Nampak
packaging excellence

Audited summarised consolidated financial results
for the year ended 30 September 2020

Key financial indicators for continuing operations

Revenue of
R11.3bn
decreased 23%

Impairments
R4.0bn
primarily relating to Nigeria and Angola

EBITDA for covenants
R1.1bn
down 48%

Loss for the year
R4.3bn

Trading profit
R682m
down 56%

Headline loss
78cps
for continuing operations
2019: 54cps earnings

Operating loss
R283m
2019: R402m
operating profit

Headline loss
88cps
for total operations
2019: 19cps loss

Highlights

Operating capability sustained
despite significant impact of the novel coronavirus (COVID-19) pandemic

R2.4bn
transferred from Angola and Nigeria

Cash of
R1.1bn
generated from operations

Successful renewal of key contracts
and meaningful export contracts secured for Bevcan

Net proceeds from disposals and bonds
R2.0bn
used to reduce US$ denominated debt

Group funding covenants renegotiated and complied with,
but with stringent conditions

Improvement
in short-term liquidity

Commentary

"2020 proved to be a challenging year across all geographies for Nampak as the COVID-19 pandemic significantly reduced economic activity in the markets where we operate. While performance in Nigeria was resilient, the lockdown in most markets impacted performance across all divisions and limited the progress in our restructuring activities at Plastics SA and DivFood divisions. Bevcan successfully defended its market share – renewing two substantial supply contracts for the next three years – and secured large export contracts for the coming financial period. In Angola, currency devaluations prevailed, and reduced consumer purchasing power led to further volume declines. Despite all these challenges, we made good progress in reducing US dollar-denominated debt, focused on optimising working capital and pulled back on capital expenditure during this year. This ensured cash generated from operations remained positive."

Erik Smuts
Chief executive officer

Overview

This was one of the most challenging years for Nampak as the impact of COVID-19 took effect in the second half of our financial year. Most of the countries we operate in went into hard economic lockdown towards the end of March 2020 as governments grappled with limiting the spread of the virus. In South Africa this included a ban on the production, distribution and sale of alcohol products for effectively three months of the financial year. This negatively impacted the sale of beverage cans, paper conical cartons, closures for the wine and spirit markets, as well as other products deemed as non-essential during this period. It also had a secondary impact on associated products as consumer patterns changed due to restrictions on social events. However, significant progress was made in reducing US dollar debt, defending our market shares in key markets and developing new growth opportunities. As part of the revised funding agreement with our lenders, the group has committed to a further reduction of R1 billion of its net interest-bearing debt in FY21.

Our manufacturing sites continued to operate to the extent allowed by regulations and Nampak implemented safety measures to mitigate the impact of COVID-19 as best as possible. We experienced 291 COVID-19 infections across our facilities. Sadly, two employees passed away as a result of the virus and we extend our sympathies and condolences to their families.

Reduced economic activity across all geographies, coupled with an already weak economic climate and pressure on consumers' disposable income in the first half of the financial year, adversely impacted the group's performance and profitability, as indicated below:

Group financial performance for continuing operations

R million	FY2020	FY2019	% change
Revenue	**11 278**	14 642	(23)
Trading profit	**682**	1 558	(56)
Operating (loss)/profit before Zimbabwe devaluation	**(19)**	1 439	(+100)
Operating (loss)/profit after Zimbabwe devaluation	**(283)**	402	(+100)
(Loss)/profit before net impairments	**(730)**	154	(+100)
Net impairments	**(4 020)**	(148)	(+100)
(Loss)/profit before taxation	**(4 750)**	6	(+100)
Loss for the year from continuing operations	**(4 349)**	(390)	(+100)
Profit/(loss) for the year from discontinued operations	**369**	(1 124)	(+100)
Loss for the year from total operations	**(3 980)**	(1 514)	(+100)
Cash generated from operations[1]	**1 087**	1 141	(5)
Cash flows from operations[1]	**415**	264	57
Continuing operations:			
(Loss)/earnings per share (cents)	**(595)**	42	(+100)
Headline (loss)/earnings per share (cents)	**(78)**	54	(+100)
Continuing and discontinued operations:			
Loss per share (cents)	**(538)**	(132)	(+100)
Headline loss per share (cents)	**(88)**	(19)	(+100)

1 From total operations.

Commentary continued

Revenue

Group revenue declined by 23% in a year that was materially affected by the adverse impacts of the COVID-19 pandemic, which has had a devastating effect on the global economy and society in general. The macroeconomic environments in the majority of the geographies in which the group operates were extremely challenging, with limited or negative growth, subdued consumer spending and increased unemployment. This was particularly prevalent in the second half of the year with Metals being significantly impacted in both South Africa and Angola, resulting in an overall decline of 28% in the Metal division's revenue. Declines in the Plastics and Paper divisions' revenue of 6% and 10% were less severe.

Trading profit

Trading profit declined by 56%, primarily due to the material decline in the profitability from the Metals division.

The adverse effects of the lockdown significantly impacted trading profit. This was further exacerbated by increased competition in South Africa. A significant decline in demand in Angola due to wage inflation lagging the currency devaluation, placed profitability under extreme pressure. SA Metals had a challenging year, materially affected by the alcohol ban and the effects of the lockdown on the hospitality industry. Despite Bevcan SA defending its market share well, its profitability was adversely impacted. DivFood reported a trading loss primarily due to the loss of a large food can contract during the prior year. Bevcan Nigeria performed satisfactorily despite challenging market conditions.

The turnaround in Plastics SA delivered good improvements in profitability and a positive EBITDA. Liquid Cartons was adversely impacted by the alcohol ban. The Zimbabwe operations performed well in local currency. Unfortunately, these results were materially affected by the impacts of hyperinflation.

The Paper division performed pleasingly and reported an increase in profitability compared to the prior year after adjusting for the impacts of the Cartons Nigeria disposal.

Reconciliation of operating (loss)/profit to trading profit for continuing operations

R million	**FY2020**	FY2019
Operating (loss)/profit before Zimbabwe devaluation	**(19)**	1 439
Adjusted for:		
Capital and other non-trading items	**701**	119
Net loss/(profit) on disposal of businesses, property, plant and equipment	**141**	(67)
Insurance proceeds on assets previously impaired	**(83)**	–
Restructuring and retrenchment and costs	**135**	44
Net devaluation losses arising from Angolan and Nigerian exchange rate movements	**324**	212
Loss on restructuring of secured loans	**136**	–
Onerous contract reversal	**–**	(118)
Cash transfer and liquid bond disposal losses	**–**	48
Others	**48**	–
Trading profit	**682**	1 558

Operating profit before capital items, other items and the net impact of the devaluation in Zimbabwe

Swift action was taken to address employee costs and other operating costs, in response to the decline in revenue and resultant profitability in the second half, as consumer demand fell sharply. Despite salary sacrifices and various restructuring initiatives yielding positive outcomes, operating profit before Zimbabwe devaluation declined from R1.4 billion to an operating loss of R19 million, primarily due to lost gross margin on reduced volumes.

Net loss/(profit) on sale of businesses, property, plant and equipment

This relates primarily to the disposal of Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited.

Insurance proceeds on assets previously impaired

This comprises the settlement of a claim for assets lost in a fire at an in-house facility at a customer in 2019.

Restructuring and retrenchment costs

These costs primarily relate to a restructuring programme at DivFood and to a lesser degree Bevcan South Africa, the Rigids business within Plastics South Africa and various African operations to compensate for lower business volumes.

Net devaluation losses arising from Angolan and Nigerian exchange rate movements

The Nigerian naira devalued by 5% and the Angolan kwanza by 64% resulting in foreign exchange losses of R324 million.

Loss on restructuring secured loans

In terms of IFRS 9, a substantial modification of a financial liability requires the extinguishment of the original financial liability and the recognition of a new debt instrument. The new debt instrument is recorded at fair value and any difference from the extinguished liability is recorded in profit or loss. The main financial reporting consequence of this was an accelerated charge to profit and loss of transaction costs of R136 million that would previously have been capitalised and amortises over the term of the agreements.

Impacts of Zimbabwe

R million	**FY2020**	FY2019
Net impact of devaluation in Zimbabwe	**(264)**	(1 037)
– Net foreign exchange devaluation losses and monetary adjustment for hyperinflation	**(264)**	(1 113)
– Gain on recognition of Reserve Bank of Zimbabwe financial instrument	**–**	795
– Expected credit loss provision on RBZ financial instrument	**–**	(719)

The group results continued to be adversely affected by the related impacts of the significant currency devaluation of the Zimbabwe dollar (ZWL) and the hyperinflationary conditions in this economy. The reduction in foreign exchange losses in the current financial year was mainly due to translation losses of R540 million being recognised in the foreign currency translation reserve following the implementation of the recourse agreements. The results, net assets and cash flows were translated at a closing rate of ZWL to the ZAR of 0.20. The limited availability of foreign exchange remained a concern in Zimbabwe and the group has continued to ensure that the Zimbabwe operations remain self-funding, with no further group funding provided to these operations.

Operating loss

An operating loss of R283 million was incurred, compared to an operating profit of R402 million in the prior year, reflecting the tough trading conditions experienced.

Net impairments

Impairments of the year are summarised as follows:

R million	
Bevcan Nigeria	2 176
Bevcan Angola	1 166
Plastics SA	424
DivFood	224
Other	30
Total impairments	4 020

In Nigeria, the group assessed goodwill for impairment, taking into account the significant changes in market conditions post 30 September 2019, with a resultant impairment as at 31 March 2020 of R2.2 billion (US$130.4 million) of Bevcan Nigeria's goodwill. Foreign exchange currency shortages have slowed economic growth, resulting in volume growth being lower than previously anticipated. Post this impairment, the carrying value of goodwill attributed to Bevcan Nigeria is R1.7 billion (US$102.6 million). Re-testing of the goodwill as at September 2020 resulted in no further impairment.

