Nampak
packaging excellence

SUMMARISED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED
30 SEPTEMBER 2019

SALIENT FEATURES — CONTINUING OPERATIONS

Revenue decreased to
R14.6bn
down by 8%

Cost reduction of
R412m
due to stringent cost control

Strong cash transfers of
R3.2bn
from Angola and Nigeria

Net devaluation loss
R1.0bn
in Zimbabwe

Sale of Glass for
R1.4bn
agreement completed

Trading profit reduced by
21%
to R1.6bn

Cartons Nigeria disposed for
€26m
(R440m)

Nampak Plastics Europe
for sale
indicative offers received

B-BBEE status improved to
level 2
from level 6

EPS down 76% to
42.2c

HEPS down 69% to
54.1c

COMMENTARY

OVERVIEW

Nampak remains Africa's pre-eminent packaging manufacturer, with significant competitive advantage and a strong and stable customer base. Our factories have operated well, and we have managed to mitigate the impact of weak macro-economic conditions and increased competition by managing factors within our control and produced good results while faced with protracted sub-par economic growth and intensified competition in South Africa.

Revenue from continuing operations was down by 8% with Bevcan SA performing commendably, despite the entry of new competitors in South Africa, and delivered stable year on year trading results. Bevcan Nigeria delivered a stellar performance, with double digit volume and revenue growth. This partially offset the impact of consumers' reduced purchasing power in Angola following a currency devaluation, as well as increased competition in our Divfood and Plastics SA businesses. The currency devaluation in Zimbabwe had a severe negative impact on results in the Rest of Africa and therefore the group. Owing to the devaluation of the Zimbabwe dollar from 2.54 to 15.20 to the US dollar we had to absorb a net devaluation loss of R1.0 billion through the income statement which has made comparison to the prior year results difficult.

The past financial year was characterised by Nampak continuing to optimise its portfolio in accordance with its stated strategy of enhancing the focus on strategic substrates. Sale agreements were concluded for the Glass division, Cartons Nigeria and intermediate bulk containers in Plastics SA. Nampak Plastics Europe was also designated for sale in August 2019, with an accelerated sales process in progress and indicative offers being received. These material divestitures will optimise and improve returns on capital, and ensure better cash generation going forward. Proceeds from these disposals will be used primarily to reduce interest bearing debt, and in particular US dollar-denominated debt, which will strengthen the company's financial position. This, coupled with vigorous restructuring plans across the group in the coming financial year, will enable Nampak to compete from a stronger position.

"In 2019 Nampak, Africa's largest packaging manufacturer, has focused on operational efficiencies, cost containment, right-sizing of divisions and disposal of non-core and unprofitable businesses, in a challenging macro-economic environment. Our Bevcan business in Nigeria has performed well and delivered significant growth, while in South Africa we responded positively to the challenge posed by competition. The majority of our regions experienced constrained consumer demand and concomitant pressure on volumes."

Nampak CEO
André de Ruyter

COMMENTARY CONTINUED

GROUP PERFORMANCE FOR CONTINUING OPERATIONS

R million	2019	Restated 2018	% change
Revenue	**14 642**	15 963	(8%)
Trading profit	**1 558**	1 968	(21%)
Net abnormal losses	**(267)**	(393)	32%
Net impact of devaluation in Zimbabwe	**(1 037)**	—	
Net foreign exchange losses in Zimbabwe operations	**(1 945)**	—	
Hyperinflation monetary gain	**832**	—	
Gain on origination of Reserve Bank of Zimbabwe (RBZ) financial instrument	**795**	—	
Expected credit loss provision on RBZ financial instrument	**(719)**	—	
Operating profit	**254**	1 575	(84%)
Profit before tax	**6**	1 356	(100%)
(Loss)/profit for the year	**(390)**	1 217	(>100%)
Earnings per share (cents)	**42.2**	176.7	(76%)
Headline earnings per share (cents)	**54.1**	173.3	(69%)

REVENUE

Revenue was down by 8% to R14.6 billion. Bevcan SA and Bevcan Nigeria performed strongly to offset the impact of softer volumes in Angola, resulting from the devaluation of the kwanza and, to a lesser extent, the loss of volume in Divfood. The impact of hyperinflationary accounting on the Zimbabwean operations pulled back their performance as a weaker closing rate was used to translate results as opposed to the average rate used to translate results of foreign operations in non-hyperinflationary economies.

TRADING PROFIT

Trading profit declined 21% to R1.6 billion due to the Metals and Paper division's performance. Softer demand experienced both by Divfood in South Africa and Bevcan in Angola impacted overall profitability for the group. Various operations in the Rest of Africa also reported lower trading profits due to challenging economic conditions. These were partially offset by improved profits at Megapak in Zimbabwe. Group trading profit margins declined from 12.3% to 10.6% primarily due to a weaker performance by the Divfood and Bevcan Angola offset by improved trading margins in the Plastics divisions.

ABNORMAL ITEMS

Net abnormal losses before Zimbabwe adjustments reduced by 32% to R267 million compared to R393 million in the prior year which largely related to devaluation foreign exchange losses and provisions for onerous contracts. Abnormal items included devaluation losses of R212 million from foreign exchange rate movements in Angola, net impairment losses of R148 million on assets, retrenchment and restructuring costs of R44 million and cash repatriation costs of R48 million were offset by a profit on disposal of equipment of R67 million and other items of R118 million.

OPERATING PROFIT

Net foreign exchange losses of R1.9 billion primarily relate to the Zimbabwe financial instrument due to a significant decline in the Real Time Gross Settlement dollar against the US dollar and had a significant adverse impact on the group's reported results with this devaluation not occurring in the prior year.

In April 2018, in order to mitigate the build-up of credit extended by Nampak Limited to Nampak Zimbabwe management informed Nampak Zimbabwe that Nampak Limited would no longer extend further credit to Nampak Zimbabwe. In order to protect shareholder interests in the investment in Zimbabwe, on 27 September 2019 Nampak entered into an agreement with the Reserve Bank of Zimbabwe to endeavour to secure the repayment of the USD67 million over three years, commencing two years after signature of the agreement on a 1:1 basis to the US dollar. In terms of IFRS 9 Financial Instruments, Nampak is required to take the asset to book and recognise a gain in profit and loss on the basis of the economic substance of the contract. However, in view of the prevailing economic conditions in Zimbabwe a conservative expected credit loss ratio of 85% of the discounted value of this agreement was applied resulting in a net gain to the income statement of R76 million.

Given the abovementioned agreement with the RBZ was concluded on 27 September 2019 and was intended to facilitate repayment of the US dollar funding owing by Nampak Zimbabwe, this funding is regarded by IFRS as repayable and cannot be treated as part of the group's net investment to Nampak Zimbabwe. Accordingly, the foreign currency translation loss on the funding to Zimbabwe was recognised in the group's income statement within earnings and not as part of the group's other comprehensive income.

COMMENTARY CONTINUED

Despite this IFRS treatment, it is believed that appropriate action was taken by management to enter into the agreement with the RBZ in order to achieve the best possible economic outcome in difficult circumstances.

This led to operating profit, after taking the net devaluation loss in Zimbabwe, declining by 84% to R254 million.

PROFIT BEFORE TAXATION

Profit before tax fell to R6 million primarily as a result of lower operating profits after accounting for foreign exchange losses in Zimbabwe. Net finance costs were 10% higher at R246 million due to lower finance income earned as a consequence of the requirement for all Angolan imports to be supported by cash backed letters of credit.

