



Nampak
packaging excellence



Summary of unaudited consolidated interim results for the six months ended 31 March 2021



Highlights

Revenue stable at

R6.5bn

Earnings of

17.0cps

for continuing operations
(1H20: loss of 408.9cps)

Trading profit

R706m

↑11%

Headline earnings

17.6cps

for continuing operations
(1H20: 7.0cps)

Operating profit

R543m

↑89%

Headline earnings

17.6cps

for total operations
(1H20: 0.3cps)

Cash generated from operations

R852m

↑19%

Group funding
covenants complied with

in **1Q21** and **2Q21**

Commentary

“Nampak had a very pleasing first half of the year, despite the ongoing restrictions on trading caused by the COVID-19 pandemic. Overall group profitability improved, driven by our focused strategy to simplify the group and optimise operations. Restructuring efforts at DivFood yielded very positive results with the division returning to profitability.

This, coupled with the close management of working capital and prudent capital expenditure, resulted in substantially improved cash generation.”



Erik Smuts

Chief executive officer

Overview

Group results were driven by good growth in the Metals division, largely as a result of a very strong performance by our Nigerian operations. DivFood and the Plastics division in South Africa increased profitability significantly, while export contracts at Bevcan South Africa mitigated softer local demand for beverage cans.

Good progress was made towards achieving our strategic goal of improving our risk profile, as management reduced the group's exposure to US dollar debt as planned. The simplification of the group and optimisation of operations also delivered positive results, as all businesses focused on refining operating structures and reducing fixed costs. Further savings are expected from these projects for the remainder of FY21 and into FY22.

Our manufacturing sites continued to mitigate the impact of COVID-19 by implementing additional safety measures. Unfortunately, our group lost time injury frequency rate deteriorated marginally to 0.4 and exceeded our target of improving on the 0.35 threshold. Sadly, five employees passed away as a result of the coronavirus. We extend our sympathies and condolences to their families.

Group financial performance for continuing operations

R million	1H21	1H20	% change
Revenue	6 522	6 519	–
Trading profit	706	633	11
Operating profit	543	287	89
Profit before net impairments	287	117	+100
Profit/(loss) before tax	272	(2 923)	+100
Profit/(loss) for the period	171	(2 858)	+100
Cash generated from operations ¹	852	715	19
Cash flows from operations ¹	489	301	62
Continuing operations:			
Earnings/(loss) per share (cents)	17.0	(408.9)	+100
Headline earnings per share (cents)	17.6	7.0	+100
Continuing and discontinued operations:			
Earnings/(loss) per share (cents)	17.0	(336.0)	+100
Headline earnings per share (cents)	17.6	0.3	+100

¹ From total operations

Commentary continued

Revenue was unchanged at R6.5 billion as the growth delivered by the Metals division in Nigeria and South Africa was muted by subdued performance from other operations in the Rest of Africa. Our Nigerian operations exceeded expectations and delivered double digit revenue growth for both beverage cans and general metals packaging. Export sales boosted revenue at Bevcan South Africa. Revenue was also up in South Africa at DivFood but was stable in the Plastics division and at our Zimbabwean operations.

Trading profit improved by 11% to R706 million, largely as result of strong cost saving initiatives. A pleasing turnaround at DivFood returned the division to profitability and a surge in demand for all our products in Nigeria drove the improved trading margins in the Metals division. Group profitability was also boosted by improvements at Plastics South Africa, which was the result of successful restructuring initiatives. These gains were limited by muted trading from other Rest of Africa operations.

Operating profit increased by 89% to R543 million, largely due to the reduction in the following items:

- › Net devaluation loss arising from Angolan and Nigerian exchange rate movements was down to R153 million from R219 million;
- › Retrenchment and restructuring costs fell to R0.1 million from R53 million;
- › Non-recurrence of capital items that rose in the prior period comprising a R129 million loss on the disposal of Cartons Nigeria, offset by insurance proceeds of R83 million received for asset replacement pursuant to a fire at an in-plant in 1H20;
- › Net impact of devaluation in Zimbabwe reduced to R10 million compared to R29 million.

Profit for the period improved to R171 million from a R2.9 billion loss in the comparative period as a result of:

- › Impairments of R14 million compared to R3 billion in the prior period related to goodwill and other assets;
- › Finance costs of R271 million were up 7% with the benefits of proceeds from prior year disposals offset by ratchet interest costs;
- › Finance income was down 81% to R16 million primarily due to significantly lower interest received on US-linked kwanza bonds that matured during the period;
- › Income tax expense of R101 million compared to a tax benefit of R65 million in 1H20.

Cash generated from operations was up 19% to R852 million due to overall improved profitability and tight management of working capital. 1H21 had net working capital inflows of R21 million relative to a R76 million outflow in the comparative period.

Earnings attributable to equity holders of the company improved to R110 million from a R2.2 billion loss in the prior period. Earnings per share and headline earnings per share for continuing operations and total operations both rose more than 100% to 17.0 cents and 17.6 cents respectively.

Good progress was made towards achieving the group's strategic focus to reduce **interest-bearing debt**, as proceeds from the disposals of the Glass division and Cartons Nigeria were applied and significantly contributed to gross debt being reduced by 32% to R5.8 billion from R8.5 billion in March 2020. Exposure to US dollar funding reduced to 48% of the R5.8 billion gross debt, from 74% at the end of March 2020.

Capital expenditure of R153 million was 62% lower than the comparative period.