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

In South Africa, the future cash flows of DivFood and Plastics were reassessed at the year-end based on updated forecasts. Despite the expected positive effects of various restructuring initiatives, lower expected cash flows and a higher weighted average cost of capital, asset impairments of R224 million (including goodwill of R37 million) and R424 million were required respectively.

Net interest paid

Net finance costs of R448 million include R129 million related to the first-time capitalisation of leased assets and liabilities in terms of IFRS 16. Excluding the effects of IFRS 16, net finance costs increased by 29% when compared to R246 million in the prior year. The increase is primarily due to reduced interest earned on US dollar linked kwanza bonds and the requirement to fund all imports into Angola with cash backed letters of credit, as well as higher debt until 30 March 2020 when proceeds from the disposal of Glass were recorded.

Commentary continued

Taxation

The effective tax rate for the group for the year was 8.5% and benefited from the release of tax provisions no longer required and tax rates that are lower than the South African tax rate. A number of impairments in the group and the continued losses made in Angola, for which there is no tax shield and deferred tax assets that have not been recognised due to uncertainty in recoverability of these tax losses, impacted the group's effective tax rate.

Earnings

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

The basic per share metrics were materially impacted by the impacts of COVID-19 on trading and the goodwill and asset impairments. Headline losses per share of 77.5 cents and 87.7 cents from continuing operations and total operations respectively are reported, compared to a headline earnings per share of 54.1 cents and a headline loss per share of 19.4 cents in the prior year.

Financial position

Total gross debt (excluding lease liabilities per IFRS16) reduced by 14% to R6.8 billion from September 2020. Net proceeds of R1.4 billion from the sale of Glass and proceeds from Cartons Nigeria were used to pay down US$123 million debt in the second half. This reduced the group's exposure to future foreign exchange fluctuations, particularly the impact of currency weakness on funding covenants. US dollar debt now comprises 66% of total gross debt as at 30 September 2020, a reduction from 75% in September 2019.

Covenant relaxation

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

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

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

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

Covenant requirement

	Reporting period						
	30 Sep 19	31 Mar 20	30 Sep 20	31 Dec 20	31 Mar 21	30 Jun 21	30 Sep 21
Net debt:EBITDA	Less than or equal to 3.5 x	Less than or equal to 3.5 x	Less than or equal to 5.25 x	Less than or equal to 5.25 x	Less than or equal to 5.25 x	Less than or equal to 4.5 x	Less than or equal to 3.0 x
EBITDA:Interest cover	Greater than or equal to 4.0 x	Greater than or equal to 3.25 x	Greater than or equal to 2.25 x	Greater than or equal to 2.25 x	Greater than or equal to 2.25 x	Greater than or equal to 2.25 x	Greater than or equal to 4.0 x

Group covenants were complied with at the year-end measuring period. Net debt:EBITDA at 4.9 times was below the revised 5.25 times limit and EBITDA:interest cover at 2.6 times was greater than the required minimum of 2.25 times.

The group is reviewing its capital structure and borrowings levels with an internal portfolio review required to significantly reduce borrowing levels by 30 September 2021. As part of the plan to reduce gearing and improve profitability, Nampak is also in the process of implementing the restructuring of certain businesses.

The group's independent auditor, Deloitte & Touche (Deloitte), conducted an audit of the consolidated annual financial statements for the group for the year ended 30 September 2020. Deloitte, have issued an unmodified audit opinion in terms of the International Standards on Auditing, with a paragraph on material uncertainty relating to going concern. The covenant conditions highlight potential events which could result in default on the group's funding agreements and this indicates that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Notwithstanding the material uncertainty, the directors have determined that the group is a going concern based on the financial plans and forecasts, available funding facilities, actions taken by the group, the historic track record of the group to deliver on disposals, cost reduction and optimisation plans as well as the management of working capital and capital expenditure.

Funding, gearing and short-term liquidity

The group remains well funded with significant headroom in its available funding facilities. The use of such funding is, however, constrained by EBITDA generated.

The positive impacts of the proceeds on disposal of Glass, Nampak Plastics Europe and Cartons Nigeria were negated by the decline in group EBITDA from the impacts of COVID-19. Significant reductions in economic activity and consequently demand resulted in lower profitability, which placed the group's gearing and covenants under pressure.

Due to the marked reduction in equity, impairments and significantly reduced profitability on the back of COVID-19, as well as the inclusion of capitalised lease liabilities, net gearing increased to 149% and 115% excluding capitalised lease liabilities.

The group aims to operate a working capital funding model that funds inventory holdings through trade payables with the objective of only using external funding for its high-quality trade receivables book. Good progress was made in releasing cash from inventory and trade receivables during the period. This was, however, partially offset by a reduction in trade payables as procurement levels were adjusted downwards in line with lower demand. A net release of R367 million from working capital was achieved, compared to an absorption of R705 million in the prior year.

Active management of working capital during a time of declining demand, coupled with the settlement of the US$115 million USPP funding that matured in May 2020 utilising an existing unutilised long-term banking facility, resulted in a significant improvement in the group's short-term liquidity. The current ratio improved from 1.5 times to 1.7 times after taking into account the R1 billion mandatory repayment of net-interest bearing debt by 30 September 2021 which is now disclosed as a current liability.

Liquidity and cash transfers in the Rest of Africa

Good liquidity in the Rest of Africa was maintained for the period and cash transfers were healthy at R2.4 billion. R1.1 billion and R1.3 billion were transferred from Angola and Nigeria respectively, despite slowing availability of foreign currencies in Nigeria. Cash balances at the end of the year amounted to the rand equivalent of R335 million and R294 million for Angola and Nigeria respectively, with pleasing transfer rates since September 2019. Of the R335 million cash balance in Angola, 92% remains hedged and protected against further devaluations through US dollar-kwanza linked bonds. 29% of cash balances in Nigeria were held in US dollars. Economic hedges are generally not available in Nigeria.

The availability of foreign currency in Zimbabwe remains very challenging and only R9 million or 16% of the opening cash position of R57 million was transferred to the group for the period. The group has not provided additional funding to its Zimbabwe operations since April 2018.

R million	Angola[1]	Nigeria[1]	Subtotal	Zimbabwe[5]	Total
30 September 2020					
Opening cash on hand – 30 September 2019	**1 041**	**217**	**1 258**	**57**	**1 315**
Cash on hand	**335**	**294**	**629**	**62**	**691**
Hedged cash	**307**	**84**	**391**	**–[3]**	**391**
% cash hedged	**92**	**29**	**62**	**–[3]**	**57**
Cash transferred	**1 099**	**1 255[4]**	**2 354**	**9**	**2 363**
30 September 2019					
Opening cash on hand – 30 September 2018	2 307	300	2 607	1 190	3 797
Cash on hand	1 041	217	1 258	57[2]	1 315
Hedged cash	742	–	742	–[3]	742
% cash hedged	71	–	59	–[3]	56
Cash transferred	1 747	1 458	3 205	43	3 248

1 Constrained liquidity towards the end of the period.

2 Net of a devaluation adjustment amounting to R1.1 billion, due to the introduction of the Zimbabwean dollar in 2019.

3 US$67 million hedge secured with the Reserve Bank of Zimbabwe to repay legacy debt intercompany on a 1:1 basis over a period of five years in quarterly payments, commencing on 31 March 2021. An expected credit loss ratio of 85% was raised in 2019 with an effective 85% expected credit loss ratio and at a 90% level, taking into account hyperinflation adjustments. Nampak Zimbabwe's operations ceded their respective rights to receive payment under the agreement with the Reserve Bank of Zimbabwe to Nampak International Limited.

4 Includes a repayment on the intercompany loan pursuant to the disposal of Cartons Nigeria.

5 No liquidity, trading funded by customers and export sales.

Foreign exchange rate movements

Nampak has sizeable operations outside South Africa and is exposed to various foreign currency movements. The Nigerian naira (NGN) remained relatively stable, although supply of foreign currency in this market was constrained. The Angolan kwanza (AOA) devalued by 64% over the period given the exposure of this economy to weakened oil prices. The Zimbabwean dollar devalued by 435%.

Commentary continued

US dollar functional currency operations in the Rest of Africa benefited from weaker local currencies. US dollar-denominated debt increased upon translation, adversely affected by the 10% weakening of the South African rand against the US dollar since September 2019.

Currency movements for key markets:

	Average rates				Closing rates			
Currency	**30 Sep 20**	30 Sep 19	% change vs Sep 19[1]	**31 Mar 20**	**30 Sep 20**	30 Sep 19	% change vs Sep 19[1]	**31 Mar 20**
ZAR/USD	**16.24**	14.35	(13)	**15.04**	**16.69**	15.17	(10)	**17.80**
NGN/USD	**375.15**	361.55	(4)	**363.75**	**381.75**	362.04	(5)	**387.51**
AOA/USD	**549.67**	333.94	(65)	**493.22**	**640.10**	389.49	(64)	**567.04**
ZWL/USD	**36.76**	5.01	(+100)	**17.34**	**81.44**	15.20	(+100)	**25.00**
ZAR/EUR	**18.19**	16.18	(12)	**16.61**	**19.56**	16.54	(18)	**19.53**
ZAR/GBP	**20.68**	18.30	(13)	**19.29**	**21.55**	18.65	(16)	**22.07**

1 Negative and positive percentage changes indicate devaluations and strengthening positions respectively compared to the relevant comparative period.

