and trade and other accounts per country, including history of payment, by component to the group's treasury department;<br>■ at a component level, understanding the methods of transferring cash and related hedging activities, and accounting treatment thereof. Hedging activities includes the investment in US dollar indexed Angolan kwanza bonds; and<br>■ understanding the directors' calculations around cash requirements coupled with a review of available funding facilities.<br><br>We found that even though exposure in various countries exist, the transferring of cash is taking place, importantly in Angola and Nigeria.<br><br>We concur that the directors have implemented adequate processes to ensure that the transferring of cash and liquidity is addressed.<br><br>We have assessed the disclosure with regards to liquidity risk management as appropriate. |

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' report, audit committee's report and company secretary's certificate, as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors' report and the integrated report, which is expected to be made available to us after that date.

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

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

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

### Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- 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 committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

# Independent auditor's report continued

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of Nampak Limited for 50 years.

Deloitte & Touche

Deloitte & Touche
Registered auditor
Per: Trushar Kalan
Partner

26 November 2018

# Report of the audit committee

for the year ended 30 September 2018

The audit committee (the committee) continues to play a key role in overseeing the quality and integrity of the company's interim results, integrated report (including the annual financial statements), the effectiveness of the internal and external audit functions and the adequacy and effectiveness of internal financial controls, risk management and governance.

The committee is constituted as an audit committee for all group companies and as a statutory committee of Nampak Limited, and acts as the audit committee for all the South African subsidiaries of the company in terms of the Companies Act, No 71 of 2008 (as amended) (the Companies Act); the committee is accountable in this regard to both the board and the shareholders. A formal charter, setting out the committee's duties and responsibilities, is reviewed annually by the Nampak Limited board (the board).

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

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

## MEMBERS OF THE COMMITTEE AND MEETINGS

Attendance for the year: 93.75%

| Members | Meeting dates | | | |
|---|---|---|---|---|
| **Independent non-executive directors** | **1 Nov 17[3]** | **15 Nov 17** | **4 Apr 18** | **15 May 18** |
| J John (chairperson)[1] | ✓ | ✓ | ✓ | ✓ |
| RC Andersen[2] | ✓ | ✓ | ✓ | ✓ |
| NV Lila[4] | ✓ | ✓ | ✓ | X[5] |
| IN Mkhari | ✓ | ✓ | ✓ | ✓ |

[1] *Appointed as chairperson of the committee with effect from 2 February 2018.*
[2] *Retired as chairperson of the committee on 1 February 2018.*
[3] *Special meeting.*
[4] *Chairperson of the risk and sustainability committee.*
[5] *Unable to attend the meeting due to illness.*

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: Board of directors.*

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

# Report of the audit committee continued

for the year ended 30 September 2018

## KEY AREAS OF FOCUS DURING THE YEAR

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

### External and internal[1] audit

- Nominated Deloitte & Touche (Deloitte) for reappointment by the shareholders as the external auditor of Nampak for the financial year ending 30 September 2019. Mr Trushar Kalan was appointed as the designated auditor in 2015 and following his retirement in May 2019, will be replaced by Mr Jurie de Kock.

  After evaluating Mr de Kock's independence, experience and effectiveness, it was concluded that he is independent of the company in accordance with the Companies Act. Deloitte, Mr Kalan and Mr de Kock are not listed on the JSE's list of disqualified auditors as required, and in compliance with the Listings Requirements, the committee obtained and considered all information required in its assessment of the suitability of Deloitte, as well as Mr de Kock, for reappointment and appointment respectively.

  Deloitte has been Nampak's auditor for 50 years and audits all group subsidiaries excluding minor subsidiaries in Ethiopia and Swaziland as well as Group Risk Holdings (Pty) Limited. 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 a preliminary process to ensure that a new audit firm is appointed by such time.

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

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

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

- Approved the external audit plan, which was scoped based on the principles of ISA 600, the terms of engagement and the agreed audit fee.
- Approved the internal audit plan and associated budget, the focus areas of which had been aligned to the five-year internal audit roadmap, Nampak's current business environment and associated risks.
- Assessed the performance of the lead internal auditor, as well as the independence and effectiveness of the internal audit function against the plan, and found them to be performing satisfactorily.

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

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

### 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 in so 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 group's approach to risks and risk appetite as they pertain to financial reporting, as well as Nampak's combined approach to address the significant risks, and found them to be evolving. The coordination, integration and alignment of assurance activities are continuously being refined. The aim is to ensure a robust combined assurance framework to provide the committee with a holistic view of risks, controls and risk mitigation interventions. This will enable the combined assurance model to be further entrenched across the group.
- Satisfied itself that the chief financial officer, Mr GR Fullerton CA(SA), has the appropriate expertise and experience and is supported by a sufficiently experienced finance 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.

### Reporting

- Reviewed the summary financial information and annual financial statements, confirmed the going concern as the basis of preparation, 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 2018 and comply, in all material respects, with the relevant provisions of the Companies Act, the International Financial Reporting Standards (IFRS) and interpretations of IFRS as issued by the International Accounting Standards Board.

  Together with the going concern assessment, the committee considered the solvency and liquidity of the company and reviewed compliance with the financial conditions of loan covenants and determined that the capital of the company was adequate. During the year under review, Nampak established a revolving credit and term facilities programme (RCF) which replaced the group's existing loan facilities. The RCF will address the group's maturing debt profile over the next four to five years, further strengthening the group's financial position.
- Considered the appropriateness of the accounting policies adopted and changes thereto, accounting treatments, significant unusual transactions and accounting judgements, and considered whether any concerns and/or risks were identified regarding significant legal, tax and other matters that could have a material impact on the financial statements.
- Obtained assurance from the external auditors that adequate accounting records were being maintained and determined that there were no reportable irregularities identified and reported by the external auditors in terms of the Auditing Profession Act, 2005.

  It was confirmed that no unresolved issues of concern exist between Nampak and the external or internal auditors.
- Confirmed that in reviewing the annual financial statements, it has considered the findings contained in the 2017 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 as indicated below.

### Key audit matters and significant areas of judgement

After discussion with management and the external auditor, the committee concurred with the key audit matters as set out in Deloitte's report on the audit of the consolidated annual financial statements for the year ended 30 September 2018 and the areas of significant judgement below, and were comfortable that the matters were correctly represented.

| Matter | Comment |
|---|---|
| Classification of Glass as held for sale | On 16 February 2018, the Nampak Limited board took a decision to dispose of Nampak Glass. The criteria of IFRS 5: *Non-current Assets Held For Sale and Discontinued Operations* were met as at 31 March 2018 and the asset classified as held for sale and as a discontinued operation. The assets consists of three furnaces, a manufacturing facility, nine associated production lines, net working capital and the property at which the operation is located. Discussions have been held with a number of strategic players with a formal corporate finance disposal process currently under way. It is expected that this disposal should be concluded by no later than the first half of the 2019 financial year. |
| Goodwill | Goodwill is assessed annually for impairment. The key assumptions used are cash flow projections, growth rates and discount rates. The cash flow projections are prepared by divisional management and approved by executive management. The discount rates are established by the corporate treasury team, taking into account the geographic and other risk factors relating to the Bevcan Nigeria cash-generating unit. The committee considered the impairment test noting the assumptions used, their sensitivities and the headroom.<br><br>The committee agreed that no impairment of the goodwill was considered necessary. |
| Asset impairments | In continuing operations there were impairments to the value of R46 million and reversal of impairments to the value of R39 million. In the reversal of impairments the most significant item relates to the Bevcan Angola tinplate line of R29 million in the current year. There were no individually significant impairments in continuing operations in the current year.<br><br>In the Glass discontinued operation, plant and equipment was impaired by R677 million in 2018. The Glass business is accounted for as a non-current asset held for sale and value in use assessed as at 30 September 2018 resulted in an impairment of R665 million in addition to an impairment of R12 million relating to redundant moulds. |

| Matter | Comment |
|---|---|
| Cash transfer and liquidity constraints in the rest of Africa | Nigeria<br>The NIFEX and NAFEX exchange rates converged during the year and were almost on a par at the reporting date. The Central Bank of Nigeria has boosted its dollar reserves with US dollar reserves of US$44 billion up from approximately US$20 billion two years ago. Cash transfer of R1.6 billion from Nigeria exceeded expectation, representing a cash transfer rate of 190% with no material restrictions impacting the operations. Cash on hand at the end of 2018 of R300 million reflects a 64% reduction from the R828 million held at 30 September 2017. Cash generated during the period was, for the most part, also transferred from Nigeria. This is a pleasing outcome given the previous concern related to this territory. It should, however, be noted that the exceptional transfer from Nigeria will not be matched going forward as the arrears accumulation of funds has largely been transferred. Flows from Nigeria will now be normal operational flows based on profits generated.<br>Angola<br>The Angolan operation remains highly cash generative. The improvement in the cash transferred during the year to R1.8 billion from R0.8 billion in the prior year reflects the concerted effort that management has devoted to this risk area. The increase in the cash transfer rate to 83% from 77% in the comparative period was pleasing with 94% of the remaining in-country cash balances hedged at the year-end. Of the R1.8 billion transferred from Angola, R1.0 billion was remitted to the group's Africa treasury and procurement operation, Nampak International Limited, and R0.8 billion was utilised to fully settle export funding provided by Bevcan SA to Bevcan Angola for ends exported to Angola. This has significantly reduced the exposure to Angola. The kwanza continues to devalue, with a 75% devaluation from AOA171.749 in 2017 to AOA300.721 in 2018.<br>The group continues to hedge its foreign exchange exposures in Angola. The group's strategy to hedge the cash in Angola, through the purchase of US dollar linked kwanza bonds, has resulted in the avoidance of R1.6 billion in potential foreign exchange losses. These hedges have proven to be highly effective.<br>Zimbabwe<br>Cash continues to build in Zimbabwe despite all efforts to transfer cash from this region. There are potential opportunities for hedging and transfer to South Africa being explored. |

## SUBSEQUENT EVENTS

On 1 October 2018 the Zimbabwean Reserve Bank announced the splitting of the Zimbabwean RTGS (real time gross settlement) notes and foreign currency accounts. This has led to consideration of whether the functional currency of the Zimbabwean operations has changed from US dollars to a local Zimbabwe currency. In the event of a change in the functional currency, this may lead to a revaluation of assets and liabilities in Zimbabwe.

## CONCLUSION

The committee is committed to actively supporting Nampak's long-term strategy, ensuring that Nampak improves margins through operational efficiency and cost management with a view to unlocking further value. The committee will continue to ensure that the financial systems, processes and controls operate effectively and respond to changes in the operating and regulatory environment. Having considered all material risks and factors that may impact the integrity of the integrated and financial reporting and following appropriate review, the committee recommended the consolidated and separate annual financial statements and the integrated report for the year ended 30 September 2018 for approval to the board.

J John CA(SA)
Chairperson of the audit committee

16 November 2018

# Directors' report

for the year ended 30 September 2018

Dear shareholders

The board continued to consider the company's strategic direction to ensure the enhancement of Nampak's value in the interest of all its stakeholders.

## 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 the metal, plastic, paper and glass substrates. Our world-class research and development facility assists our businesses in achieving operational excellence and supports our customers' varied packaging requirements. Nampak is a market leader in the manufacture of beverage cans in South Africa and Angola and a major player in Nigeria. We also have strong positions in other metal and plastic packaging in South Africa and other parts of the continent. More detail on the nature of Nampak's businesses can be found in our integrated report.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

### Accounting policies

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

### Borrowing facilities

Group gross borrowings at 30 September 2018 amounted to R9.0 billion (2017: R8.8 billion). In terms of the company's memorandum of incorporation, the borrowing powers are unlimited. Details of the borrowings and facilities are set out in notes 6.1, 6.4 and 6.5 to the full annual financial statements.

The financial year was concluded with the successful negotiation and implementation of a R12.5 billion funding package including four and five-year committed revolving credit and term facilities which substantially strengthened the group's financial position and addressed the group's maturing debt profile. The new facilities are secured by cross guarantees between Nampak Limited, Nampak International Limited and Nampak Products Limited. This financing package has positioned the group well for the next five years and places the group in a strong position to consider growth opportunities.

Existing facilities were cancelled with the exception of R1.1 billion South African overnight facilities and private placements of USD175 million, of which USD115 million will mature in May 2020 and USD60 million maturing in May 2023.

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

- Net debt:EBITDA does not exceed 3.00 times; and
- Interest cover:EBITDA is not less than 4.00 times net interest.

It must be noted that the definition of cash for covenant purposes was amended to exclude all Zimbabwe cash and only include 50% of the US dollar linked kwanza bonds plus 45 days of net working capital in Angola. At the year end the group was comfortably within these covenants.

### Disposals

On 16 February 2018, the Nampak Limited board took a decision to dispose of the Nampak Glass division. The criteria of IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* were met as at 31 March 2018 and the asset classified as held for sale and as a discontinued operation. The asset consists of three furnaces, nine associated production lines, net working capital and the property at which the operation is located. Discussions have been held with a number of strategic players with a formal corporate finance disposal process currently under way. It is expected that this disposal should be concluded by no later than the first half of the 2019 financial year.

During May 2018 the board also took the decision to dispose of the Megapak Crates and Drums businesses. Accordingly, this resulted in the assets and liabilities associated with these businesses being classified as held for sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### Impairment testing

IFRS 5 requires that when disposal groups are classified as held for sale, such a disposal group shall be measured at the lower of the carrying amount and fair value less costs to sell. The definition of fair value is defined in IFRS 13 *Fair Value Measurement* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 refers to three widely used valuation techniques namely, the market approach, the cost approach and the income approach. The income-based approach has been adopted using the value-in-use and a discounted cash flow model using past years as a proxy, applying judgements which are reasonable for this purpose. The model is highly sensitive to changes in key variables.

Based on the value-in-use model for Glass an impairment loss of R665 million was recognised at 30 September 2018 with a further R12 million impairment relating to certain moulds that were impaired.

IAS 36: *Impairment of Assets* requires that, irrespective of whether there is any indicator of impairment, an entity shall test goodwill for impairment annually. The Bevcan Nigeria goodwill balance of R3.3 billion (USD233 million) is significant and sensitive to changes in certain variables which include its cash flows, WACC and country risks. The value-in-use model for the Bevcan Nigeria operation continues to show headroom with no goodwill impairment required.

### Review of operations and results

Revenue for continuing operations marginally declined to R17.31 billion (2017: R17.40 billion), largely as a result of constrained revenue growth in the Metals division. Satisfactory volume growth in Bevcan Nigeria and DivFood was offset by lower volumes in Bevcan Angola, as the foreign currency shortages impacted the procurement of raw materials in the second half of the year. Revenue from the Plastics division in the Rest of Africa also improved significantly, but was muted by the performance of the rest of the Plastics division.

Trading profit from continuing operations for the group increased by 3% to R1.97 billion (2017: R1.92 billion) and trading margins for many divisions improved, driven by enhanced operational efficiencies in Bevcan South Africa, the recovery in fish volumes at DivFood and volume growth in Bevcan Nigeria. Exceptional performances by Plastics and Paper operations in Zimbabwe also drove the higher trading margin for the group of 11.4% (2017: 11.0%).

Growth in trading profit from continuing operations and a 9% reduction in net abnormal losses to R447 million (2017: R491 million) led to operating profit growing by 6% to R1.52 billion (2017: R1.43 billion). The key contributors to abnormal losses in the prior year, net impairments and foreign currency losses, reduced by 97% to R7 million (2017: R233 million) and 21% to R127 million (2017: R160 million) respectively. Higher restructuring and retrenchment costs of R96 million (2017: R73 million), the cost of transferring cash from Angola of R73 million (2017: Rnil) and onerous contracts of R100 million (2017: R82 million) also contributed to abnormal losses in 2018.

Profit for the year from continuing operations increased by 29% to R1.17 billion (2017: R905 million) assisted by the lower effective taxation rate of 10.7% (2017: 25.1%). The reduction in the tax rate is primarily due to the significant reduction in impairments, with large impairments in the prior year not offering any tax shield. Higher net cash balances during the year improved from the transferring of cash from Nigeria and Angola, coupled with strong cash generation in Angola and Zimbabwe led to a 108% higher finance income of R244 million (2017: R118 million). Finance costs of R465 million are 37% higher than the prior year but include R65 million that relates to Angolan capital enforcement tax which is classified as an interest cost on foreign exchange gains on the US dollar linked kwanza bonds. Excluding this, the net finance cost of R156 million has been well managed and reflects a decrease of 30%. Profit before tax of R1.3 billion (2017: R1.2 billion) increased by 8%.

### Continuing operations

Basic earnings attributable to Nampak equity holders increased by 39% to R1.1 billion (2017: R784 million) as a result of higher profits from continuing operations together with a lower portion of profits due to outside shareholders of R80 million (2017: R121 million) in 2018. Accordingly, earnings per share increased by 38% to 169.2 cents per share (2017: 122.3 cents per share) despite a 0.4% increase in the weighted average number of shares in issue for the year. Headline earnings grew by 16% to R1.1 billion (2017: R937 million) largely due to improved performance from continuing operations. Headline earnings per share increased by 15% to 168.7 cents per share (2017: 146.3 cents per share).

### Continuing and discontinued operations

Basic earnings attributable to Nampak equity holders increased by 108% to R489 million (2017: R235 million) as a result of higher profits from continuing operations assisted by lower abnormal items and profits due to outside shareholders of R80 million (2017: R121 million) in 2018. Accordingly, earnings per share increased by 108% to 76.0 cents per share (2017: 36.6 cents per share) despite a 0.4% increase in the weighted average number of shares in issue for the year. Headline earnings grew by 23% to R974 million (2017: R793 million) largely due to improved overall performance from operations. Headline earnings per share rose by 22% to 151.4 cents per share (2017: 123.8 cents per share).

Cash transferred from Angola, Nigeria and Zimbabwe more than doubled, increasing to R3.5 billion (2017: R1.7 billion) as a result of improved liquidity in Angola and Nigeria.

There was limited liquidity in Angola for most of the year as the country had low foreign currency reserves due to relatively low oil production. Nampak continued to hedge as much cash as possible in US dollar linked kwanza bonds which provided much required protection of cash balances against a series of timed devaluations by the Angolan government which resumed in early 2018. By the end of the financial period, the Angolan kwanza had devalued by 75% against the US dollar to AOA301/USD and the hedging strategy provided a R1.6 billion shield against devaluations. As Angola experienced a number of fiscal interventions during the course of the year, liquidity returned in the latter part of the second half and R1.8 billion (USD138 million) was secured for transfer to settle internal group procurement and treasury facilities which had been used to fund operations in Angola. This was 142% more than the amount of R769 million (USD57 million) transferred in the prior year. The group continued with its hedging strategies in Angola with 94% of kwanza cash balances at the year end hedged. The rand equivalent of cash balances at the year end increased due to the highly cash generative nature of the business, the weakening of the rand dollar exchange rate and a contraction in the net working capital.

R1.6 billion (USD120 million) was transferred from Nigeria, representing a 190% cash transfer rate as the NAFEX (Nigerian autonomous foreign exchange rate) continued to provide sustained liquidity since its introduction in April 2017. Both cash generated during the period and a significant portion of accumulated cash earned in previous financial years was transferred. As a result, cash balances reduced by 64% to R300 million (2017: R828 million). Going forward, only currently generated cash is expected to be remitted and hedging is considered unnecessary.

Minimal cash of R87 million was transferred from Zimbabwe as liquidity constraints remained. Operations in this country were highly cash generative and the cash balance increased to R1.2 billion (2017: R654 million) as a consequence of the weakening in the rand dollar exchange rate, strong cash generation and the increase in the funding provided from the offshore group treasury company.

## 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** | | 39.8 | | 35.5 |

[1] *The issued ordinary share capital includes 45 070 854 treasury shares held by Nampak Product Limited and 17 277 shares held by the Nampak Black Management Trust.*
[2] *At the annual general meeting on 1 February 2018, shareholders granted the authority to Nampak's directors to authorise a repurchase of up to 10% of Nampak's ordinary issued shares. No shares were repurchased during the year under review.*
[3] *Share premium as at 30 September 2018: R268.9 million.*
[4] *There were no changes to the 6.5% and 6% preference shares.*

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

| | Ordinary shares of 5 cents each |
|---|---|
| Issued at 30 September 2017 | 689 404 454 |
| Ordinary shares allotted to employees other than directors in terms of the Nampak Deferred Bonus Plan (DBP) | 66 308 |
| Ordinary shares allotted to executive directors of Nampak Limited in terms of the DBP | 39 459 |
| Ordinary shares allotted to employees other than directors in terms of the Nampak Performance Share Plan (PSP) | 301 283 |
| Issued at 30 September 2018 | 689 811 504 |

## SHARE PLANS

Details of the share plans are included in the remuneration report appearing on pages 61 to 63.