TAXATION

The group's effective tax rate has been adversely impacted by the a change of tax laws in Angola in the second half of the year limiting the deductibility of foreign exchange losses to 7% of total foreign exchange losses. The group's effective tax rate before the impacts of the Angolan change in tax laws and the net foreign exchange loss in Zimbabwean was 13.5% up from 10.3% in the prior year. The change in the Angolan tax law resulted in the inability to raise a deferred tax asset in offset of deferred tax liabilities arising from translation of the tax base of non-monetary assets resulting in a permanent difference and increasing the tax rate by 25 percentage points. This adversely impacted the tax charge by R438 million. These deferred tax liabilities have no cash tax implications and will reverse over time. The group's overall effective tax rate is primarily distorted by the tax impacts of the net foreign exchange losses in Zimbabwe.

EARNINGS

Basic earnings were 76% lower at R272 million and earnings per share reduced 76% to 42.2 cents. Headline earnings and headline earnings per share both fell 69% to R349 million and 54.1 cents respectively.

FINANCIAL POSITION

The group's covenants are within the covenant limits with net debt: EBITDA of 2.9 times, below the covenant threshold and interest cover of 4.5 times was above the 4 times requirement. The new revolving credit facilities exclude 100% of cash balances from Zimbabwe.

The group's gearing ratio of 68% at year-end increased from 37% as a result of the impacts of equity adjustments and reduced reported cash balances post the currency devaluation for the operations in Zimbabwe. Gearing continues to be closely managed and is expected to improve upon receipt of anticipated proceeds from disposals of R1.9 billion, including the sale of Glass for approximately R1.4 billion, currently awaiting approval from competition authorities. Reduction of gearing remains a priority for management and proceeds will be applied to reduce debt levels once received.

CAPITAL EXPENDITURE

Capital expenditure for continuing and discontinued operations amounted to R735 million for the full year, in line with guidance. We continue to focus on ensuring that our factories are well-maintained and capable of producing high-quality products. Where opportunities arise for smaller high-return projects, these will be assessed and capital allocated as appropriate. Capital expenditure (excluding expansion capex) is expected to remain at this level for the medium term.

LIQUIDITY AND CASH TRANSFERS IN THE REST OF AFRICA

Nampak has seen continued strong foreign currency liquidity in Angola and Nigeria. Cash balances in these countries have halved to R1.3 billion at year-end from R2.6 billion at the end of September 2018. A further R1.4 billion was transferred from Nigeria and Angola in the second half of 2019, with a total of R3.2 billion transferred for the year. R1.7 billion was transferred from Angola and R1.5 billion from Nigeria. There is currently no restriction on the transfer of cash from Nigeria and liquidity remains satisfactory in Angola. 71% of cash in Angola remains hedged to protect against further devaluations through USD-linked kwanza bonds. Hedging levels have decreased compared to the 2018 financial year, due to the new requirement for all imports to be supported by cash-backed letters of credit. Hedging instruments have proven to be highly effective during the devaluation of the kwanza, and have protected Nampak shareholders against potential losses of some R1.9 billion since the inception of the hedging programme.

The availability of foreign currency in Zimbabwe remains challenging and only R43 million (or 4% of the opening cash position of R1.2 billion) was transferred for the period. Rand equivalent cash balances have devalued to R57 million due to the weakening of the RTGS dollar against the US dollar. Raw material inputs into Zimbabwe are being funded by US dollars provided by customers, as well as from exports to neighbouring countries. Nampak has not extended any further credit to Zimbabwe since April 2018.

				Limited liquidity	
30 September 2019	Angola	Nigeria	Subtotal	Zimbabwe	Total
Opening cash on hand — 30 Sep 2018 (Rm)	**2 307**	**300**	**2 607**	**1 190**	**3 797**
Cash on hand (Rm)	**1 041**	**217**	**1 258**	**57** [3]	**1 315**
Hedged cash (Rm)	**742**	**—** [2]	**742**	**—** [4]	**742**
% cash hedged	**71**	**—** [2]	**59**	**—** [4]	**56**
Cash transferred (Rm)	**1 747**	**1 458**	**3 205**	**43**	**3 248**
Cash transfer rate (%) [1]	**76**	**486**	**123**	**4**	**86**

				Limited liquidity	
30 September 2018	Angola	Nigeria	Subtotal	Zimbabwe	Total
Opening cash on hand — 30 Sep 2017 (Rm)	2 188	828	3 016	654	3 670
Cash on hand (Rm)	2 307	300	2 607	1 190	3 797
Hedged cash (Rm)	2 166	— [2]	2 166	— [4]	2 166
% cash hedged	94	— [2]	83	— [4]	57
Cash transferred (Rm)	1 807	1 574	3 381	87	3 468
Cash transfer rate (%) [1]	83	190	112	13	94

1 Cash transfer rate is the amount of cash transferred compared to cash on hand at the end of the previous reported period.

2 Cash balances in Nigeria are no longer considered restricted as a consequence of the liquidity that has been provided by the introduction of the NAFEX market.

3 Net of a devaluation adjustment amounting to R1.1 billion due to the introduction of the RTGS dollar.

4 USD67 million hedge secured with the Reserve Bank of Zimbabwe to repay legacy debt on a 1:1 basis over a period of five years in quarterly payments commenting on 31 March 2021. An expected credit loss ratio of 85% has been raised during the year with an effective 90% expected credit loss ratio due to hyperinflation adjustments.

FOREIGN EXCHANGE RATE MOVEMENTS

	Average rates				Closing rates			
	30 Sep 2019	30 Sep 2018	% △	31 Mar 2019	**30 Sep 2019**	30 Sep 2018	% △	31 Mar 2019
ZAR/GBP	**18.30**	17.61	3.9	18.32	**18.65**	18.43	1.2	18.90
ZAR/EUR	**16.18**	15.58	3.9	16.11	**16.54**	16.41	0.8	16.27
ZAR/USD	**14.35**	13.11	9.5	14.15	**15.17**	14.14	7.3	14.50
NGN/USD	**361.55**	360.61	0.3	362.50	**362.04**	362.79	(0.2)	360.23
AOA/USD	**333.94**	222.09	50.4	315.40	**389.49**	300.72	29.5	326.11
ZWL/USD	**5.01**	1.00	>100	2.54	**15.20**	1.00	>100	3.01

Nampak has sizeable operations outside of South Africa and is exposed to various foreign currency movements.

The Nigerian naira remained fairly stable while the Angolan kwanza devalued by 30% over the period. The Zimbabwean RTGS dollar devalued by more than 100% in February 2019 and as a result Nampak experienced foreign exchange losses upon adoption of the RTGS dollar, for reporting purposes, from the US dollar used in previous periods. The results of Zimbabwean operations were also translated using the closing rate at year-end instead of the average rate for the year in line with IFRS requirements for hyperinflationary economies, further reducing results from these operations.

US dollar functional currency operations in the Rest of Africa have benefitted from a 9% weakening in the average exchange rate for the period. US dollar denominated debt was adversely affected by 7% weakening of the South African rand closing rate since September 2018.