Capital expenditure

Capital expenditure for the full year reduced by 9% to R666 million from R735 million in the prior year. Expenditure for the year included R212 million for the conversion of the tinplate line to aluminium in Angola. The group has adopted a cash conservation approach during these uncertain times, with future capital expenditure planned to be significantly lower.

Cash flow

The implementation of profitability improvement measures successfully reduced operating costs and enabled the group to remain net cash positive through this period. These measures included salary sacrifices, a freeze on new capital expenditure for non-essential projects, improved working capital management and asset disposals. Although these measures protected group cash flows to a large extent, the impact of COVID-19 on earnings resulted in significantly lower levels of cash generated from operations. Accordingly, cash generated from operations of R720 million before working capital changes declined by 61%. Working capital was well managed, with a net inflow of R367 million due to the quick response by management to reducing inventory purchases as the effects of the pandemic took hold and focussed efforts to bring inventories to optimal levels. Trade receivables also reduced due to the decline in revenue. There was a reduction in trade payables given the above-mentioned containment of inventory procurement.

Cash generated from investing activities of R1.4 billion was pleasing and increased by 70% and includes the inflow of R1.6 billion from the disposals of the Glass division and Cartons Nigeria, as well as R0.5 billion from maturing and disposal of US dollar-linked Angolan bonds. These bonds continued to be honoured in full and on-time and have proven to be highly effective hedges. The group cash and cash equivalents at 30 September 2020 of R1.4 billion marginally exceeded the prior year, after settling borrowings of R1.8 billion.

Overall the cash flows for the year were very pleasing despite the trying times under which this was achieved.

Segment results

	Revenue		Trading profit		Trading margin (%)	
R million	**FY2020**	FY2019*	**FY2020**	FY2019*	**FY2020**	FY2019*
Metals	**7 853**	10 943	**421**	1 380	**5.4**	12.6
Plastics	**2 479**	2 645	**143**	197	**5.7**	7.4
Paper	**946**	1 054	**158**	160	**16.7**	15.1
Corporate services	**–**	–	**(40)**	(179)	**–**	–
Continuing operations	**11 278**	14 642	**682**	1 558	**6.0**	10.6
Glass	**791**	1 518	**70**	142	**8.8**	9.4
Plastics Europe	**131**	974	**(14)**	(191)	**(10.7)**	(19.6)
Discontinued operations	**922**	2 492	**56**	(49)	**6.1**	(2.0)
Group total	**12 200**	17 134	**738**	1 509	**6.1**	8.8

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

Metals

Tough trading conditions, due to the ban on alcoholic sales and reduced consumer spending during the COVID-19 lockdown period across all key markets, resulted in revenue decreasing 28%. The impact on trading profit was heftier, as lower production volumes significantly reduced profitability, particularly in South Africa and Angola, resulting in trading profit falling 70% to R421 million.

Bevcan South Africa managed to defend its strong market share, by successfully renewing a large supply agreement with a major multinational customer, which was set to expire at the end of March 2021, for a further three years with a revised allocation of 85% (previously 100%).

Sales volumes were significantly lower than the prior year and trading profit halved for the year. Since the ban on the sale of alcoholic products was lifted, the demand for beverage cans has trended upwards and operations are currently gearing up ahead of the December/January peak period generally associated with the year-end festive period.

New export opportunities emerged due to higher demand for beverage cans in other parts of the world. We secured a sizable export contract with supplies commencing in the new financial year, which will also increase our production utilisation.

Bevcan Nigeria performed relatively well despite a tough operating environment. The impact of COVID-19 limited demand and volumes declined for the year. Bevcan Nigeria managed to secure a multi-year supply agreement with a major customer for a 100% volume allocation (previously around 50%), effective 1 July 2020. Nampak's market share remained stable for the cans types that we supply to the Nigerian market. Although COVID-19 resulted in volumes contracting over the lockdown period, demand is recovering faster than in any other territory in which we operate. Since August, sales volumes have exceeded pre-lockdown levels.

Bevcan Angola remained challenged by low consumer spending and a strictly enforced COVID-19 lockdown, resulting in reduced informal trading. Diminished consumer buying power prevailed as the kwanza devalued further in 2020 and wage inflation lagged. As a result, sales volumes more than halved while trading profit was at breakeven levels for the year. Management reacted swiftly by reducing the business's fixed cost structure and headcount by 60% to keep the business cash positive. Volume trends have been positive since July 2020 and are slowly recovering from a low base. We also secured an agreement for the export of cans to supplement capacity shortages in the rest of the world. This requires us to complete the conversion of line 1 from steel to aluminium, which will give us the required flexibility to exploit this export opportunity and improve the utilisation of this operation to contribute positively to earnings whilst the Angolan economy recovers.

The **DivFood South Africa** division incurred a significant loss for the period. This was mainly attributable to the loss of a key customer in the prior year and lower demand due to impact of COVID-19. Demand for food cans was initially strong at the onset of the lockdown but consumption reduced as lockdown progressed and volumes were ultimately lower than the prior year, mainly due to lower fish and meat can volumes. Diversified cans were deemed non-essential goods during the initial lockdown period and sales of metal closures for the alcohol industry was restricted. To compensate for the lost volumes and revenue, significant restructuring was implemented to streamline the business and thereby rebase its fixed cost structures. Phase two of the restructuring is currently underway and will be completed by the end of FY21. These changes are expected to return the division to sustainable profitability in FY21. R92 million restructuring costs were incurred for the year.

The general metals packaging business in **Nigeria** performed well under tough circumstances. Demand in the last three months of the financial year improved considerably as lockdown regulations were eased. The business also rationalised its product portfolio during the year and reduced operating cost and is well positioned for the new financial year.

Tanzania returned to profitability in the last quarter of the financial year, following a significant restructuring and rationalisation of product lines. The metals operation in **Kenya** experienced significant headwinds due to the pandemic and a number of natural environmental occurrences that reduced demand significantly. The business did, however, manage to perform on par with the previous year due to a restructuring exercise that reduced overheads significantly. A further restructuring and simplification of the business is planned in the first quarter of FY21, to further enhance profitability.

Plastics

Results for Plastics division were satisfactory in light of COVID-19, as revenue from the Rest of Africa grew and offset weak consumer spending in South Africa caused by the pandemic. Revenue was only down 6% to R2.5 billion, but trading margins contracted as trading profits fell by 27%, mostly from lower profitability in Zimbabwe due to the translation of the Zimbabwe results at the year-end spot rate.

Plastics South Africa returned to profitability at interim in March 2020, but the decline in demand during the lockdown limited its results for the year. Revenue declined in the second half of the year and as a result a small trading loss was incurred for the year. The demand for smaller packs of juice, milk and water bottles was significantly reduced during lockdown, but volumes improved in the last quarter. The alcohol ban also limited demand for large drums used to export alcohol, while crates grew as bread consumption increased. Overall demand remained below the prior year. Despite this, trading margins improved from the prior period as restructuring initiatives delivered positive results and improved its fixed cost base. Plastics SA reduced its footprint and will continue to consolidate volume to improve production efficiencies and further expand its margins in FY21.

The performance of **Cartons** in South Africa was impacted by the alcohol ban, as conical cartons used for sorghum beer could not be sold for three months in the second half of the year. The rest of the business performed slightly below expectations due to a decrease in the demand for mageu and milk, as disposable income levels remained under pressure in South Africa. Revenue and trading income reduced for the year. Business development initiatives and product launches were hampered by travel restrictions, but the foundation created before the onset of the pandemic remains intact and ready for execution.

The business expects to benefit greatly over the coming years from a newly formed joint venture with Elopak, to grow the footprint of gable top cartons for both the fresh and aseptic beverage markets in sub-Saharan Africa.

Commentary continued

Megapak Zimbabwe performed well in a challenging economic environment and revenue was stable for the year. **CMB Zimbabwe** also performed pleasingly and profitability improved, despite increasing economic hardship and electricity supply problems. The demand from the market was serviced to the extent that foreign currency was available and raw materials could be sourced, but overall trading margins declined. These operations continue to self-fund their operational and capital requirements, and generated cash is reinvested into operations and equipment to limit exposure to currency fluctuations. These businesses also have experienced and stable management teams, good production capabilities and are poised to respond to improved demand when the economic climate in Zimbabwe improves.

Demand for crates in Zambia and Ethiopia were strong, driving much improved profitability from operations in these countries.

Paper

Revenue reduced 10% as Cartons Nigeria was sold and only included for 3 months of the financial year. The corrugated paper operation in Zimbabwe benefited from the pandemic while demand for cartons in Zambia was significantly reduced. Profitability was stable though and the trading margin improved, boosted by the Zambian and Zimbabwean operations.

Demand and profitability at **Hunyani** in Zimbabwe remained robust and benefited from reduced imports for tobacco cases from foreign suppliers. Both revenue and trading profit grew significantly despite an extremely challenging operating environment, including hyperinflation, rising unemployment, lower disposable incomes and food shortages. The business performed well to secure the foreign currency required to fund raw material imports.

Volumes of conical cartons in **Zambia** were lower relative to the previous year due to the pandemic and revenue was down materially. Trading profit and margins improved as they benefited from raw materials procured at preferable rates, prior to currency devaluations. The **Malawian** business continued to focus on customer service in the current year and reaped the rewards of restructuring in prior periods. Revenue and trading profit were stable, despite limited demand caused by lockdown restrictions.

Cartons Nigeria was sold in at the end of December 2019 and was included for only three months in the 2020 results.

Discontinued operations

Nampak finalised the disposal of **Nampak Plastics Europe** in December 2019. The sale of the **Glass** division was effective on 31 March 2020. Net proceeds from Glass of R1.4 billion were used to repay US$-denominated debt. A profit of R369 million was reported for discontinued operations, primarily due to net profit on disposal of Plastics Europe.

