

Company Registration No. 0400002

Nampak Plastics Europe Limited

Annual report and Financial Statements

30 September 2019



Nampak Plastics Europe Limited

Report and financial statements 2019

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Nampak Plastics Europe Limited

Report and financial statements 2019

Officers and professional advisers

Directors

Daniel Goldstein
Samuel Hancock
Marc Meyohas
Christopher Phelan

Registered office

Jenna Way
Interchange Park
Newport Pagnell
Buckinghamshire
MK16 9QJ

Bankers

Barclays Bank plc
1 Churchill Place
Canary Wharf
London
E14 5HP

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Nampak Plastics Europe Limited

Strategic report

Principal activities

The company's principal activity is the manufacture of blow moulded plastic containers for use in the dairy industry within the United Kingdom and Ireland.

On 13 December 2019 the company was sold by Nampak Holdings (UK) Limited to Bellcave Limited, a company incorporated in the United Kingdom. There has been no change in the principal operations of the business. Further details of this change and other post balance sheet events are set out in note 26.

Business review

During the current financial year total revenue declined by 30.3% to £53,170,000 (2018: £76,319,000). The main driver for the decline was the loss of volumes relating to the sale of two sites to a customer in the year, in addition to a site closure part way through the prior year, reducing the estate from 8 sites in October 2018 to 5 sites in September 2019. Additionally, the company relocated another site in the current year, with commissioning of equipment at the new site in Livingston still ongoing at the year-end.

Gross profit has decreased from £10,751,000 to £3,435,000 principally due to lower volumes. Gross margin percentage decreased from 14.1% to 6.5% which reflects the change in mix of bottles sold after the sale of the sites noted above, and additional costs incurred in meeting customer orders whilst commissioning new equipment at the relocated site.

During the year an impairment on fixed assets of £11,406,000 was recognised on plant and machinery at three sites that are forecast to be loss-making.

The operating loss increased from £2,699,000 in 2018 to £25,759,000 in the current year. Despite the reduction in volumes, the company incurred higher distribution costs due in part to serving customers from fewer sites. It also includes restructuring costs of £1,314,000 and the impairment above. Additionally, based on a High Court judgement, the pension scheme has prudently included a Guaranteed Minimum Pension (GMP) gender equalisation reserve of 1.6% of the liabilities which amounts to £2,148,000 in the current year relating to past service costs. Excluding these items, underlying operating loss was £10,891,000 (2018: profit of £124,000).

A business turnaround plan was implemented immediately on purchase of the company by Bellcave. The plan contains a series of initiatives designed to increase profitability. These initiatives include renegotiating contracts with customers and suppliers, improving operational efficiency and reducing employee costs.

The company has achieved significant cost savings in the period between the year end and accounts signing date due to these initiatives and continues to work on completing the remaining projects, forecasting an expected return to profitability from FY22.

The balance sheet shows that the company's net assets have decreased by £27,930,000 during the year to a net liability of £8,052,000. Tangible fixed assets have decreased by £7,302,000 as the investment in the new Livingston site is offset by disposals associated with the site sales and impairments noted above. Stock, debtors and payables have all decreased primarily due to the impact of the company's reduction in revenue.

Net assets decreased by £27,930,000 due to the loss for the year of £25,915,000 and an actuarial loss of £2,071,000 on the pension scheme, offset by a foreign exchange translation gain on the company's Irish branch of £56,000. Post year end, the business completed a sale and leaseback of a property for £15.6m which had a book value at disposal of £2.4m.

During the year the company did not declare any dividends. As at the balance sheet date, on a net basis the company was owed £4,446,000 (2018: £26,565,000) from group undertakings which had been substantially settled at the sale date.

Principal risks and uncertainties

The company's principal risk relates to the turnaround of the business performance. To mitigate this risk, following the sale of the company the business has successfully executed a number of actions to reduce costs and arrest the losses, and continues to work on the remaining initiatives, as well as exploring a number of new opportunities.

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Strategic report (continued)

The company's cashflow position is also considered to be a key risk whilst the turnaround plan is being concluded. Subsequent to the year-end, the company completed the sale and leaseback of its Newport Pagnell operating site with the proceeds of £15.6m (before costs) expected to provide sufficient funding for the company to return to profitability and cash flow generation.

COVID-19 is affecting all businesses on a macro scale and creating heightened uncertainty. Management have reviewed potential likely scenarios on the impact of COVID-19 to ensure adequate contingency plans are in place. Nampak operates within a key manufacturing industry, meaning the business has been comparatively less affected by the pandemic than other industries. Consumption of milk through supermarkets has remained generally consistent to pre-COVID-19 levels and only non-essential products such as flavoured milk containers have significantly reduced in demand, such products being a small proportion of the business. The company's workforce is broadly split into key workers and those able to work remotely and therefore there has been limited effect of the pandemic on day to day operations or retention of key staff. Management believe that the worst case scenario of any ongoing or increased COVID-19 cases and associated business interruptions will be a reduction in volumes to similar levels experienced at the height of the pandemic. Following the sale and leaseback transaction, the directors are satisfied that the company has sufficient cash reserves to continue trading for a period of at least 12 months from the date of approval of these financial statements and accordingly continue to prepare the financial statements on a going concern basis.