COMMENTARY CONTINUED

DIVISIONAL PERFORMANCE

R million	Revenue 2019	Revenue Restated 2018	Trading profit 2019	Trading profit Restated 2018	Trading margin (%) 2019	Trading margin (%) 2018
Metals	**10 620**	11 079	**1 368**	1 736	**12.9**	15.7
Plastics	**2 968**	3 398	**209**	197	**7.0**	5.8
Paper	**1 054**	1 486	**160**	229	**15.2**	15.4
Corporate services	**—**	—	**(179)**	(194)	**—**	—
Continuing operations	**14 642**	15 963	**1 558**	1 968	**10.6**	12.3
Glass	**1 518**	1 456	**142**	18	**9.4**	1.2
Plastics Europe	**974**	1 347	**(191)**	2	**(19.6)**	0.1
Discontinued operations	**2 492**	2 803	**(49)**	20	**(2.0)**	0.7
TOTAL	**17 134**	18 766	**1 509**	1 988	**8.8**	10.6

CONTINUING OPERATIONS

METALS

Revenue decreased 4%, largely due to softer volumes in Bevcan Angola as a result of weaker consumer demand. Trading profit was equally negatively impacted by the loss made by the Divfood division in South Africa and lower demand in Angola, resulting in a fall of 21% to R1.4 billion.

Bevan SA's results were commendable in light of the entry of two new competitors in South Africa. It maintained substantial market share and revenue was in in line with the prior year, boosted by stronger demand towards year-end. The beverage can market in South Africa continued to grow well ahead of GDP growth and this assisted in abating the impact of new entrants on the results. Initiatives to contain costs, improve operational efficiencies and the closure of the Epping line led to stable trading profit compared to the previous year. Efficiency improvements also further reduced Bevcan's costs, while allowing its operations to continue servicing the market competitively. Further work is underway to leverage our "Make Better" campaign to unlock additional efficiencies through operations excellence.

Divfood had a difficult year in light of subdued consumer spending in South Africa, exacerbated by the loss of a key contract which negatively impacted performance in the second half of the year. Revenue was marginally lower and the division made a trading loss for the year, significantly impacting Nampak South Africa and the Metals division's results. Food can volumes dropped due to the loss of volume from a major customer in the vegetable category, but was partially offset by volume growth in meat, milk and fish can volumes. Diversified can volumes were slightly down on the prior year due to lower demand from consumers. A review of the business is being undertaken to lower the cost base of this business and to access growth opportunities to improve its profitability.

Bevcan Nigeria had a record year as volumes grew in excess of 20%, driven by very strong growth in the malt category and initiatives to grow market share. Nampak now supplies half of the beverage can market, up from 45% in the prior year. Trading profit remained stable and operations are close to full capacity. A laudable safety record was achieved, as 3 million incident free hours were exceeded. Management continues to assess the market for continued and sustained volume demand and the decision to install a second line is expected in the coming financial year, given current growth trends and the upside potential of this market. The general metals packaging was challenged by subdued demand in the second half of the year. The R100 million food can line is on track and due to commence production at the end of the first quarter of the 2020 calendar year.

Beverage can sales volumes in Angola were significantly lower after the first quarter as consumers experienced reduced purchasing power following a currency devaluation of 30% in the 2019 financial year and 127% since the local government began devaluing the kwanza in early 2018. Trading profit fell significantly as a result. Management responded speedily to these challenges and further reduced the staff component by more than a third, to right size the business during this difficult period. In response to the decline in volume, management have engaged with customers in Angola to collaborate on marketing strategies to grow can volumes. Based on strong sales in October, Nampak is optimistic that these initiatives are already beginning to bear fruit.

Phase 1 of the turnaround intervention at Nampak Kenya is now complete. Further margin optimisation opportunities are being explored to improve performance further. A decision was taken to retrench the full complement of 75 people at Nampak Tanzania, although the plant remains operational using contract labour to deplete inventory and search for divestment opportunity for the business.

COMMENTARY CONTINUED

PLASTICS

Revenue fell 13% to R3.0 billion due to the hyperinflationary accounting for Megapak and CMB in Zimbabwe and a marginal revenue dip in Plastics SA. Nonetheless, trading margins improved by 6% due to healthy margins at Megapak.

Plastics SA experienced little growth and sales volumes declined in a tough economic environment. This, coupled with a fire at the premises of a large customer, negatively impacted performance. Whilst such events are insured and a claim is in progress, lost volumes and intense competition lowered the overall profitability of this business. The Plastics turnaround project is progressing according to plan. Plant, warehousing and depot consolidation is complete and new management is focused on improving profitability, gaining market share and managing costs to expand margins in the liquid business. A keen focus on raw material costs, and managing creditor payment terms better, have delivered positive results and will contribute to margin expansion. Stringent cost management has resulted in savings ofR41 million. There are encouraging signs as operational improvements across various plants, growth in private dairy customers and commitments by customers to reduce single-use plastics, pose opportunities to increase throughput across most of our operations. We have also reviewed pricing on all our products, and expanded margins where appropriate, which has contributed to a significantly improved performance from our Drums business. Operational excellence, as part of the "Make Better" programme, is a strategic imperative going forward. The full benefits from these initiatives, and a planned reduction of employment costs, are expected in the new financial year.

A significant contract for the supply of crates to a major soft drinks manufacturer for a period of three years was secured. The resultant upside potential and a restructuring of the business to reduce labour costs, led to the Crates and Drums businesses being withdrawn from the proposed disposal process. Only the intermediate bulk container portion of the drums business was disposed for R27 million with the sale expected to conclude at the end of November 2019.

The liquid cartons business experienced strong operational performance, supported by good demand for beverage cartons for milk, fruit juice and sorghum beer. Following significant innovation and improved customer service, water was launched in Purepak cartons. Gable top cartons have already been supplied to eight brands, and these are proving to be especially popular amongst environmentally conscious young people. The general sentiment against single-use plastics, coupled with further innovation, will position beverage cartons for strong sustained growth going forward. Sufficient installed capacity exists for Nampak to grow this business without the need to spend expansion capex.

Megapak Zimbabwe had very good volume growth and improved profitability for the year, but results were contained by hyperinflationary accounting. CMB's results were subdued as challenging economic conditions limited demand for some of its products.These operations secured adequate hard currency to support importation of the required materials to meet market demand by obtaining prepayments from customers and through exports of products.

The operation in Ethiopia performed reasonably well with good volume growth and improved profitability for the year but is a relatively minor contributor to the division's results.

PAPER

Revenue in the Paper division fell 29% and profitability was down 30% to R160 million impacted by the foreign currency translation of Hunyani's performance in Zimbabwe, a weaker second half at Cartons Nigeria and limited demand in Zambia, despite improved profitability in Malawi.

Hunyani, the largest contributor to the Paper division in the Rest of Africa, performed relatively well with healthy demand in line with the prior year. The good tobacco harvest in Zimbabwe in 2019 resulted in continued demand for tobacco cases in the local and export markets. Sustained operational efficiencies also contributed to sustained profitability in local currency for Hunyani. Hyperinflation limited the translation of results and this pulled back results for the division.

Cartons Nigeria had a relatively weaker second half. The sale of this business to A&R Packaging Group AB for €26 million (R440 million) was concluded in April 2019 and has been submitted to local competition authorities for approvals, with a decision expected in the near term.

In Zambia, pursuit of new brewery customers yielded good results, but the global economic downturn and social economic issues took its toll on local suppliers, resulting in limited volume growth for certain products. These operations are on the path to recovery; good demand for crates is expected to continue after a new key customer was secured, for production in the new year.