### The Nampak Share Appreciation Plan 2009 (SAP 2009)

The tables below show the number of shares conditionally awarded in terms of Nampak's SAP 2009, and the maximum number of shares which might vest. However, the actual number of shares which will vest, will depend on the extent to which performance conditions were satisfied and, consequently, may be less than the number stated below:

| | **2018** | 2017 |
|---|---|---|
| Balance at the commencement of the financial year | **6 266 071** | 5 952 250 |
| Number of conditional shares awarded during the year: | **55 000** | 3 300 284 |
| Executive directors (Nampak Limited) | **–** | 306 116 |
| Senior executives | **55 000** | 2 994 168 |
| Forfeitures/cancellations | **(626 680)** | (452 500) |
| Retirements | **(124 569)** | (157 109) |
| SAP rights forfeited due to underachievement of performance criteria | **(2 531 063)** | (2 376 854) |
| Balance at the end of the financial year | **3 038 759** | 6 266 071 |
| Number of participants | **2** | 230 |

## The Nampak Performance Share Plan 2009 (PSP 2009)

The tables below show the number of shares conditionally awarded in terms of Nampak's PSP 2009, 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:

| | 2018 | 2017 |
|---|---|---|
| Balance at the commencement of the financial year | **3 304 554** | 2 774 457 |
| Number of conditional shares awarded during the year: | **3 525 180** | 2 094 012 |
| Executive directors (Nampak Limited) | **1 453 000** | 907 522 |
| Senior executives | **2 072 180** | 1 186 490 |
| Forfeitures/cancellations | **(239 455)** | – |
| Retirements | **–** | (323 938) |
| PSP rights forfeited due to underachievement of performance criteria | **(1 051 338)** | (461 263) |
| PSP rights exercised | **(301 283)** | (778 714) |
| Balance at the end of the financial year | **5 237 658** | 3 304 554 |
| Number of participants | **18** | 32 |

## The Nampak Deferred Bonus Plan 2009 (DBP 2009)

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

| | 2018 | 2017 |
|---|---|---|
| Balance at the commencement of the financial year | **304 567** | 210 894 |
| Number of bonus shares purchased by employees during the year: | **310 013** | 129 513 |
| Executive directors (Nampak Limited) | **177 716** | 14 409 |
| Senior executives | **132 297** | 115 104 |
| Number of bonus shares transferred/sold to/by employees during the year: | **(105 767)** | (27 232) |
| Executive directors | **(39 459)** | – |
| Senior executives | **(66 308)** | (27 232) |
| Forfeitures | | – |
| Retirements | **–** | (8 608) |
| Balance at the end of the financial year | **508 813** | 304 567 |
| Number of participants | **11** | 27 |

## 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 2018 is summarised below:

| | |
|---|---|
| Balance at the commencement of the financial year | **12 888 917** |
| *Less:* Awards granted in terms of the SAP 2009 during the current financial year | **(55 000)** |
| *Less:* Awards granted in terms of the PSP 2009 during the current financial year | **(3 525 180)** |
| *Less:* Number of conditional shares awarded during the year and prior financial years in terms of DBP | **(310 013)** |
| *Add:* Awards forfeited in terms of the PSP during the current financial year | **1 290 793** |
| *Add:* Awards forfeited in terms of the SAP during the current financial year | **3 282 312** |
| **Maximum available for future allocations** | **13 571 829** |

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 2009 is much less dilutive than conventional option plans, as only the appreciation in the share price is settled in shares. One award granted will therefore never result in a full share being issued.

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

In respect of the PSP 2009, the company will be limited to issuing no more than 9 000 000 (nine million) shares. This limit also takes into account awards already granted under 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, indicated in note 9.1 of 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 | 98 | 6.00 | 1/12/2017 | 30/01/2018 | 5/02/2018 |
| | **99** | **6.00** | **17/07/2018** | **31/07/2018** | **6/08/2018** |
| 6.5% cumulative preference | 98 | 6.50 | 1/12/2017 | 30/01/2018 | 5/02/2018 |
| | **99** | **6.50** | **17/07/2018** | **31/07/2018** | **06/08/2018** |

## ORDINARY DIVIDEND

The board has decided not to resume dividends to shareholders until the sustainability of the transferring of cash from Angola and Zimbabwe is assured and the disposal of the Glass business is finalised. The Board will evaluate the various options available with a view to enhancing shareholder value.

## DIRECTORS

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

Following Mr TT Mboweni's appointment as the Minister of Finance of the Republic of South Africa, he resigned as director and chairman of the board with effect from 10 October 2018. Mr Mboweni was also the chairman of the nominations committee and a member of the remuneration committee. The board appointed Mr PM Surgey, who was the lead independent director, as chairman of the board of Nampak Limited, with effect from 10 October 2018. He was also appointed as chairman of the nominations committee. Mr RC Andersen replaced Mr Surgey as chairman of the remuneration committee and Ms Mkhari was appointed as member of the remuneration committee with effect from 8 November 2018.

Mr RC Andersen, Prof PM Madi and Ms NV Lila are the directors who are required to retire as directors of the company in terms of clause 29.1 of the MOI. Mr Andersen and Prof Madi have decided not to avail themselves for re-election due to their tenure on the board.

The remuneration of Nampak Limited's directors is set out on pages 61 to 63 of these annual financial statements.

## INTERESTS OF DIRECTORS AND PRESCRIBED OFFICERS

The total direct and indirect beneficial and non-beneficial interests of the directors and prescribed officers of Nampak Limited in the issued ordinary share capital of the company at 30 September 2018 are shown below:

| | Ordinary shares | |
|---|---|---|
| | **2018** | 2017 |
| Beneficial interests | | |
| **Executive directors** | | |
| AM de Ruyter | **247 387** | 103 713 |
| GR Fullerton | **61 478** | 15 517 |
| MMF Seleoane | **9 192** | – |
| FV Tshiqi[1] | **–** | 130 012 |
| **Non-executive directors** | | |
| RC Andersen | **31 000** | 31 000 |
| **Non-beneficial interests of directors** | **5** | 8 |
| Beneficial interests | | |
| Prescribed officers | | |
| C Burmeister | **214 864** | 186 782 |
| M Khutama | **6 554** | 11 554 |
| LD Kidd | **87 715** | 87 715 |
| RG Morris | **461 187** | 433 989 |
| EE Smuts | **201 306** | 147 550 |
| IH van Lochem | **3 064** | – |
| NP O'Brien[2] | **–** | 15 368 |

[1] *Retired as executive director: human resources on 30 June 2017.*
[2] *Retired on 31 August 2017.*

Dr RJ Khoza, an independent non-executive director, has an indirect, beneficial shareholdings through his family trust and Wheatfields Investments No 230 (Pty) Limited in the ordinary share capital of the company. The number of shares held remained unchanged from the previous financial year ended 30 September 2017 and are as follows:

| Name of director | 2018 |
|---|---|
| RJ Khoza Family Trust | 26 000 |
| Wheatfields Investments No 230 (Pty) Limited | 1 374 398 |

There have been no changes to the directors' shareholdings outlined above since the end of the financial year 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

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

## SUBSEQUENT EVENTS

On 1 October 2018 the Zimbabwean Reserve Bank announced the splitting of the Zimbabwean RTGS (real time gross settlement) notes and foreign currency accounts. This has led to consideration of whether the functional currency of the Zimbabwean operations has changed from US dollars to a local Zimbabwe currency. In the event of a change in the functional currency, this may lead to a revaluation of assets and liabilities in Zimbabwe.

## RETIREMENT FUNDS

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

## SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

Details of the company's significant subsidiaries, joint ventures and associates are reflected on pages 69 to 71 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 2018.

At the annual general meeting of 5 February 2019, shareholders will be requested to reappoint Deloitte & Touche as auditor of Nampak Limited following the audit committee's decision to nominate Deloitte & Touche as its independent auditor for the financial year commencing 1 October 2018. Mr Trushar Kalan will retire from Deloitte in May 2019 and Mr Jurie de Kock will be the individual responsible for performing the functions of the auditor.

## COMPANY SECRETARY

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

# Consolidated statement of comprehensive income

for the year ended 30 September 2018

| | Notes | 2018 R million | Restated 2017 R million |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | 2.1 | **17 309.8** | 17 401.8 |
| Raw materials and consumables used | | **(9 422.0)** | (9 144.5) |
| Employee benefit expense | | **(2 794.1)** | (2 812.3) |
| Depreciation and amortisation expense | | **(569.0)** | (606.2) |
| Other operating expenses | | **(3 112.2)** | (3 582.3) |
| Other operating income | | **110.4** | 173.7 |
| **Operating profit** | 2.2, 2.3 | **1 522.9** | 1 430.2 |
| Finance costs | 6.2 | **(465.2)** | (339.1) |
| Finance income | 6.2 | **244.3** | 117.7 |
| Share of net profit from associates and joint venture | | **5.8** | 0.1 |
| **Profit before tax** | | **1 307.8** | 1 208.9 |
| Income tax expense | 3.1 | **(139.5)** | (304.0) |
| **Profit for the year from continuing operations** | | **1 168.3** | 904.9 |
| **DISCONTINUED OPERATION** | | | |
| Loss for the year from discontinued operation | 4 | **(599.2)** | (548.9) |
| **Profit for the year** | | **569.1** | 356.0 |
| **Other comprehensive income/(expense) for the year, net of tax** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Net actuarial gain from retirement benefit obligations | 8.1 | **34.4** | 19.5 |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange gain/(loss) on translation of foreign operations | | **217.4** | (122.1) |
| Gain/(loss) on cash flow hedges | | **51.7** | (14.1) |
| **Other comprehensive income/(expense) for the year, net of tax** | | **303.5** | (116.7) |
| **Total comprehensive income for the year** | | **872.6** | 239.3 |
| **Profit attributable to:** | | | |
| Owners of Nampak Limited | | **489.2** | 234.8 |
| Non-controlling interest in subsidiaries | 9.5 | **79.9** | 121.2 |
| Total | | **569.1** | 356.0 |
| **Total comprehensive income attributable to:** | | | |
| Owners of Nampak Limited | | **769.9** | 120.3 |
| Non-controlling interest in subsidiaries | 9.5 | **102.7** | 119.0 |
| Total | | **872.6** | 239.3 |
| **Earnings per share** | | | |
| Basic (cents per share) | | | |
| Continuing operations | | **169.2** | 122.3 |
| Discontinued operation | | **(93.2)** | (85.7) |
| Total | 5.1 | **76.0** | 36.6 |
| Diluted (cents per share) | | | |
| Continuing operations | | **168.4** | 121.9 |
| Discontinued operation | | **(92.7)** | (85.4) |
| Total | 5.2 | **75.7** | 36.5 |

# Consolidated statement of financial position

at 30 September 2018

| | Notes | 2018 R million | Restated* 2017 R million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant, equipment and investment property | 7.1 | **8 177.0** | 10 151.4 |
| Goodwill | 7.2 | **3 512.8** | 3 374.4 |
| Other intangible assets | 7.3 | **195.2** | 194.4 |
| Investments in associates and joint venture | | **35.3** | 21.8 |
| Deferred tax assets | 3.2 | **173.5** | 49.3 |
| Liquid bonds and other loan receivables – non-current | 6.3 | **1 787.9** | 1 164.0 |
| | | **13 881.7** | 14 955.3 |
| **Current assets** | | | |
| Inventories | 7.4 | **3 205.6** | 3 980.3 |
| Trade and other current receivables | 7.5 | **3 071.0** | 2 761.0 |
| Tax assets | | **14.1** | 17.3 |
| Liquid bonds and other loan receivables – current | 6.3 | **450.6** | 882.1 |
| Bank balances and deposits | 6.6 | **2 844.8** | 2 385.0 |
| | | **9 586.1** | 10 025.7 |
| Assets classified as held for sale | 7.6 | **2 446.3** | – |
| **Total assets** | | **25 914.1** | 24 981.0 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 9.2 | **35.5** | 35.5 |
| Capital reserves | 9.3 | **(70.3)** | (116.4) |
| Other reserves | 9.4 | **200.0** | (84.4) |
| Retained earnings | | **9 975.1** | 9 476.9 |
| Shareholders' equity | | **10 140.3** | 9 311.6 |
| Non-controlling interest | 9.5 | **472.2** | 369.5 |
| | | **10 612.5** | 9 681.1 |
| **Non-current liabilities** | | | |
| Loans and other borrowings – non-current | 6.4 | **8 023.1** | 6 007.2 |
| Retirement benefit obligations | 8.1 | **1 478.4** | 1 558.0 |
| Deferred tax liabilities | 3.2 | **168.1** | 294.5 |
| Other non-current liabilities | | **98.6** | 64.8 |
| | | **9 768.2** | 7 924.5 |
| **Current liabilities** | | | |
| Trade and other current payables | 7.7 | **3 796.5** | 4 157.5 |
| Provisions | 7.8 | **398.8** | 359.6 |
| Tax liabilities | | **45.5** | 82.6 |
| Loans, other borrowings and bank overdrafts | 6.5 | **990.0** | 2 775.7 |
| | | **5 230.8** | 7 375.4 |
| Liabilities directly associated with assets classified as held for sale | 7.6 | **302.6** | – |
| **Total equity and liabilities** | | **25 914.1** | 24 981.0 |

** Refer note 1.*

# Consolidated statement of changes in equity

for the year ended 30 September 2018

| | Notes | 2018 R million | 2017 R million |
|---|---|---|---|
| **Opening balance** | | **9 681.1** | 9 444.5 |
| Shares issued during the year | | **6.5** | 11.8 |
| Share-based payment expense | | **4.0** | 5.0 |
| Share grants exercised | | **(6.5)** | (11.7) |
| Treasury shares disposed | | **54.9** | – |
| Acquisition of business | | **–** | (7.7) |
| Total comprehensive income for the year | | **872.6** | 239.3 |
| Dividends paid | | **(0.1)** | (0.1) |
| **Closing balance** | | **10 612.5** | 9 681.1 |
| **Comprising:** | | | |
| Share capital | 9.2 | **35.5** | 35.5 |
| Capital reserves | 9.3 | **(70.3)** | (116.4) |
| Share premium | | **268.9** | 262.4 |
| Treasury shares | | **(515.8)** | (557.9) |
| Share-based payments reserve | | **176.6** | 179.1 |
| Other reserves | 9.4 | **200.0** | (84.4) |
| Foreign currency translation reserve | | **1 569.6** | 1 375.0 |
| Financial instruments hedging reserve | | **56.4** | 4.7 |
| Recognised actuarial losses | | **(1 412.7)** | (1 447.1) |
| Share of non-distributable reserves in associates and joint ventures | | **3.7** | – |
| Other | | **(17.0)** | (17.0) |
| Retained earnings | 9.1 | **9 975.1** | 9 476.9 |
| **Shareholders' equity** | | **10 140.3** | 9 311.6 |
| Non-controlling interest | 9.5 | **472.2** | 369.5 |
| **Total equity** | | **10 612.5** | 9 681.1 |

# Consolidated statement of cash flows

for the year ended 30 September 2018

| | Notes | 2018 R million | 2017 R million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | **18 438.5** | 18 903.2 |
| Cash paid to suppliers and employees | | **(16 843.2)** | (16 834.9) |
| **Cash generated from operations** | 2.4 | **1 595.3** | 2 068.3 |
| Interest received | | **234.0** | 96.0 |
| Interest paid | | **(692.1)** | (501.8) |
| Retirement benefits, contributions and settlements | | **(145.2)** | (119.1) |
| Income tax paid | | **(170.8)** | (152.7) |
| **Cash flows from operations** | | **821.2** | 1 390.7 |
| Dividends paid | | **(0.1)** | (0.1) |
| **Cash generated from operating activities** | | **821.1** | 1 390.6 |
| **Cash flows from investing activities** | | | |
| Capital expenditure | | **(536.4)** | (735.3) |
| Replacement | | **(359.8)** | (377.0) |
| Expansion | | **(176.6)** | (358.3) |
| Disposal of property, plant, equipment and investments | | **27.8** | 38.1 |
| Disposal of business | | **–** | 57.8 |
| Post-retirement medical aid buy-out | 8.1 | **(1.8)** | (569.2) |
| Increase in liquid bonds | | **(6.9)** | (1 336.5) |
| Decrease/(increase) in other non-current loan receivables | | **20.0** | (26.1) |
| **Cash utilised in investing activities** | | **(497.3)** | (2 571.2) |
| **Net cash generated/(utilised) before financing activities** | | **323.8** | (1 180.6) |
| **Cash flows from financing activities** | | | |
| Non-current borrowings raised | | **6 102.1** | 2 000.0 |
| Non-current borrowings repaid | | **(4 407.9)** | (2 000.2) |
| Net current borrowings repaid | | **(95.9)** | (250.0) |
| Proceeds from disposal of treasury shares | | **54.9** | – |
| Capital raised from issue of shares | | **6.5** | 11.8 |
| **Cash raised/(repaid) in financing activities** | | **1 659.7** | (238.4) |
| **Net increase/(decrease) in cash and cash equivalents** | | **1 983.5** | (1 419.0) |
| Net (overdraft)/cash and cash equivalents at beginning of year | | **(168.8)** | 1 224.5 |
| Translation of cash in foreign subsidiaries | | **22.1** | 25.7 |
| **Net cash and cash equivalents/(overdraft) at end of year** | 6.6 | **1 836.8** | (168.8) |

# Index to the notes to the consolidated financial statements

for the year ended 30 September 2018

# Notes to the consolidated financial statements

for the year ended 30 September 2018

## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS

### Basis of preparation

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

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

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

Accounting policies which are useful to users, especially where particular accounting policies are based on judgement regarding choices within International Financial Reporting Standards, have been disclosed. Accounting policies for which no choice is permitted in terms of International Financial Reporting Standards 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.

On 1 October 2018 the Zimbabwean Reserve Bank announced the splitting of the Zimbabwean RTGS (real time gross settlement) notes and foreign currency accounts. This has led to consideration of whether the functional currency of the Zimbabwean operations has changed from US dollars to a local Zimbabwe currency. In the event of a change in the functional currency, this may lead to a revaluation of assets and liabilities in Zimbabwe.

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

### Critical judgements

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

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

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

- Classification of disposal groups held for sale

  The classification of the Nampak Glass division and the Megapak Crates and Drums businesses as disposal groups held for sale involves determining whether the criteria for such recognition as indicated in IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations* have been met.

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

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

- Valuation of the disposal groups held for sale

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

  In respect of the Nampak Glass division, the valuation of its fair value could not be based on observable market data and therefore the directors elected to use the income approach valuation method. The income-based approach has been adopted using the value in use and a discounted cash flow model using past years as a proxy, applying judgements which are reasonable for this purpose. The inputs into the model are based on unobservable inputs and thus considered to be level 3 in the fair value hierarchy, as defined in IFRS 13.The valuation model used involves several assumptions with the key estimates being revenue growth (including pricing and volume growth), asset efficiency and market performance, capital maintenance cash flow requirements, working capital requirements and the discount rate to be applied to the projected cash flows.

  Disclosed in note 4 are the key estimates applied by management to estimate the fair value of the Nampak Glass division, as well as the sensitivities to such estimates. In light of the fair value determined, an impairment loss of R665.0 million was recognised. This impairment loss was in addition to an impairment of R12.3 million recognised on redundant moulds.

  In respect of the Megapak Crates and Drums businesses, the valuation of its fair value was estimated as being the carrying value of the net operating assets of these business at the date that these disposal groups were classified as held for sale in light of the progress that has been made in terms of these transactions.

## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS *(continued)*

### Critical judgements *(continued)*

- Functional currency of Bevcan Angola Limitada, Nampak Bevcan Nigeria Limited and Nampak Zimbabwe Limited

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

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

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

- Nampak Bevcan Nigeria Limited goodwill

The goodwill raised on the acquisition of Nampak Bevcan Nigeria Limited has a carrying value of R3.3 billion on the statement of financial position as at 30 September 2018 and comprises 31% of the total net assets of the Nampak group. The directors are required by IAS 36: *Impairment of Assets* to conduct annual impairment tests to assess the recoverability of the carrying value of goodwill.

In accordance with this standard, the above test is performed using a discounted cash flow model. As disclosed in note 7.2 of the consolidated financial statements, there are a number of key judgements made in determining the inputs into this model which include revenue growth (which includes pricing, market share and sales volumes), forecast operating margins and the discount rate to be applied to the future projected cash flows being similar to that of a market participant. The forecast also considers the expected recovery of the Nigerian economy coupled with the continuing easing of the US dollar liquidity the medium term.