The outcome of the United Kingdom withdrawing from the European Union including any future trading agreement with the European Union is still not fully known and this could have impacts over many economic factors including exchange rates, trade tariffs and asset values. Procurement of key raw materials and equipment includes suppliers from the European Union. The company is working with alternative suppliers from other parts of the world to ensure that contingencies are in place in the event of delayed supply from the European Union. Whilst the company's principal operations are UK based, the company does have a branch in the Republic of Ireland. The branch primarily operates as a standalone business with all key customers and suppliers located within the Republic of Ireland and the European Union.

Future Developments

The company is focusing on streamlining and rationalising its product base to improve operational efficiencies. The business is also looking at robotics to improve processes by driving efficiencies, mitigating human error and reducing waste production, energy consumption and simplifying packaging and handling processes.

The company is currently negotiating deals for growth opportunities outside of the dairy industry and will continue to explore diversification opportunities.

Employees

The company is an equal opportunity employer and its policy is that disabled persons should be considered for all job vacancies and subsequent career and promotional opportunities, on the basis of aptitude and ability. Staff consultation on issues affecting them and the business has continued to take place through quarterly briefing meetings as well as by formal and informal meetings with management. The company is recognised as an investor in people as well as a CIPD award winner.

Environment & Sustainability

Our sustainability goals focus on three core areas, driving a circular economy, reducing carbon emissions and communication.

During the year we opened a new production facility in Livingston that utilises new manufacturing equipment that significantly reduces our energy usage compared to the old facility that has now ceased operation. In addition to energy consumption, we reduced the number of road miles travelled by being closer to the customers now serviced from our Livingston facility, and through a self sufficiency project at our London in-plant reducing the reliance on delivered support from our main production facility.

With the increasing challenges to our climate and the negative public perception of plastics, it is imperative that we communicate honestly and credibly. We commissioned an independent Life Cycle Impact Assessment for milk

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Strategic report (continued)

packaging formats that provides scientific grounding for this purpose. The study concluded that HDPE packaging for the UK milk market had the lowest impact on the environment compared to other formats, whether doorstep delivery or the supermarket.

We have several major projects underway that will see our carbon emissions significantly reduced over coming years through technological advances and sourcing policies. We strive to operate with zero waste to landfill at all our facilities.

Approved by the Board of Directors and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'C Phelan', with a long horizontal line extending to the right.

C Phelan
Director
2 October 2020

Nampak Plastics Europe Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2019. The Company has chosen, in accordance with section 414 C (11) of the Companies Act 2006, to include such matters of strategic importance to the Company in the Strategic Report which would otherwise be required to be disclosed in the Directors' Report.

Directors

The directors who held office throughout the year and to the date of the report except as noted were as follows:

A Mitterer (resigned on 23 December 2019)
L Haggett (resigned on 23 December 2019)
A De Ruyter (resigned on 13 December 2019)
G R Fullerton (resigned on 13 December 2019)
Alan Howie (appointed on 17 May 2019 and resigned on 13 December 2019)
Mitchell Williams (appointed on 26 February 2019 and resigned on 23 July 2020)
Daniel Goldstein (appointed on 13 December 2019)
Samuel Hancock (appointed on 13 December 2019)
Marc Meyohas (appointed on 13 December 2019)
Christopher Phelan (appointed on 13 December 2019)

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Branches

The company has a branch in the Republic of Ireland through which it provides services to a customer in the dairy sector in Ireland.

Financial risk management and objectives

The company's activities expose it to a number of risks including credit risk, liquidity risk and cash flow risk. The company does not use financial derivatives to manage these risks. The measures in place and associated considerations are set out below.

Credit risk

The company's principal financial assets are cash and trade. Credit risk is primarily attributable to cash at bank and trade debtors. The company seeks to minimise exposure on trade debtors by issuing regular invoices and enforcing credit terms. The credit risk on cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity and cash flow risk

In order to maintain liquidity and ensure that sufficient funds are available for ongoing operations, the company regularly forecasts its cash requirements and ensures payment terms with customers and suppliers are agreed. As noted above the company has taken steps to reduce its costs and therefore improve cashflow.

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Directors' report (continued)

Going concern

The directors' assessment on going concern is set out in note 1 to the financial statements.

Strategic report

Disclosure has been made in the Strategic Report regarding principal risks and uncertainties, future developments, employees and the environment.

Dividends

The directors did not propose a dividend in the current accounting period (2018: £nil).

Post balance sheet events

On 13 December 2019 the company was sold by Nampak Holdings (UK) Limited to Bellcave Limited, a company incorporated in the United Kingdom. There has been no change in the principal operations of the business. Further details of this are set out in note 26.

On 11 February 2020, the company entered into a new borrowing facility to provide funds of £5,600,000. The loan was for a term of up to 12 months and interest and fees of £600,000 were paid in advance. The loan was secured against the Company's freehold site at Newport Pagnell. An additional charge against this asset was made in favour of the Nampak Staff Pension Fund on 14 February 2020. The loan and related charges were settled on completion of the sale and leaseback on 29 June 2020 for proceeds of £15.6m (before costs).

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 2 October 2020.