Trading performance by region

	Revenue		Trading profit		Trading margin (%)	
R million	**FY2020**	FY2019	**FY2020**	FY2019	**FY2020**	FY2019
South Africa	**7 577**	9 849	**160**	644	**2.1**	6.5
Rest of Africa	**3 701**	4 793	**562**	1 093	**15.2**	22.8
Corporate services	**–**	–	**(40)**	(179)	**–**	–
Continuing operations	**11 278**	14 642	**682**	1 558	**6.0**	10.6
South Africa (Glass)	**791**	1 518	**70**	142	**8.8**	9.4
Europe	**131**	974	**(14)**	191	**(10.7)**	(19.6)
Discontinued operations	**922**	2 492	**56**	(49)	**6.1**	(2.0)
Group total	**12 200**	17 134	**738**	1 509	**6.1**	8.8

Outlook

We expect macro environments to remain muted for the next six to 12 months considering the continued cases of COVID-19 globally. We will therefore continue to monitor and prioritise the health and safety of our employees and focus on what we can control.

As part of our deleverage plan, we are in the process of disposing of some assets in order to reduce net interest-bearing debt, with specific focus on US dollar-denominated debt. Given a well-capitalised asset base and to assist our deleverage plan, we plan to keep capital expenditure to a minimum without compromising our ability to produce high quality products for our customers.

The renewal of major long-term supply contracts will assist us to defend our market share in key markets, while large export contracts from both Bevcan South African and Bevcan Angola to non-traditional markets are expected to boost profitability during the next financial year, as the economy recovers from the impact of the pandemic.

We are currently on track with our strategic initiatives and the site consolidations in Plastics South Africa and the restructuring of DivFood will be completed before the end of the financial year and should enable both these businesses to return to profitability.

The overarching objectives driving Nampak's revised strategy are to reduce risk and grow profits. Our strategic building blocks – a strengthened capital structure, simplification, optimisation and innovation and growth – will reshape Nampak into a company that's sustainably profitable and appropriately capitalised to exploit future investment opportunities.

Directors

Ms Nooraya Khan, was appointed as an independent non-executive director and a member of the audit and risk committee with effect from 1 August 2020.

Mr Clifford Raphiri, an independent non-executive director and member of the nominations and remuneration committee was appointed as chairman of this committee with effect from 1 October 2020. Mr Simon Ridley stepped down as chairman of the committee but remains a member.

Dividend

In line with previous communications the board has decided not to resume dividends to shareholders until debt levels are reduced.

Year-end presentation webcast

Nampak management held a webcast on Tuesday, 1 December 2020 at 12:00 Central Africa Time (GMT+2) to present its annual results, provide a business update and address questions from the investment community. Webcast details are available on Nampak's website **http://www.nampak.com/Investors**.

On behalf of the Board

PM Surgey
Chairman

EE Smuts
Chief executive officer

GR Fullerton
Chief financial officer

Bryanston
21 December 2020

Sponsor

UBS South Africa (Pty) Ltd

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.

Summarised consolidated statement of comprehensive income

R million	Notes	2020	2019*
Continuing operations			
Revenue		**11 277.9**	14 642.4
Operating (loss)/profit before items below		**(19.2)**	1 439.3
Net impact of devaluation in Zimbabwe	4	**(263.8)**	(1 037.3)
Net foreign exchange losses in Zimbabwe operations		**(81.9)**	(1 944.5)
Monetary adjustment for hyperinflation – Zimbabwe		**(181.9)**	831.5
Gain on recognition of Reserve Bank of Zimbabwe financial instrument		**–**	794.5
Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument		**–**	(718.8)
Operating (loss)/profit	4	**(283.0)**	402.0
Finance costs	5	**(524.1)**	(376.2)
Finance income	5	**76.5**	129.9
Share of net profit/(loss) in associates and joint venture		**0.5**	(1.4)
(Loss)/profit before net impairment losses on goodwill, plant and equipment		**(730.1)**	154.3
Net impairment losses*	6	**(4 020.2)**	(148.2)
(Loss)/profit before tax		**(4 750.3)**	6.1
Income tax benefit/(expense)	7	**401.5**	(395.8)
Loss for the year from continuing operations		**(4 348.8)**	(389.7)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8.5	**368.7**	(1 123.9)
Loss for the year		**(3 980.1)**	(1 513.6)
Other comprehensive income/(loss) for the year, net of tax			
Items that will not be reclassified to profit or loss			
Net actuarial gain/(loss) from retirement benefit obligations		**72.7**	(14.7)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations excluding Zimbabwe operations		**703.2**	298.9
Exchange differences on translation and hyperinflation effects of Zimbabwe operations		**(592.7)**	(1 012.1)
Fair value loss on liquid bonds		**(9.9)**	–
Gain/(loss) on cash flow hedges		**11.3**	(65.9)
Other comprehensive income/(loss) for the year, net of tax		**184.6**	(793.8)
Total comprehensive loss for the year		**(3 795.5)**	(2 307.4)
Loss attributable to:			
Owners of Nampak Limited		**(3 467.6)**	(851.6)
Non-controlling interest in subsidiaries		**(512.5)**	(662.0)
Total		**(3 980.1)**	(1 513.6)
Total comprehensive loss attributable to:			
Owners of Nampak Limited		**(3 492.6)**	(1 132.9)
Non-controlling interest in subsidiaries		**(302.9)**	(1 174.5)
Total		**(3 795.5)**	(2 307.4)
(Loss)/earnings per share			
Basic (cents per share)			
Continuing operations		**(594.9)**	42.2
Discontinued operations		**57.2**	(174.3)
Total		**(537.7)**	(132.1)
Diluted (cents per share)			
Continuing operations		**(594.4)**	42.0
Discontinued operations		**57.2**	(173.5)
Total		**(537.2)**	(131.5)

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

Summarised consolidated statement of financial position

R million	Notes	2020	2019
ASSETS			
Non-current assets			
Property, plant, equipment and investment property	10	**5 905.8**	7 195.2
Right of use assets		**880.7**	–
Goodwill and other intangible assets		**2 042.4**	3 904.3
Investments in associates and joint venture		**14.9**	21.0
Deferred tax assets		**388.6**	429.3
Liquid bonds and other loan receivables – non-current	11	**139.7**	862.2
		9 372.1	12 412.0
Current assets			
Inventories		**2 815.9**	3 388.5
Trade and other current receivables		**1 980.6**	2 628.8
Tax assets		**45.5**	133.3
Liquid bonds and other loan receivables – current	11	**358.6**	40.1
Bank balances and deposits		**1 528.9**	1 462.7
		6 729.5	7 653.4
Assets classified as held for sale		**92.7**	2 394.2
Total assets		**16 194.3**	22 459.6
Equity and liabilities			
Capital and reserves			
Share capital		**35.5**	35.5
Capital reserves		**(227.6)**	(76.1)
Other reserves		**475.7**	(86.3)
Retained earnings		**4 701.3**	9 059.2
Shareholders' equity		**4 984.9**	8 932.3
Non-controlling interest		**(770.4)**	(722.4)
Total equity		**4 214.5**	8 209.9
Non-current liabilities			
Loans – non-current	12.1	**5 755.2**	6 132.8
Lease liabilities – non-current	12.2	**1 291.2**	–
Retirement benefit obligation		**775.5**	923.9
Deferred tax liabilities		**242.3**	528.3
Other non-current liabilities		**14.9**	17.8
		8 079.1	7 602.8
Current liabilities			
Trade payables, provisions and other current payables		**2 602.8**	3 651.7
Tax liabilities		**34.9**	14.5
Loans, lease liabilities and bank overdrafts	12.3	**1 263.0**	1 954.1
		3 900.7	5 620.3
Liabilities directly associated with assets classified as held for sale		**–**	1 026.6
Total equity and liabilities		**16 194.3**	22 459.6

Summarised consolidated statement of changes in equity

R million	Notes	2020	2019
Opening balance		**8 209.9**	10 612.5
Adjustment to opening balance – adoption of new standards	2.2	**(209.0)**[1]	(89.2)[2]
Share-based payment expense		**(13.6)**	(5.9)
Net impact of Zimbabwe debt capitalised		**155.8**	–
Disposal of businesses[3]		**(153.0)**	–
Disposal of liquid bonds[4]		**20.0**	–
Total comprehensive loss for the year		**(3 795.5)**	(2 307.4)
Dividends paid		**(0.1)**	(0.1)
Closing balance		**4 214.5**	8 209.9
Comprising:			
Share capital		**35.5**	35.5
Capital reserves		**(227.6)**	(76.1)
Share premium		**268.9**	268.9
Treasury shares		**(513.4)**	(515.7)
Share-based payments reserve		**16.9**	170.7
Other reserves		**475.7**	(86.3)
Foreign currency translation reserve		**1 113.8**	1 368.9
Financial instruments hedging reserve		**0.5**	(10.8)
Recognised actuarial losses reserve		**(602.5)**	(1 427.4)
Other		**(36.1)**	(17.0)
Retained earnings		**4 701.3**	9 059.2
Shareholders' equity		**4 984.9**	8 932.3
Non-controlling interest		**(770.4)**	(722.4)
Total equity		**4 214.5**	8 209.9