The turnaround implemented in Malawi stabilised operations, rebased overhead costs and secured the return to profitability. The business is now poised to service the market with quality products from Zambia and Zimbabwe. In Kenya, lower volumes and constrained printing capabilities led to limited revenue growth and lower profit.

COMMENTARY CONTINUED

DISCONTINUING OPERATIONS

Revenue from the Glass division grew in single digits, while volumes remained relatively flat constrained by production output. Profitability also improved, despite ongoing challenges in the stability of electricity supplied to this operation.

An agreement for the sale of Glass for R1.4 billion was concluded with Isanti Glass 1 Proprietary Limited on 27 September 2019, subject to normal suspensive conditions. The Glass business is one of two primary glass container manufacturers in South Africa servicing beverage and food manufacturers, with an estimated market share of 25%. The sale is subject to competition authority approval. The Glass division will continue to be owned and operated by Nampak until the effective date of the transaction.

On 28 August 2019, the board resolved to dispose of the Plastics Europe business as it is no longer considered strategic for Nampak. This business has been negatively impacted by an accelerated exit by a key customer and a declining dairy market in the United Kingdom. It lost volumes throughout the year and reported a sizeable loss for the period. Capital expenditure projects at Livingston are expected to reduce these losses through transport savings and greater efficiencies. The disposal process is proceeding according to plan with prospective buyers showing a strong interest in the business. The disposal programme is proceeding according to plan, and if acceptable offers are received, should be completed by the end of the first half of the new financial year.

Trading performance by regions is as follows:

	Revenue		Trading profit		Trading margin (%)	
R million	**2019**	2018	**2019**	2018	**2019**	2018
South Africa	**9 849**	10 085	**643**	865	**6.5**	8.6
Rest of Africa	**4 793**	5 878	**1 094**	1 297	**22.8**	22.1
Corporate services	**—**	—	**(179)**	(194)	**—**	—
Continuing operations	**14 642**	15 963	**1 558**	1 968	**10.6**	12.3
South Africa (Glass)	**1 518**	1 456	**142**	18	**9.4**	1.2
Europe	**974**	1 347	**(191)**	2	**(19.6)**	0.1
Discontinued operations	**2 492**	2 803	**(49)**	20	**(2.0)**	0.7
TOTAL	**17 134**	18 766	**1 509**	1 988	**8.8**	10.6

OUTLOOK

Nampak will continue to focus on internal streamlining efforts to improve overall group profitability and working capital levels, in the face of subdued and selective consumer spending in key markets, attenuated forecast economic growth rates and increased global uncertainty. A number of operational restructuring processes across all divisions have been implemented from 1 October 2019 to right size Nampak. We continue to rationalise the portfolio to optimise and improve returns on capital, and reinforce our strategic intent.

This and the continued optimisation of the portfolio will better position Nampak to compete profitably in its key markets.

SOUTH AFRICA

The current subdued economic and trading conditions in South Africa are expected to continue into the new year. The beverage can market continues to grow at a multiple of GDP and Bevcan SA will further expand its offering into water and wine, amongst other new market segments. It will also continue to defend its substantial market position with operational excellence initiatives to drive continuous improvement, lower material costs, reduce cost, and uphold and improve safety levels.

As part of the Divfood and Plastics turnaround plans to optimise overhead cost, the Metal closures business has been moved from Plastics SA to Divfood as from 1 October 2019. To return Divfood to profitability, its product portfolio will be further rationalised and operations streamlined to consolidate the cost base. While once-off retrenchment costs will be incurred in the next financial year, R81 million cost savings are expected from these efforts.

The turnaround at Plastics SA is progressing well, with new management in place. There is a renewed focus on PET, due its higher recyclability and emerging developments around returnable PET (retPET), in order to reduce the use of single-use plastics. The newly secured multi-year crates contract has also revived our crates business and with drums streamlined and further light-weighting opportunities in the liquid bottles business, Plastics SA is on track to improve its profitability.

Initiatives to capitalise on the global sentiment around single-use plastics have created much interest in cartons as a more recyclable and sustainable pack, and we have seen positive sentiment amongst retailers towards the benefits of renewable and recyclable cartons. The exciting opportunities have put this business on a path towards strong and sustained growth in the coming years.

COMMENTARY CONTINUED

REST OF AFRICA

In addition to the strong performance in the Nigerian beverage can market, Nampak has launched market improvement and cost saving initiatives in other key markets in the Rest of Africa which are showing positive results.

DIRECTORS

Following the retirement of Mr. RC Anderson and Prof. PM Madi with effect from 6 February 2019, Messrs CD Raphiri and SP Ridley were appointed to the board of the company as independent non-executive directors with effect from 1 March 2019. Ms. MMF Seleoane, Group human resources director, resigned effective 28 February 2019.

Dr. RJ Khoza and Ms. NV Lila both resigned with effect from 30 May 2019. Ms. K Mzondeki was appointed to the board as independent non-executive director with effect from 1 September 2019. Subsequent to the year-end, Ms. J John resigned from the board with effect from 1 November 2019, Mr. AM de Ruyter, an executive director and Chief Executive Officer of Nampak Limited resigned with effect from 14 January 2020 and Ms. LJ Sennelo was appointed with effect from 22 November 2019.

Following the resignation of Mr. AM de Ruyter, a process is well underway to appoint his successor. An announcement will be made by mid-December 2019.

DIVIDEND

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

On behalf of the Board

PM Surgey	**AM de Ruyter**	**GR Fullerton**
Chairman	Chief executive officer	Chief financial officer

Bryanston

26 November 2019

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R million	Notes	30 Sep 2019	Restated* 30 Sep 2018
Continuing operations			
Revenue		**14 642.4**	15 963.3
Operating profit before items below		**1 291.1**	1 574.7
Net impact of devaluation in Zimbabwe		**(1 037.3)**	—
Net foreign exchange losses in Zimbabwe operations		**(1 944.5)**	—
Monetary adjustment for hyperinflation — Zimbabwe		**831.5**	—
Gain on recognition of Reserve Bank of Zimbabwe financial instrument		**794.5**	—
Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument		**(718.8)**	—
Operating profit	4	**253.8**	1 574.7
Finance costs		**(376.2)**	(465.2)
Finance income		**129.9**	240.9
Share of net (loss)/profit from associates and joint venture		**(1.4)**	5.8
Profit before tax		**6.1**	1 356.2
Income tax expense	5	**(395.8)**	(139.5)
(Loss)/profit for the year from continuing operations		**(389.7)**	1 216.7
Discontinued operation			
Loss for the year from discontinued operations	6.6	**(1 123.9)**	(647.6)
(Loss)/profit for the year		**(1 513.6)**	569.1
Other comprehensive (expense)/income for the year, net of tax			
Items that will not be reclassified to profit or loss			
Net actuarial (loss)/gain from retirement benefit obligations		**(14.7)**	34.4
Items that may be reclassified to profit or loss			
Exchange (loss)/gain on translation of foreign operations	7	**(713.2)**	217.4
(Loss)/gain on cash flow hedges		**(65.9)**	51.7
Other comprehensive (expense)/income for the year, net of tax		**(793.8)**	303.5
Total comprehensive (expense)/income for the year		**(2 307.4)**	872.6
(Loss)/profit attributable to:			
Owners of Nampak Limited		**(851.6)**	489.2
Non-controlling interest in subsidiaries		**(662.0)**	79.9
Total		**(1 513.6)**	569.1
Total comprehensive (expense)/income attributable to:			
Owners of Nampak Limited		**(1 132.9)**	769.9
Non-controlling interest in subsidiaries		**(1 174.5)**	102.7
Total		**(2 307.4)**	872.6
Earnings/(loss) per share			
Basic (cents per share)			
Continuing operations		**42.2**	176.7
Discontinued operations		**(174.3)**	(100.7)
Total		**(132.1)**	76.0
Diluted (cents per share)			
Continuing operations		**42.0**	175.9
Discontinued operations		**(173.5)**	(100.2)
Total		**(131.5)**	75.7