C Phelan
Director

Nampak Plastics Europe Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Nampak Plastics Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Nampak Plastics Europe Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the member of Nampak Plastics Europe Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Independent auditor's report to the member of Nampak Plastics Europe Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Hadleigh Shekle FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
2 October 2020

Nampak Plastics Europe Limited

Profit and loss account Year ended 30 September 2019

	Note	2019 £'000	2018 £'000
Turnover	2	53,170	76,319
Cost of sales		(49,735)	(65,568)
Gross profit		3,435	10,751
Distribution costs		(7,614)	(5,976)
Administrative costs		(6,717)	(5,439)
Other operating income		5	788
Other operating expenses:			
Restructuring costs	15	(1,314)	(1,687)
Impairment of assets	3	(11,406)	(1,136)
Guaranteed Minimum Pension equalisation		(2,148)	-
Operating loss		(25,759)	(2,699)
Profit on sale of fixed assets	10	(165)	114
Impairment of investments	11	-	(267)
Dividend income	21	-	2,001
Interest receivable and similar income	4	9	191
Loss before taxation	5	(25,915)	(660)
Taxation	8	-	-
Loss for the financial year		(25,915)	(660)

All of the results are derived from continuing operations.

Nampak Plastics Europe Limited

Statement of comprehensive income Year ended 30 September 2019

	2019 £'000	2018 £'000
Loss for the year	(25,915)	(660)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefit pension schemes	(2,071)	2,776
Tax relating to defined benefit pension schemes	-	-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	56	(165)
Other comprehensive (loss)/gain for the year	(2,015)	2,611
Total comprehensive (loss)/gain attributable to equity shareholders	(27,930)	1,951

Nampak Plastics Europe Limited

Balance sheet At 30 September 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets	9	6,151	13,453
Investment in subsidiary	10	-	-
		<u>6,151</u>	<u>13,453</u>
Current assets			
Stocks	12	1,229	1,463
Debtors – amounts falling due within one year	11	22,767	41,035
Cash at bank and in hand		1,897	4,028
		<u>25,893</u>	<u>46,526</u>
Current liabilities			
Trade and other payables	13	10,905	11,512
Provisions	14	239	835
		<u>11,144</u>	<u>12,347</u>
Net current assets		<u>14,749</u>	<u>34,179</u>
Total assets less current liabilities		<u>20,900</u>	<u>47,632</u>
Non-current liabilities			
Retirement benefit obligations	22	28,952	27,754
Provisions	14	-	-
Net (liabilities)/ assets		<u>(8,052)</u>	<u>19,878</u>
Capital and reserves			
Called up share capital	17	4,863	4,863
Capital reserves	18	21,496	21,496
Retirement benefit reserve		(46,432)	(44,361)
Translation reserve	19	(689)	(745)
Profit and loss account	18	12,710	38,625
Total shareholder's (deficit)/ funds		<u>(8,052)</u>	<u>19,878</u>

These financial statements of Nampak Plastics Europe Limited, registered number 0400002, were approved by the Board of Directors on 2 October 2020.

Signed on behalf of the Board of Directors



C Phelan
Director

Nampak Plastics Europe Limited

Statement of changes in equity Year ended 30 September 2019

	Share capital £'000	Capital reserves £'000	Retirement benefit reserve £'000	Profit and loss account £'000	Translation reserve £'000	Total £'000
Balance at 30 September 2017	4,863	21,496	(47,137)	39,285	(580)	17,927
Loss for the year	-	-	-	(660)	-	(660)
Other comprehensive income for the year (net)	-	-	2,776	-	(165)	2,611
Balance at 30 September 2018	4,863	21,496	(44,361)	38,625	(745)	19,878
Loss for the year	-	-	-	(25,915)	-	(25,915)
Other comprehensive loss for the year (net)	-	-	(2,071)	-	56	(2,015)
Balance at 30 September 2019	4,863	21,496	(46,432)	12,710	(689)	(8,052)

Nampak Plastics Europe Limited

Notes to the financial statements Year ended 30 September 2019

1. Accounting policies

The company is private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

Group financial statements exemption

The financial statements are separate financial statements. The company is exempt from the presentation of consolidated financial statements because it is included in the group financial statements of Nampak Limited. The group financial statements of Nampak Limited are available to the public and can be obtained as set out in note 25.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective and related party transactions.

Where required, equivalent disclosures have been given in the group financial statements of Nampak Limited. The group financial statements of Nampak Limited are available to the public and can be obtained as set out in note 25.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Going concern

There is an assumed risk to going concern given the entity's recent trading losses and also due to the significant pension deficit funding that is required. To mitigate this, since the year-end the company has successfully implemented a number of initiatives to arrest the losses being generated which include renegotiating contracts with customers and suppliers, improving operational efficiency and reducing employee costs. Management are also working on further opportunities that are expected to return the business to profitability within the next two financial years.

In June 2020 the business sold and leased back the Newport Pagnell operating site for cash consideration, before costs, of £15.6m. Cash flow has been forecast both on a short and a long term basis, taking into consideration the estimated impact of COVID-19. Management have reviewed potential likely scenarios on the impact of COVID-19 to ensure adequate contingency plans are in place. The company operates within a key manufacturing industry, meaning the business has been comparatively less affected by the pandemic than other industries. Consumption of milk through supermarkets has remained generally consistent to pre-COVID-19 levels and only non-essential products such as flavoured milk containers have significantly reduced in demand, such products being a small proportion of the business. The company's workforce is broadly split into key workers and those able to work remotely and therefore there has been limited effect of the pandemic on day to day operations or retention of key staff. Management believe that the worst case scenario of any ongoing or increased COVID-19 cases and associated business interruptions will be a reduction in volumes to similar levels experienced at the height of the pandemic. Following the sale and leaseback transaction, the directors are satisfied that the company has sufficient cash reserves to continue trading for a period of at least 12 months from the date of approval of these financial statements and accordingly continue to prepare the financial statements on a going concern basis.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

1. Accounting policies (continued)

Estimates of asset lives, residual lives and depreciation methods

Tangible fixed assets are depreciated on a straight-line basis over their useful lives, taking into account residual values. Useful lives and residual values are assessed annually. Useful lives are affected by technology innovations, maintenance programmes and future productivity. In addition, future market conditions determine the residual values and as depreciation is calculated on a straight-line basis, this may not represent the actual usage of the asset.