1 IFRS 16: Leases.

2 IFRS 9: Financial instruments.

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

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

Summarised consolidated statement of cash flows

R million	Notes	2020	2019
Cash generated from operations before working capital changes	14.1	**720.1**	1 846.7
Net working capital changes	14.1	**367.0**	(705.3)
Cash generated from operations	14.1	**1 087.1**	1 141.4
Net interest paid		**(552.4)**	(506.4)
Retirement benefits, contributions and settlements		**(77.9)**	(143.2)
Income tax paid		**(42.0)**	(228.3)
Cash flows from operations		**414.8**	263.5
Dividends paid		**(0.1)**	(0.1)
Cash generated from operating activities		**414.7**	263.4
Capital expenditure	16	**(666.2)**	(734.8)
Replacement		**(541.4)**	(517.0)
Expansion		**(124.8)**	(217.8)
Net proceeds on the disposal of businesses	8.5	**1 568.3**	–
Proceeds on disposal of liquid bonds		**456.6**	1 469.2
Other investing activities		**54.3**	98.9
Net cash generated before financing activities		**1 827.7**	1 096.7
Net non-current borrowings repaid		**(1 739.1)**	(563.9)
Net current borrowings raised		**1.5**	–
Repayment of lease liabilities		**(79.0)**	–
Net cash repaid in financing activities		**(1 816.6)**	(563.9)
Net increase in cash and cash equivalents		**11.1**	532.8
Net cash and cash equivalents at beginning of year		**1 358.4**	1 836.8
Translation of cash in foreign subsidiaries		**30.9**	(1 011.2)
Net cash and cash equivalents at end of year	14.3	**1 400.4**	1 358.4

Notes

1. Basis of preparation

The summarised consolidated financial statements are derived from the audited consolidated financial statements approved by the directors on 30 November 2020. 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, new and revised standards and restated comparatives

2.1 Accounting policies

The accounting policies adopted and methods of computation used are consistent with those applied for the group's 2019 annual financial statements other than for the adoption of new standards as detailed below.

2.2 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 16: Leases

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

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

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

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

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

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

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

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

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

Notes continued

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

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

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

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

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

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

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

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

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

Lease liability

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

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

* Overestimate of prior year lease commitments.

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

R million	IFRS 16	IAS 17	Impact
Statement of comprehensive income – profit/loss			
Rental payments – decrease	–	(207.1)	207.1
Depreciation – increase	(131.7)	–	(131.7)
Profit on disposal of right of use assets – increase	(10.9)	–	(10.9)
Loss on disposal of businesses – decrease	19.0	–	19.0
Operating loss – increase	(123.6)	(207.1)	83.5
Finance costs – increase	(129.0)	–	(129.0)
Loss before net impairment losses – increase	(252.6)	(207.1)	(45.5)
Net impairment losses – increase	(209.2)	–	(209.2)
Loss before tax – increase	(461.8)	(207.1)	(254.7)
Income tax benefit – increase	129.3	58.0	71.3
Loss for the year – increase	(332.5)	(149.1)	(183.4)

Notes continued

R million	IFRS 16	IAS 17	Impact
Statement of financial position			
Equity (retained earnings) – decrease	(541.5)	(149.1)	(392.4)
Adoption – opening balance	(209.0)	–	(209.0)
Loss for the period	(332.5)	(149.1)	(183.4)
Net assets – decrease	(541.5)	(149.1)	(392.4)
Trading profit[1] – increase	(142.6)	(207.1)	64.5
Adjusted EBITDA[2] – increase	(10.9)	(207.1)	196.2

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

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

IFRIC 23: Uncertainty over Income Tax Treatments

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

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

It specifically considers:

› whether tax treatments should be considered collectively;

› assumptions for taxation authorities' examinations;

› the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;

› the effect of changes in facts and circumstances.

The adoption of IFRIC 23 had no impact on the September 2020 reported numbers.

2.3 New and revised International Financial Reporting Standards in issue but not yet effective for the current financial year

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

3. Critical judgements and key sources of estimation uncertainty

3.1 Going concern

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

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

Notes continued

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

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

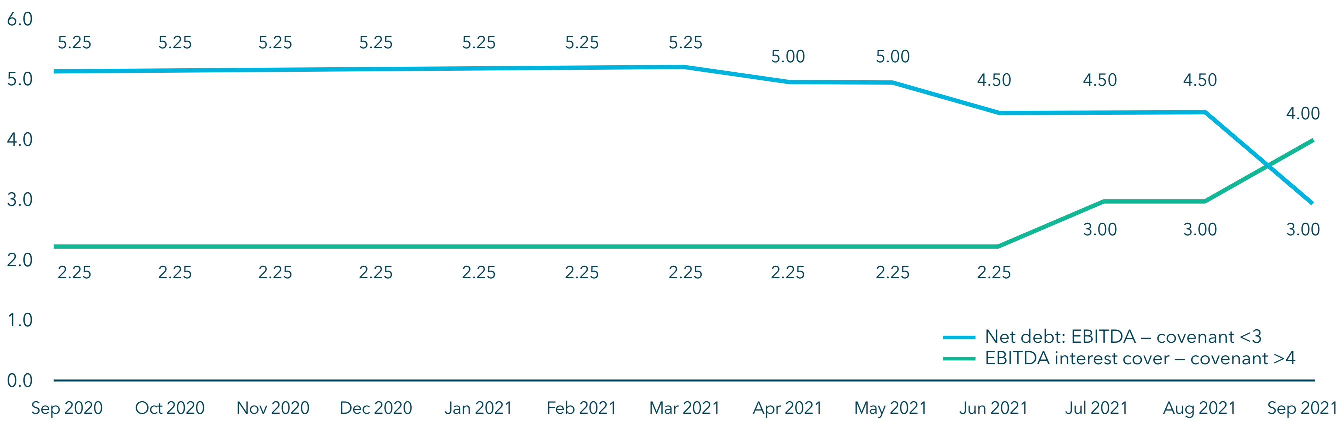
› recovery of Nampak Angola and turnaround in the DivFood business;
› complying with quarterly covenants, commenting in December 2020 until 30 September 2021;
› the timing and magnitude of cash flows from operations as the effects of COVID-19 are reversed;
› continued critical focus on working capital,
› a well-controlled conservative capital expenditure programme;
› meeting the milestone programme as agreed with the RCF funders;
› the ability to raise R1 billion to reduce interest bearing-debt from the proceeds from the disposal of asset or a combination of asset disposals and a capital raise, should the proceeds on disposal of identified assets fall short of the required R1 billion; and
› uncertainty in future movements of the rand/dollar exchange rate over the next 12 months.

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

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

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

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



Notes continued

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

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

3.2 Impairment of assets

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

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

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

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

Bevcan Nigeria

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

Bevcan Angola

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

Notes continued

DivFood South Africa and Rigids South Africa

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

3.3 Impact of Zimbabwe revocation agreement

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

In order to protect shareholder interests from foreign currency devaluation on NZL's dollar denominated liabilities to NIL, management secured an agreement with the Reserve Bank of Zimbabwe (RBZ) on 27 September 2019 in terms of which the RBZ undertook to repay US$67 million relating to historic inter-group funding owed by NZL to NIL over a period of five years in quarterly repayments commencing on 31 March 2021. In terms of IFRS 9: Financial Instruments the group recognised a financial asset at amortised cost based on the contract. As at 30 September 2019 an expected loss provision of 85% was applied to the agreement after having regard to the prevailing economic challenges and financial uncertainty in Zimbabwe. This was supported by the outlook of the World Bank and International Monetary Fund and related to the ability of the Zimbabwean economy to recover from its economic crisis. This assessment of the RBZ credit risk has not changed and therefore the expected credit loss provision of 85% of the RBZ financial asset continues to be recognised at 30 September 2020. Refer note 11.

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

3.4 Functional currency of Bevcan Angola and Bevcan Nigeria

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

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 Limitada 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.

3.5 Current and deferred taxation

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

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

Notes continued

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

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

The adoption of IFRIC 23 during the current year did not have an impact on the current and deferred taxation of the group as management had previously applied similar considerations when accounting for any uncertainties in its tax positions.

4. Included in operating (loss)/profit for continuing operations are:

R million	**30 Sep 2020**	30 Sep 2019
Depreciation	**521.2**	460.7
Amortisation	**15.4**	24.6
Reconciliation of operating (loss)/profit to trading profit[1]		
Operating (loss)/profit	**(283.0)**	402.0
Adjusted for capital[2] and other items[3]	**965.1**	1 155.7
Capital items	**58.3**	(67.3)
Net loss on disposal of businesses	**141.0**	–
Net profit on disposal of property	**–**	(67.3)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	**(82.7)**	–
Other items	**906.8**	1 223.0
Net impact of devaluation in Zimbabwe	**263.8**	1 037.3
Net devaluation loss arising from Angolan and Nigerian exchange rate movements	**323.8**	212.1
Retrenchment and restructuring costs	**135.3**	43.6
Cash transfer and liquid bond disposal losses	**–**	48.4
Loss on restructuring loans	**136.0**	–
Other	**47.9[4]**	(118.4)[5]
Trading profit	**682.1**	1 557.7

1 Trading profit is the main measure of profitability used for segmental reporting purposes and includes foreign exchange movements on forward exchange contracts.

2 Capital items relate to items other than impariment losses/reversals that are adjusted for in the headline earnings per share calculation.

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

4 Primarily relates to ineffective cash flow hedging losses.

5 Primarily relates to the reversal of provisions that were no longer applicable.

5. Net finance costs – continuing operations

R million	**30 Sep 2020**	30 Sep 2019
Loans and leases	**(510.8)**	(347.7)
Overdraft facilities and other	**(13.3)**	(28.5)
Finance costs	**(524.1)**	(376.2)
Liquid bonds	**34.9**	66.7
RBZ receivable	**19.9***	–
Bank balances and other	**21.7**	63.2
Finance income	**76.5**	129.9
Net finance costs	**(447.6)**	(246.3)

* Relates to the write-up of the asset carried at amortised cost at the effective interest rate applicable.