* Refer to note 2.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	Notes	30 Sep 2019	30 Sep 2018
ASSETS			
Non-current assets			
Property, plant, equipment and investment property		**7 195.2**	8 177.0
Goodwill and other intangible assets		**3 904.3**	3 708.0
Joint ventures, associates and other investments		**21.0**	35.3
Deferred tax assets		**429.3**	173.5
Liquid bonds and other loan receivables	9	**862.2**	1 787.9
		12 412.0	13 881.7
Current assets			
Inventories		**3 388.5**	3 205.6
Trade receivables and other current assets		**2 628.8**	3 071.0
Tax assets		**133.3**	14.1
Liquid bonds and other loan receivables - current	9	**40.1**	450.6
Bank balances and deposits		**1 462.7**	2 844.8
		7 653.4	9 586.1
Assets classified as held for sale	6.6	**2 394.2**	2 446.3
Total assets		**22 459.6**	25 914.1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**35.5**	35.5
Capital reserves		**(76.1)**	(70.3)
Other reserves		**(86.3)**	200.0
Retained earnings		**9 059.2**	9 975.1
Shareholders' equity		**8 932.3**	10 140.3
Non-controlling interest		**(722.4)**	472.2
Total equity		**8 209.9**	10 612.5
Non-current liabilities			
Loans and other borrowings		**6 132.8**	8 023.1
Retirement benefit obligation		**923.9**	1 478.4
Deferred tax liabilities		**528.3**	168.1
Other non-current liabilities		**17.8**	98.6
		7 602.8	9 768.2
Current liabilities			
Trade payables, provisions and other current liabilities		**3 651.7**	4 195.3
Tax liabilities		**14.5**	45.5
Loans, other borrowings and bank overdrafts		**1 954.1**	990.0
		5 620.3	5 230.8
Liabilities directly associated with assets classified as held for sale	6.6	**1 026.6**	302.6
Total equity and liabilities		**22 459.6**	25 914.1

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

R million	Notes	30 Sep 2019	30 Sep 2018
Cash generated from operations before working capital changes		**1 846.7**	2 272.2
Working capital changes	10.1	**(705.3)**	(676.9)
Cash generated from operations	10.1	**1 141.4**	1 595.3
Net interest paid		**(506.4)**	(458.1)
Retirement benefits, contributions and settlements		**(143.2)**	(145.2)
Income tax paid		**(228.3)**	(170.8)
Cash flows from operations		**263.5**	821.2
Dividends paid		**(0.1)**	(0.1)
Net cash generated from operating activities		**263.4**	821.1
Cash flows from investing activities			
Capital expenditure		**(734.8)**	(536.4)
Replacement		**(517.0)**	(359.8)
Expansion		**(217.8)**	(176.6)
Post retirement medical aid buy-out		**—**	(1.8)
Decrease/(increase) in liquid bonds for hedging purposes		**1 469.2**	(6.9)
Other investing activities		**98.9**	47.8
Net cash generated/(utilised) in investing activities		**833.3**	(497.3)
Net cash generated before financing activities		**1 096.8**	323.8
Net cash flows from financing activities			
Net non-current borrowings raised		**563.9**	1 694.2
Net current borrowing repaid		**—**	(95.9)
Capital proceeds		**—**	61.4
Net cash (repaid in)/raised from financing activities		**(563.9)**	1 659.7
Net increase in cash and cash equivalents		**532.9**	1 983.5
Net cash and cash equivalents/(overdrafts) at beginning of year		**1 836.8**	(168.8)
Translation of cash in foreign subsidiaries		**(1 011.3)**	22.1
Net cash and cash equivalents at end of year	10.2	**1 358.4**	1 836.8

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	30 Sep 2019	30 Sep 2018
Opening balance	**10 612.5**	9 681.1
Adjustment to opening balance — adoption of new standards	**(89.2)**	—
Net shares issued during the year	**—**	6.5
Share-based payment expense	**(5.9)**	4.0
Share grants exercised	**—**	(6.5)
Treasury shares disposed	**—**	54.9
Total comprehensive (expense)/income for the year	**(2 307.4)**	872.6
Dividends paid	**(0.1)**	(0.1)
Closing balance	**8 209.9**	10 612.5
Comprising:		
Share capital	**35.5**	35.5
Capital reserves	**(76.1)**	(70.3)
Share premium	**268.9**	268.9
Treasury shares	**(515.7)**	(515.8)
Share-based payments reserve	**170.7**	176.6
Other reserves	**(86.3)**	200.0
Foreign currency translation reserve	**1 368.9**	1 569.6
Financial instruments hedging reserve	**(10.8)**	56.4
Recognised actuarial losses	**(1 427.4)**	(1 412.7)
Share of non-distributable reserves in associates and joint ventures	**—**	3.7
Other	**(17.0)**	(17.0)
Retained earnings	**9 059.2**	9 975.1
Shareholders' equity	**8 932.3**	10 140.3
Non-controlling interest	**(722.4)**	472.2
Total equity	**8 209.9**	10 612.5

NOTES

1. BASIS OF PREPARATION

The summarised consolidated financial statements are derived from the consolidated financial statements approved by the directors on 26 November 2019. They are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act of South Africa applicable to summarised consolidated financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

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

2. ACCOUNTING POLICIES AND RESTATED COMPARATIVES

The accounting policies and methods of computation applied in the preparation of the consolidated financial statements for 2019, from which the summarised consolidated financial statements were derived, are in terms of IFRS and are consistent with the accounting policies adopted and methods of computation used in the preparation of the previous year's consolidated financial statements, except for the changes as a result of adoption of new accounting standards referred below.

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE AND EFFECTIVE FOR THE CURRENT FINANCIAL YEAR

The following standards are effective for the current financial year:

IFRS 9: FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Details with respect to accounting policies applied are disclosed in the full financial financial statements.

IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Revenue comprises the consideration received or receivable on contracts entered into with customers in the ordinary course of the entity's activities and is recognised as the amount of the transaction prices allocated to each performance obligation. This is determined at the amount that depicts the consideration to which the entity expects to be entitled in exchange for transferring the goods and services promised to the customer.

Revenue derived from the sale of goods is recognised when control is transferred to the customer, while revenue derived from providing services is recognised when the service has been performed.

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

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

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

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

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

NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE FOR THE CURRENT FINANCIAL YEAR

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

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 recognizes a right of use asset initially measured at the same amount as the lease obligation including costs directly related to entering into the lease. Right of use assets are subsequently treated in a similar way to other assets such as property, plant and equipment or intangible assets dependent on the nature of the underlying item.