In light of the tests performed, the carrying value of goodwill for Nampak Bevcan Nigeria Limited is considered reasonable with no impairment required to be recognised.

- Other

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

*Deferred tax assets*
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.

*Remediation provision – sale and leaseback properties*
As property remediation related to site closure and disposal is becoming more prevalent, management reassessed the provision related to property closure and disposal costs with an additional provision being raised of R64 million in light of their judgement as to the best estimate of the increase in costs.

## 1. BASIS OF PREPARATION, CRITICAL JUDGEMENTS AND RESTATEMENTS *(continued)*

### Restatements

#### Discontinued operation

The comparatives to the consolidated statement of comprehensive income (September 2017) have been restated for the impact of the Nampak Glass division being recognised as a discontinued operation during the year. Refer note 4.

The main impact of these restatements is as follows:

| | 2017 R million |
|---|---|
| **Revenue – decrease** | (1 419.9) |
| **Operating profit – increase** | 469.2 |
| Finance costs – decrease | 169.7 |
| **Profit before tax – increase** | 638.9 |
| Income tax expense – increase | (90.0) |
| **Profit for the year from continuing operations – increase** | 548.9 |
| Loss for the year from discontinued operation – increase | (548.9) |
| **Profit for the year** | – |
| **Earnings per share – continuing operations** | |
| Earnings per share (cents) – increase | 85.7 |
| Diluted earnings per share (cents) – increase | 85.4 |

#### Prior period error

The comparatives to the statement of financial position (September 2017) have been restated for intergroup royalties receivable of R248.9 million that were presented with trade and other current receivables in error, and have been moved to trade and other payables where the matching intergroup royalties payable were presented.

## 2. OPERATIONAL PERFORMANCE

### 2.1 Revenue

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| Sale of goods | **16 896.8** | 17 005.1 | **1 456.5** | 1 419.9 | **18 353.3** | 18 425.0 |
| Rendering of services | **5.5** | 4.4 | **–** | – | **5.5** | 4.4 |
| Other | **407.5** | 392.3 | **–** | – | **407.5** | 392.3 |
| Total | **17 309.8** | 17 401.8 | **1 456.5** | 1 419.9 | **18 766.3** | 18 821.7 |

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

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

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

## 2. OPERATIONAL PERFORMANCE *(continued)*

### 2.2 Operating profit

| | Continuing operations 2018 R million | Continuing operations 2017 R million | Discontinued operation 2018 R million | Discontinued operation 2017 R million | Total 2018 R million | Total 2017 R million |
|---|---|---|---|---|---|---|
| Operating profit is stated after taking into account the following items: | | | | | | |
| Cost of goods sold | **12 092.0** | 11 236.4 | **894.7** | 804.3 | **12 986.7** | 12 040.7 |
| **Employee benefit expense includes:** | | | | | | |
| Retrenchment costs | **55.2** | 57.4 | **–** | – | **55.2** | 57.4 |
| Defined benefit plan expense | **102.3** | 115.0 | **–** | – | **102.3** | 115.0 |
| Pension fund curtailment gain on restructure | **(16.2)** | (64.5) | **–** | – | **(16.2)** | (64.5) |
| Other share-based payment expenses | **5.5** | 6.9 | **–** | – | **5.5** | 6.9 |
| **Depreciation and amortisation consists of:** | | | | | | |
| Investment properties | **–** | 0.4 | **–** | – | **–** | 0.4 |
| Freehold and leasehold buildings | **48.0** | 40.1 | **2.5** | 5.6 | **50.5** | 45.7 |
| Plant, equipment and vehicles | **497.9** | 547.3 | **122.2** | 205.6 | **620.1** | 752.9 |
| Intangible assets | **23.1** | 18.4 | **0.1** | 14.0 | **23.2** | 32.4 |
| Total | **569.0** | 606.2 | **124.8** | 225.2 | **693.8** | 831.4 |
| **Other operating expenses and income include:** | | | | | | |
| *Auditors' remuneration* | | | | | | |
| Audit and professional fees | **19.3** | 20.3 | **1.1** | 1.0 | **20.4** | 21.3 |
| Tax services | **2.6** | 1.1 | **–** | – | **2.6** | 1.1 |
| Other services | **1.7** | 2.8 | **0.2** | – | **1.9** | 2.8 |
| Total | **23.6** | 24.2 | **1.3** | 1.0 | **24.9** | 25.2 |
| *Impairment losses* | | | | | | |
| Property | **–** | 5.0 | **–** | – | **–** | 5.0 |
| Plant and equipment | **46.1** | 232.3 | **12.3** | – | **58.4** | 232.3 |
| Goodwill | **–** | – | **–** | 321.1 | **–** | 321.1 |
| Other intangible assets | **–** | – | **–** | 114.2 | **–** | 114.2 |
| Assets classified as held for sale | **–** | – | **665.0** | – | **665.0** | – |
| Total | **46.1** | 237.3 | **677.3** | 435.3 | **723.4** | 672.6 |
| *Reversal of impairment losses* | | | | | | |
| Plant and equipment | **(39.1)** | (4.8) | **–** | – | **(39.1)** | (4.8) |
| Total | **(39.1)** | (4.8) | **–** | – | **(39.1)** | (4.8) |

## 2. OPERATIONAL PERFORMANCE *(continued)*

### 2.2 Operating profit *(continued)*

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| *Rentals in respect of operating leases* | | | | | | |
| Property | **218.8** | 213.9 | **21.8** | 20.8 | **240.6** | 234.7 |
| Plant, equipment and vehicles | **39.3** | 9.5 | **14.1** | – | **53.4** | 9.5 |
| Total | **258.1** | 223.4 | **35.9** | 20.8 | **294.0** | 244.2 |
| *Net (gain)/loss on financial instruments* | | | | | | |
| Derivatives | **(45.7)** | (62.7) | **–** | – | **(45.7)** | (62.7) |
| Other financial instruments* | **(31.0)** | 336.3 | **(1.5)** | 2.1 | **(32.5)** | 338.4 |
| Total | **(76.7)** | 273.6 | **(1.5)** | 2.1 | **(78.2)** | 275.7 |
| ** Includes devaluation losses arising from Angolan and Nigerian exchange losses.* | | | | | | |
| *Net (profit)/loss on disposals* | | | | | | |
| Net profit on disposal of property | **(12.4)** | (3.0) | **–** | – | **(12.4)** | (3.0) |
| Net loss/(profit) on disposal of plant, equipment and intangible assets | **3.0** | (6.0) | **–** | 1.6 | **3.0** | (4.4) |
| Net profit on disposal of investment and business | **–** | (25.4) | **–** | – | **–** | (25.4) |
| Total | **(9.4)** | (34.4) | **–** | 1.6 | **(9.4)** | (32.8) |
| Other expenses/(income) | | | | | | |
| Administration and technical fees | **40.8** | 55.2 | **8.0** | 1.5 | **48.8** | 56.7 |
| Selling expenses | **19.1** | 44.0 | **–** | – | **19.1** | 44.0 |
| Distribution expenses | **490.2** | 438.4 | **160.0** | 153.2 | **650.2** | 591.6 |
| Research and development expenditure | **8.9** | 3.3 | **0.8** | 1.1 | **9.7** | 4.4 |
| Gain on acquisition of business | **(6.0)** | (27.0) | **–** | – | **(6.0)** | (27.0) |
| Onerous contract and related losses | **99.7** | 81.8 | **–** | – | **99.7** | 81.8 |
| Production losses due to electrical supply and fire | **–** | – | **–** | 79.2 | **–** | 79.2 |
| Cash transferred and liquid bond disposal costs | **73.0** | – | **–** | – | **73.0** | – |
| Remediation and related activities pertaining to sale and leaseback properties | **63.9** | – | **–** | – | **63.9** | – |
| Restructuring costs | **40.4** | 15.7 | **–** | – | **40.4** | 15.7 |

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. OPERATIONAL PERFORMANCE *(continued)*

### 2.3 Segmental performance

| | External revenue | | Internal revenue | | Trading profit[1] | | Trading margin | | EBITDA[2] | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 R million | 2017 R million | 2018 R million | 2017 R million | 2018 R million | 2017 R million | 2018 % | 2017 % | 2018 R million | 2017 R million |
| **Segment analysis** | | | | | | | | | | |
| Metals | 11 079.4 | 11 280.8 | 11.5 | 24.3 | 1 736.1 | 1 694.9 | 15.7 | 15.0 | 1 842.8 | 1 862.6 |
| Plastics | 4 744.6 | 4 623.8 | 4.3 | 7.1 | 202.2 | 166.3 | 4.3 | 3.6 | 268.8 | 267.6 |
| Paper | 1 485.8 | 1 497.2 | 9.8 | 12.1 | 229.0 | 177.2 | 15.4 | 11.8 | 255.5 | 220.7 |
| Operations | 17 309.8 | 17 401.8 | 25.6 | 43.5 | 2 167.3 | 2 038.4 | 12.5 | 11.7 | 2 367.1 | 2 350.9 |
| Corporate | – | – | 2 487.8 | 2 634.1 | (197.3) | (116.9)[3] | – | – | (268.2) | (82.0)[3] |
| Eliminations | – | – | (2 513.4) | (2 677.6) | – | – | – | – | – | – |
| Continuing operations | 17 309.8 | 17 401.8 | – | – | 1 970.0 | 1 921.5 | 11.4 | 11.0 | 2 098.9 | 2 268.9 |
| Discontinued operation | 1 456.5 | 1 419.9 | – | – | 18.0 | 45.3 | 1.2 | 3.2 | 142.8 | 191.3 |
| Total | 18 766.3 | 18 821.7 | – | – | 1 988.0 | 1 966.8 | 10.6 | 10.4 | 2 241.7 | 2 460.2 |
| **Geographical analysis (continuing operations)** | | | | | | | | | | |
| South Africa | 10 085.0 | 9 883.1 | 321.7 | 717.9 | 865.3 | 845.9 | 8.6 | 8.6 | 1 016.4 | 1 089.5 |
| Rest of Africa | 5 878.3 | 6 082.7 | 77.9 | 56.6 | 1 296.7 | 1 256.7 | 22.1 | 20.7 | 1 339.2 | 1 350.0 |
| Europe | 1 346.5 | 1 436.0 | – | – | 5.3 | (64.2) | 0.4 | (4.5) | 11.5 | (88.6) |
| Operations | 17 309.8 | 17 401.8 | 399.6 | 774.5 | 2 167.3 | 2 038.4 | 12.5 | 11.7 | 2 367.1 | 2 350.9 |
| Corporate | – | – | 2 487.8 | 2 634.1 | (197.3) | (116.9) | – | – | (268.3) | (82.0) |
| Eliminations | – | – | (2 887.4) | (3 408.6) | – | – | – | – | – | – |
| Total | 17 309.8 | 17 401.8 | – | – | 1 970.0 | 1 921.5 | 11.4 | 11.0 | 2 098.8 | 2 268.9 |

[1] *Operating profit before abnormal items.*
[2] *EBITDA calculation is before net impairments/(reversals).*
[3] *Restated for corporate expenses pertaining to the discontinued operation.*

| **Revenue to external customers by customer location** | 2018 | 2017 |
|---|---|---|
| South Africa | 10 066.6 | 10 149.5 |
| United Kingdom | 1 237.2 | 1 398.9 |
| Angola | 2 211.2 | 2 474.3 |
| Nigeria | 1 704.3 | 1 659.6 |
| Zimbabwe | 1 451.9 | 1 206.3 |
| Rest of the world | 2 095.1 | 1 933.1 |
| Total | 18 766.3 | 18 821.7 |

## 2. OPERATIONAL PERFORMANCE *(continued)*

### 2.3 Segmental performance *(continued)*

**Reconciliation of operating profit and trading profit**

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| Operating profit | **1 522.9** | 1 430.2 | **(659.3)** | (469.2) | **863.6** | 961.0 |
| Net abnormal losses | **447.1** | 491.3 | **677.3** | 514.5 | **1 124.4** | 1 005.8 |
| Net impairment losses on property, plant, equipment, goodwill, other intangible assets and assets classified as held for sale | **7.0** | 232.5 | **677.3** | 435.3 | **684.3** | 667.8 |
| Devaluation loss arising from Angolan and Nigerian exchange rate movements | **126.6** | 160.0 | **–** | – | **126.6** | 160.0 |
| Retrenchment and restructuring costs | **95.6** | 73.1 | **–** | – | **95.6** | 73.1 |
| Cash transferred and liquid bond disposal losses | **73.0** | – | **–** | – | **73.0** | – |
| Onerous contract and related losses | **99.7** | 81.8 | **–** | – | **99.7** | 81.8 |
| Remediation and related activities pertaining to sale and leaseback properties | **63.9** | – | **–** | – | **63.9** | – |
| Profit on disposal of property | **(12.4)** | (3.0) | **–** | – | **(12.4)** | (3.0) |
| Net profit on disposal of investment and business | **–** | (25.4) | **–** | – | **–** | (25.4) |
| Gain on acquisition of investment and business | **(6.0)** | (27.0) | **–** | – | **(6.0)** | (27.0) |
| Production losses due to electrical supply and fire | **–** | – | **–** | 79.2 | **–** | 79.2 |
| Other | **(0.3)** | (0.7) | **–** | – | **(0.3)** | (0.7) |
| **Trading profit** | **1 970.0** | 1 921.5 | **18.0** | 45.3 | **1 988.0** | 1 966.8 |

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

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 or losses and assets and liabilities, and the group's profit or losses and assets and liabilities are as follows:

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

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

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

# Notes to the consolidated financial statements continued

for the year ended 30 September 2018

## 2. OPERATIONAL PERFORMANCE *(continued)*

### 2.4 Cash generated from operations

| | 2018 September | 2017 September |
|---|---|---|
| *Reconciliation of profit before tax to cash generated from operations* | | |
| Profit before tax | **475.1** | 570.0 |
| Continuing operations | **1 307.8** | 1 208.9 |
| Discontinued operation | **(832.7)** | (638.9) |
| Adjustment for: | | |
| Depreciation and amortisation | **693.8** | 831.4 |
| Net profit on disposal of property, plant, equipment, intangible assets, investment and business | **(9.4)** | (32.8) |
| Financial instruments fair value adjustment | **(45.7)** | (62.7) |
| Gain on acquisition of investment and business | **(6.0)** | (27.0) |
| Net defined benefit plan expense | **86.1** | 50.5 |
| Impairment losses | **723.4** | 672.6 |
| Reversal of impairment losses | **(39.1)** | (4.8) |
| Share of net profit in associates and joint ventures | **(5.8)** | (0.1) |
| Share-based payments expense | **5.5** | 6.9 |
| Net finance costs | **394.3** | 391.1 |
| Cash generated from operations before working capital changes | **2 272.2** | 2 395.1 |
| Net working capital changes | **(676.9)** | (326.8) |
| Decrease/(increase) in inventories | **106.7** | (621.4) |
| (Increase)/decrease in trade and other current receivables | **(637.2)** | 167.7 |
| (Decrease)/increase in trade and other current payables | **(146.4)** | 126.9 |
| **Cash generated from operations** | **1 595.3** | 2 068.3 |

## 3. TAX

### 3.1 Income tax

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2018 R million | 2017 R million | 2018 R million | 2017 R million | 2018 R million | 2017 R million |
| Current tax | | | | | | |
| Current year | **160.0** | 200.2 | **(61.0)** | (80.0) | **99.0** | 120.2 |
| Prior year | **(20.7)** | (12.3) | **(2.1)** | (0.8) | **(22.8)** | (13.1) |
| Capital gains tax | **1.0** | – | **–** | – | **1.0** | – |
| Deferred tax | | | | | | |
| Current year | **(43.9)** | 82.1 | **(172.6)** | (9.4) | **(216.5)** | 72.7 |
| Prior year | **(13.9)** | (19.3) | **2.2** | 0.2 | **(11.7)** | (19.1) |
| Change in tax rate | **–** | 5.0 | **–** | – | **–** | 5.0 |
| Withholding and foreign tax | **57.0** | 48.3 | **–** | – | **57.0** | 48.3 |
| Total | **139.5** | 304.0 | **(233.5)** | (90.0) | **(94.0)** | 214.0 |

The company tax rate in South Africa is 28% (2017: 28%) of the estimated assessable profit for the year. Tax for other jurisdictions is calculated at the rates prevailing in those relevant jurisdictions.

## 3. TAX *(continued)*

### 3.1 Income tax *(continued)*

### Reconciliation of rate of tax

| | | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| Statutory tax rate | % | **28.0** | 28.0 | **28.0** | 28.0 | **28.0** | 28.0 |
| Reduction in tax rate due to: | | | | | | | |
| Exempt income (including capital profits) | % | **(2.7)** | (0.8) | **–** | – | **(7.2)** | (1.6) |
| Associate profit/(loss) | % | **(0.1)** | (0.5) | **–** | – | **(0.2)** | (1.1) |
| Government incentives | % | **(3.8)** | (9.9) | **0.1** | 0.1 | **(10.5)** | (21.1) |
| Deferred tax asset created previously not raised | % | **(9.3)** | (5.2) | **–** | – | **(25.7)** | (11.1) |
| Adjustment for prior year | % | **(2.6)** | (2.6) | **–** | 0.1 | **(7.3)** | (5.6) |
| Foreign tax rate differential | % | **(8.6)** | (9.5) | **–** | – | **(23.7)** | (20.1) |
| Increase in tax rate due to: | | | | | | | |
| Capital gains tax | % | **0.1** | – | **–** | – | **0.2** | – |
| Deferred taxation not recognised | % | **3.1** | 6.2 | **–** | – | **8.7** | 13.2 |
| Exchange losses not protected | % | **–** | 3.7 | **–** | – | **–** | 7.9 |
| Tax rate reduction | % | **–** | 0.4 | **–** | – | **–** | 0.9 |
| Withholding and other foreign taxes | % | **4.3** | 4.0 | **–** | – | **11.9** | 8.5 |
| Impairments and other disallowable expenses | % | **2.3** | 11.3 | **–** | (14.1) | **6.0** | 39.6 |
| Effective group rate of tax | % | **10.7** | 25.1 | **28.1** | 14.1 | **(19.8)** | 37.5 |

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

In addition to the income tax charge to profit or loss, a deferred tax credit of R6.0 million (2017: R33.8 million charge) has been recognised in equity during the year.

## 3. TAX *(continued)*

### 3.2 Deferred tax

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

| | Accelerated tax depreciation R million | Provisions R million | Prepayments R million | Retirement benefit obligation R million | Tax losses R million | Other R million | Total R million |
|---|---|---|---|---|---|---|---|
| At 1 October 2016 | 1 249.9 | (241.6) | 17.4 | (445.5) | (424.7) | 4.0 | 159.5 |
| Charge/(credit) to other comprehensive income for the year | – | – | – | 55.9 | – | (22.1) | 33.8 |
| Charge/(credit) to profit for the year | 197.5 | (53.7) | (8.4) | 143.9 | (266.3) | 45.6 | 58.6 |
| Translation differences | (19.8) | 1.4 | 0.1 | (0.1) | 8.6 | 3.1 | (6.7) |
| At 30 September 2017 | **1 427.6** | **(293.9)** | **9.1** | **(245.8)** | **(682.4)** | **30.6** | **245.2** |
| (Credit)/charge to other comprehensive income for the year | **–** | **–** | **–** | **(7.5)** | **–** | **1.5** | **(6.0)** |
| (Credit)/charge to profit for the year | **(154.7)** | **(9.8)** | **2.9** | **(2.3)** | **(236.3)** | **172.0** | **(228.2)** |
| Translation differences | **41.2** | **9.0** | **3.4** | **(6.9)** | **32.7** | **(95.8)** | **(16.4)** |
| At 30 September 2018 | **1 314.1** | **(294.7)** | **15.4** | **(262.5)** | **(886.0)** | **108.3** | **(5.4)** |

| | **2018 R million** | 2017 R million |
|---|---|---|
| Analysed between: | | |
| Deferred tax assets | **(173.5)** | (49.3) |
| Deferred tax liabilities | **168.1** | 294.5 |
| Total | **(5.4)** | 245.2 |

At year-end the group had unused tax losses of R3 717.4 million (2017: R2 832.7 million) available for offset against future taxable profits. Deferred tax assets have been recognised in respect of R3 202.3 million (2017: R2 476.3 million) of such losses based on the assessment of budgets prepared by management of the entities concerned. No deferred tax asset has been recognised on the remaining R515.1 million (2017: R356.4 million) due to the unpredictability of future profit streams. The group has no tax losses at the year-end (2017: R73.5 million) that are subject to an expiry period. Deferred tax had been raised on R56.5 million of the losses in the prior year.