Notes continued

6. Net impairment (losses)/reversals

R million	30 Sep 2020	30 Sep 2019
Impairment losses		
Freehold land and buildings	–	(121.2)
Plant, equipment and vehicles	**(1 595.5)**	(76.5)
Right of use assets	**(209.2)**	–
Intangible assets	**(7.9)**	–
Goodwill	**(2 213.4)**	–
Loan receivables – excluding RBZ receivable	**(3.8)**	–
Reversal of impairment losses		
Plant and equipment	**9.6**	–
Loan receivables	–	49.5*
Total	**(4 020.2)**	(148.2)

* Includes impairment reversals on liquid bonds (US dollar indexed Angolan kwanza bonds).

Details pertaining to impairment losses are indicated in note 3.2 above.

7. Tax rate reconciliation

%	30 Sep 2020	30 Sep 2019
Statutory tax rate	**28.0**	28.0
Reduction in tax rate due to:		
Exempt income (including capital profits)[1]	**1.2**	(420.0)
Government incentives	**0.1**	(181.4)
Adjustment for prior year	**1.5**	(1 983.9)
Increase in tax rate due to:		
Foreign currency translation impact when converting local tax computations to functional currency	**(0.9)**	–
Capital gains tax	–	(1.8)
Deferred taxation not recognised	**(5.6)**	3 453.7
Losses not protected in Angola due to tax holiday	–	2 561.4
Angolan tax law changes	–	4 793.1
Tax rate reduction	**1.3**	–
Hyperinflation adjustments	**(2.2)**	145.4
Foreign tax rate differential	**(3.8)**	(4 272.8)
Withholding and other foreign taxes	**(1.4)**	1 894.6
Impairments	**(8.4)**	–
Disallowable expenses[2]	**(1.3)**	472.2
Effective group rate of tax	**8.5**	6 488.5

1 Exempt income includes the capital profit on the disposal of the Rigids fixed assets and profits on disposal of Nampak Plastics Europe Limited.
2 Disallowable expenses include expenses of a capital nature and expenses relating to the disposal of businesses.

8. Disposal of discontinued operations and other disposal groups held for sale

8.1 Discontinued operation – Nampak Plastics Europe Limited

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

Notes continued

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

R million	30 Sep 2020	30 Sep 2019
Results of the discontinued operation		
Revenue	**131.3**	974.2
Operating expenses other than depreciation, amortisation and impairment losses	**(151.0)**	(1 231.9)
Adjusted EBITDA[1]	**(19.7)**	(257.7)
Depreciation and amortisation[2]	**–**	(32.9)
Impairment of plant and assets held for sale	**(12.6)**	(362.8)
Net finance income	**–**	0.2
Net loss for the year before disposal effect[3]	**(32.3)**	(653.2)
Net profit on disposal of discontinued operation[3]	**547.2**	–
Net profit/(loss) for the year	**514.9**	(653.2)

1 Adjusted EBITDA is calculated before net impairments.
2 Depreciation and amortisation ceased on classification of the operation as a discontinued operation and disposal group held for sale.
3 No income tax is provided on either the operating loss or disposal profit due to the operation being in an assessed loss position.

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

R million	30 Sep 2020
Proceeds on disposal	**–***
Net liabilities disposed	**296.8**
Property, plant and equipment	**(40.9)**
Inventories	**(24.5)**
Trade and other current receivables	**(323.2)**
Bank and cash	**(27.9)**
Retirement benefit obligation	**538.3**
Trade payables, provisions and other current payables	**175.0**
Profit on disposal before items below	**296.8**
Disposal costs	**(128.0)**
Translation reserve recycled	**378.4**
Net profit on disposal	**547.2**

* Disposed for a nominal sum.

R million	30 Sep 2020	30 Sep 2019
Cash flows of the discontinued operation		
Net cash flows from operating activities	**(73.3)**	(314.9)
Net cash flows from investing activities excluding disposal	**(13.8)**	(162.7)
Net cash flow from disposal	**(155.9)**	–
Bank and cash balances disposed	**(27.9)**	–
Disposal costs	**(128.0)**	–
Net cash flows	**(243.0)**	(477.6)

8.2 Discontinued operation – Nampak Glass division

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

Notes continued

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

R million	30 Sep 2020	30 Sep 2019
Results of the discontinued operation		
Revenue	**790.9**	1 517.6
Operating expenses other than depreciation, amortisation and impairment losses	**(721.2)**	(1 580.0)
Adjusted EBITDA [1]	**69.7**	(62.4)
Depreciation and amortisation [2]	**–**	–
Impairment of plant, goodwill and intangible assets	**(3.6)**	(336.0)
Net finance costs	**(99.8)**	(200.1)
Loss before tax	**(33.7)**	(598.5)
Attributable income tax (expense)/benefit	**(12.1)**	127.8
Net loss for the year before disposal effect	**(45.8)**	(470.7)
Net loss on disposal of discontinued operation [3]	**(100.4)**	–
Net loss for the year	**(146.2)**	(470.7)

1 Adjusted EBITDA is calculated before net impairments.

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

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

The net loss on disposal of the discontinued operation before attributable income tax was calculated as follows:

R million	30 Sep 2020
Proceeds on disposal	**1 571.0**
Working capital and other adjustments	**(174.6)**
Adjusted proceeds on disposal	**1 396.4**
Net assets disposed	**(1 422.5)**
Property, plant and equipment	**(894.9)**
Right of use assets	**(89.6)**
Intangible assets	**(3.2)**
Inventories	**(531.1)**
Trade and other current receivables	**(203.4)**
Lease liability	**108.6**
Trade payables, provisions and other current payables	**191.1**
Loss on disposal	**(26.1)**
Disposal costs	**(74.3)**
Net loss on disposal	**(100.4)**

R million	30 Sep 2020	30 Sep 2019
Cash flows of the discontinued operation		
Net cash flows from operating activities	**(18.3)**	121.5
Net cash flows from investing activities excluding disposal	**(63.1)**	(92.4)
Net cash flow from disposal	**1 322.1**	–
Adjusted proceeds on disposal	**1 396.4**	–
Disposal costs	**(74.3)**	–
Net cash flows	**1 240.7**	29.1

Notes continued

8.3 Disposal groups held for sale – Nampak Cartons Nigeria Limted and Nampak Properties Nigeria Limited

On 5 February 2019, the board took a decision to dispose of its entire interests in Nampak Cartons Nigeria Limited ("Nampak Cartons") and Nampak Properties Nigeria Limited ("Nampak Properties"). 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 was ultimately completed effective 31 December 2019.

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

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

R million	30 Sep 2020
Proceeds on disposal	**444.0**
Net assets disposed	**(293.9)**
Property, plant and equipment	**(123.5)**
Deferred tax asset (Nampak Cartons Nigeria)	**(14.7)**
Inventories	**(98.4)**
Trade and other current receivables	**(87.0)**
Tax assets	**(5.0)**
Bank and cash	**(39.9)**
Deferred tax liability (Nampak Properties Nigeria)	**16.5**
Trade payables, provisions and other current payables	**58.1**
Profit on disposal before items below	**150.1**
Disposal costs	**(34.2)**
Translation reserve recycled	**(275.7)**
Net loss on disposal	**(159.8)**
Net cash flows on disposal of the disposal groups	
Proceeds on disposal	**444.0**
Bank and cash balances disposed	**(39.9)**
Disposal costs	**(34.2)**
Net cashflow from disposal	**369.9**

8.4 Disposal groups held for sale – Megapak Crates and Drums businesses

On 30 May 2018, the board took a decision to dispose of the Megapak business consisting of the Drums and Crates businesses. The group met the criteria of IFRS 5: Non-current Assets Held for Sale for the Drums and Crates disposal groups as at 30 May 2018 and 31 July 2018 respectively, and therefore classified these businesses as disposal groups held for sale at those dates. During the prior year, the disposal of the majority of the Megapak Crates and Drums businesses was halted after the businesses completed a restructuing 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 repective asset and liability classes on the statement of financial position. The assets of the intermediary bulk container business were disposed effective 15 December 2019.

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

Notes continued

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

R million	30 Sep 2020
Proceeds on disposal	**32.2**
Net assets disposed	**(13.4)**
Plant and equipment	**(8.2)**
Inventories	**(0.6)**
Trade and other current receivables	**(4.6)**
Net profit on disposal	**18.8**
Net cash flow on disposal of disposal group	
Proceeds on disposal	**32.2**

8.5 Summary

R million	30 Sep 2020	30 Sep 2019
Net profit/(loss) from discontinued operations		
Nampak Plastics Europe	**514.9**	(653.2)
Nampak Glass	**(146.2)**	(470.7)
Total	**368.7**	(1 123.9)
Net profit/(loss) on disposal of discontinued operations and other disposal groups		
Nampak Plastics Europe Limited	**547.2**	–
Nampak Glass division	**(100.4)**	–
Nampak Cartons Nigeria Limited and Nampak Properties Limited	**(159.8)**	–
Megapak Crates and Drums businesses	**18.8**	–
Total	**305.8**	–
Net cash flows on disposal of discontinued operations and other disposal groups		
Nampak Plastics Europe Limited	**(155.9)**	–
Nampak Glass division	**1 322.1**	–
Nampak Cartons Nigeria Limited and Nampak Properties Limited	**369.9**	–
Megapak Crates and Drums businesses	**32.2**	–
Total	**1 568.3**	–