The group has assessed the majority of its significant lease agreements, in particular those relating to property rentals, and the preliminary assessment indicates that material adjustments to non-current assets, non-current liabilities and EBITDA are to be expected as a result of the new standard. The current estimate of the impact of adopting IFRS 16 on the 2019 reported numbers is as follows:

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

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

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

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

RESTATEMENT OF COMPARATIVES

The comparatives to the summarised statement of comprehensive income (September 2018) have been restated for the impact of the Nampak Plastics Europe Limited business being recognised as a discontinued operation during the year. Refer note 6.1.

The main impact of these restatements is as follows:

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

NOTES CONTINUED

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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

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

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

FUNCTIONAL CURRENCY OF BEVCAN ANGOLA LIMITADA AND NAMPAK BEVCAN NIGERIA LIMITED

In determining the functional currency of an entity, management is required to consider the indicators provided in IAS 21: The Effects of Changes in Foreign Exchange Rates being the currency that mainly influences the selling prices for the goods or services, 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 and Nampak Bevcan Nigeria Limited continues to be assessed by management in accordance with the above indicators and the conclusion reached is that there has not been a change to the underlying transactions, events and conditions that existed at the adoption of the functional currency of these entities and therefore the functional currency of these entities remains the US dollar.

CHANGE OF FUNCTIONAL CURRENCY AND HYPERINFLATION ACCOUNTING — NAMPAK ZIMBABWE LIMITED

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

› CarnaudMetalbox Zimbabwe Limited (Plastics segment);
› Megapak Zimbabwe (Pvt) Limited (Paper segment);
› Hunyani Paper and Packaging (Pvt) Limited (Paper segment).

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

In addition, Nampak Zimbabwe became exposed to hyperinflation with effect from 31 July 2019 with the financial effects being accounted for IAS 29: Financial Reporting in Hyperinflationary Economies from 1 October 2018.

FOREIGN EXCHANGE LOSSES ON INTRAGROUP PAYABLES — NAMPAK ZIMBABWE LIMITED

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

During ongoing discussions with merchant banks to consider the potential restructuring of these outstanding balances, the group ceased funding Nampak Zimbabwe Limited in view of the liquidity issues experienced in Zimbabwe. In order to protect shareholder interests, management secured an agreement with the Reserve Bank of Zimbabwe on 27 September 2019 in terms of which the bank undertook to repay USD67 million over a period of five years, commencing on 31 March 2021 with an initial two year payment holiday based on an upfront transfer of RTGS67 million to the bank.

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

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

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

NOTES CONTINUED

CLASSIFICATION OF DISPOSAL GROUPS HELD FOR SALE

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

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

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

The businesses, Nampak Plastics Europe Limited, Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited were classified as disposal groups held for sale during the current financial year following a decision to dispose of these business. Nampak Plastics Europe Limited was also classified as a discontinued operation due to it being the only business in the European geographical segment. The Nigerian businesses, however, were not classified as discontinued operations as they neither represent a separate major line of business or geographical area of operations.

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

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

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

VALUATION OF THE DISPOSAL GROUPS HELD FOR SALE

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

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

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

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

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

NOTES CONTINUED

CURRENT AND DEFERRED TAXATION

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

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

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

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

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

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

IMPAIRMENT OF ASSETS

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

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

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

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

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

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

NOTES CONTINUED

4. INCLUDED IN OPERATING PROFIT ARE:

R million	2019	2018
Depreciation	460.7	507.4
Amortisation	24.6	23.1
Reconciliation of operating profit and trading profit [1]		
Operating profit	253.8	1 574.7
Net abnormal losses [2]	1 303.9	393.7
Net foreign exchange losses in Zimbabwe operations	1 944.5	—
Gain on recognition of Reserve Bank of Zimbabwe financial instrument	(794.5)	—
Expected credit loss on Reserve Bank of Zimbabwe financial instrument	718.8	—
Hyperinflation monetary adjustment — Zimbabwe	(831.5)	—
Devaluation loss arising from Angolan and Nigerian exchange rate movements	212.1	126.6
Net impairment losses on property, plant, equipment and loan receivables	148.2	(14.0)
Retrenchment and restructuring costs	43.6	63.7
Cash repatriation and liquid bond disposal losses	48.4	73.0
Onerous contract and related losses	—	99.7
Remediation and related activities pertaining to sale and leaseback properties	—	63.9
Profit on disposal of other property	(67.3)	(12.4)
Gain on acquisition of business	—	(6.0)
Other	(118.4)	(0.8)
Trading profit	1 557.7	1 968.4

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

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

5. TAX RATE RECONCILIATION

%	2019	2018
Statutory tax rate	28.0	28.0
Government incentives	(0.6)	(3.8)
Tax rate differential	(14.8)	(8.6)
Withholding and other foreign taxes	6.5	4.3
Deferred tax assets raised	—	(9.3)
Prior year adjustments	(6.9)	(2.5)
Other	(3.5)	2.2
Effective tax rate — continuing operations before Angolan impacts	8.7	10.3
Angolan losses not shielded during tax holiday	8.8	—
Angolan forex losses capped at 7%	30.7	—
Effective tax rate — continuing operations before Zimbabwean impacts	48.2	10.3
Gain on loan receivable	2 631.6	—
Impairment of loan receivable	(2 908.8)	—
Foreign exchange losses on intergroup payable	6 717.5	—
Effective tax rate — continuing operations	6 488.5	10.3

6. DISCONTINUED OPERATIONS, DISPOSAL GROUPS AND OTHER NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

6.1 NAMPAK PLASTICS EUROPE LIMITED — DISCONTINUED OPERATION

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

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

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

RESULTS OF THE DISCONTINUED OPERATION

R million	2019	2018
Revenue	974.2	1 346.5
Operating expenses other than depreciation, amortisation and impairment expenses	(1 231.9)	(1 338.8)
EBITDA*	(257.7)	7.7
Depreciation and amortisation	(32.9)	(38.5)
Impairment of property, plant and equipment	(362.8)	(21.0)
Net finance costs	0.2	3.4
Loss before tax	(653.2)	(48.4)
Attributable income tax benefit	—	—
Loss for the year from discontinued operation	(653.2)	(48.4)

* EBITDA is calculated before net impairments.

CASH FLOWS OF THE DISCONTINUED OPERATION

R million	2019	2018
Net cash flow from operating activities	(314.9)	(28.9)
Net cash flow from investing activities	(162.7)	(34.4)
Net cashflow	(477.6)	(63.3)

THE MAJOR CLASSES OF ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION AT THE END OF THE YEAR ARE AS FOLLOWS:

R million	2019	2018
Property, plant and equipment	39.2	—
Inventories	22.9	—
Trade and other current receivables	283.5	—
Bank and cash	35.4	—
Total assets	381.0	—
Retirement benefit obligation	539.8	—
Trade and other current payables	203.4	—
Provisions	4.4	—
Total net assets	(366.6)	—

6.2 NAMPAK GLASS DIVISON — DISCONTINUED OPERATION

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

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

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

RESULTS OF THE DISCONTINUED OPERATION

R million	2019	2018
Revenue	**1 517.6**	1 456.5
Operating expenses other than depreciation, amortisation and impairment expenses	**(1 580.0)**	(1 313.7)
EBITDA*	**(62.4)**	142.8
Depreciation and amortisation	**—**	(124.8)
Impairment of plant, goodwill and intangible assets	**(336.0)**	(677.3)
Net finance costs	**(200.1)**	(173.4)
Loss before tax	**(598.5)**	(832.7)
Attributable income tax benefit	**127.8**	233.5
Loss for the year from discontinued operation	**(470.7)**	(599.2)

* EBITDA is calculated before net impairments.