In addition, the group had capital losses available for utilisation against future capital gains to the value of R2 548.8 million (2017: R2 742.5 million).

During the year R339.8 million (2017: R86.3 million) of the capital losses were utilised.

No deferred tax has been raised on any of the capital losses in the current year (2017: R100.7 million).

The company has emerged from its pioneer status in respect of Nampak Bevcan Nigeria on 1 January 2018 and the tax holiday in respect of Bevcan Angola will come to an end on 30 April 2019.

## 4. DISCONTINUED OPERATION

On 16 February 2018, the Nampak Limited board (board) took a decision to dispose of the Nampak Glass division (Nampak Glass). The criteria of *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations* were met as at 31 March 2018 and therefore classified the asset as held for sale and as a discontinued operation as at that date. The asset consists of three furnaces, nine associated production lines, net working capital and the property at which the operation is located. To ensure the long-term profitability of Nampak Glass and to address the operational skills gap, the board resolved to approach packaging industry players to invite proposals for the sale of this business. Exploratory discussions have been held with a number of strategic players with a formal corporate finance disposal process currently in progress. It is expected that this disposal should be concluded by no later than the end of the first half of the 2019 financial year. Nampak Glass is the only operation in the Glass operating segment.

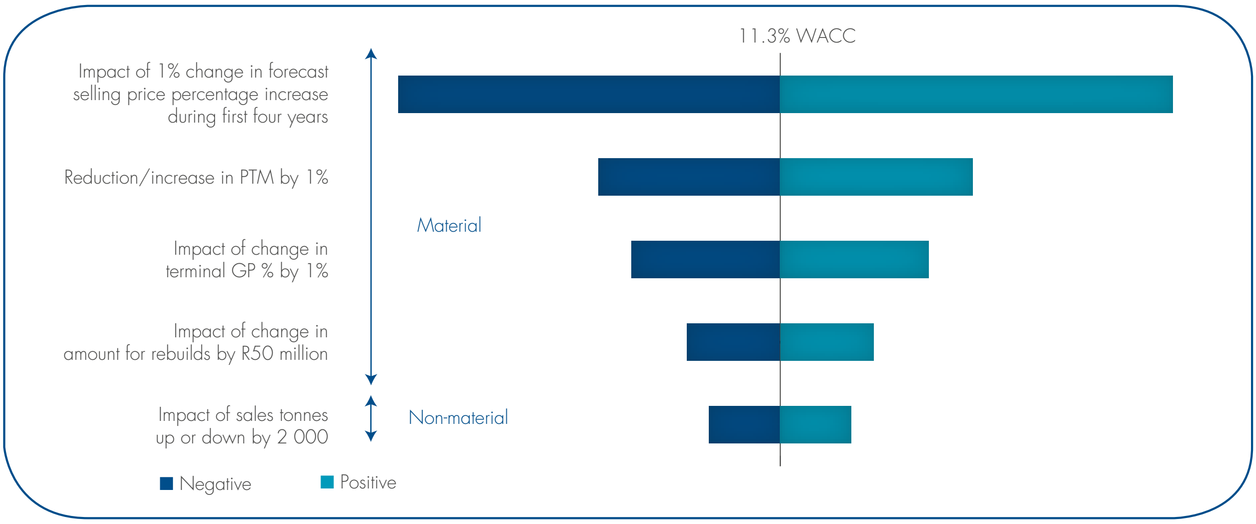
An impairment loss of R665.0 million was recognised at 30 September 2018 on these assets in consideration of their fair value less expected realisation costs at this date.

| | **2018 R million** | 2017 R million |
|---|---|---|
| *Results of the discontinued operation* | | |
| Revenue | **1 456.5** | 1 419.9 |
| Operating expenses other than depreciation, amortisation and impairment expenses | **(1 313.7)** | (1 228.6) |
| EBITDA[1] | **142.8** | 191.3 |
| Depreciation and amortisation[2] | **(124.8)** | (225.2) |
| Impairment of plant, goodwill, other intangible assets and assets classified as held for sale | **(677.3)** | (435.3) |
| Net finance costs | **(173.4)** | (169.7) |
| Loss before tax | **(832.7)** | (638.9) |
| Attributable income tax benefit | **233.5** | 90.0 |
| Loss for the year from discontinued operation | **(599.2)** | (548.9) |
| *Cash flows of the discontinued operation* | | |
| Net cash flows from operating activities | **89.2** | 98.1 |
| Net cash flows from investing activities | **(91.7)** | (177.6) |
| Net cash flows | **(2.5)** | (79.5) |

[1] *EBITDA is calculated before net impairments.*
[2] *Depreciation and amortisation ceased on classification of Nampak Glass as a discontinued operation and disposal group held for sale.*

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

The sensitivities of the assumptions and estimates applied in the valuation model used to determine the value of the Nampak Glass division are indicated below:



## 5. BASIC AND HEADLINE EARNINGS PER SHARE

### 5.1 Basic earnings/(loss) per share

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

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

| | Continuing operations | | Discontinued operation | | Total | |
|---|---|---|---|---|---|---|
| | 2018 R million | 2017 R million | 2018 R million | 2017 R million | 2018 R million | 2017 R million |
| **Basic earnings/(loss)** | | | | | | |
| Profit/(loss) attributable to equity holders of the company for the period | 1 088.4 | 783.7 | (599.2) | (548.9) | 489.2 | 234.8 |
| *Less:* Preference dividend | (0.1) | (0.1) | – | – | (0.1) | (0.1) |
| Total | 1 088.3 | 783.6 | (599.2) | (548.9) | 489.1 | 234.7 |
| **Weighted average number of ordinary shares in issue ('000)** | 643 374 | 640 496 | 643 374 | 640 496 | 643 374 | 640 496 |
| **Basic earnings/(loss) per share** | 169.2 | 122.3 | (93.2) | (85.7) | 76.0 | 36.6 |

### 5.2 Diluted basic earnings/(loss) per share

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

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2018 R million | 2017 R million | 2018 R million | 2017 R million | 2018 R million | 2017 R million |
| **Diluted basic earnings/(loss)*** | 1 088.3 | 783.6 | (599.2) | (548.9) | 489.1 | 234.7 |
| **Weighted average number of ordinary shares for the purpose of diluted basic earnings/(loss) per share ('000)** | 646 297 | 642 630 | 646 297 | 642 630 | 646 297 | 642 630 |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | 643 374 | 640 496 | 643 374 | 640 496 | 643 374 | 640 496 |
| Effect of dilutive potential ordinary shares – other share incentive plans ('000) | 2 923 | 2 134 | 2 923 | 2 134 | 2 923 | 2 134 |
| **Diluted basic earnings/(loss) per share** | 168.4 | 121.9 | (92.7) | (85.4) | 75.7 | 36.5 |

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

## 5. BASIC AND HEADLINE EARNINGS PER SHARE *(continued)*

| | | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|---|
| | | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| 5.3 | **Headline earnings/(loss) per share** | | | | | | |
| | **Headline earnings/(loss)** | | | | | | |
| | Basic earnings | **1 088.3** | 783.6 | **(599.2)** | (548.9) | **489.1** | 234.7 |
| | *Adjusted for:* | | | | | | |
| | Net impairment losses on property, plant, equipment, goodwill, other intangible assets and assets classified as held for sale | **7.0** | 232.5 | **677.3** | 435.3 | **684.3** | 667.8 |
| | Net profit on disposal of investment and business | **–** | (25.4) | **–** | – | **–** | (25.4) |
| | Gain on acquisition of investment and business | **(6.0)** | (27.0) | **–** | – | **(6.0)** | (27.0) |
| | Net (profit)/loss on disposal of property, plant, equipment and intangible assets | **(9.4)** | (9.1) | **–** | 1.7 | **(9.4)** | (7.4) |
| | Tax effects and outside shareholders' interest | **5.7** | (17.4) | **(189.6)** | (32.5) | **(183.9)** | (49.9) |
| | Total | **1 085.6** | 937.2 | **(111.5)** | (144.4) | **974.1** | 792.8 |
| | **Weighted average number of ordinary shares in issue ('000)** | **643 374** | 640 496 | **643 374** | 640 496 | **643 374** | 640 496 |
| | **Headline earnings/(loss) per share (cents)** | **168.7** | 146.3 | **(17.3)** | (22.5) | **151.4** | 123.8 |
| 5.4 | **Diluted headline earnings/(loss) per share** | | | | | | |
| | **Diluted headline earnings/(loss)**** | **1 085.6** | 937.2 | **(111.5)** | (144.4) | **974.1** | 792.8 |
| | **Weighted average number of ordinary shares for the purpose of diluted headline earnings/(loss) per share ('000)***** | **646 297** | 642 630 | **646 297** | 642 630 | **646 297** | 642 630 |
| | **Diluted headline earnings/(loss) per share (cents)** | **168.0** | 145.8 | **(17.3)** | (22.4) | **150.7** | 123.4 |

*** No dilution of headline earnings/(loss).*
**** Per diluted earnings/(loss) 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, market risk and capital risk. Treasury management, reporting to the chief financial officer, is responsible for considering and managing the group's day-to-day financial market risks by adopting strategies within the guidelines set by the treasury policy manual and approved by the risk committee.

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.

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

#### Carrying amount and maturity profile of financial instruments

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

| | Notes | Carrying amount R million | Current R million | 1 – 2 years R million | 2 – 3 years R million | 3 – 4 years R million | Over 4 years R million |
|---|---|---|---|---|---|---|---|
| **At 30 September 2018** | | | | | | | |
| **Financial assets** | | | | | | | |
| *At amortised cost* | | | | | | | |
| Liquid bonds and other loan receivables | 6.3 | 2 238.5 | 450.6 | 236.7 | 1 511.9 | 7.7 | 31.6 |
| Trade and other current receivables[1] | 7.5, 7.6 | 3 224.1 | 3 224.1 | – | – | – | – |
| Bank balances and deposits | 6.6 | 2 844.8 | 2 844.8 | – | – | – | – |
| *At fair value – level 2* | | | | | | | |
| Derivative assets[3] | 7.5 | 81.7 | 81.7 | – | – | – | – |
| Total | | 8 389.1 | 6 601.2 | 236.7 | 1 511.9 | 7.7 | 31.6 |
| **Financial liabilities** | | | | | | | |
| *At amortised cost* | | | | | | | |
| Loans and other borrowings | 6.4 | 8 005.1 | (18.0) | 1 608.9 | (16.5) | 5 375.8 | 1 054.9 |
| Trade and other current payables[2] | 7.6, 7.7 | 4 076.5 | 4 076.5 | – | – | – | – |
| Bank overdrafts | 6.6 | 1 008.0 | 1 008.0 | – | – | – | – |
| *At fair value – level 2* | | | | | | | |
| Derivative liabilities[3] | 7.7 | 22.6 | 22.6 | – | – | – | – |
| Total | | 13 112.2 | 5 089.1 | 1 608.9 | (16.5) | 5 375.8 | 1 054.9 |

[1] *Excludes derivative assets and prepayments. Includes trade and other receivables presented as part of assets classified as held for sale.*
[2] *Excludes derivative liabilities and shareholders for dividends. Includes 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.*

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.1 Financial risk management *(continued)*

Carrying amount and maturity profile of financial instruments

| | Notes | Carrying amount R million | Current R million | 1 – 2 years R million | 2 – 3 years R million | 3 – 4 years R million | Over 4 years R million |
|---|---|---|---|---|---|---|---|
| **At 30 September 2017** | | | | | | | |
| **Financial assets** | | | | | | | |
| *At amortised cost* | | | | | | | |
| Liquid bonds and other loan receivables | 6.3 | 2 046.1 | 882.1 | 568.4 | 551.2 | 8.5 | 35.9 |
| Trade receivables and other current assets[1] | 7.5 | 2 586.7 | 2 586.7 | – | – | – | – |
| Bank balances and deposits | 6.6 | 2 385.0 | 2 385.0 | – | – | – | – |
| *At fair value – level 2* | | | | | | | |
| Derivative assets[3] | 7.5 | 19.1 | 19.1 | – | – | – | – |
| Total | | 7 036.9 | 5 872.9 | 568.4 | 551.2 | 8.5 | 35.9 |
| **Financial liabilities** | | | | | | | |
| *At amortised cost* | | | | | | | |
| Loans and other borrowings | 6.4, 6.5 | 6 229.1 | 221.9 | 3 211.2 | 1 699.1 | 284.2 | 812.7 |
| Trade payables and other current liabilities[2] | 7.7 | 4 134.9 | 4 134.9 | – | – | – | – |
| Bank overdrafts | 6.6 | 2 553.8 | 2 553.8 | – | – | – | – |
| *At fair value – level 2* | | | | | | | |
| Derivative liabilities[3] | 7.7 | 22.6 | 22.6 | – | – | – | – |
| Total | | 12 940.4 | 6 933.2 | 3 211.2 | 1 699.1 | 284.2 | 812.7 |

[1] *Excludes derivative assets and prepayments.*
[2] *Excludes derivative liabilities and shareholders for dividends.*
[3] *Derivative financial assets and liabilities classified as level 2 consist of forward exchange contracts and commodity futures (as 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.*

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.1 Financial risk management *(continued)*

Financial risk management techniques

*(a) Capital risk management*

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

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

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

The group monitors capital based on two gearing ratios namely net debt to EBITDA ratio (which cannot be greater than 3 times) and an interest cover ratio (which cannot be less than 4 times). These ratios are calculated as net debt divided by EBITDA and EBITDA divided by net interest payable respectively. The results of these ratios as calculated were 2.3 times (2017: 2.3 times) and 8.0 times (2017: 7.2 times respectively.

*(b) Liquidity risk management*

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

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

The liquidity risk previously experienced in Nigeria has significantly reduced owing to the introduction of the Nigerian Autonomous Foreign Exchange (NAFEX) and the Nigerian Foreign Exchange Fixing (NIFEX) in 2017. Liquidity constraints have decreased as a result of free trade of currency in these two markets, which converged during the 2018 year and were almost on par at the reporting date. Combined with this, the Central Bank of Nigeria boosted its dollar reserves aiding the ability to settle offshore US dollar denominated liabilities. Cash transferred amounted to R1.6 billion during the year. The group no longer considers Nigeria a major liquidity risk.

Liquidity has improved in Angola during the 2018 year. In order to protect the group against the potential devaluation of the Angolan kwanza, the group holds an investment in US dollar indexed kwanza bonds. As a consequence of the fluctuations in the oil price and regulatory changes in Angola, US dollar currency became available during the latter half of the financial year. At the year-end US$127 million (2017: US$48 million) had been transferred. A remaining balance of US$153.1 million (2017: US$144.1 million) has remained hedged representing a hedged position of 94% of cash and liquid bonds at year-end (2017: 89%)

The new economic crisis facing Zimbabwe has given rise to another liquidity challenge during the latter half of the 2018 financial year. Zimbabwe has a complex currency system which consists of non-dollar backed electronic money and local "bond notes". Cash balances have been divided into accounts backed by real inflows of US dollars and those holding electronic money known as RTGS or real time gross settlement. Restrictions have been placed on the transferring of funds out of Zimbabwe hence cash continues to build in Zimbabwe despite all efforts to transfer cash from this region. As at the year-end the Nampak operation in Zimbabwe had a cash balance of US$84.7 million (2017: US$48.4 million).

The group remains committed to the operations in Angola and Nigeria with the overall long-term investment rationale based on the demographics underpinning growth in packaging being sound. The group is exploring various means and opportunities to hedge and transfer cash from the Zimbabwean operations. The group has adequate funding for operations in the rest of Africa and is well positioned to benefit in the medium to long term.

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.1 Financial risk management *(continued)*

Financial risk management techniques *(continued)*

*(b) Liquidity risk management (continued)*

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

| | South Africa R million | Rest of Africa R million | Europe* R million | Total R million |
|---|---|---|---|---|
| **Expiry period at 30 September 2018** | | | | |
| One year | **820.0** | **84.0** | **–** | **904.0** |
| Four years | **–** | **–** | **425.8** | **425.8** |
| Five years | **1 791.0** | **–** | **2 191.9** | **3 982.9** |
| Total | **2 611.0** | **84.0** | **2 617.7** | **5 312.7** |
| **Expiry period at 30 September 2017** | | | | |
| One year | 3 760.6 | 680.3 | 745.8 | 5 186.7 |
| Total | 3 760.6 | 680.3 | 745.8 | 5 186.7 |

** The European facility provides liquidity resources to the operations in both the rest of Africa and Europe.*

*(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:

| | Floating rate liabilities R million | Fixed rate liabilities R million | Floating rate assets R million | Fixed rate assets R million | Net liability/ (asset) R million |
|---|---|---|---|---|---|
| South African rand | **2 639.8** | **–** | **(99.9)** | **(8.3)** | **2 531.6** |
| UK pound | **–** | **–** | **(77.2)** | **–** | **(77.2)** |
| US dollar | **3 347.7** | **2 475.9** | **(1 690.9)** | **(0.3)** | **4 132.4** |
| Nigerian naira | **15.7** | **–** | **(315.9)** | **–** | **(300.2)** |
| Angolan kwanza | **503.1** | **–** | **(643.8)** | **(2 165.8)** | **(2 306.5)** |
| Other currencies | **30.9** | **–** | **(81.2)** | **–** | **(50.3)** |
| Total | **6 537.2** | **2 475.9** | **(2 908.9)** | **(2 174.4)** | **3 929.8** |
| South African rand | 3 170.1 | – | (241.9) | (10.8) | 2 917.4 |
| UK pound | – | – | (208.3) | – | (208.3) |
| US dollar | 3 147.1 | 2 454.5 | (771.9) | (0.3) | 4 829.4 |
| Nigerian naira | – | – | (827.7) | – | (827.7) |
| Angolan kwanza | – | – | (234.4) | (1 954.0) | (2 188.4) |
| Other currencies | 11.2 | – | (181.8) | – | (170.6) |
| Total | 6 328.4 | 2 454.5 | (2 466.0) | (1 965.1) | 4 351.8 |

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.1 Financial risk management *(continued)*

Financial risk management techniques *(continued)*

*(c) Market risk management (continued)*

*Interest rate risk management (continued)*

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Bank balances % | Borrowings* % | Bank balances % | Borrowings* % |
| **Weighted average interest rates are as follows:** | | | | |
| South African rand | **6.4** | **7.9** | 5.5 | 8.1 |
| UK pound | **0.3** | **–** | 0.2 | – |
| US dollar | **2.1** | **4.4** | 0.8 | 3.9 |

** Borrowings include overnight call facilities.*

If the market interest rates had been 100 basis points higher/lower at 30 September 2018 profit or loss would have been R62.3 million lower/higher (2017: R63.8 million).

The amount of R62.3 million (2017: R63.8 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.

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

The group uses forward contracts (FECs) in particular, together with other hedging instruments such as swaps and options, to manage transactional currency risks. Specific translation risks are managed through the selective use of options and hedge positions. In South Africa, all capital commitments are required to be designated as a cash flow hedge. These hedges are tested for hedge effectiveness on a regular basis. In the current year a gain on the fair value of FEC contracts amounting to R51.7 million (2017: R14.1 million loss) was taken to equity. When risks and rewards of ownership transfer to the group, a basis adjustment will be made against the assets. There were no adjustments against the cost of assets in both years.

Material concentrations of currency risk exists within the group's Zimbabwean and, to a lesser extent, Angolan operations which are responsible for forex losses on the devaluation of currencies against the US dollar. These currency risks mainly affect cash and cash equivalents and trade receivables.

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

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.1 Financial risk management *(continued)*

Financial risk management techniques *(continued)*

*(c) Market risk management (continued)*

*Currency risk management (continued)*

| | 2018 | 2017 |
|---|---|---|
| **Currency conversion guide at 30 September** | | |
| **Statement of comprehensive income (average)** | | |
| Rand/UK pound | **17.61** | 16.96 |
| Rand/euro | **15.58** | 14.78 |
| Rand/US dollar | **13.11** | 13.38 |
| Kwanza/US dollar | **222.09** | 171.74 |
| Naira/US dollar | **360.61** | 321.90 |
| **Statement of financial position (spot)** | | |
| Rand/UK pound | **18.43** | 18.17 |
| Rand/euro | **16.41** | 15.98 |
| Rand/US dollar | **14.14** | 13.56 |
| Kwanza/US dollar | **300.72** | 171.75 |
| Naira/US dollar | **362.79** | 358.99 |

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 2018, with all other variables held constant, the impact on profit or loss for the year would have been an decrease of R10.7 million (2017: R23.7 million). Conversely, if the exchange rates with these currencies strengthened by 5%, profit or loss would increase by R10.7 million (2017: R23.7 million).