Where impairment indicators are identified, tangible fixed assets are reviewed for impairment. This involves the exercise of judgement as it requires the estimation of the expected future cash flows to be generated by the asset, including estimating the proceeds of disposal of the asset, and a discount rate to be applied to those cash flows.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property	– over fifty years
Plant and machinery	– Between three to fifteen years

No depreciation is provided on freehold land.

The gain or loss arising on the disposal or retirement of a tangible fixed asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible fixed assets

Impairment tests on tangible fixed assets are only performed if there is an impairment indicator. At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. Future cash flows are based on management's estimate of future market conditions. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment tests are based on information available at the time of testing. These conditions may change after year-end.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and goods for resale, the average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of overheads.

Nampak Plastics Europe Limited

Notes to the financial statements (continued)

Year ended 30 September 2019

1. Accounting policies (continued)

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Foreign currencies

Transactions in foreign currency are recorded at the rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, or at rates specified in forward contracts where these are in place. These translation differences are recognised in profit and loss.

Income and expense items of overseas branches are translated at the average rate of exchange for the period and exchange differences, together with those arising on the retranslation of net assets of overseas branches at period end rates, are recorded in other comprehensive income and accumulated in equity.

Financial instruments

Financial assets and liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

1. Accounting policies (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Company recognises a loss allowance for expected credit losses ("ECL") on trade receivables and amounts owed by group undertakings. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade and other receivables and amounts owed by group undertakings. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Retirement benefits

Retirement benefits are provided for all eligible employees through either defined benefit or defined contribution funds.

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

For defined benefit plans, the cost of providing the benefits is determined using the Projected Unit Credit Method. Actuarial valuations are conducted on a triennial basis with interim valuations performed on an annual basis. Consideration is given to any event that could impact the funds up to balance sheet date where interim valuations are performed at an earlier date.

Actuarial gains and losses are recognised directly in equity. Actuarial gains and losses recognised outside profit or loss are presented in the statement of changes in equity. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the company is demonstrably committed to the curtailment or settlement.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service costs and reduced by the fair value of plan assets. Any asset or surplus is limited to the present value of available refunds and reductions in future contributions to the plan. To the extent that there is uncertainty regarding entitlement to the surplus, no asset is recorded.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

1. Accounting policies (continued)

Provisions for liabilities

Provisions for liabilities are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Research and development

Research costs for new products are written off in the year of expenditure. Development costs arising from new product development are capitalised and amortised straight-line over the period expected to benefit from the development, only when an asset is created that can be identified, it is probable that the asset will generate future economic benefits and the costs can be reliably measured. Where no intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the term of the lease.

Revenue recognition

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

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

Revenue is recognised on the sale of goods when control is transferred to the customer.

Revenue from providing services is recognised when the services have been performed over the period of the contract(s) concerned.

Dividend income

Dividend income from investments is recognised when the Company's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Adoption of new and revised Standards

a) Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The practical expedient of IFRS 9 allow an entity not to restate comparatives, which the Company has elected to take.

IFRS 9 introduced new requirements for:

- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets; and
- general hedge accounting.

Details of these new requirements as well as their impact on the financial statements are described below.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

1. Accounting policies (continued)

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 October 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 October 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 October 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- loans and receivables that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- loans and receivables that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI).

The Company's financial assets were classified as loans and receivables under IAS 39 and were measured at amortised cost. They continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Company to recognise a loss allowance for ECL on its trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade debtors and contract assets.

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 October 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no significant impact on the Company's financial position at that date. Additionally, the changes introduced by IFRS 9 relating to the classification and measurement of financial liabilities designated as at fair value through profit and loss ("FVTPL") had no impact as none of the Company's financial liabilities were recognised at FVTPL. The Company had no hedge accounting in place as at 1 October 2018.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

1. Accounting policies (continued)

b) Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. The Company's date of initial application is 1 October 2018 and the Company has applied the modified approach permitted by paragraph C7 and C8 of IFRS 15 with retrospective adoption with the cumulative effect of initially applying IFRS 15 recognised at the date of initial application in accordance IFRS 15.

IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Under the Company's application of IAS 18, the Company accounted for turnover as follows:

Turnover recognised at a point in time

Under the application of IAS 18 the Company accounted for turnover from the sale of goods when the risks and rewards of ownership passed to the customer, which occurred when goods are consigned to the customer. As a result of the application of IFRS 15 turnover continues to be recognised at a point in time and there was no impact from the application of IFRS 15 on the Company's reported figures at 1 October 2018.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations which are dealt with separately below).