CASH FLOWS OF THE DISCONTINUED OPERATION

R million	2019	2018
Net cash flow from operating activities	**121.5**	89.2
Net cash flow from investing activities	**(92.4)**	(91.7)
Net cash flow	**29.1**	(2.5)

THE MAJOR CLASSES OF ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATION AT THE END OF THE YEAR ARE AS FOLLOWS:

R million	2019	2018
Property, plant and equipment	**837.9**	1 125.6
Intangible assets	**2.7**	2.5
Inventories	**504.8**	631.1
Trade receivables and other current assets	**244.5**	310.4
Total assets	**1 589.9**	2 069.6
Trade payables and other current liabilities	**214.3**	202.5
Total net assets	**1 375.6**	1 867.1

6.3 NAMPAK CARTONS NIGERIA LIMITED AND NAMPAK PROPERTIES NIGERIA LIMITED — DISPOSAL GROUPS HELD FOR SALE

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

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

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

NOTES CONTINUED

THE MAJOR CLASSES OF ASSETS AND LIABILITIES OF THE DISPOSAL GROUP AT THE END OF THE YEAR ARE AS FOLLOWS:

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

6.4 MEGAPAK CRATES AND DRUMS BUSINESSES — DISPOSAL GROUPS HELD FOR SALE

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

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

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

THE MAJOR CLASSES OF ASSETS AND LIABILITIES OF THE DISPOSAL GROUPS AT THE END OF THE YEAR ARE AS FOLLOWS:

R million	2019	2018
Property, plant and equipment	**8.5**	133.9
Inventories	**0.5**	75.2
Trade receivables and other current assets	**11.6**	167.6
Total assets	**20.6**	376.7
Trade and other current payables	**4.4**	100.1
Total net assets	**16.2**	276.6

6.5 NON-CURRENT ASSETS HELD FOR SALE — DIVFOOD DIVISION

R million	2019	2018
Plant and equipment — redundant	**25.0**	—

6.6 SUMMARY OF RESULTS FROM DISCONTINUED OPERATIONS, ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

DISCONTINUED OPERATIONS

R million	2019	2018
Nampak Plastics Europe Limited	**(653.2)**	(48.4)
Nampak Glass division	**(470.7)**	(599.2)
Total	**(1 123.9)**	(647.6)

ASSETS CLASSIFIED AS HELD FOR SALE

R million	2019	2018
Nampak Plastics Europe Limited	**381.0**	—
Nampak Glass division	**1 589.9**	2 069.6
Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited	**377.7**	—
Megapak Crates and Drums businesses	**20.6**	376.7
Divfood division (plant and equipment)	**25.0**	—
Total	**2 394.2**	2 446.3

NOTES CONTINUED

LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

R million	2019	2018
Nampak Plastics Europe Limited	**747.6**	—
Nampak Glass division	**214.3**	202.5
Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited	**60.3**	—
Megapak Crates and Drums businesses	**4.4**	100.1
Total	**1 026.6**	302.6

7. EXCHANGE (LOSS)/GAIN ON TRANSLATION OF FOREIGN OPERATIONS

R million	2019	2018
(Loss)/gain on translation of net assets of Nampak Zimbabwe Limited	**(1 012.1)**	46.5
Gain on translation of net assets of other foreign operations	**298.9**	170.9
Total	**(713.2)**	217.4

8. DETERMINATION OF HEADLINE EARNINGS

R million	2019	2018
Continuing operations		
Profit attributable to equity holders of the company for the year	**272.3**	1 136.8
Less: preference dividend	**(0.1)**	(0.1)
Basic earnings	**272.2**	1 136.7
Adjusted for:		
Net impairment losses on property, plant and equipment	**197.7**	(14.1)
Gain on acquisition of business	**—**	(6.0)
Net profit on disposal of property, plant, equipment and intangible assets	**(71.3)**	(7.2)
Tax effects and outside shareholders' interest	**(49.8)**	5.7
Headline earnings for the year	**348.8**	1 115.1
Headline earnings per share (cents)	**54.1**	173.3
Diluted headline earnings per share (cents)	**53.8**	172.5
Continuing and discontinued operations		
Profit attributable to equity holders of the company for the year	**(851.6)**	489.2
Less: preference dividend	**(0.1)**	(0.1)
Basic earnings	**(851.7)**	489.1
Adjusted for:		
Net impairment losses on property, plant, equipment and assets classified as held for sale	**896.5**	684.3
Gain on acquisition of business	**—**	(6.0)
Net profit on disposal of property, plant, equipment and intangible assets	**(68.3)**	(9.4)
Tax effects and outside shareholders' interest	**(101.3)**	(183.9)
Headline earnings for the year	**(124.8)**	974.1
Headline earnings per share (cents)	**(19.4)**	151.4
Diluted headline earnings per share (cents)	**(19.3)**	150.7

NOTES CONTINUED

9. LIQUID BONDS AND OTHER LOAN RECEIVABLES

R million	2019	2018
Liquid bonds[1]	723.1	2 165.8
Equipment sales receivables[2]	28.9	46.0
Reserve Bank of Zimbabwe financial instrument[3]	129.1	—
Other loan receivables	21.2	26.7
Total liquid bonds and other loan receivables	902.3	2 238.5
Less: Amounts receivable within one year reflected as current	40.1	450.6
Liquid bonds	25.3	435.3
Equipment sales receivables	5.8	9.0
Other loan receivables	9.0	6.3
Net non-current liquid bonds and other loan receivables	862.2	1 787.9

[1] Liquid bonds relate to US dollar indexed Angolan kwanza bonds. As at 30 September the Angolan kwanza equivalent of USD49.4 million (2018: USD153.1 million) had been hedged through these bonds in order to protect the group against further Angolan kwanza devaluation. Interest rates earned are between 7.0% to 7.8%.

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

[3] The Reserve Bank of Zimbabwe financial instrument relates to an arrangement in terms of which an amount of USD66.8 million owing by Nampak Zimbabwe Limited on its trade account to Nampak International Limited, a direct subsidiary of Nampak Limited, which will be settled in twelve quarterly payments of USD5.6 by the Reserve Bank of Zimbabwe (RBZ). Repayments commence 31 March 2021 and zero interest is charged. Due to the long-term nature of this receivable and the uncertainty around the RBZ being able to access foreign currency to honour this agreement, the receivable balance has been fully provided for during the current year.