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

| | Average contract rate | | Notional amount | | Fair value asset/(liability) | |
|---|---|---|---|---|---|---|
| | 2018 R | 2017 R | 2018 R million | 2017 R million | 2018 R million | 2017 R million |
| **Fair value hedges and FECs** | | | | | | |
| *US dollar* | | | | | | |
| Less than 3 months | **14.19** | 13.41 | **(182.4)** | (125.1) | **1.2** | (7.4) |
| 3 to 6 months | **14.47** | 13.61 | **(31.0)** | (41.6) | **31.1** | 4.5 |
| 6 to 9 months | **14.62** | 13.78 | **(8.8)** | (57.4) | **17.7** | 3.4 |
| Greater than 9 months | **15.65** | 13.96 | **(0.9)** | (0.1) | **(0.1)** | 0.1 |
| *Euro* | | | | | | |
| Less than 3 months | **16.47** | 15.75 | **(97.4)** | (109.2) | **0.8** | 5.7 |
| 3 to 6 months | **16.97** | 16.37 | **(40.8)** | (15.2) | **4.2** | 3.4 |
| 6 to 9 months | **16.87** | 16.46 | **(2.1)** | (4.1) | **1.0** | 1.0 |
| *UK pound* | | | | | | |
| Less than 3 months | **19.01** | 17.73 | **(17.5)** | (7.1) | **(0.9)** | 0.6 |
| 3 to 6 months | **–** | 18.42 | **–** | (0.6) | **–** | 0.1 |
| *Other* | | | | | | |
| Less than 3 months | **0.26** | 0.77 | **(5.9)** | (12.1) | **(0.2)** | 0.2 |
| Total | | | | | **54.8** | 11.6 |

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.1 Financial risk management *(continued)*

Financial risk management techniques *(continued)*

*(c) Market risk management (continued)*

*Commodity price risk management*

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

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

| | Average contract rate | | Notional amount | | Fair value asset/(liability) | |
|---|---|---|---|---|---|---|
| | **2018 R** | 2017 R | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| Less than 3 months | **25 588** | 27 085 | **(22.4)** | (76.5) | **4.3** | (6.6) |
| 3 to 6 months | **–** | 27 663 | **–** | (75.1) | **–** | (6.7) |
| 6 to 9 months | **–** | 27 663 | **–** | (23.4) | **–** | (1.8) |
| Total | | | | | **4.3** | (15.1) |

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

*(d) Credit risk management*

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

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 debtors. The credit risk on liquid funds and derivative financial instruments is limited because the group's counterparties are major banks of high standing.

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

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

### 6.2 Net finance costs

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| **Finance costs** | | | | | | |
| Interest paid – short-term facilities | **464.6** | 338.9 | **173.4** | 169.7 | **638.0** | 508.6 |
| Interest paid – long-term facilities | **0.3** | 0.2 | **–** | – | **0.3** | 0.2 |
| Interest paid – other | **0.3** | – | **–** | – | **0.3** | – |
| Total | **465.2** | 339.1 | **173.4** | 169.7 | **638.6** | 508.8 |
| **Finance income** | | | | | | |
| Interest received – short-term facilities | **206.6** | 104.9 | **–** | – | **206.6** | 104.9 |
| Interest received – other | **37.7** | 12.8 | **–** | – | **37.7** | 12.8 |
| Total | **244.3** | 117.7 | **–** | – | **244.3** | 117.7 |

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.3 Liquid bonds and other loan receivables

| | 2018 R million | 2017 R million |
|---|---|---|
| Liquid bonds[1] | **2 165.8** | 1 954.0 |
| Equipment sale receivables[2] | **46.0** | 68.7 |
| Other loans and receivables | **26.7** | 23.4 |
| Gross liquid bonds and other loan receivables | **2 238.5** | 2 046.1 |
| *Less:* Amounts receivable within one year reflected as current | **450.6** | 882.1 |
| Liquid bonds | **435.3** | 867.0 |
| Equipment sale receivables[2] | **9.0** | 10.7 |
| Other loan receivables | **6.3** | 4.4 |
| Net non-current liquid bonds and other loan receivables | **1 787.9** | 1 164.0 |

[1] *Liquid bonds relate to US dollar indexed kwanza bonds. As at 30 September the Angolan kwanza equivalent of US$153.1 million (2017: US$144.1 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 7.8%.*

[2] *Equipment sales receivables are repayable from 2019 to 2025. Interest rates charged are from 7.0% to 13.4%.*

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

Their fair values approximate their carrying values.

### 6.4 Loans and other borrowings – non-current

| | Redeemable/ repayable | Year-end interest rates | 2018 R million | 2017 R million |
|---|---|---|---|---|
| Secured loans[1] | | | | |
| Local | 2022 to 2023 | 8.9% | **2 187.4** | 1 000.0 |
| Foreign | 2020 to 2023 | 4.5% to 5.3% | **5 817.7** | 5 140.9 |
| Capitalised finance leases[2] | | | | |
| Local | 2017 | 7.5% | **–** | 0.1 |
| Gross non-current loans and other borrowings | | | **8 005.1** | 6 141.0 |
| *Less:* Amounts due for repayment within one year, reflected as current (note 6.5)[3] | | | **(18.0)** | 133.8 |
| Net non-current loans and borrowings | | | **8 023.1** | 6 007.2 |

[1] *Loans and borrowings are secured as follows:*
*R8 005.1 million (2017: R6 141.0 million) debt is secured by guarantees issued by the Nampak Limited group. These facilities are subject to covenants relating to interest cover and liquidity of the Nampak Limited group.*
*The Nampak Limited group was within the covenant requirements at the measurement dates.*
*No liabilities have been recognised for the outstanding guarantees.*

[2] *Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments. Interest rates are fixed at the contract date. The fair value of the group's lease obligations approximates the carrying amount.*

[3] *Included in the current portion of loans repayable within one year is the following year's amortisation of transaction fees capitalised previously as part of the carrying amount of secured loans.*

## 6. FINANCIAL RISK MANAGEMENT AND NET DEBT *(continued)*

### 6.4 Loans and other borrowings – non-current

Summary of borrowings by year of redemption or payment

| | | Total R million | Local R million | Foreign R million |
|---|---|---|---|---|
| Total owing at 30 September 2018 | | **8 005.1** | **2 187.4** | **5 817.7** |
| Repayable during the year ending 30 September | 2019 | **(18.0)** | **(4.8)** | **(13.2)** |
| | 2020 | **1 608.9** | **(4.8)** | **1 613.7** |
| | 2021 | **(16.5)** | **(4.8)** | **(11.7)** |
| | 2022 | **5 375.8** | **1 995.1** | **3 380.7** |
| | 2023 onwards | **1 054.9** | **206.7** | **848.2** |

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

### 6.5 Loans, other borrowings and bank overdrafts

| | 2018 R million | 2017 R million |
|---|---|---|
| Current loans – unsecured | **–** | 88.1 |
| Current portion of loans (note 6.4) | **(18.0)** | 133.7 |
| Current portion of finance leases (note 6.4) | **–** | 0.1 |
| Loans and other borrowing – current | **(18.0)** | 221.9 |
| Bank overdrafts | **1 008.0** | 2 553.8 |
| Total | **990.0** | 2 775.7 |

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

### 6.6 Net cash and cash equivalents/(overdraft)

| | 2018 R million | 2017 R million |
|---|---|---|
| Net cash and cash equivalents/(overdraft) in the statement of cash flows consist of the following amounts on the statement of financial position: | | |
| Bank balances and deposits* | **2 844.8** | 2 385.0 |
| Bank overdrafts | **(1 008.0)** | (2 553.8) |
| Total | **1 836.8** | (168.8) |

* *Included in bank balances and deposits are balances relating to Nampak Zimbabwe Limited of R1.2 billion (US$84.7 million) which is regarded as having limited transferability.*

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

## 7. NET OPERATING ASSETS

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

| | Freehold land and buildings R million | Leasehold buildings R million | Plant, equipment, furniture and vehicles R million | Capitalised leased plant and vehicles R million | Investment properties R million | Total property, plant, equipment and investment property R million |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | |
| At 1 October 2016 | 977.8 | 1 037.8 | 14 894.5 | 15.3 | 10.4 | 16 935.8 |
| Additions | 0.3 | 3.5 | 696.2 | 3.0 | – | 703.0 |
| Acquisition of business | – | – | 36.5 | – | – | 36.5 |
| Disposals | (9.6) | (10.1) | (281.4) | (0.9) | – | (302.0) |
| Disposal of business | – | – | (241.2) | – | – | (241.2) |
| Impairment loss | – | – | (232.3) | – | (5.0) | (237.3) |
| Reversal of impairment loss | – | – | 4.8 | – | – | 4.8 |
| Translation differences | (16.6) | (12.2) | (84.7) | – | – | (113.5) |
| Other movements | 13.4 | 0.1 | (16.2) | – | – | (2.7) |
| At 30 September 2017 | **965.3** | **1 019.1** | **14 776.2** | **17.4** | **5.4** | **16 783.4** |
| Additions | **49.8** | **0.9** | **449.0** | **–** | **–** | **499.7** |
| Disposals | **–** | **(0.6)** | **(197.8)** | **(1.8)** | **–** | **(200.2)** |
| Reclassification to assets held for sale | **(336.8)** | **–** | **(2 693.7)** | **(0.3)** | **–** | **(3 030.8)** |
| Impairment loss | **–** | **–** | **(58.4)** | **–** | **–** | **(58.4)** |
| Reversal of impairment loss | **–** | **–** | **39.1** | **–** | **–** | **39.1** |
| Translation differences | **11.4** | **46.1** | **192.9** | **–** | **–** | **250.4** |
| Other movements | **11.1** | **15.7** | **(14.1)** | **–** | **–** | **12.7** |
| At 30 September 2018 | **700.8** | **1 081.2** | **12 493.2** | **15.3** | **5.4** | **14 295.9** |
| **Accumulated depreciation** | | | | | | |
| At 1 October 2016 | 242.3 | 157.2 | 5 945.2 | 13.6 | 4.1 | 6 362.4 |
| Depreciation charge for the year | 17.4 | 28.3 | 752.6 | 0.3 | 0.4 | 799.0 |
| Disposals | (0.1) | (10.1) | (260.3) | (0.9) | – | (271.4) |
| Disposal of business | – | – | (215.4) | – | – | (215.4) |
| Translation differences | (6.9) | (1.3) | (36.1) | – | – | (44.3) |
| Other movements | (0.2) | – | 1.9 | – | – | 1.7 |
| At 30 September 2017 | **252.5** | **174.1** | **6 187.9** | **13.0** | **4.5** | **6 632.0** |
| Depreciation charge for the year | **12.6** | **37.9** | **620.1** | **–** | **–** | **670.6** |
| Disposals | **–** | **(0.4)** | **(182.1)** | **(1.6)** | **–** | **(184.1)** |
| Reclassification to assets held for sale | **(58.0)** | **–** | **(1 048.1)** | **(0.2)** | **–** | **(1 106.3)** |
| Translation differences | **3.3** | **13.7** | **97.7** | **–** | **–** | **114.7** |
| Other movements | **0.6** | **21.1** | **(29.7)** | **–** | **–** | **(8.0)** |
| At 30 September 2018 | **211.0** | **246.4** | **5 645.8** | **11.2** | **4.5** | **6 118.9** |
| Net book value at 30 September 2018 | **489.8** | **834.8** | **6 847.4** | **4.1** | **0.9** | **8 177.0** |
| Net book value at 30 September 2017 | 712.8 | 845.0 | 8 588.3 | 4.4 | 0.9 | 10 151.4 |

## 7. NET OPERATING ASSETS *(continued)*

### 7.1 Property, plant, equipment and investment property *(continued)*

| | 2018 September | 2017 September |
|---|---|---|
| Property rental income earned by the group from its investment property under operating leases | **0.2** | 0.2 |

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

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

The average straight-line rates of depreciation used are:

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

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

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

#### Impairment losses

Included in the current year impairment loss are the following:

- R25.4 million: plant and equipment in the Plastics segment that was expected to be sold for an amount that is below their carrying amount. The recoverable amount (ie value in use) of these assets is estimated at R35.1 million and was based on their fair value less costs to sell.
- R12.7 million: plant and equipment in the Plastics segment that is no longer in use. The recoverable amount (ie value in use) of these assets is Rnil.

#### Reversal of impairment losses

Included in the current year reversal of impairment losses is the following:

- R29.2 million: steel can production line in the Metals segment that was previously impaired in anticipation of a replacement aluminium can production line that was initially anticipated to be installed in February 2018. The steel line is still in use and is now anticipated to be replaced in the financial year ending 30 September 2021.

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

## 7. NET OPERATING ASSETS *(continued)*

### 7.2 Goodwill

| | R million |
|---|---|
| Carrying amount | |
| At 1 October 2016 | 3 734.4 |
| Impairment loss – Glass | (321.1) |
| Translation differences | (38.9) |
| At 30 September 2017 | **3 374.4** |
| Translation differences | **138.4** |
| At 30 September 2018 | **3 512.8** |

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

| | Cost R million | Cumulative impairment R million | Net carrying value R million |
|---|---|---|---|
| At 30 September 2018 | | | |
| Metals | **3 438.9** | **(18.4)** | **3 420.5** |
| Plastics | **114.0** | **(60.1)** | **53.9** |
| Paper | **38.4** | **–** | **38.4** |
| Total | **3 591.3** | **(78.5)** | **3 512.8** |
| At 30 September 2017 | | | |
| Metals | 3 302.1 | (18.4) | 3 283.7 |
| Glass | 321.1 | (321.1) | – |
| Plastics | 114.0 | (60.1) | 53.9 |
| Paper | 36.8 | – | 36.8 |
| Total | 3 774.0 | (399.6) | 3 374.4 |

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

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

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

## 7. NET OPERATING ASSETS *(continued)*

### 7.2 Goodwill *(continued)*

**Key assumptions used for value in use calculations**

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

| | South Africa % | Nigeria % | Rest of Africa (excluding Nigeria) % | Europe % |
|---|---|---|---|---|
| **2018** | | | | |
| Growth rate* | **5.2** | **2.2 – 11.0** | **2.2 – 15.9** | **2.0** |
| Discount rate (post-tax) | **11.3** | **10.5 – 20.1** | **9.4 – 16.6** | **5.4** |
| Discount rate (pre-tax) | **14.9** | **14.0 – 20.4** | **12.1 – 13.1** | **5.7** |
| 2017 | | | | |
| Growth rate* | 5.4 | 2.3 – 14.9 | 2.5 – 12.0 | 2.2 |
| Discount rate (post-tax) | 11.9 | 9.3 – 20.9 | 9.7 – 21.8 | 6.2 |
| Discount rate (pre-tax) | 13.4 | 11.9 – 25.0 | 12.8 – 21.2 | 6.2 |

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

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 and it is the determination of management that headroom is not adversely affected by these movements.

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

## 7. NET OPERATING ASSETS *(continued)*

### 7.3 Other intangible assets

| | ERP systems and software R million | Other* R million | Total R million |
|---|---|---|---|
| **Cost** | | | |
| At 1 October 2016 | 218.5 | 431.5 | 650.0 |
| Additions | 32.3 | – | 32.3 |
| Disposals | (35.0) | – | (35.0) |
| Impairment loss | – | (114.2) | (114.2) |
| Translation differences | (0.5) | (1.7) | (2.2) |
| Other movements | 1.8 | – | 1.8 |
| At 30 September 2017 | **217.1** | **315.6** | **532.7** |
| Additions | **36.7** | **–** | **36.7** |
| Disposals | **(26.7)** | **–** | **(26.7)** |
| Reclassification to assets held for sale | **(16.9)** | **(13.5)** | **(30.4)** |
| Translation differences | **0.4** | **6.5** | **6.9** |
| Other movements | **(10.7)** | **1.8** | **(8.9)** |
| At 30 September 2018 | **199.9** | **310.4** | **510.3** |
| **Amortisation** | | | |
| At 1 October 2016 | 190.3 | 150.7 | 341.0 |
| Charge for the year | 8.7 | 23.7 | 32.4 |
| Disposals | (34.9) | – | (34.9) |
| Translation differences | (0.4) | – | (0.4) |
| Other movements | 0.1 | 0.1 | 0.2 |
| At 30 September 2017 | **163.8** | **174.5** | **338.3** |
| Charge for the year | **12.0** | **11.2** | **23.2** |
| Disposals | **(24.4)** | **–** | **(24.4)** |
| Reclassification to assets held for sale | **(14.4)** | **(13.5)** | **(27.9)** |
| Translation differences | **0.1** | **1.3** | **1.4** |
| Other movements | **3.0** | **1.5** | **4.5** |
| At 30 September 2018 | **140.1** | **175.0** | **315.1** |
| Net carrying value at 30 September 2018 | **59.8** | **135.4** | **195.2** |
| Net carrying value at 30 September 2017 | 53.3 | 141.1 | 194.4 |

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

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

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

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

## 7. NET OPERATING ASSETS *(continued)*

### 7.4 Inventories

| | 2018 R million | 2017 R million |
|---|---|---|
| Raw materials | **1 522.9** | 1 946.0 |
| Work in progress | **35.4** | 29.1 |
| Finished goods | **911.0** | 1 239.5 |
| Consumables | **736.3** | 765.7 |
| Total | **3 205.6** | 3 980.3 |
| Carrying amount of inventories included at net realisable value | **108.5** | 98.8 |
| Amount of write-down of inventory to net realisable value included in raw materials and consumables used | **14.0** | 12.3 |
| Amount of reversals of previous inventory write-downs included in raw materials and consumables used | **3.5** | 1.4 |

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.

### 7.5 Trade and other current receivables

| | 2018 R million | 2017 R million |
|---|---|---|
| Trade receivables* | **2 578.5** | 2 450.9 |
| Prepayments | **238.7** | 155.2 |
| Derivative financial instruments (note 6.1) | **81.7** | 19.1 |
| Other | **172.1** | 135.8 |
| Total | **3 071.0** | 2 761.0 |

** Net of provision for doubtful debts.*

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

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

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

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

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

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

Included in the group's trade receivable balance are debtors with a carrying value of R939.3 million (2017: R839.5 million) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances.

## 7. NET OPERATING ASSETS *(continued)*

### 7.5 Trade and other current receivables *(continued)*

| | 2018 R million | 2017 R million |
|---|---|---|
| **Ageing of past due but not impaired trade receivables** | | |
| 30 days and less | **604.6** | 541.8 |
| 30 to 60 days | **165.3** | 192.6 |
| 60 to 90 days | **76.5** | 39.2 |
| 90+ days | **92.9** | 65.9 |
| Total | **939.3** | 839.5 |
| A provision of R47.4 million (2017: R54.5 million) has been made for estimated irrecoverable amounts from the sale of goods. This allowance has been determined by reference to past default. | | |
| **Analysis of the provision for doubtful debts** | | |
| Balance at beginning of year | **54.5** | 46.0 |
| Impairment losses recognised on receivables | **19.0** | 26.0 |
| Amounts written off during the year | **(8.2)** | (1.1) |
| Impairment losses reversed | **(18.0)** | (19.2) |
| Translation differences | **0.1** | 2.8 |
| Balance at end of year | **47.4** | 54.5 |

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

### 7.6 Assets classified as held for sale and directly associated liabilities

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 loss costs to sell.

In addition to the Glass business which has been recognised as a discontinued operation (note 4), the Nampak Limited board (board) took a decision on 30 May 2018 to dispose of the Megapak business consisting of the Crates and Drums businesses. The group met the criteria of *IFRS 5: Non-current Assets Held for Sale* for these businesses as at 30 May 2018 and 31 July 2018 respectively, and therefore classified these businesses as disposal groups held for sale at these dates. The assets for these disposal groups consist of blow molder and large injection machines and associated utilities respectively, as well as net working capital. To ensure the long-term profitability of these businesses and to address strategic alignment, the board resolved to approach packaging industry players to invite proposals for their sale. Exploratory discussions have been held with a formal corporate finance disposal process currently in progress. It is expected that the sale agreements for these disposals will be concluded by no later than the end of the first half of the 2019 financial year.

The Crates and Drums businesses 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.