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

Retirement benefit obligations

The accounting cost of the retirement benefits and the present value of the retirement benefit liability are inherently linked to assumptions made about the discount rate applied and expected future inflation rates and demographic changes. The assumptions reflect historical experience and the Company's judgement regarding future expectations. Information regarding the changes made to past assumptions and sensitivity over these has been set out in note 22.

Tangible fixed assets

For major capital projects, the Company exercises judgement in determining which costs are directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Such costs are capitalised. Where these conditions are not met, costs incurred are expensed immediately. During the year, the Company capitalised directly attributable costs of £508,000.

Impairment of fixed assets

The Company has performed an impairment test for tangible fixed assets in light of the Company's losses which are an indicator that their carrying amounts may not be recoverable. Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they are forecast to generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of highly uncertain matters including management's expectations of growth in EBITDA, calculated as operating profit before depreciation and amortisation, the timing and amount of future capital expenditure, long-term growth rates, and appropriate discount rates to reflect the risks involved. Changing the assumptions selected by management, in particular the EBITDA and growth rate assumptions and the discount rate used in the cash flow projections, could significantly affect the Company's impairment evaluation and hence reported assets and profits or losses. As a result of this review, the Company has recorded an impairment charge of £11,406,000.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

2. Turnover

An analysis of the company's turnover for the year is as follows:

	2019 £'000	2018 £'000
Sale of blow moulded plastic containers	53,170	74,019
Revenue from engineering services	-	2,300
	<u>53,170</u>	<u>76,319</u>
Revenue derived from UK operations	48,881	70,123
Revenue derived from European operations	4,289	6,196
	<u>53,170</u>	<u>76,319</u>

Turnover represents the amounts charged for goods and services to customers after deducting credits and excluding VAT. Activities relate to the manufacturing and sale of blow moulded plastic containers and the construction of a manufacturing facility, which was completed in the year. All turnover is derived from continuing operations.

3. Impairment of assets

During the year the company recorded impairments against the carrying value of a number of assets. An impairment on fixed assets of £11,406,000 (2018: £1,136,000) was recognised in the year which relates to plant and machinery at a number of sites. The impairment charge was recorded as the income forecast to be generated from the sites over the remaining period of use together with the sale price for the assets, was lower than the carrying value of the plant and machinery.

4. Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable on intra group loans	8	53
Other interest receivable	1	138
	<u>9</u>	<u>191</u>

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

5. Loss before taxation

Loss for the year has been arrived at after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets (note 9)	1,728	2,119
Loss / (gain) on disposal of tangible fixed assets	165	(113)
Impairment of tangible fixed assets (note 9)	11,406	1,136
Restructuring costs	1,314	1,687
Research and development costs	102	131
Rentals under operating leases		
- plant and machinery	103	99
- other	11	22
Staff costs (note 7)	10,372	13,786
Cost of stock recognised as an expense	30,764	41,566
Foreign currency loss / (gain)	71	(97)

	2019 £'000	2018 £'000
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Auditor's remuneration

Fees payable to the company's auditors for the audit of the company's annual financial statements

96	97
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Non-audit fees

-	-
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Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

6. Information regarding directors' remuneration and transactions

	2019 £'000	2018 £'000
Directors' remuneration		
Salary	352	466
Bonus	158	146
Benefits	44	46
Pension contributions	25	32
	<u>579</u>	<u>690</u>
Remuneration of the highest paid director		
Emoluments (excluding pension contributions)	261	259
Pension contributions	11	11
	<u>272</u>	<u>270</u>
 Number of directors to whom retirement benefits are accruing under money purchase section	 <u>3</u>	 <u>4</u>

7. Information regarding staff costs and numbers

	2019 £'000	2018 £'000
Staff costs during the year including executive directors		
Wages and salaries	9,081	12,166
Social security costs	1,018	1,280
Pension costs (note 22)	273	340
	<u>10,372</u>	<u>13,786</u>

Termination costs of £183,000 (2018: £556,000) were incurred during the year.

	No.	No.
Employed administration staff	49	49
Employed production staff	261	406
Agency production staff	32	33
Average monthly number of employees (including executive directors):	<u>342</u>	<u>488</u>

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

8. Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax charge	-	-
Adjustment in respect of prior years	-	-
Total current tax	-	-
Deferred tax (note 15)		
Current year charge	-	-
Impact of rate change in the current year	-	-
Adjustment in respect of prior years	-	-
Total deferred tax	-	-
Income tax charge for the year	-	-

Factors affecting the tax charge for the current year

The tax charge is different to that resulting from applying the standard rate of corporation tax in the UK of 19% (2018: 19%) and this is due to the factors set out below:

	2019 £'000	%	2018 £'000	%
Loss before tax	(25,915)	100.0	(660)	100.0
Tax at the domestic income tax rate of 19% (2018: 19%)	(4,924)	19.0	(125)	18.9
Effect of expenses not deductible for tax purposes	2,352	(9.1)	307	(46.5)
Income not taxable	-	-	(633)	95.9
Tax losses and other temporary differences not recognised	2,572	(9.9)	451	(68.3)
Income tax charge and effective tax rate	-	-	-	-

In future years, the tax charge will be affected by the extent to which tax losses and other unrecognised deferred tax assets can be utilised or any capital gains can either be rolled over or sheltered by unrecognised capital losses.