10. SUMMARISED GROUP STATEMENT OF CASH FLOWS ANALYSIS

10.1 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS (CONTINUING AND DISCONTINUED OPERATIONS)

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

NOTES CONTINUED

10.2 NET CASH AND CASH EQUIVALENTS AT END OF YEAR

R million	2019	2018
Cash and cash equivalents	1 586.2	2 844.8
Bank balances and deposits per statement of financial position	1 462.7	2 844.8
Bank balances and deposits classified as held for sale	123.5	—
Bank overdrafts	(227.8)	(1 008.0)
Total	1 358.4	1 836.8

11. CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

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

R million	2019	2018
At fair value — level 2		
Financial assets		
Derivative financial assets[1]	26.2	81.7
Financial liabilities		
Derivative financial liabilities[1]	11.3	22.6
At amortised cost		
Financial assets	5 561.5	8 307.4
Non-current liquid bonds and other loan receivables	862.2	1 787.9
Trade receivables and other current assets[2]	3 073.0	3 224.1
Current liquid bonds and other loan receivables	40.1	450.6
Bank balances, and current liquid bonds and loan receivables	1 586.2	2 844.8
Financial liabilities	11 859.3	13 089.6
Non-current loans and borrowings	6 132.8	8 023.1
Trade payables and other current liabilities[3]	3 772.4	4 076.5
Current loans, other borrowings and bank overdrafts	1 954.1	990.0

[1] Derivative financial assets and liabilities consist of forward exchange contracts and commodity futures. Their fair values are determined using the contract exchange rate at their measurement date, with the resulting value discounted back to the present value.

[2] Excludes derivative financial assets (disclosed separately) and prepayments. Includes trade receivables presented as part of assets classified as held for sale.

[3] Excludes derivative financial liabilities (disclosed separately) and provisions. Includes trade payables presented as part of liabilities directly associated with assets classified as held for sale.

12. CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES

R million	2019	2018
Capital expenditure	734.8	536.4
Replacement	517.0	359.8
Expansion	217.8	176.6
Capital commitments	454.5	478.6
Contracted	300.2	128.1
Approved not contracted	154.3	350.5
Lease commitments (including sale and leaseback transaction)	3 086.6	3 071.8
Land and buildings	3 041.9	3 031.9
Other	44.7	39.9
Contingent liabilities — customer claims and guarantees	11.2	11.4

NOTES CONTINUED

13. SHARE STATISTICS

	2019	2018
Ordinary shares in issue (000)	**689 812**	689 812
Ordinary shares in issue — net of treasury shares (000)	**644 730**	644 723
Weighted average number of ordinary shares on which basic earnings and headline earnings per share are based (000)	**644 727**	643 374
Weighted average number of ordinary shares on which diluted basic earnings and diluted headline earnings per share are based (000)	**647 934**	646 297

14. KEY RATIOS AND EXCHANGE RATES

14.1 KEY RATIOS

		2019	2018
EBITDA — continuing operations[1]	R million	**1 606.1**	2 091.2
EBITDA — per loan covenant definition	R million	**2 028.9**	2 636.1
Net gearing	%	**68.2**	37.0
Current ratio	times	**1.5**	2.2
Current ratio (including non-current portion of liquid bonds)[2]	times	**1.6**	2.5
Acid test ratio	times	**1.0**	1.6
Acid test ratio (including non-current portion of liquid bonds)[2]	times	**1.1**	1.9
Net debt: EBITDA — debt covenants	times	**2.9**	2.0
EBITDA: Interest cover — debt covenants	times	**4.5**	8.0
Return on equity — continuing operations	%	**2.8**	11.7
Return on net assets — continuing operations	%	**11.3**	14.6
Net worth per ordinary share[3]	cents	**1 385**	1 573
Tangible net worth per ordinary share[3]	cents	**780**	998

[1] EBITDA is calculated before net impairments.

[2] Calculated as the non-current portion of liquid bonds can be converted back into cash within three months.

[3] Calculated on ordinary shares in issue — net of treasury shares.

14.2 EXCHANGE RATES

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

	2019	2018
Rand/UK pound		
Average	**18.30**	17.61
Closing	**18.65**	18.43
Rand/Euro		
Average	**16.18**	15.58
Closing	**16.54**	16.41
Rand/US dollar		
Average	**14.35**	13.11
Closing	**15.17**	14.14
Naira/US dollar		
Average	**361.55**	360.61
Closing	**362.04**	362.79
Kwanza/US dollar		
Average	**333.94**	222.09
Closing	**389.49**	300.72
RTGS dollar/US dollar		
Average	**5.01**	—
Closing	**15.20**	—

NOTES CONTINUED

15. RELATED PARTY TRANSACTIONS

Group companies, in the ordinary course of business, entered into various purchase and sale transactions with associates, joint ventures and other related parties. The effect of these transactions is included in the financial performance and results of the group.

16. SUBSEQUENT EVENTS

Subsequent to the year-end, the Angolan kwanza has devalued significantly.

17. INDEPENDENT AUDITOR'S OPINION

The auditors, Deloitte & Touche, have issued their unmodified opinion, on the consolidated financial statements for the year ended 30 September 2019, as well as these summarised consolidated financial statements. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These summarised consolidated financial statements have been derived from the consolidated financial statements and are consistent in all material respects with the consolidated financial statements. Copies of their unmodified audit report on the consolidated and separate financial statements are available for inspection at the company's registered office. Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditors.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the issuer's registered office.

INDEPENDENT AUDITOR'S REPORT ON SUMMARISED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF NAMPAK LIMITED

OPINION

The summarised consolidated financial statements of Nampak Limited, which comprise the summarised consolidated statement of financial position as at 30 September 2019, the summarised consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Nampak Limited for the year ended 30 September 2019.

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

OTHER MATTER

We have not audited future financial performance and expectations by management included in the accompanying summarised consolidated financial statements and accordingly do not express any opinion thereon.

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 26 November 2019. That report also includes the communication of key audit matters as reported in the auditor's report of the audited financial statements.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITY

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

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: JHW De Kock
Partner

26 November 2019

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

ADMINISTRATION

NAMPAK LIMITED

(Registration number 1968/008070/06)

(Incorporated in the Republic of South Africa)

Share code: NPK

ISIN: ZAE 000071676

INDEPENDENT NON-EXECUTIVE DIRECTORS

M Surgey (appointed Chairman with effect from 10 October 2018), RC Andersen (resigned with effect from 6 February 2019), E Ikazoboh, RJ Khoza (resigned with effect from 30 May 2019), J John (resigned with effect from 1 November 2019), NV Lila (resigned with effect from 30 May 2019), PM Madi (resigned with effect from 6 February 2019), IN Mkhari, K Mzondeki (appointed with effect from 1 September 2019), CD Raphiri (appointed with effect from 1 March 2019), SP Ridley (appointed with effect from 1 March 2019) and LJ Sennelo (appointed with effect from 22 November 2019).

EXECUTIVE DIRECTORS

AM de Ruyter (Chief executive officer), resigned with effect from 14 January 2020, and GR Fullerton (Chief financial officer)

COMPANY SECRETARY

IH van Lochem

REGISTERED OFFICE

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SPONSOR

UBS South Africa (Pty) Limited

WEBSITE

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FORWARD-LOOKING STATEMENTS

Certain statements in this document are not reported financial results or historical information, but forward-looking statements. These statements are predictions of or indicate future events, trends, future prospects, objectives, earnings, savings or plans. Examples of such forward-looking statements include, but are not limited to, statements regarding volume growth, increases in market share, exchange rate fluctuations, shareholder return and cost reductions. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "believe", "continue", "anticipate", "ongoing", "expect", "will", "could", "may", "intend", "plan", "could", "may", and "endeavour". By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the Group's future revenue, cost structure and capital expenditure; the Group's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which holds up the repatriation of earnings; increased competition, slower than expected customer growth and reduced customer retention; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the extent of any future write-downs or impairment charges on the Group's assets; the impact of legal or other proceedings against the Group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. When relying on forward-looking statements to make investment decisions, you should carefully consider both these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

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