## 7. NET OPERATING ASSETS *(continued)*

### 7.6 Assets classified as held for sale and directly associated liabilities *(continued)*

| | 2018 R million |
|---|---|
| **Nampak Glass division – discontinued operation** | |
| Property, plant and equipment | **1 125.6** |
| Intangible assets | **2.5** |
| Inventories | **631.1** |
| Trade and other current receivables | **310.4** |
| Operating assets | **2 069.6** |
| Trade and other current payables | **202.5** |
| Net operating assets | **1 867.1** |
| **Crates and Drums businesses – disposal groups held for sale** | |
| Plant and equipment | **133.9** |
| Inventories | **75.2** |
| Trade and other current receivables | **167.6** |
| Operating assets | **376.7** |
| Trade and other current payables | **100.1** |
| Net operating assets | **276.6** |
| **Net assets classified as held for sale** | |
| Assets classified as held for sale | **2 446.3** |
| Nampak Glass division | **2 069.6** |
| Crates and Drums businesses | **376.7** |
| Liabilities directly associated with assets classified as held for sale | **302.6** |
| Nampak Glass division | **202.5** |
| Crates and Drums businesses | **100.1** |
| Total | **2 143.7** |

### 7.7 Trade and other current payables

| | 2018 R million | 2017 R million |
|---|---|---|
| Trade payables | **2 217.5** | 2 612.4 |
| Accruals | **1 221.3** | 1 255.3 |
| Derivative financial instruments (note 6.1) | **22.6** | 22.6 |
| Value added tax | **89.7** | 90.3 |
| Other | **245.4** | 176.9 |
| Total | **3 796.5** | 4 157.5 |

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

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

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

## 7. NET OPERATING ASSETS *(continued)*

### 7.8 Provisions

| | Restructuring R million | Customer claims R million | Other R million | Total R million |
|---|---|---|---|---|
| At 1 October 2016 | 129.4 | 48.1 | 91.5 | 269.0 |
| Additions | 85.2 | 8.1 | 94.5 | 187.8 |
| Usage | (33.0) | (36.1) | – | (69.1) |
| Reversals | (6.5) | (6.1) | – | (12.6) |
| Translation differences | 1.3 | (2.3) | 2.3 | 1.3 |
| Other | 44.6 | – | (27.6) | 17.0 |
| At 30 September 2017 | **221.0** | **11.7** | **160.7** | **393.4** |
| Additions | **77.1** | **17.3** | **39.9** | **134.3** |
| Usage | **(43.5)** | **(0.2)** | **(58.3)** | **(102.0)** |
| Reversals | **(7.2)** | **(10.0)** | **(0.9)** | **(18.1)** |
| Translation differences | **1.6** | **–** | **6.7** | **8.3** |
| Other | **0.2** | **–** | **–** | **0.2** |
| At 30 September 2018 | **249.2** | **18.8** | **148.1** | **416.1** |

| | 2018 R million | 2017 R million |
|---|---|---|
| Analysed as: | | |
| Current | **398.8** | 359.6 |
| Non-current (included with "other non-current liabilities") | **17.3** | 33.8 |
| Total | **416.1** | 393.4 |

#### Restructuring

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

#### Customer claims

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

#### Other

These provisions mainly relate to onerous leases on property.

### 7.9 Contingent liabilities

| | 2018 R million | 2017 R million |
|---|---|---|
| Guarantees in respect of property leases | **5.5** | 5.0 |
| Customer claims and other | **5.9** | 1.8 |
| Total | **11.4** | 6.8 |

## 7. NET OPERATING ASSETS *(continued)*

### 7.10 Segmental operating assets and liabilities

| | Operating assets | | Operating liabilities | | Capital expenditure | |
|---|---|---|---|---|---|---|
| | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| **Segment analysis** | | | | | | |
| Metals | **10 324.1** | 10 072.4 | **2 894.5** | 3 497.4 | **138.4** | 295.9 |
| Plastics | **2 841.0** | 2 574.3 | **1 406.8** | 1 113.8 | **232.0** | 153.8 |
| Paper | **1 061.0** | 991.1 | **755.7** | 377.3 | **35.0** | 37.2 |
| Operations | **14 226.1** | 13 637.8 | **5 057.0** | 4 988.5 | **405.4** | 486.9 |
| Corporate | **6 552.6** | 6 299.3 | **1 533.3** | 1 490.4 | **39.3** | 70.8 |
| Eliminations | **(2 205.1)** | (1 912.6) | **(2 196.3)** | (1 831.7) | **–** | – |
| Continuing operations | **18 573.6** | 18 024.5 | **4 394.0** | 4 647.2 | **444.7** | 557.7 |
| Discontinued operation | **2 069.6** | 2 707.7 | **202.5** | 183.6 | **91.7** | 177.6 |
| Total | **20 643.2** | 20 732.2 | **4 596.5** | 4 830.8 | **536.4** | 735.3 |
| Geographical analysis (continuing operations) | | | | | | |
| South Africa | **7 931.2** | 8 097.4 | **2 013.3** | 2 132.5 | **185.0** | 325.6 |
| Rest of Africa | **6 086.6** | 5 872.1 | **3 189.7** | 3 437.4 | **186.0** | 94.0 |
| Europe | **588.2** | 572.5 | **235.3** | 323.0 | **34.4** | 67.3 |
| Operations | **14 606.0** | 14 542.0 | **5 438.3** | 5 892.9 | **405.4** | 486.9 |
| Corporate | **6 552.6** | 6 299.3 | **1 533.3** | 1 490.4 | **39.3** | 70.8 |
| Eliminations | **(2 585.0)** | (2 816.8) | **(2 577.6)** | (2 736.1) | **–** | – |
| Total | **18 573.6** | 18 024.5 | **4 394.0** | 4 647.2 | **444.7** | 557.7 |

### Geographical information

| | Non-current assets* | |
|---|---|---|
| | **2018 R million** | 2017 R million |
| South Africa | **4 051.1** | 6 034.6 |
| Angola | **1 998.5** | 1 955.1 |
| Nigeria | **1 055.9** | 1 052.5 |
| United Kingdom | **322.6** | 315.8 |
| Rest of the world | **4 492.2** | 4 384.0 |
| Total | **11 920.3** | 13 742.0 |

* *Non-current assets exclude financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts.*
** *Includes Zimbabwe, Zambia, Tanzania, Kenya, Ethiopia, Malawi, Botswana, Swaziland, Ireland and the Isle of Man.*

## 7. NET OPERATING ASSETS *(continued)*

### 7.11 Operating lease commitments

Sale and leaseback

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

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

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

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

| | **2018 R million** | 2017 R million |
|---|---|---|
| Year ending 30 September | | |
| 2018 | | 158.9 |
| 2019 | **165.5** | 165.5 |
| 2020 to 2023 | **734.9** | 734.9 |
| 2024 onwards | **2 035.3** | 2 412.5 |
| Total | **2 935.7** | 3 471.8 |

Other leases

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

| | **2018 R million** | 2017 R million |
|---|---|---|
| Year ending 30 September | | |
| 2018 | | 47.0 |
| 2019 | **40.9** | 31.5 |
| 2020 to 2023 | **78.1** | 35.2 |
| 2024 onwards | **17.1** | – |
| Total | **136.1** | 113.7 |
| *Comprising:* | | |
| Land and buildings | **96.2** | 70.8 |
| Vehicles | **22.4** | 12.1 |
| Other | **17.5** | 30.8 |
| Total | **136.1** | 113.7 |

### 7.12 Capital commitments

| | **2018 R million** | 2017 R million |
|---|---|---|
| Capital commitments for acquisition of property, plant and equipment | | |
| Contracted | **128.1** | 256.4 |
| Approved but not yet contracted | **350.5** | 333.5 |
| Total | **478.6** | 589.9 |

## 8. STAFF REMUNERATION

### 8.1 Retirement benefit obligations

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

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

#### Defined contribution funds

Membership and costs for each fund are as follows:

The total number of members for all defined contribution funds operated by the group as at 30 September 2018 is 7 123 (2017: 7 658). Total contribution costs for the year ended 30 September 2018 are R174.6 million (2017: R192.5 million).

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

#### Defined benefit funds

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

| | Pension plans | | Post-retirement medical |
|---|---|---|---|
| | South Africa % | UK % | South Africa % |
| **2018** | | | |
| **Assumptions** | | | |
| Discount rate | **9.1** | **2.8** | **9.1** |
| Consumer price inflation (long term) | **6.3** | **2.7** | **6.3** |
| Expected return on funds' assets | **–** | **2.7** | **–** |
| Rate of compensation increase | **–** | **3.6** | **–** |
| Pension increase | **6.0** | **2.2/2.35/3.4** | **–** |
| Rate of medical inflation | **–** | **–** | **7.8** |
| **Membership data** | | | |
| Total membership | **26** | **1 369** | **1 563** |
| **2017** | | | |
| **Assumptions** | | | |
| Discount rate | 9.3 | 2.7 | 9.3 |
| Consumer price inflation (long term) | 6.5 | 2.7 | 6.5 |
| Expected return on funds' assets | – | 2.7 | – |
| Rate of compensation increase | – | 3.6 | – |
| Pension increase | 4.3 | 2.2/2.35/3.4 | – |
| Rate of medical inflation | – | – | 8.0 |
| Membership data | | | |
| Total membership | 25 | 1 437 | 1 611 |

## 8. STAFF REMUNERATION *(continued)*

### 8.1 Retirement benefit obligations *(continued)*

Defined benefit funds *(continued)*

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

| | Pension funds South Africa R million | Pension funds United Kingdom R million | Post-retirement medical South Africa R million | Total R million |
|---|---|---|---|---|
| **2018** | | | | |
| **Valuation results** | | | | |
| Fair value of plan assets | **–** | **(1 653.0)** | **–** | **(1 653.0)** |
| Present value of benefit obligations | **2.7** | **2 164.5** | **964.2** | **3 131.4** |
| Net liability | **2.7** | **511.5** | **964.2** | **1 478.4** |
| **2017** | | | | |
| **Valuation results** | | | | |
| Fair value of plan assets | – | (1 721.4) | – | (1 721.4) |
| Present value of benefit obligations | 2.3 | 2 338.0 | 939.1 | 3 279.4 |
| Net liability | 2.3 | 616.6 | 939.1 | 1 558.0 |

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

| | Pension funds South Africa R million | Pension funds United Kingdom R million | Post-retirement medical South Africa R million | Total R million |
|---|---|---|---|---|
| At 1 October 2016 | – | 1 670.3 | – | 1 670.3 |
| Movements recognised in the income statement | | | | |
| Interest income | – | 33.4 | – | 33.4 |
| Curtailment gain | – | (13.1) | – | (13.1) |
| Actuarial gains recognised in other comprehensive income | | | | |
| Return on plan assets (excluding amounts included in net interest expense) | – | 9.7 | – | 9.7 |
| Contributions by employers | – | 49.1 | – | 49.1 |
| Translation difference on foreign plans | – | 36.8 | – | 36.8 |
| Benefits paid | – | (64.8) | – | (64.8) |
| **At 30 September 2017** | **–** | **1 721.4** | **–** | **1 721.4** |
| Movements recognised in the income statement | | | | |
| Interest income | **–** | **46.8** | **–** | **46.8** |
| Actuarial losses recognised in other comprehensive income | | | | |
| Return on plan assets (excluding amounts included in net interest expense) | **–** | **(33.6)** | **–** | **(33.6)** |
| Contributions by employers | **–** | **65.1** | **–** | **65.1** |
| Translation difference on foreign plans | **–** | **35.2** | **–** | **35.2** |
| Benefits paid | | **(102.3)** | | **(102.3)** |
| Settlements* | **–** | **(79.6)** | **–** | **(79.6)** |
| **At 30 September 2018** | **–** | **1 653.0** | **–** | **1 653.0** |

## 8. STAFF REMUNERATION *(continued)*

### 8.1 Retirement benefit obligations *(continued)*

Defined benefit funds *(continued)*

| | Pension funds South Africa R million | Pension funds United Kingdom R million | Post-retirement medical South Africa R million | Total R million |
|---|---|---|---|---|
| **Changes in the present value of the defined benefit obligation are as follows:** | | | | |
| At 1 October 2016 | 2.4 | 2 383.2 | 1 140.4 | 3 526.0 |
| Movements recognised in profit or loss | | | | |
| Current service cost | – | – | 3.4 | 3.4 |
| Interest cost | 0.2 | 47.8 | 97.0 | 145.0 |
| Curtailment gain* | | (17.6) | (60.0) | (77.6) |
| Actuarial (gains)/losses recognised in other comprehensive income | | | | |
| Actuarial (gains)/losses arising from changes in demographic assumptions | – | (65.2) | 14.6 | (50.6) |
| Actuarial (gains)/losses arising from changes in financial assumptions | (0.3) | 18.5 | 17.3 | 35.5 |
| Actuarial gains arising from experience adjustments | – | (10.0) | (40.6) | (50.6) |
| Translation difference on foreign plans | – | 46.3 | – | 46.3 |
| Benefits paid | – | (65.0) | (69.8) | (134.8) |
| Settlements* | | – | (163.2) | (163.2) |
| At 30 September 2017 | **2.3** | **2 338.0** | **939.1** | **3 279.4** |
| Movements recognised in profit or loss | | | | |
| Current service cost | **–** | **–** | **2.5** | **2.5** |
| Interest cost | **0.2** | **63.0** | **83.4** | **146.6** |
| Curtailment gain* | **–** | **–** | **(16.2)** | **(16.2)** |
| Actuarial losses/(gains) recognised in other comprehensive income | | | | |
| Actuarial (gains)/losses arising from changes in demographic assumptions | **–** | **(16.9)** | **–** | **(16.9)** |
| Actuarial losses/(gains) arising from changes in financial assumptions | **0.2** | **(43.5)** | **(16.5)** | **(59.8)** |
| Actuarial (gains)/losses arising from experience adjustments | **–** | **(26.8)** | **43.0** | **16.2** |
| Translation difference on foreign plans | **–** | **43.4** | **–** | **43.4** |
| Benefits paid | **–** | **(102.4)** | **(69.3)** | **(171.7)** |
| Settlements* | | **(90.3)** | **(1.8)** | **(92.1)** |
| At 30 September 2018 | **2.7** | **2 164.5** | **964.2** | **3 131.4** |
| Expected contributions to defined benefit plans in the next financial reporting period | **0.3** | **53.4** | **76.0** | **129.7** |

The total unfunded pension liability is R2.7 million (2017: R2.3 million) and the unfunded post-retirement medical liability is R964.2 million (2017: R939.1 million).

** 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 is that the Nampak Limited's liability in respect of continuation members who accepted this offer has been replaced by the purchase of an annuity in the continuation members' individual names. Between 2016 and September 2017, 697 continuation members had accepted this offer. This transaction led to a curtailment gain of R58.6 million for the balance of 222 pensioners who accepted the offer in the 2017 financial year. The curtailment gain was calculated as the difference between the cost of the annuities and the value of the liabilities on an individual basis and summed to provide a total. During the current financial year no significant settlements were made.*

## 8. STAFF REMUNERATION *(continued)*

### 8.1 Retirement benefit obligations *(continued)*

#### Defined benefit funds *(continued)*

The trustees of the Nampak Staff Pension Plan, after consolidation with Nampak Plastics Europe Limited completed a trivial commutation exercise in respect of this fund in the prior financial year. Letters were issued to 102 members who were potentially eligible for a trivial commutation payment (ie those members over 55 with benefits valued at less than £30 000 using the relevant HMRC test) at the end of July 2017 with an offer expiry of 1 October 2017. The offer was accepted by 27 members and led to a curtailment gain of R4.5 million in the 2017 financial year. In the current financial year, Nampak Plastics Europe Limited completed an enhanced transfer value exercise. Letters were issued to 258 members who were potentially eligible for an enhanced transfer value payment at the end of August 2017 with an offer expiry date of 30 November 2017, which was extended to 31 December 2017. The offer was accepted by 27 members. The net curtailment gain resulting from the enhanced transfer value exercise was R10.7 million for the 2018 financial year.

#### Post-retirement medical plans

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

| | One % point increase R million | One % point decrease R million |
|---|---|---|
| Effect on aggregate of the service costs and interest cost | 9.0 | 8.0 |
| Effect on defined benefit obligation | 86.3 | 78.4 |
| **UK Pension Fund** | | |
| The effect of a 0.1 percentage point change in the following assumptions will effect the liability recognised as follow: | | |
| Reduce discount rate | 35.0 | 35.0 |
| Increase inflation | 20.3 | 20.3 |

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

| | Valuation date | Fair value of assets R million | Fair value of liabilities R million | Valuation basis |
|---|---|---|---|---|
| Nampak plc Pension Plan* | 05/04/2016 | 905.9 | 1 297.7 | PUC |
| Nampak plc Staff Pension Plan* | 05/04/2016 | 757.6 | 916.9 | PUC |
| Nampak Post-retirement Medical Aid | 30/09/2018 | – | 964.2 | PUC |

*PUC: Projected unit credit.*
** The Nampak plc Pension Plan has been wound up in the current financial year. The plan has been dissolved in the Nampak plc Staff Pension Plan.*

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

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

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

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

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

## 8. STAFF REMUNERATION *(continued)*

### 8.2 Share-based payments

Share-based payment expenses recognised:

| | 2018 R million | 2017 R million |
|---|---|---|
| Performance Share Plan (PSP) | **(4.5)** | 0.8 |
| Share Appreciation Plan (SAP) | **7.9** | 3.8 |
| Deferred Bonus Plan | **2.1** | 2.3 |
| Total | **5.5** | 6.9 |

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

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

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

The detailed rules of the schemes, the movements pertaining to each allocation in terms of the schemes, as well as the significant inputs into the valuation models used for each scheme are available for inspection at the company's registered office. A summary of the movements pertaining to each scheme is contained in the directors' report on pages 13 to 14.

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

#### Performance Share Plan

*Overview*

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

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

An award under this scheme can lapse under certain circumstances.

*Performance criteria*

Three performance conditions are imposed under this scheme:

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

#### Share Appreciation Plan

*Overview*

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

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

All SARs shall lapse if not exercised within seven years from the award date.

# Notes to the consolidated financial statements continued

for the year ended 30 September 2018

## 8. STAFF REMUNERATION *(continued)*

### 8.2 Share-based payments *(continued)*

Share Appreciation Plan *(continued)*

*Performance criteria*

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

Deferred Bonus Plan

*Overview*

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

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

*Performance criteria*

No performance criteria is applicable.

### 8.3 Remuneration of directors and prescribed officers

In terms of total guaranteed packages, plus other benefits for 2018, this detail is set out in the table below.