9. Determination of headline earnings and headline earnings per share

R million	30 Sep 2020	30 Sep 2019
Continuing operations		
(Loss)/profit attributable to equity holders of the company for the period	**(3 836.3)**	272.3
Less: preference dividend	**(0.1)**	(0.1)
Basic (loss)/earnings	**(3 836.4)**	272.2
Adjusted for :		
Net impairment losses on plant, equipment, goodwill and other intangible assets	**4 016.4**	197.7
Net loss on disposal of businesses	**141.0**	–
Net loss/(profit) on disposal of property, plant, equipment and intangible assets	**9.0**	(71.3)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	**(82.7)**	–
Tax effects and non-controlling interests	**(747.4)**	(49.8)
Headline (loss)/earnings for the period	**(500.1)**	348.8
Headline (loss)/earnings per ordinary share (cents)	**(77.6)**	54.1
Diluted headline (loss)/earnings per share (cents)	**(77.5)**	53.8

Notes continued

R million	30 Sep 2020	30 Sep 2019
Continuing and discontinued operations		
Loss attributable to equity holders of the company for the period	**(3 467.6)**	(851.6)
Less: preference dividend	**(0.1)**	(0.1)
Basic loss	**(3 467.7)**	(851.7)
Adjusted for :		
Net impairment losses on property, plant, equipment, goodwill, other intangible assets and assets held for sale	**4 029.3**	896.5
Net profit on disposal of businesses	**(305.8)**	–
Net loss/(profit) on disposal of property, plant, equipment and intangible assets	**9.0**	(68.3)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	**(82.7)**	–
Tax effects and non-controlling interests	**(747.5)**	(101.3)
Headline loss for the period	**(565.4)**	(124.8)
Headline loss per ordinary share (cents)	**(87.7)**	(19.4)
Diluted headline loss per share (cents)	**(87.6)**	(19.3)

10. Property, plant, equipment and investment property

R million	30 Sep 2020	30 Sep 2019
Net carrying value at the beginning of the period	**7 195.2**	8 177.0
Additions	**538.6**	627.5
Depreciation	**(389.5)**	(493.6)
Disposals	**(35.7)**	(76.2)
Net impairment losses	**(1 585.9)**	(560.5)
Net reclassifications to assets held for sale	**(63.8)**	(67.7)
Translation differences	**260.3**	(387.7)
Other movements	**(13.4)**	(23.6)
Net carrying value at the end of the year	**5 905.8**	7 195.2

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

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

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

Impairment losses are recognised on property, plant and equipment where the carrying value exceeds the higher of value-in-use of the assets at the operation/cash generating unit concerned or the fair value of the asset less costs to sell these assets.

Notes continued

11. Liquid bonds and other loan receivables

R million	30 Sep 2020	30 Sep 2019
Liquid bonds[1]	**307.4**	723.1
Reserve Bank of Zimbabwe financial instrument[2]	**150.4**	129.1
Equipment sales receivables[3]	**24.1**	28.9
Other loan receivables	**16.4**	21.2
Total liquid bonds and other loan receivables	**498.3**	902.3
Less: Amounts receivable within one year reflected as current	**358.6**	40.1
Liquid bonds	**307.4**	25.3
Reserve Bank of Zimbabwe financial instrument	**41.3**	–
Equipment sales receivables	**5.4**	5.8
Other loans receivables	**4.5**	9.0
Non-current liquid bonds and other loan receivables	**139.7**	862.2

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

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

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

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

12. Loans

12.1 Loans – non-current

R million	30 Sep 2020	30 Sep 2019
Loans*		
Local	**2 300.0**	1 982.9
Foreign	**4 455.2**	5 876.2
Gross non-current loans	**6 755.2**	7 859.1
Less: Amounts due for repayment within one year reflected as current	**1 000.0**	1 726.3
Net non-current loans	**5 755.2**	6 132.8

* Loans are secured as follows:

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

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

No liabilities have been recognised for the outstanding guarantees.

Notes continued

12.2 Lease liabilities – non-current

R million	30 Sep 2020	30 Sep 2019
Local	**1 420.7**	–
Foreign	**5.0**	–
Total lease liabilities	**1 425.7**	–
Less: Amounts due within one year reflected as current	**134.5**	–
Local	**133.5**	–
Foreign	**1.0**	–
Net non-current lease liabilities	**1 291.2**	–

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

12.3 Loans, lease liabilities and bank overdrafts – current

R million	30 Sep 2020	30 Sep 2019
Current portion of loans (note 12.1)	**1 000.0**	1 726.3
Current portion of lease liabilities (note 12.2)	**134.5**	–
Bank overdrafts	**128.5**	227.8
Total	**1 263.0**	1 954.1

13. Provisions

Provisions include the following:

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

Restructuring and rehabilitation provision

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

Customer claims

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

Other

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

Notes continued

14. Summarised group statement of cash flows analysis

14.1 Reconciliation of loss before taxation to cash generated from operations (continuing and discontinued operations)

R million	30 Sep 2020	30 Sep 2019
Loss before taxation	**(4 369.5)**	(1 245.6)
Continuing operations	**(4 750.3)**	6.1
Discontinued operations	**380.8**	(1 251.7)
Adjustment for:		
Depreciation and amortisation	**536.6**	518.2
Net loss/(profit) on disposal of property, plant, equipment and intangible assets	**9.0**	(68.0)
Net profit on disposal of businesses	**(305.8)**	–
Financial instruments fair value adjustment	**(14.2)**	29.8
Net defined benefit plan expense	**30.5**	116.4
Impairment losses	**4 046.0**	896.5
Reversal of impairment losses	**(9.6)**	(49.5)
Net devaluation impact in Zimbabwe	**263.8**	1 037.3
Foreign exchange losses in Zimbabwe operations	**81.9**	1 944.5
Monetary adjustment for hyperinflation	**181.9**	(831.5)
Gain on Reserve Bank of Zimbabwe receivable	**–**	(794.5)
Expected credit loss on Reserve Bank of Zimbabwe financial instrument	**–**	718.8
Inventory written off	**–**	172.2
Share of net (profit)/loss in associates and joint ventures	**(0.5)**	1.4
Share-based payments expense	**(13.6)**	(8.2)
Net finance costs	**547.4**	446.2
Cash generated from operations before working capital changes	**720.1**	1 846.7
Net working capital changes	**367.0**	(705.3)
Decrease/(increase) in inventories	**569.9**	(384.1)
Decrease/(increase) in trade and other current receivables	**589.9**	(158.2)
Decrease in trade and other current payables	**(792.8)**	(163.0)
Cash generated from operations	**1 087.1**	1 141.4

14.2 Net cash paid in financing activities

R million	30 Sep 2020	30 Sep 2019
Non-current loans raised	**2 388.4**	294.2
Non-current loans repaid	**(4 127.5)**	(858.1)
Net current loans raised	**1.5**	–
Repayment of lease liabilities	**(79.0)**	–
Total	**(1 816.6)**	(563.9)

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

R million	30 Sep 2020	30 Sep 2019
Cash and cash equivalents	**1 528.9**	1 586.2
Bank balances and deposits per statement of financial position*	**1 528.9**	1 462.7
Bank balances and deposits classified as held for sale	**–**	123.5
Bank overdrafts**	**(128.5)**	(227.8)
Total	**1 400.4**	1 358.4

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

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

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

Notes continued

15. Carrying amount of financial instruments

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

R million	30 Sep 2020	30 Sep 2019
At fair value through other comprehensive income – level 1		
Liquid bonds[1]	**307.4**	–
At fair value – level 2		
Financial assets		
Derivative financial assets[2]	**13.7**	26.2
Financial liabilities		
Derivative financial liabilities[2]	**11.1**	11.3
At amortised cost		
Financial assets	**3 501.1**	4 958.1
Other loan receivables and liquid bonds[1]	**190.9**	902.3
Trade and other current receivables[3]	**1 781.3**	2 469.6
Bank balances and deposits	**1 528.9**	1 586.2
Financial liabilities	**10 542.3**	11 314.9
Loans and lease liabilities	**7 046.4**	6 132.8
Trade and other current payables[4]	**2 232.9**	3 228.0
Current loans, other borrowings and bank overdrafts	**1 263.0**	1 954.1

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

2 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.

3 Excludes derivative financial assets (disclosed separately), prepayments and trade and other current receivables presented as part of assets classified as held for sale.

4 Excludes derivative financial liabilities (disclosed separately), provisions and trade and other current payables presented as part of liabilities directly associated with assets classified as held for sale.

16. Capital expenditure, commitments and contingent liabilities

R million	30 Sep 2020	30 Sep 2019
Capital expenditure	**666.2**	734.8
Expansion	**124.8**	217.8
Replacement	**541.4**	517.0
Capital commitments	**139.9**	454.5
Contracted	**89.5**	300.2
Approved not contracted	**50.4**	154.3
Lease commitments/expected future cash outflows related to lease liabilities	**2 112.8**	3 086.6
Land and buildings	**2 086.8**	3 041.9
Other	**26.0**	44.7
Contingent liabilities – customer claims and guarantees	**10.7**	11.2

17. Share statistics

R million	30 Sep 2020	30 Sep 2019
Ordinary shares in issue (000)	**689 812**	689 812
Ordinary shares in issue – net of treasury shares (000)	**645 081**	644 730
Weighted average number of ordinary shares on which basic earnings and headline earnings per share are based (000)	**644 935**	644 727
Weighted average number of ordinary shares on which diluted basic earnings and diluted headline earnings per share are based (000)	**645 465**	647 934

Notes continued

18. Key ratios and exchange rates

18.1 Key ratios

		30 Sep 2020	30 Sep 2019
Adjusted EBITDA[1] – continuing operations	R million	**253.6**	1 606.1
Net gearing			
– based on total net borrowings	%	**149**	68
– based on net borrowings excluding lease liabilities	%	**115**	68
Current ratio	times	**1.7**	1.5
Current ratio (including non-current portion of liquid bonds[2])	times	**1.7**	1.6
Acid test ratio	times	**1.0**	1.0
Acid test ratio (including non-current portion of liquid bonds[2])	times	**1.0**	1.1
Net debt: EBITDA – debt covenants	times	**4.9**	2.9
EBITDA: Interest cover – debt covenants	times	**2.6**	4.5
Return on equity – continuing operations	%	**(55.1)**	2.8
Return on net assets – continuing operations			
– based on trading profit	%	**5.5**	11.3
– based on operating profit		**(2.3)**	2.9
Return on invested capital – continuing operations			
– based on trading profit	%	**4.4**	7.9
– based on operating profit		**(1.8)**	2.2
Return on invested capital – continuing and discontinuing operations	%		
– based on trading profit		**4.8**	7.7
– based on operating profit		**1.4**	0.3
Net asset value per ordinary share[3]	cents	**773**	1 385
Tangible net asset value per ordinary share[3]	cents	**456**	780

1 Adjusted EBITDA is calculated before net impairment losses on property, plant and equipment and expected credit losses on loan receivables.
2 Calculated as the non-current portion of liquid bonds can be converted back into cash within three months.
3 Calculated on shareholders' equity and ordinary shares in issue, net of treasury shares.