The UK corporation tax rate was reduced to 19% effective from 1 April 2017. A further reduction to 17% effective from 1 April 2020 was enacted in the Finance (No.2) Act 2016 which received Royal Assent on 15 September 2016. In the Budget on 11 March 2020, it was announced that the main UK corporation tax rate would remain at 19% effective from 1 April 2020 and this was substantively enacted on 17 March 2020.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

9. Property, plant and equipment

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost:			
At 1 October 2018	3,850	92,937	96,787
Additions	-	8,577	8,577
Disposals	-	(27,915)	(27,915)
At 30 September 2019	3,850	73,599	77,449
Accumulated depreciation:			
At 1 October 2018	1,508	81,826	83,334
Charge for the year	57	1,671	1,728
Impairment	-	11,406	11,406
Disposals	-	(25,170)	(25,170)
At 30 September 2019	1,565	69,733	71,298
Net book value:			
At 30 September 2019	2,285	3,866	6,151
At 30 September 2018	2,342	11,111	13,453

During the year the Company received consideration of £2,580,000 from the sale of machinery. This has resulted in a loss in the year of £165,000 after costs of disposal.

10. Investment in subsidiaries

The Company's investment balance at 30 September 2018 of £267,000 comprised its investment in Fourfourtwo Limited, a wholly owned subsidiary incorporated in the United Kingdom. This investment had previously been fully impaired. Fourfourtwo Limited was an intermediate holding company. The Company also had the following indirect wholly owned subsidiaries which were incorporated in the United Kingdom: EPS (Foston) Limited and Auspac Limited. All of these subsidiaries have been dissolved in the year.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

11. Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade receivables	12,121	9,524
Amounts owed by group undertakings	6,293	28,842
Other receivables	64	273
Prepayments and accrued income	4,289	2,396
	<u>22,767</u>	<u>41,035</u>

The Company recognised a reversal of allowances for expected credit losses in the year of £36,000 (2018: £9,000) which is included in profit and loss.

Credit risk

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are stated after expected credit losses. The company has a high concentration of credit risk due to its concentrated customer base.

12. Stocks

	2019 £'000	2018 £'000
Raw materials	950	879
Finished goods	279	584
	<u>1,229</u>	<u>1,463</u>

13. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	4,519	5,354
Amounts owed to group undertakings	1,847	2,277
Other taxes and social security costs	275	864
Other payables and accruals	4,264	3,017
	<u>10,905</u>	<u>11,512</u>

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

14 Provisions

	Restructuring £'000	Onerous contract £'000	Total £'000
At 1 October 2018	672	163	835
Charged in the year	1,314	-	1,314
Utilisation of provision	(1,747)	(163)	(1,910)
At 30 September 2019	239	-	239
		2019 £'000	2018 £'000
Current		239	835
		239	835

The restructuring provision relates to reorganisation costs connected to the closure of a former manufacturing plant. It represents the costs expected to complete the closure process and is expected to be fully utilised within one year from the balance sheet date.

15. Deferred tax

The following are the major deferred tax (assets) and liabilities recognised by the company, and the movements thereon during the current year:

	Retirement benefit £'000	Accelerated tax depreciation £'000	Held over capital gains (net) £'000	Tax losses £'000	Short-term timing differences £'000	Total £'000
As at 30 September 2018 and 30 September 2019	-	-	-	-	-	-

The Company has total unrecognised deferred tax assets relating to tax losses of £9,000,000 (2018: £2,200,000) and unrecognised deferred tax assets relating to retirement benefits of £5,860,000 (2018: £4,670,000). Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise these benefits.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

16. Capital reserves

	Share premium account £'000	Total £'000
At 1 October 2018	21,496	21,496
At 30 September 2019	21,496	21,496

The share premium account contains the premium arising on issue of equity shares, net of issue costs.

17. Called up share capital

	No. of Shares	£'000
Authorised £0.10 Ordinary Shares: Balance at 1 October 2018 and 30 September 2019	54,000,000	5,400
Allotted and fully paid up £0.10 Ordinary Shares: Balance at 1 October 2018 and 30 September 2019	48,630,280	4,863

The Company has one class of ordinary shares which carry no right to fixed income.

18. Profit and loss account

	£'000
Balance at 30 September 2018	38,625
Loss for the year	(25,915)
Balance at 30 September 2019	12,710

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

19. Translation reserve

	Translation reserve £'000
At 1 October 2018	(745)
Exchange differences on translating the net assets of a foreign operation	56
At 30 September 2019	(689)

The translation reserve represents cumulative foreign exchange gains and losses on translation of the Company's Irish branch.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

20. Dividends

The Company received no dividend (2018: £2,000,583) from its subsidiary Fourfourtwo Limited during the year. No dividends were declared or paid by Nampak Plastics Europe Limited during the year.

21. Capital commitments

	2019 £'000	2018 £'000
Contracted for but not provided for in the financial statements	932	2,041

22. Retirement benefit obligations

Defined contribution plan

The company offers defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the company in funds under the control of the trustees. Where employees leave the plan prior to vesting fully in the contributions, the contributions payable by the company are reduced by the amount of the forfeited contributions.

The total expense recognised in the income statement of £239,000 (2018: £340,000) represents contributions payable to the plan by the company at rates specified in the rules to the plan.