*Executive directors' and group executive committee members' total remuneration 2018*

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

[1] *Other benefits refers to group personal accident cover.*
[2] *STI disclosed is based on performance during the 2018 financial year, but actual STI payments will only be made in December 2018.*
[3] *Cash retention award paid to EE Smuts, with a three-year retention period. Total payment is included in the table. The expense is recognised over the retention period.*

## 8. STAFF REMUNERATION *(continued)*

### 8.3 Remuneration of directors and prescribed officers *(continued)*

*Executive directors' and group executive committee members' total remuneration 2017*

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

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

## 8. STAFF REMUNERATION *(continued)*

### 8.3 Remuneration of directors and prescribed officers *(continued)*

*Non-executive directors' remuneration*

The non-executive remuneration paid during the year under review (as approved by shareholders) and the total comparative figure for 2018 are disclosed below.

| Name | Directors' fees Rand | Audit committee total fees Rand | Remuneration committee total fees Rand | Nomination committee total fees Rand | Investment committee total fees Rand | Risk and sustainability committee total fees Rand | Social ethics and transformation committee total fees Rand | Total 2018 Rand | Total 2017 Rand |
|---|---|---|---|---|---|---|---|---|---|
| RC Andersen[2] | 320 100 | 277 933 | 110 400 | 73 500 | 91 800 | 36 800 | – | 910 533 | 905 526 |
| E Ikazoboh | 300 700 | – | – | – | 91 800 | – | – | 392 500 | 352 500 |
| J John[2] | 281 300 | 278 567 | – | – | – | 64 300 | – | 624 167 | 179 386 |
| RJ Khoza | 300 700 | – | – | 73 500 | – | – | – | 374 200 | 310 550 |
| NV Lila | 320 100 | 171 700 | – | – | – | 198 300 | – | 690 100 | 632 350 |
| PM Madi | 320 100 | – | – | – | 91 800 | 91 800 | 198 300 | 702 000 | 608 400 |
| TT Mboweni[1] | 1 870 000 | – | – | – | – | – | – | 1 870 000 | 1 767 450 |
| IN Mkhari | 261 900 | 171 700 | – | – | 182 300 | – | 101 100 | 717 000 | 703 230 |
| DC Moephuli | | | | | | | | | 138 085 |
| CWN Molope | | | | | | | | | 296 424 |
| PM Surgey | 320 100 | – | 214 300 | 73 500 | – | 101 100 | 101 100 | 810 100 | 765 250 |
| | 4 295 000 | 899 900 | 324 700 | 220 500 | 457 700 | 492 300 | 400 500 | 7 090 600 | 6 659 151 |

*Directors' fees are shown including VAT where applicable.*
*[1] Fee includes participation in board and sub-committees' meetings.*
*[2] J John took over the chairman role of the audit committee from RC Andersen with effect 1 February 2018 and replaced RC Andersen as ex officio member of the risk committee. RC Andersen remained a member of the audit committee.*

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION

### 9.1 Reconciliation of movement in capital and reserves

| | Share capital R million | Capital reserves: Share premium R million | Capital reserves: Treasury shares R million | Capital reserves: Share-based payment reserve R million |
|---|---|---|---|---|
| At 1 October 2016 | 35.4 | 250.7 | (557.9) | 185.8 |
| Employee share option scheme | | | | |
| Value of employee services | – | – | – | 5.0 |
| Share grants exercised | – | – | – | (11.7) |
| Proceeds from shares issued | 0.1 | 11.7 | – | – |
| Disposal of investment | – | – | – | – |
| Acquisition of business | – | – | – | – |
| Currency translation differences | – | – | – | – |
| Loss on cash flow hedges | – | – | – | – |
| Net actuarial gain | – | – | – | – |
| Profit for the year | – | – | – | – |
| Dividends paid | – | – | – | – |
| **At 30 September 2017** | **35.5** | **262.4** | **(557.9)** | **179.1** |
| Employee share option scheme | | | | |
| Value of employee services | **–** | **–** | **–** | **4.0** |
| Share grants exercised | **–** | **–** | **–** | **(6.5)** |
| Proceeds from shares issued | **–** | **6.5** | **–** | **–** |
| Reinstatement of investment | **–** | **–** | **–** | **–** |
| Treasury shares disposed | **–** | **–** | **42.1** | **–** |
| Currency translation differences | **–** | **–** | **–** | **–** |
| Loss on cash flow hedges | **–** | **–** | **–** | **–** |
| Net actuarial gain | **–** | **–** | **–** | **–** |
| Profit for the year | **–** | **–** | **–** | **–** |
| Dividends paid | **–** | **–** | **–** | **–** |
| **At 30 September 2018** | **35.5** | **268.9** | **(515.8)** | **176.6** |

# Notes to the consolidated financial statements continued

for the year ended 30 September 2018

| | Other reserves | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Foreign currency translation reserve R million | Financial instru-ments hedging reserve R million | Recognised actuarial (losses)/gains R million | Share of non-distri-butable reserves in associates and joint ventures R million | Other R million | Retained earnings R million | Total attributable to owners of Nampak Limited R million | Non-controlling interest R million | Total equity R million |
| | 1 494.9 | 18.8 | (1 466.6) | 3.7 | 0.2 | 9 238.5 | 9 203.5 | 241.0 | 9 444.5 |
| | – | – | – | – | – | – | 5.0 | – | 5.0 |
| | – | – | – | – | – | – | (11.7) | – | (11.7) |
| | – | – | – | – | – | – | 11.8 | – | 11.8 |
| | – | – | – | (3.7) | – | 3.7 | – | – | – |
| | – | – | – | – | (17.2) | – | (17.2) | 9.5 | (7.7) |
| | (119.9) | – | – | – | – | – | (119.9) | (2.2) | (122.1) |
| | – | (14.1) | – | – | – | – | (14.1) | – | (14.1) |
| | – | – | 19.5 | – | – | – | 19.5 | – | 19.5 |
| | – | – | – | – | – | 234.8 | 234.8 | 121.2 | 356.0 |
| | – | – | – | – | – | (0.1) | (0.1) | – | (0.1) |
| | **1 375.0** | **4.7** | **(1 447.1)** | **–** | **(17.0)** | **9 476.9** | **9 311.6** | **369.5** | **9 681.1** |
| | **–** | **–** | **–** | **–** | **–** | **–** | **4.0** | **–** | **4.0** |
| | **–** | **–** | **–** | **–** | **–** | **–** | **(6.5)** | **–** | **(6.5)** |
| | **–** | **–** | **–** | **–** | **–** | **–** | **6.5** | **–** | **6.5** |
| | **–** | **–** | **–** | **3.7** | **–** | **(3.7)** | **–** | **–** | **–** |
| | **–** | **–** | **–** | **–** | **–** | **12.8** | **54.9** | **–** | **54.9** |
| | **194.6** | **–** | **–** | **–** | **–** | **–** | **194.6** | **22.8** | **217.4** |
| | **–** | **51.7** | **–** | **–** | **–** | **–** | **51.7** | **–** | **51.7** |
| | **–** | **–** | **34.4** | **–** | **–** | **–** | **34.4** | **–** | **34.4** |
| | **–** | **–** | **–** | **–** | **–** | **489.2** | **489.2** | **79.9** | **569.1** |
| | **–** | **–** | **–** | **–** | **–** | **(0.1)** | **(0.1)** | **–** | **(0.1)** |
| | **1 569.6** | **56.4** | **(1 412.7)** | **3.7** | **(17.0)** | **9 975.1** | **10 140.3** | **472.2** | **10 612.5** |

# Notes to the consolidated financial statements continued

for the year ended 30 September 2018

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION *(continued)*

### 9.2 Share capital

| | 2018 R million | 2017 R million |
|---|---|---|
| **Authorised** | | |
| 776 857 200 ordinary shares of 5 cents each | **38.8** | 38.8 |
| 100 000 6.5% cumulative preference shares of R2 each | **0.2** | 0.2 |
| 400 000 6% cumulative preference shares of R2 each | **0.8** | 0.8 |
| 100 redeemable preference shares of 5 cents each | **–** | – |
| Total | **39.8** | 39.8 |
| **Issued** | | |
| 689 811 504 (2017: 689 404 454) 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 |

13 571 829 (2017: 13 029 479) 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

| | 2018 R million | 2017 R million |
|---|---|---|
| Share premium | **268.9** | 262.4 |
| Treasury shares | **(515.8)** | (557.9) |
| 17 277 ordinary shares held by the Nampak Black Management Share Trust | **(0.2)** | (42.3) |
| 45 070 854 ordinary shares held by Nampak Products Limited | **(515.6)** | (515.6) |
| Share-based payments reserve | **176.6** | 179.1 |
| Total | **(70.3)** | (116.4) |
| **Reconciliation of number of ordinary shares issued** | | |
| Number of ordinary shares issued at beginning of year | **689 404 454** | 688 668 338 |
| Ordinary shares allotted to employees, former employees and directors in terms of Nampak share schemes | **407 050** | 736 116 |
| Number of ordinary shares issued at end of year | **689 811 504** | 689 404 454 |
| Treasury shares | **(45 088 132)** | (48 784 062) |
| Net number of ordinary shares | **644 723 372** | 640 620 392 |

**Treasury shares**

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

During the year 3 695 930 of the shares held by the Black Management Trust (BMT) were sold to settle the founding grant (including the notional return thereon) owed to Nampak Limited and to settle amounts due to beneficiaries in accordance with the provisions contained in the BMT deed of trust.

### 9.4 Other reserves

| | 2018 R million | 2017 R million |
|---|---|---|
| Foreign currency translation reserve | **1 569.6** | 1 375.0 |
| Financial instruments hedging reserve | **56.4** | 4.7 |
| Recognised actuarial losses | **(1 412.7)** | (1 447.1) |
| Share of non-distributable reserves in associates and joint ventures | **3.7** | – |
| Other | **(17.0)** | (17.0) |
| Total | **200.0** | (84.4) |

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION *(continued)*

### 9.4 Other reserves *(continued)*

#### Foreign currency translation reserve

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

#### Financial instruments hedging reserve

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

#### Recognised actuarial (losses)/gains

Actuarial (losses)/gains comprise:
(a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
(b) the effects of changes in actuarial assumptions.

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

#### Share of non-distributable reserves in associates and joint ventures

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

#### Other reserves

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

### 9.5 Non-controlling interests

Non-controlling interests represent the value of the remaining ownerships 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 (%) 2018 | 2017 |
|---|---|---|---|---|
| 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 |

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION *(continued)*

### 9.5 Non-controlling interests *(continued)*

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

| | Bevcan Angola | | Nampak Zimbabwe | | DivFood Botswana | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million | **2018 R million** | 2017 R million |
| **Revenue** | **2 078.6** | 2 463.4 | **1 540.7** | 1 287.2 | **71.7** | 8.6 | **3 691.0** | 3 759.2 |
| **Net profit/(loss) for the year** | **69.1** | 307.2 | **122.6** | 62.7 | **(1.5)** | (5.5) | **190.2** | 364.4 |
| Attributable to: | | | | | | | | |
| Owners of Nampak Limited | **48.4** | 215.0 | **63.0** | 32.3 | **(1.1)** | (4.1) | **110.3** | 243.2 |
| Non-controlling interests in subsidiaries | **20.7** | 92.2 | **59.6** | 30.4 | **(0.4)** | (1.4) | **79.9** | 121.2 |
| **Other comprehensive income/(expenses)** | **0.4** | 6.8 | **45.6** | (9.6) | **–** | 1.5 | **46.0** | (1.3) |
| **Total comprehensive income/(expenses)** | **69.5** | 314.0 | **168.2** | 53.1 | **(1.5)** | (4.0) | **236.2** | 363.1 |
| Attributable to | | | | | | | | |
| Owners of Nampak Limited | **48.6** | 219.8 | **86.0** | 27.3 | **(1.1)** | (3.0) | **133.5** | 244.1 |
| Non-controlling interests in subsidiaries | **20.9** | 94.2 | **82.2** | 25.8 | **(0.4)** | (1.0) | **102.7** | 119.0 |
| **Total assets** | **5 279.0** | 4 871.1 | **2 496.5** | 1 722.4 | **76.4** | 58.6 | **7 851.9** | 6 652.1 |
| **Total liabilities** | **5 566.6** | 5 228.2 | **1 363.3** | 758.4 | **45.5** | 26.2 | **6 975.4** | 6 012.8 |
| **Total equity** | **(287.6)** | (357.1) | **1 133.2** | 964.0 | **30.9** | 32.4 | **876.5** | 639.3 |
| Attributable to: | | | | | | | | |
| Owners of Nampak Limited | **(201.4)** | (250.0) | **582.8** | 495.8 | **22.9** | 24.0 | **404.3** | 269.8 |
| Non-controlling interests in subsidiaries | **(86.2)** | (107.1) | **550.4** | 468.2 | **8.0** | 8.4 | **472.2** | 369.5 |

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION *(continued)*

### 9.6 Group composition

The consolidated financial statements include the accounts of Nampak Limited (the company) and all of its subsidiaries at 30 September 2018.

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

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

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

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

*O – Operating, I – Investment holding, D – Dormant, P – Property*

| | Type | Country of incorporation | Issued share capital | Effective percentage holding 2018 % | Effective percentage holding 2017 % | Interest of holding company: Shares at cost 2018 R million | Shares at cost 2017 R million | Indebtedness 2018 R million | Indebtedness 2017 R million |
|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | | | | |
| **Direct holdings** | | | | | | | | | |
| Malbak Limited | D | RSA | R100 | **100** | 100 | **1 482.9** | 1 482.9 | **–** | – |
| Nampak International Limited | O/I | Isle of Man | US$113 664 | **100** | 100 | **1 889.3** | 1 889.3 | **–** | – |
| Nampak Products Limited | O/I | RSA | R3 758 641 | **100** | 100 | **93.7** | 93.7 | **69.9** | 79.8 |
| Nampak Paper Limited | D | RSA | R2 037 533 | **100** | 100 | **–** | – | **–** | – |
| **Indirect holdings** | | | | | | | | | |
| Auspac Limited | D | UK | £4 050 000 | **100** | 100 | **–** | – | **–** | – |
| Bullpak Limited | O | Kenya | KES4 760 000 | **100** | 100 | **–** | – | **–** | – |
| CarnaudMetalbox Zimbabwe Limited | O | Zimbabwe | US$98 994 | **51.43** | 51.43 | **–** | – | **–** | – |
| EPS (Foston) Limited | D | UK | £100 | **100** | 100 | **–** | – | **–** | – |
| Four Four Two Limited | I | UK | £1 000 | **100** | 100 | **–** | – | **–** | – |
| Hunyani Forests Limited | O | Zimbabwe | US$110 000 | **51.43** | 51.43 | **–** | – | **–** | – |
| Hunyani Paper and Packaging (Pvt) Limited | O | Zimbabwe | US$24 000 | **51.43** | 51.43 | **–** | – | **–** | – |
| Hunyani Properties Limited | P | Zimbabwe | US$426 000 | **51.43** | 51.43 | **–** | – | **–** | – |
| Megapak Swaziland (Pty) Limited | O | Swaziland | R1 000 | **100** | 100 | **–** | – | **–** | – |
| Megapak Zimbabwe (Pty) Limited | O | Zimbabwe | US$20 100 | **51.43** | 51.43 | **–** | – | **–** | – |
| Megaplastics Limited | I | Zimbabwe | US$0 | **51.43** | 51.43 | **–** | – | **–** | – |
| Metal Box (Namibia) (Pty) Limited | D | Namibia | N$1 | **100** | 100 | **–** | – | **–** | – |
| Metal Box South Africa Limited | D | RSA | R100 | **100** | 100 | **–** | – | **–** | – |
| Nampak Bevcan Angola Limitada | O | Angola | K4 580 650 | **70** | 70 | **–** | – | **–** | – |
| Nampak Bevcan Nigeria Limited | O | Nigeria | US$5 402 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak Consumer Goods Limited | O | UK | £100 | **100** | 100 | **–** | – | **–** | – |
| Nampak Cartons Nigeria Limited | O | Nigeria | NGN14 000 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak DivFood Botswana (Pty) Limited | O | Botswana | BWP120 | **74** | 74 | **–** | – | **–** | – |
| Nampak Glass (Pty) Limited | D | RSA | R1 | **100** | 100 | **–** | – | **–** | – |
| Nampak Holdings (UK) Limited | I | UK | US$184 | **100** | 100 | **–** | – | **–** | – |
| Nampak Holdings Limited | I | Mauritius | US$37 094 | **100** | 100 | **–** | – | **–** | – |
| Nampak Insurance Company Limited | Insurance | Isle of Man | £100 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak Kenya Limited | O | Kenya | KES40 280 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak Liquid Botswana (Pty) Limited | O | Botswana | BWP100 | **100** | 100 | **–** | – | **–** | – |

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION *(continued)*

### 9.6 Group composition *(continued)*

| | Type | Country of incorporation | Issued share capital | Effective percentage holding 2018 % | Effective percentage holding 2017 % | Interest of holding company: Shares at cost 2018 R million | Shares at cost 2017 R million | Indebtedness 2018 R million | Indebtedness 2017 R million |
|---|---|---|---|---|---|---|---|---|---|
| Nampak Liquid Cartons (Pty) Limited | D | RSA | R280 | **100** | 100 | **–** | – | **–** | – |
| Nampak Metal Packaging Limited | D | RSA | R1 | **100** | 100 | **–** | – | **–** | – |
| Nampak Nigeria Limited | O | Nigeria | NGN107 044 183 | **100** | 100 | **–** | – | **–** | – |
| Nampak Packaging Pvt Limited | O | Ethiopia | ETB3 848 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak Petpak (Namibia) (Pty) Limited | O | Namibia | N$100 | **100** | 100 | **–** | – | **–** | – |
| Nampak Plastics Europe Limited | O | UK | £4 863 028 | **100** | 100 | **–** | – | **–** | – |
| Nampak Properties (Isle of Man) Limited | P | Isle of Man | £100 | **100** | 100 | **–** | – | **–** | – |
| Nampak Properties Nigeria Limited | P | Nigeria | NGN14 000 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak Southern Africa Holdings Limited | I | Mauritius | US$4 726 922 | **100** | 100 | **52.5** | 52.5 | **–** | – |
| Nampak Tanzania Limited | O | Tanzania | TZS304 638 620 | **100** | 100 | **–** | – | **–** | – |
| Nampak Technical Services Limited | O | Isle of Man | £1 | **100** | 100 | **–** | – | **–** | – |
| Nampak Tissue (Pty) Limited | D | RSA | R100 | **100** | 100 | **–** | – | **–** | – |
| Nampak Zambia Limited | O | Zambia | ZMK15 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak Packaging Malawi Limited | O | Malawi | MWK13 450 000 | **100** | 100 | **–** | – | **–** | – |
| Nampak Zimbabwe Limited | O/I | Zimbabwe | US$755 648 | **51.43** | 51.43 | **–** | – | **–** | – |
| Southern Paper Industries (Pty) Limited | D | RSA | R1 000 000 | **100** | 100 | **–** | – | **–** | – |
| Teknol SARL (previously Teknol BV) | I | Luxembourg | €18 151 | **100** | 100 | **–** | – | **–** | – |
| Teknol NV | I | Netherlands Antilles | US$6 000 | **100** | 100 | **–** | – | **–** | – |
| Transmar (Isle of Man) Limited | I | Isle of Man | US$600 000 | **100** | 100 | **–** | – | **–** | – |
| Total | | | | | | **3 518.4** | 3 518.4 | **69.9** | 79.8 |

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION *(continued)*

### 9.6 Group composition *(continued)*

| | Type | Country of incorporation | Issued share capital | Effective percentage holding 2018 % | 2017 % |
|---|---|---|---|---|---|
| **Associates** | | | | | |
| (Equity accounted) | | | | | |
| Collect-a-Can (Pty) Limited* | O | RSA | R4 000 000 | **40** | 40 |
| Group Risk Holdings (Pty) Limited | Insurance | RSA | R11 300 | **19** | – |
| **Joint ventures** | | | | | |
| (Equity accounted) | | | | | |
| Softex Tissue Products (Pvt) Limited | O | Zimbabwe | US$2 897 | **50** | 50 |

** 30 December year-end.*

*Other investments*

| | Type | Number of shares held by group | | Effective percentage holding | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| Ethiopian Crown Cork & Can Industry | O | **5 750** | 5 750 | **25** | 25 |
| PET RecoZim (Pvt) Limited | D | **10** | 10 | **5** | 5 |

### 9.7 Related party transactions

| | 2018 R million | 2017 R million |
|---|---|---|
| Material related party transactions were as follows: | | |
| **Sales and services rendered to/(from) related parties** | | |
| Associates | **29.0** | 27.2 |
| Joint ventures | **(0.3)** | – |
| Total | **28.7** | 27.2 |
| **Interest received from related parties** | | |
| Associates | **0.6** | – |
| Total | **0.6** | – |
| Amounts owing (after eliminating intercompany balances) by related parties are disclosed in the respective notes to the financial statements for those balance sheet items. | | |
| **Amounts receivable from related parties** | | |
| Loans to associate | **5.0** | – |
| Total | **5.0** | – |

## 9. EQUITY, DISTRIBUTIONS AND GROUP INFORMATION *(continued)*

### 9.7 Related party transactions *(continued)*

**Key members**

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

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

| Key member | Entity | Position in entity |
|---|---|---|
| RC Andersen | Nampak 1979 Share Purchase Trust | Trustee |
| | Nampak Limited Performance Share Trust | Trustee |
| | Nampak Limited Share Appreciation Trust | Trustee |
| PM Surgey | Nampak 1979 Share Purchase Trust | Trustee |
| | Nampak Limited Performance Share Trust | Trustee |
| | Nampak Limited Share Appreciation Trust | Trustee |
| MMF Seleoane | Nampak Group Pension Fund | Employer trustee |
| LD Kidd | Nampak Group Pension Fund | Employer trustee |

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

**Related party transactions include:**

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

**Compensation relating to key management personnel**

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

| | 2018 R million | 2017 R million |
|---|---|---|
| Short-term employee benefits | **63.6** | 60.3 |
| Post-employment benefits | **3.5** | 12.2 |
| Termination benefits | **–** | 2.0 |
| Share-based payments | **12.7** | 5.8 |
| Total | **79.8** | 80.3 |

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 84.

## 10. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

These standards will be effective for annual periods beginning after the dates listed below:

- IFRS 9: *Financial Instruments*

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

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

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

The group will have to design impairment models incorporating new principles such as 12 month expected credit loss, life time expected credit loss, forward-looking information and time value of money in order to comply with expected credit loss impairments under IFRS 9. The group has performed a preliminary assessment, the results thereof indicate that an adjustment to the opening balance of the retained earnings and the impairment provision of approximately R87 million, primarily related to the Angolan kwanza bonds is required for the 2019 financial year.