18.2 Exchange rates

R million	30 Sep 2020	30 Sep 2019
Key currency conversion rates used for the periods concerned were as follows:		
Rand/UK pound		
Average	**20.68**	18.30
Closing	**21.55**	18.65
Rand/Euro		
Average	**18.19**	16.18
Closing	**19.56**	16.54
Rand/US dollar		
Average	**16.24**	14.35
Closing	**16.69**	15.17
Naira/US dollar		
Average	**375.15**	361.55
Closing	**381.75**	362.04
Kwanza/US dollar		
Average	**549.67**	333.94
Closing	**640.10**	389.49
RTGS dollar/US dollar		
Average	**36.76**	5.0
Closing	**81.44**	15.2

Notes continued

19. 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 being not significant, is included in the financial performance and results of the Group.

20. Subsequent events

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

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

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

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

21. Restatement of audited summarised consolidated financial results

The annual consolidated financial statements and the summarised consolidated financial results which are derived from the annual consolidated financial statements approved on the 30 November 2020, were initially published on 1 December 2020. The results, financial position and cash flows for the current and previous years were presented and disclosed correctly in the annual consolidated financial statements for the financial year ended 30 September 2020. However, it was determined post publication that a number of disclosure related corrections were required to ensure the alignment of the summarised consolidated financial results to the annual consolidated financial statements. The earnings, headline earnings, earnings per share, headline earnings per share and net asset value per ordinary share remain unchanged from the annual consolidated financial statements and the summarised consolidated financial results which are derived from the annual consolidated financial statements approved on the 30 November 2020.

Two items, in particular, that were corrected in the re-issued summarised consolidated financial results are the following:

› summarised consolidated statement of comprehensive income: the comparative figure for exchange differences on translation of foreign operations excluding Zimbabwe operations, as presented in the summarised consolidated statement of comprehensive income, was corrected to reflect a gain of R298.9 million as opposed to a loss of R713.2 million. This did not impact the total other comprehensive loss for 2019 as the sub-total was correct;

› note 18.1 of the notes to the summarised consolidated financial results: the adjusted EBITDA for the current year was corrected to R253.6 million as opposed to R280.1 million as disclosed.

Other corrections which have been effected to the commentary, summarised consolidated financial results and accompanying notes to the summarised financial results are as follows:

› commentary (covenant relaxation): the EBITDA interest cover covenant which was previously disclosed as 2.5 was corrected to 2.6;

› commentary (capital expenditure): capital expenditure relating to the conversion of the tinplate line to aluminium in Angola was disclosed as R216 million and was corrected to R212 million;

› commentary (segment results): the trading margin for the Plastics segment for the current year which was previously disclosed as 5.8% was corrected to 5.7%, while the trading margin for the Paper segment which was previously disclosed as 15.2% in the comparative information (2019) was corrected to 15.1%;

› summarised consolidated statement of changes in equity: the line item total comprehensive loss for the year was previously disclosed as total comprehensive income for the year, was corrected to state total comprehensive loss for the year;

› note 2.2: the impact on opening retained earnings on adoption of IFRS 16 Leases of R290.3 million which was previously disclosed as being after tax, was corrected to state that it is before tax;

Notes continued

- note 4: the operating (loss)/profit for continuing operations for the current year which was previously disclosed as being a profit for the current year was corrected with similar corrections in the reconciliation of operating (loss)/profit to trading profit, as reflected in the tables of the analysis of these metrics;
- note 8.1: the net finance income which was previously disclosed for Nampak Plastics Europe as net finance costs was corrected to state that it is net finance income;
- note 8.2: the net working capital adjustment for Glass indicated in the narrative commentary as being required to be remitted to the buyer that was previously disclosed as R156.4 million, was corrected to R 174.6 million. The table setting out the net loss on disposal analysis correctly reflected the amount as being R 174.6 million;
- note 8.2: the attributable tax (expense)/benefit for Glass that was previously disclosed as an attributable income tax benefit for the current year was corrected to state that it is the attributable tax (expense)/benefit;
- note 9: the net loss on disposal of plant, equipment, goodwill and other intangible assets under the items excluded for HEPS purposes for the current year which was previously disclosed as a net profit was corrected to state that it is net loss/(profit) on disposal of property, plant, equipment and intangible assets;
- note 9: the headline (loss)/earnings for continuing operations for the current year which was previously disclosed as being headline earnings, was corrected with similar corrections for both HEPS and diluted HEPS from continuing operations to state it as losses in 2020, as reflected in the tables of the analysis of these metrics;
- note 9: the headline loss for total operations for the current year which was previously disclosed as being headline earnings, was corrected to reflect a loss for both the current and previous years with similar corrections for both HEPS and diluted HEPS from total operations;
- note 14.1: the loss on disposal of property, plant, equipment and intangible assets under adjustments for non-cash items which was previously disclosed as a net profit for the current year was corrected, while the decrease in trade receivables under net working capital changes which was previously disclosed as an increase was corrected;
- note 18.2: the AOA/USD average and closing exchange rates for the current year which were previously disclosed as 375.15 and 381.75 respectively were corrected to 549.67 and 640.10 respectively.

Further minor corrections were also made to wording and formatting in the notes to the summarised consolidated financial statements that had no impact on amounts disclosed.

22. Independent Auditor's opinion

The revised and re-issued summarised consolidated financial statements for the year ended 30 September 2020 have been audited by Deloitte & Touche, who have expressed an unmodified opinion in terms of the International Standards of Auditing, including a paragraph on material uncertainty relating to going concern.

Emphasis of Matter – Subsequent Event

We draw attention to Note 21 to the summarised consolidated financial statements which indicates that the previously issued summarised consolidated financial statements for the year ended 30 September 2020, on which we issued an auditor's report dated 30 November 2020, have been revised and re-issued. As explained in Note 21, the audited consolidated financial statements and the summarised consolidated financial results, which were derived from the audited consolidated financial statements approved on the 30 November 2020, were initially published on 1 December 2020. The results, financial position and cash flows for the current and previous years were presented and disclosed correctly in the audited consolidated financial statements. However, it was determined post publication that a number of disclosure related corrections are required to ensure alignment of the summarised consolidated financial statements to the audited consolidated financial statements. The earnings, headline earnings, earnings per share, headline earnings per share and net asset value per ordinary share remain unchanged from the audited consolidated financial statements and the summarised consolidated financial results, which are derived from the audited consolidated financial statements approved on the 30 November 2020. Our opinion is not modified in respect of this matter.

The auditors also expressed an unmodified opinion in terms of the International Standards on Auditing, with a paragraph on material uncertainty relating to going concern on the annual consolidated financial statements from which the revised and re-issued summarised consolidated financial statements were extracted. Events or conditions indicate that material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

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 Consolidated Financial Statements

To the shareholders of Nampak Limited

Opinion

The summarised consolidated financial statements of Nampak Limited, which comprise the summary consolidated statement of financial position as at 30 September 2020, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Nampak Limited for the year ended 30 September 2020.

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 abridged 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.

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 audited consolidated 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.

Emphasis of Matter – Subsequent Event

We draw attention to Note 21 to the summarised consolidated financial statements which indicates that the previously issued summarised consolidated financial statements for the year ended 30 September 2020, on which we issued an auditor's report dated 30 November 2020, have been revised and re-issued. As explained in Note 21, the audited consolidated financial statements and the summarised consolidated financial results, which were derived from the audited consolidated financial statements approved on the 30 November 2020, were initially published on 1 December 2020. The results, financial position and cash flows for the current and previous years were presented and disclosed correctly in the audited consolidated financial statements. However, it was determined post publication that a number of disclosure related corrections are required to ensure alignment of the summarised consolidated financial statements to the audited consolidated financial statements. The earnings, headline earnings, earnings per share, headline earnings per share and net asset value per ordinary share remain unchanged from the audited consolidated financial statements and the summarised consolidated financial results, which are derived from the audited consolidated financial statements approved on the 30 November 2020. Our opinion is not modified in respect of this matter.

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 30 November 2020. That report also includes:

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

The Listings Requirements require abridged 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 to also, as a minimum, contain the information required by IAS 34, *Interim Financial Reporting*.

Independent Auditor's Report on Summarised Consolidated Financial Statements continued

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 audited consolidated 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 Auditors
Per: JHW de Kock
Partner

21 December 2020
5 Magwa Crescent, Waterfall City, 2090 South Africa

Corporate information

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, K Mzondeki, CD Raphiri, SP Ridley, LJ Sennelo and N Khan (appointed with effect from 1 August 2020).

Executive directors

EE Smuts (Chief executive officer) and GR Fullerton (Chief financial officer).

Company Secretary

IH van Lochem

Registered office

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Share registrar

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