Defined benefit plan

The company sponsors the Nampak Staff Pension Plan ("the Plan") which is a funded defined benefit arrangement for qualifying employees. The Plan previously consisted of 2 sections (the "Staff Section" and the "Works section") although the Plan was de-sectioned with effect from 30 September 2017. There is a trustee administered fund holding the pension scheme assets to meet long-term pension scheme liabilities for some 1,362 past and present employees, as at 5 April 2019. The defined benefit plan is closed to new entrants. The level of retirement benefit is principally based on salary earned in the last three years of employment prior to leaving active service and is linked to changes in inflation up to retirement.

The Plan is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

The trustees of the Plan are required to act in the best interests of the Plan's beneficiaries. The appointment of trustees is determined by the Plan's trust documentation. It is a requirement that at least one third of all trustees should be nominated by the members.

The last full actuarial valuation was carried out as at 5 April 2019 in accordance with the scheme funding requirements of the Pensions Act 2004, and the funding of the Plan was agreed between the company and the trustees in line with those requirements. These in particular require the surplus / deficit to be calculated using prudent, as opposed to best estimate, actuarial assumptions.

As at 5 April 2019, the actuarial valuation results revealed that the Plan had a funding deficit of £42,625,000. The company agreed with the trustees that it would aim to eliminate the deficit over the period to 5 April 2036 through annual contributions of £2,900,000. In addition and in accordance with the actuarial valuation, the company agreed that it would meet the expenses of the Plan and levies to the Pension Protection Fund. The contributions payable by the company will be reviewed as part of the actuarial valuation as at 5 April 2022.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

22. Retirement benefit obligations (continued)

For the purposes of IAS 19 (Revised), the 5 April 2019 actuarial valuation calculations, which were carried out by a qualified independent actuary, have been updated in line with the requirements of the accounting standard to 30 September 2019. There have been no changes in the valuation methodology adopted for this period's disclosure compared to the previous period's disclosures.

The present value of the Plan liabilities is measured by discounting the best estimate of future cash flows to be paid out of the Plan using the projected unit method. The value created in this way is reflected in the net liability in the balance sheet as shown in the tables below.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative measure of plan liabilities, whose calculation differs from that under the projected unit credit method in that it includes no assumptions for future earnings increases. In assessing this figure for the purpose of these disclosures, allowance has been made for future statutory revaluation of benefits up to retirement. At the balance sheet date the accumulated benefit obligation was £132,343,000 (2018 - £117,459,000).

All actuarial gains and losses are recognised in the year in which they occur in other comprehensive income.

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

	30 September 2019	30 September 2018
Inflation (RPI)	3.20%	3.55%
Inflation (CPI)	2.30%	2.65%
Rate of general long-term increase in salaries – staff	2.30%	2.65%
Rate of general long-term increase in salaries – works	2.30%	2.65%
Allowance for pensions in payment increases (LPI)	1.95%-3.10%	2.20%-3.40%
Discount rate	1.8%	2.8%
Average life expectancy at 65 for a member currently aged 65 (years)		
Male	21.1	20.9
Female	23.4	22.8
Average life expectancy at 65 for a member currently aged 50 (years)		
Male	22.4	21.9
Female	24.8	24.0

The average duration of the defined benefit obligation at 30 September 2019 is 17 years (2018 – 17 years).

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation at 30 September 2019:

Assumption	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.1% per annum	Increase by 1.7%
Rate of inflation	Increase of 0.1% per annum	Increase by 1.1%
Rate of salary growth	Increase of 0.1% per annum	Increase by 0.01%
Rate of mortality	Annual rates reduced by 10%	Increase by 3.2%

The sensitivities shown above have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

22. Retirement benefit obligations (continued)

The amount recognised in the balance sheet in respect of the company's Plan is as follows:

	2019 £'000	2018 £'000
Present value of funded obligations	132,343	117,459
Fair value of plan assets	(103,391)	(89,705)
Deficit in the scheme	<u>28,952</u>	<u>27,754</u>

Amounts recognised in profit or loss in respect of the Plan are as follows:

	2019 £'000	2018 £'000
Interest on obligation	3,217	3,271
Settlement credit	(202)	(556)
Past service cost	2,148	-
Interest income	(2,490)	(2,430)
Charge to operating profit	<u>2,673</u>	<u>285</u>

The charge for the year is included in the employee benefits expense in the income statement.

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

	2019 £'000	2018 £'000
Opening defined benefit obligation	117,459	128,705
Interest cost	3,217	3,271
Changes due to settlement	(1,602)	(4,688)
Past service cost	2,148	-
Actuarial gains due to scheme experience	(660)	(1,414)
Actuarial losses/(gains) due to changes in demographic assumptions	1,244	(878)
Actuarial losses/(gains) due to changes in financial assumptions	14,495	(2,226)
Benefits paid	(3,958)	(5,311)
Closing defined benefit obligation	<u>132,343</u>	<u>117,459</u>

During the year to 30 September 2019, the company continued to fund enhanced transfer value payments under 'business as usual' arrangements (although this arrangement was withdrawn shortly before the year-end). These payments resulted in a settlement gain. There were no scheme amendments or curtailments in the preceding year but there was a settlement gain as a result of an enhanced transfer value exercise, and subsequent payments under the 'business as usual' arrangements.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

22. Retirement benefit obligations (continued)

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

	2019 £'000	2018 £'000
Opening fair value of plan assets	89,705	94,762
Interest income	2,490	2,430
Changes due to settlement	(1,400)	(4,132)
Return on plan assets (excluding interest income)	13,008	(1,742)
Contributions by employer	3,546	3,698
Benefits paid	(3,958)	(5,311)
Closing fair value of plan assets	<u>103,391</u>	<u>89,705</u>

The fair value of plan assets at the balance sheet date is analysed as follows:

	2019 £'000	2018 £'000
Insured Pensions	27,842	27,275
Equities	25,589	23,649
Debt Instruments	14,016	13,485
Diversified Growth Funds	12,526	12,235
Cash	948	495
Liability Driven Investment (LDI)	22,470	12,566
	<u>103,391</u>	<u>89,705</u>

The plan assets do not include any of the company's own financial instruments, nor any property occupied by, or other asset used by, the company. All of the plan assets have a quoted market price in an active market with the exception of the cash balance and the insured pensions.