- IFRS 15: *Revenue From Contracts With Customers*

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

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

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

- IFRS 16: *Leases*

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

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

The group has assessed a majority of its significant lease agreements, in particular those relating to property rentals, and the preliminary assessment indicates that material adjustments to non-current assets, non-current liabilities and EBITDA are to be expected as a result of the new standard. The current estimate of the impact of adopting IFRS 16 on the 2018 reported numbers is as follows:

- Increase in net assets: R408 million
- Increase in EBITDA: R202 million
- Decrease in net profit: R34 million

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

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

# Company statement of comprehensive income

for the year ended 30 September 2018

| | Notes | 2018 R million | 2017 R million |
|---|---|---|---|
| **Revenue** | 1 | **75.1** | 48.2 |
| Employee benefit expense | | **(7.4)** | (6.4) |
| Other operating expenses | | **0.3** | (4.3) |
| **Operating profit** | | **68.0** | 37.5 |
| Finance income | | **0.2** | 0.1 |
| **Profit before tax** | | **68.2** | 37.6 |
| Income tax benefit/(expense) | 2 | **1.7** | (13.3) |
| **Total comprehensive income for the year** | | **69.9** | 24.3 |

# Company statement of financial position

at 30 September 2018

| | Notes | 2018 R million | 2017 R million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment in associate | 3 | **3.5** | – |
| Investment in subsidiaries | 4 | **2 333.1** | 2 337.5 |
| | | **2 336.6** | 2 337.5 |
| **Current assets** | | | |
| Other receivables | 6 | **3.7** | 34.0 |
| Loans to subsidiary companies | 9 | **1 012.4** | 918.5 |
| | | **1 016.1** | 952.5 |
| **Total assets** | | **3 352.7** | 3 290.0 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 7 | **35.5** | 35.5 |
| Capital reserves | 7 | **467.5** | 462.0 |
| Retained earnings | 7 | **2 834.1** | 2 764.3 |
| | | **3 337.1** | 3 261.8 |
| **Current liabilities** | | | |
| Other payables | 8 | **13.4** | 12.5 |
| Loans from subsidiary companies | 9 | **1.5** | 1.5 |
| Tax liabilities | | **0.7** | 14.2 |
| | | **15.6** | 28.2 |
| **Total equity and liabilities** | | **3 352.7** | 3 290.0 |

# Company statement of changes in equity

for the year ended 30 September 2018

| | Notes | 2018 R million | 2017 R million |
|---|---|---|---|
| **Opening balance** | | **3 261.8** | 3 230.6 |
| Net shares issued during the year | | **6.5** | 11.8 |
| Share-based payment expense | | **5.5** | 6.9 |
| Share grants exercised | | **(6.5)** | (11.7) |
| Total comprehensive income for the period | | **69.9** | 24.3 |
| Dividends paid | 7 | **(0.1)** | (0.1) |
| **Closing balance** | | **3 337.1** | 3 261.8 |
| **Comprising:** | | | |
| Share capital | 7 | **35.5** | 35.5 |
| Capital reserves | 7 | **467.5** | 462.0 |
| Share premium | | **268.9** | 262.4 |
| Share option reserve | | **198.6** | 199.6 |
| Retained earnings | 7 | **2 834.1** | 2 764.3 |
| **Total equity** | | **3 337.1** | 3 261.8 |

# Company statement of cash flows

for the year ended 30 September 2018

| | Notes | 2018 R million | 2017 R million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from/(utilised in) operations | 10 | **5.2** | (5.7) |
| Interest received | | **0.2** | 0.1 |
| Income tax paid | | **(11.8)** | (8.2) |
| **Cash flows from operations** | | **(6.4)** | (13.8) |
| Dividends paid | | **(0.1)** | (0.1) |
| **Cash utilised in operating activities** | | **(6.5)** | (13.9) |
| **Cash flows from financing activities** | | | |
| Capital raised from issue of shares | | **6.5** | 11.8 |
| **Cash raised from financing activities** | | **6.5** | 11.8 |
| **Net increase in cash and cash equivalents** | | **–** | (2.1) |
| Cash and cash equivalents at beginning of year | | **–** | 2.1 |
| **Cash and cash equivalents at end of year** | | **–** | – |

# Notes to the company financial statements

for the year ended 30 September 2018

| | | | 2018 R million | 2017 R million |
|---|---|---|---|---|
| **1.** | **REVENUE** | | | |
| | Trust distribution | | **25.3** | – |
| | Interest received from subsidiaries | | **35.2** | 32.2 |
| | Fees received from subsidiaries | | **14.6** | 16.0 |
| | Total | | **75.1** | 48.2 |
| **2.** | **INCOME TAX** | | | |
| | Current tax | | | |
| | Current year | | **11.8** | 25.5 |
| | Prior year | | **(13.5)** | (12.2) |
| | Total | | **(1.7)** | 13.3 |
| | The company tax rate in South Africa is 28% (2017: 28%) of the estimated assessable profit for the year. | | | |
| | **Reconciliation of rate of tax** | | | |
| | Normal tax rate | % | **28.0** | 28.0 |
| | Reduction in tax charge due to: | | | |
| | Dividend income | % | **(10.4)** | – |
| | Adjustment for prior year normal tax | % | **(19.9)** | (32.6) |
| | Exempt income | % | **(1.0)** | – |
| | Withholding and foreign taxes | % | **(1.1)** | – |
| | Increase in tax charge due to: | | | |
| | Disallowable expenses | % | **–** | 8.1 |
| | Imputed income – section 9D | % | **1.9** | 31.9 |
| | Effective company rate of tax | % | **(2.5)** | 35.4 |
| **3.** | **INVESTMENT IN ASSOCIATE** | | | |
| | Cost of investment in associate | | **3.5** | – |
| | The investment is carried at cost less any accumulated impairment losses. | | | |
| **4.** | **INVESTMENTS IN SUBSIDIARIES** | | | |
| | (Refer to note 9.6 of the consolidated financial statements for details) | | | |
| | Interest in subsidiaries | | **3 518.4** | 3 518.4 |
| | Share-based payments contribution | | **227.8** | 222.3 |
| | Net amount due by subsidiaries[1] | | **69.9** | 79.8 |
| | *Less:* Impairment losses | | **(1 483.0)** | (1 483.0) |
| | Shares at cost less impairments | | **2 333.1** | 2 337.5 |
| | Directors' valuation | | **2 333.1** | 2 337.5 |

[1] *These loans do not bear interest and have no fixed repayment terms. The directors consider these loans to form part of the carrying amount of the investment.*

# Notes to the company financial statements continued

for the year ended 30 September 2018

## 5. OTHER NON-CURRENT FINANCIAL ASSETS

| | 2018 R million | 2017 R million |
|---|---|---|
| Residual right in Nampak Black Management Trust (BMT) | – | 29.9 |
| *Less:* Amounts receivable within one year, reflected in other receivables (note 6) | – | (29.9) |
| Total | – | – |

## 6. OTHER RECEIVABLES

| | 2018 R million | 2017 R million |
|---|---|---|
| Current portion of receivables (note 5) | – | 29.9 |
| Other | 3.7 | 4.1 |
| Total | 3.7 | 34.0 |

Other receivables are measured at amortised cost net of provision for doubtful debts.

The carrying amounts of other receivables approximates fair value.

## 7. CAPITAL AND RESERVES

### 7.1 Reconciliation of movement in capital and reserves

| | | | Capital reserves | | | |
|---|---|---|---|---|---|---|
| | Notes | Share capital R million | Share premium R million | Share option reserve R million | Retained earnings R million | Total equity R million |
| At 1 October 2016 | | 35.4 | 250.7 | 204.4 | 2 740.1 | 3 230.6 |
| Employee share option scheme | | | | | | |
| Value of employee services | | – | – | 6.9 | – | 6.9 |
| Share grants exercised | | – | – | (11.7) | – | (11.7) |
| Proceeds from shares issued | | 0.1 | 11.7 | – | – | 11.8 |
| Profit for the year | | – | – | – | 24.3 | 24.3 |
| Dividends paid | | – | – | – | (0.1) | (0.1) |
| At 30 September 2017 | | 35.5 | 262.4 | 199.6 | 2 764.3 | 3 261.8 |
| Employee share option scheme | | | | | | |
| Value of employee services | | – | – | 5.5 | – | 5.5 |
| Share grants exercised | | – | – | (6.5) | – | (6.5) |
| Proceeds from shares issued | | – | 6.5 | – | – | 6.5 |
| Profit for the year | | – | – | – | 69.9 | 69.9 |
| Dividends paid | | – | – | – | (0.1) | (0.1) |
| At 30 September 2018 | | 35.5 | 268.9 | 198.6 | 2 834.1 | 3 337.1 |

## 7. CAPITAL AND RESERVES *(continued)*

| | 2018 R million | 2017 R million |
|---|---|---|
| **7.2 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 (2017: 689 404 454) 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 |
| 13 571 829 (2017: 13 029 479) 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. | | |
| **7.3 Capital reserves** | | |
| Share premium | **268.9** | 262.4 |
| Share option reserve | **198.6** | 199.6 |
| Total | **467.5** | 462.0 |
| Reconciliation of number of ordinary shares issued | | |
| Number of ordinary shares issued at beginning of year | **689 404 454** | 688 668 338 |
| Ordinary shares allotted to employees, former employees and directors in terms of the Nampak share schemes | **407 050** | 736 116 |
| Number of ordinary shares issued at end of year | **689 811 504** | 689 404 454 |

## 8. OTHER PAYABLES

| | 2018 R million | 2017 R million |
|---|---|---|
| Accruals | **13.4** | 12.5 |

Accruals principally comprise amounts outstanding for ongoing costs.

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

## 9. RELATED PARTY TRANSACTIONS

| | 2018 R million | 2017 R million |
|---|---|---|
| Material related party transactions were as follows: | | |
| **Distribution to trust** | | |
| The Black Management Trust | **25.3** | – |
| **Interest received from related parties** | | |
| Nampak Products Limited | **35.2** | 32.2 |
| **Corporate charges received from related parties** | | |
| Nampak Products Limited | **5.0** | 6.9 |
| Nampak International Limited | **9.6** | 9.1 |
| Total | **14.6** | 16.0 |
| Non-current amounts payable by such entities are included in note 3. | | |
| Current amounts due by subsidiary companies are as follows: | | |
| Nampak Products Limited[1] | **1 012.4** | 918.2 |
| Black Management Trust[2] | **–** | 0.3 |
| Total | **1 012.4** | 918.5 |
| 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 |
| Total | **1.5** | 1.5 |

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

## 9. RELATED PARTY TRANSACTIONS *(continued)*

| | 2018 R million | 2017 R million |
|---|---|---|
| **Guarantees** | | |
| Guarantee for an amount not exceeding US$63 million on behalf of Nampak International Limited in favour of the Bank of Merrill Lynch International and Export Development Bank of Canada for a term loan facility | – | 854.2[1] |
| Guarantee for an amount not exceeding US$73 million on behalf of Nampak International Limited in favour of Standard Finance (Isle of Man) Limited for a revolving credit facility | – | 989.9 |
| Guarantee for an amount not exceeding US$30 million on behalf of Nampak International Limited in favour of Standard Finance (Isle of Man) Limited for an on demand facility | – | 406.8 |
| Guarantee for an amount not exceeding US$86 million on behalf of Nampak International Limited in favour of Standard Finance (Isle of Man) Limited for a bullet term loan | – | 1 166.1 |
| Guarantee for an amount not exceeding US$175 million in favour of noteholders for the Note Purchase Agreement issued by Nampak International Limited | 2 474.8 | 2 372.8 |
| Guarantee for an amount not exceeding R2 billion in favour of noteholders for the DMTN Programme issued by Nampak Products Limited | – | 2 000.0 |
| Guarantee for an amount not exceeding US$35 million in favour of Standard Finance (Isle of Man) Limited for an amortising credit facility | – | 474.6 |
| Guarantee for an amount not exceeding R500 million (2017: R1 billion) on behalf of Nampak Products Limited in favour of Nedbank for general banking facilities | 500.0 | 1 000.0 |
| Guarantee for an amount not exceeding R1 billion on behalf of Nampak Products Limited in favour of Nedbank for a revolving credit facility | – | 1 000.0 |
| Guarantee for an amount not exceeding R115 million on behalf of Nampak Products Limited in favour of Nedbank for an indirect facility | 115.0 | 115.0 |
| Guarantee for an amount not exceeding R747.5 million on behalf of Nampak Products Limited in favour of Rand Merchant Bank for debt facilities | 747.5 | 747.5 |
| Guarantee for an amount not exceeding R200 million on behalf of Nampak Products Limited in favour of Bank of China Limited for a 12-month bank facility | – | 200.0 |
| Guarantee for an amount not exceeding R1 080.9 million on behalf of Nampak Products Limited in favour of Standard Bank SA Limited for banking facilities | 1 080.9 | 1 080.9[2] |
| Guarantee for an amount not exceeding R1 098.7 million (2017: R1 725.1 million) on behalf of Nampak Products Limited in favour of Citibank for banking facilities | 1 098.7 | 1 725.1[3] |
| Guarantee for an amount not exceeding R400 million on behalf of Nampak Products Limited in favour of Investec Bank Limited for general banking facilities | 400.0 | 400.0 |
| Guarantee on behalf of Nampak Products Limited in favour of Imbali Props 21 (Pty) Limited in respect of the annual rental of R145.2 million payable under the 15-year lease agreement for factory premises in South Africa | 145.2 | 145.2 |
| Guarantee on behalf of Nampak Products Limited in favour of Imbali Props 21 (Pty) Limited in respect of the annual rental of R4.6 million payable under the three-year lease agreement for factory premises in South Africa | 4.6 | 4.6 |
| Guarantee for an amount not exceeding R500 million on behalf of Nampak Products Limited in favour of Absa Bank Limited for general banking facilities | – | 500.0 |
| Guarantee for an amount of GBP46 million in favour of Nampak Plastics Europe Limited | 852.8 | 835.6 |
| 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 | 7 424.3 | – |
| Guarantee for an amount not exceeding R4 billion on behalf of Nampak Products Limited in favour of a conglomerate of banks for revolving credit facilities | 4 000.0 | – |

[1] *Prior year financials disclosed as R1 355.9 million, being the original guarantee of US$100 million, not the capped guarantee amount of US$63 million.*
[2] *Prior year financials disclosed as R280.7 million, being the working capital facility limit.*
[3] *Prior year financials disclosed as R650.0 million, being the overnight facility amount.*

### Key management personnel*

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

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

| | 2018 R million | 2017 R million |
|---|---|---|
| Short-term employee benefits | 63.6 | 60.3 |
| Post-employment benefits | 3.5 | 12.2 |
| Termination benefits | – | 2.0 |
| Share-based payments | 12.7 | 5.8 |
| Total | 79.8 | 80.3 |

* *Executive directors and members of the group executive committee.*

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

## 10. RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM/(UTILISED IN) OPERATIONS

| | 2018 R million | 2017 R million |
|---|---|---|
| Profit before tax | 68.2 | 37.6 |
| Adjustment for: | | |
| Loss on disposal of interest in associate | – | 2.5 |
| Profit on acquisition of interest in associate | (3.5) | – |
| Net finance income | (0.2) | (0.1) |
| Cash generated from operations before working capital changes | 64.5 | 40.0 |
| Decrease/(increase) in other receivables | 30.3 | (0.4) |
| Decrease in other payables* | (5.6) | (13.1) |
| Increase in subsidiary company loans | (84.0) | (32.2) |
| Cash generated from/(utilised in) operations | 5.2 | (5.7) |

** Includes settlements under share schemes*

## 11. SUBSEQUENT EVENTS

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

# Analysis of registered shareholders and company schemes

## REGISTERED SHAREHOLDER SPREAD

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders as detailed in the integrated report and accounts dated 28 September 2018 was:

### Registered shareholder spread

| Shareholder spread | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| 1 – 1 000 shares | 3 568 | 61.58 | 1 169 841 | 0.17 |
| 1 001 – 10 000 shares | 1 483 | 25.60 | 4 664 617 | 0.68 |
| 10 001 – 100 000 shares | 382 | 6.59 | 12 981 453 | 1.88 |
| 100 001 – 1 000 000 shares | 254 | 4.38 | 90 149 802 | 13.07 |
| 1 000 001 shares and above | 107 | 1.85 | 580 845 791 | 84.20 |
| Total | 5 794 | 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:

### Public and non-public shareholdings

| Shareholder type | Number of holders | % of total shareholders | Number of shares | % of issued capital |
|---|---|---|---|---|
| Non-public shareholders | 19 | 0.33 | 47 881 572 | 6.94 |
| ■ Directors and associates | 8 | 0.14 | 1 749 460 | 0.26 |
| ■ Prescribed officers and management | 9 | 0.15 | 1 043 981 | 0.15 |
| ■ Treasury shares | 1 | 0.02 | 45 070 854 | 6.53 |
| ■ Empowerment | 1 | 0.02 | 17 277 | 0.00 |
| Public Shareholders | 5 775 | 99.67 | 641 929 932 | 93.06 |
| Total | 5 794 | 100.00 | 689 811 504 | 100.00 |

# Analysis of registered shareholders and company schemes continued

## SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS

### Substantial investment management and beneficial interests above 3%

Through regular analysis of 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 28 September 2018:

### Investment management shareholdings

| Investment manager | Total shareholding | % |
|---|---|---|
| Allan Gray (Pty) Limited | 198 510 215 | 28.78 |
| PIC | 66 612 300 | 9.66 |
| Wellington Management Company | 59 959 296 | 8.69 |
| Nampak Products Limited | 45 575 759 | 6.61 |
| Investec Asset Management | 45 332 834 | 6.57 |
| Old Mutual Plc | 31 483 645 | 4.56 |
| Dimensional Fund Advisors | 25 380 760 | 3.68 |
| Colonial First State Global Asset Management | 22 277 853 | 3.23 |
| The Vanguard Group Inc | 21 098 105 | 3.06 |
| Total | 516 230 767 | 74.84 |

### Beneficial shareholdings

| Beneficial shareholdings | Total shareholding | % |
|---|---|---|
| Government Employees Pension Fund (PIC) | 70 213 740 | 10.18 |
| Allan Gray Balanced Fund | 61 286 855 | 8.88 |
| Nampak Products Limited | 45 575 759 | 6.61 |
| Allan Gray Equity Fund | 24 720 239 | 3.58 |
| Total | 201 796 593 | 29.25 |

### Previously disclosed holdings
### Investment managers now holding below 3%

| Investment manager | Total shareholding | % | Previous % |
|---|---|---|---|
| Somerset Capital Management | 140 760 | 0.02 | 5.74 |
| Highclere International Investors | 16 915 552 | 2.45 | 3.37 |
| Total | 17 056 312 | 2.47 | 9.11 |

# Shareholders' diary

| | |
|---|---|
| Annual general meeting | Tuesday, 5 February 2019 |
| Interim statement and ordinary dividend announcement for the half-year ending 31 March 2019 | May 2019 |
| Group results and ordinary dividend announcement for the year ending 30 September 2019 | November 2019 |

## DIVIDEND

### Ordinary

| | |
|---|---|
| Final dividend for the year ended 30 September 2018 | No dividend being paid |
| Interim dividend for the half-year ending 31 March 2019 | To be paid in July 2019 if payable |

### Preference

| | |
|---|---|
| 6.5% and 6% cumulative preference dividends | Payable twice per annum during February and August |

# Corporate information

## Business address and registered office

Nampak House
Hampton Office Park
20 Georgian Crescent East
Bryanston, 2191, South Africa
PO Box 69983, Bryanston, 2021
Telephone +27 719 6300
www.nampak.com

## Auditors

Deloitte & Touche
Buildings 1 and 2, Deloitte Place
The Woodlands Office Park
Woodlands Drive
Woodmead, Sandton

## Company secretary

Ilse van Lochem
Telephone +27 11 719 6327
Ilse.vanlochem@nampak.com

## Sponsor

UBS South Africa (Pty) Limited
64 Wierda Road East
Sandton, 2196, South Africa
PO Box 652863, Benmore, 2010
Telephone +27 11 322 7000
Telefax +27 11 784 8280

## Share registrar

Computershare Investor Services (Pty) Limited
Rosebank Towers
15 Biermann Avenue, Rosebank, 2196
PO Box 61051, Marshalltown, 2107
Telephone +27 11 370 5000
Telefax +27 11 688 5200

## Shareholder hotline

Telephone +27 11 373 0033
Smart number +27 80 000 6497
Telefax +27 11 688 5217
web.queries@computershare.co.za

## Investor relations

Nondyebo Mqulwana
Telephone +27 11 719 6326
nondyebo.mqulwana@nampak.com

## Sustainability

Lynne Kidd
Telephone +27 11 719 6322
lynne.kidd@nampak.com

Bastion

Nampak
packaging excellence

Head office
Nampak House,
Hampton Office Park
20 Georgian Crescent East
Bryanston, Sandton, 2191
Tel: +27 11 719 6300

**www.nampak.com**