The actual return on plan assets was a gain of £15,498,000 (2018: gain of £688,000).

The Plan typically exposes the company to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the balance sheet position and may give rise to increased charges to profit and loss in future periods. This effect would be partially offset by an increase in the value of the Plan's bond holdings, and in qualifying death in services insurance policies that cover the mortality risk. Additionally, caps on inflationary increases are in place to protect the Plan against extreme inflation.

Nampak Plastics Europe Limited

Notes to the financial statements (continued) Year ended 30 September 2019

22. Retirement benefit obligations (continued)

The history of the Plan for the current and prior periods is as follows:

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Present value of defined benefit obligations	132,343	117,459	128,705	133,884	106,469
Fair value of plan assets	(103,391)	(89,705)	(94,762)	(93,833)	(83,899)
Deficit	<u>28,852</u>	<u>27,754</u>	<u>33,943</u>	<u>40,051</u>	<u>22,570</u>
Experience adjustments on scheme liabilities					
Amount (£'000)	660	1,414	570	1,279	1,205
Percentage of scheme liabilities (%)	<u>0.50%</u>	<u>1.20%</u>	<u>0.44%</u>	<u>0.96%</u>	<u>1.13%</u>
Experience adjustments on scheme assets					
Amount (£'000)	13,008	(1,742)	551	7,962	(5,989)
Percentage of scheme assets (%)	<u>12.58%</u>	<u>(1.94%)</u>	<u>0.58%</u>	<u>8.49%</u>	<u>(7.14%)</u>

The company expects to make a contribution of £2,900,000 (2019: £3,547,000) to the defined benefit schemes during the next financial year.

23. Operating lease arrangements

At the balance sheet date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2019 £'000	2018 £'000
Plant and machinery		
Within one year	86	23
In the second to fifth years inclusive	<u>179</u>	<u>21</u>
	<u>265</u>	<u>44</u>
Land and buildings		
Within one year	211	48
In the second to fifth years inclusive	<u>1,254</u>	<u>-</u>
	<u>1,465</u>	<u>48</u>

Nampak Plastics Europe Limited

Notes to the financial statements (continued) **Year ended 30 September 2019**

24. Contingent liabilities

The company had no contingent liabilities to report at either balance sheet date.

25. Parent undertaking and controlling party

As at 30 September 2019 the immediate parent company and controlling entity was Nampak Holdings (UK) Limited, a company incorporated in the United Kingdom and registered in England and Wales whose registered office is Flat 4 Kinnerton Street, London, England, SW1X 8EY.

The ultimate parent company and controlling entity, and the parent of the smallest and largest group that prepares consolidated financial statements that includes the company as at 30 September 2019 was Nampak Limited, a company incorporated in South Africa whose registered office is Nampak House, Hampton Office Park, 20 Georgian Crescent East, Bryanston, Sandton, 2191, South Africa. Copies of the consolidated financial statements are available from Nampak Limited, PO Box 69983, Bryanston 2021, South Africa.

On 13 December 2019 the company was sold to Bellcave Limited which is the parent company. Bellcave Limited is a company incorporated in the United Kingdom and registered in England and Wales whose registered office is 31 Hill Street, London, United Kingdom, W1J 5LS. The ultimate controlling party is Mr Marc Joseph Meyohas.

26. Post balance sheet events

On 13 December 2019 the company was sold by Nampak Holdings (UK) Limited to Bellcave Limited, a company incorporated in the United Kingdom. There has been no change in the principal operations of the business.

On 11 February 2020, the company entered into a new borrowing facility to provide funds of £5,600,000. The loan was for a term of up to 12 months and interest and fees of £600,000 were paid in advance. The loan was secured against the Company's freehold site at Newport Pagnell. An additional charge against this asset was made in favour of the Nampak Staff Pension Fund on 14 February 2020. The loan and related charges were settled on completion of the sale and leaseback on 29 June 2020 for proceeds before costs of £15.6 million.

Subsequent to the end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. COVID-19 is affecting all businesses on a macro scale and creating heightened uncertainty. Management have reviewed potential likely scenarios on the impact of COVID-19 to ensure adequate contingency plans are in place. Nampak operates within a key manufacturing industry, meaning the business has been comparatively less affected by the pandemic than other industries. Consumption of milk through supermarkets has remained generally consistent to pre-COVID-19 levels and only non-essential products such as flavoured milk containers have significantly reduced in demand, such products being a small proportion of the business. The company's workforce is broadly split into key workers and those able to work remotely and therefore there has been limited effect of the pandemic on day to day operations or retention of key staff.

The financial statements have been prepared based upon conditions existing at 30 September 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 30 September 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 30 September 2019 for the impacts of COVID-19.