Cash transfers remain a focus area. R848 million was transferred from Angola and Nigeria despite increasingly constrained availability of foreign currency in Nigeria relative to the prior period. The availability of foreign currency remained severely constrained in Zimbabwe with minimal cash transfers.

The Reserve Bank of Zimbabwe (RBZ) was due to commence repayment of an amount of USD66.8 million owing to Nampak International Limited, against which the group has previously made an 85% credit loss provision having regard to the prevailing economic challenges and financial uncertainty in Zimbabwe. The first of 12 repayments of USD5.6 million was not received on the due date. We have been advised by the RBZ that this is due to a delay in the finalisation of the Zimbabwean Blocked Funds Framework, as announced in the February 2021 Monetary Policy Statement. Following a constructive negotiation process regarding an alternative repayment plan, the RBZ has agreed to pay USD1.0 million per month until such time as the Blocked Funds Framework has been concluded. The first USD0.5 million of the payment for May has already been received. The existing provision is still considered appropriate.

Nampak complied with all **group funding covenants** for the two quarterly measurement periods ended 31 December 2020 and 31 March 2021 respectively. Net debt:EBITDA was 3.72 times at 31 March 2021 and remained below the maximum 5.25 times threshold, an improvement from 4.48 times at 31 December 2020. EBITDA:interest cover of 3.08 times at 31 March 2021 exceeded the required minimum of 2.25 times cover and improved from 2.62 times at 31 December 2020. The rolling twelve-month EBITDA for covenant purposes continues to improve as the trading months that were worst affected in the initial lockdown periods of the prior twelve months are replaced with stronger trading results.

The group's debt funders require a R1 billion reduction of interest-bearing debt by 30 September 2021, through **strategic asset disposals** or a combination of asset disposals and a capital raise.

During the de-gearing process, set milestones needed to be reached. Nampak has met all agreed milestones to date. The milestone requirement for binding offers amounting to R1 billion by 31 March 2021 was reduced to R400 million, as a significant asset had to be withdrawn from the disposal process after the licensor critical to the business objected to the potential transaction.

Based on improved operating results and progress made in our disposal process to date, the lenders have agreed to reassess the group's position at 30 June 2021. This will allow the lenders to determine whether the repayment of R1 billion as at 30 September 2021 can be reduced and/or whether there will be a requirement for a potential capital raise.

Divisional results

R million	Revenue		Trading profit		Trading margin (%)	
	1H21	1H20	1H21	1H20	1H21	1H20
Metals	4 698	4 553	550	429	11.7	9.4
Plastics	1 427	1 438	140	157	9.8	10.9
Paper	397	528	81	133	20.4	25.2
Corporate services	–	–	(65)	(86)	–	–
Continuing operations	6 522	6 519	706	633	10.8	9.7
Glass	–	791	–	88	–	11.1
Plastics Europe	–	131	–	(18)	–	(13.7)
Discontinued operations	–	922	–	70	–	7.6
Group total	6 522	7 441	706	703	10.8	9.5

Metals

Revenue from the Metals division grew 3% largely propelled by double-digit volume growth in Nigeria, with moderate growth from Bevcans South Africa and DivFood. Revenue growth was pulled back by ongoing weaker demand in Angola. Trading profit was up by 28%, benefitting greatly from the turnaround at DivFood and higher volumes in Nigeria, offset by weaker profitability at Bevcans South Africa and Bevcans Angola.

Revenue for **Bevcans South Africa** grew mainly as a result of export contracts as local volumes have not recovered to pre-pandemic seasonal levels yet. Softer demand caused by restrictions on large group gatherings and sporting events, compounded by the impact of the five-week long third alcohol ban, have resulted in lower sale volumes in South Africa. The supply of beverage can bodies to North America commenced in December 2020. An export contract for up to 400 million cans was secured with supply having commenced in February 2021. The supply contract for our largest soft drink customer was renewed for another two years with no loss in allocation.

Bevcans Nigeria performed better than expected and delivered double digit volume growth. The beverage can market exceeded pre-pandemic levels and a higher allocation from a key customer drove volume growth. Shortages in raw materials for other substrate packs contributed to the higher demand for beverage cans. The **general metals business** increased its revenue materially, as efforts to rationalise and simplify its product offering resulted in increased volumes and improved overall profitability. Port congestion, exacerbated by the pandemic, remains an ongoing concern and focus area for management in this market.

Low demand for beverage cans persisted in **Bevcans Angola** due to a weakened economy. Demand was further suppressed by lockdown restrictions and closed borders. The conversion of Line 1 from steel to aluminium and the reconfiguration of Line 2 to enable the production of 355ml cans for export contracts commenced. Both processes are progressing well. Supply against the beverage can bodies export contract is anticipated to commence in the last quarter of 2021.

In South Africa, **DivFood's** performance improved significantly. Food can demand compared favourably with the prior period except for lower than anticipated fish can volumes, which are expected to recover in 2H21. Demand for diversified cans was in line with expectation. DivFood is in the process of consolidating its operating footprint and simplifying its product offering. The resultant cost savings led to a reversal of the material loss made in the comparative period and a trading profit for the current period.

Plastics

Revenue was stable at R1.4 billion. Revenue growth in the South African businesses was offset by weaker performance from the Rest of Africa. This also culminated in reduced trading profit as translation of the results from Zimbabwean operations pulled back the gains made in South Africa.

Plastics South Africa performed in line with expectations, but global shortages and increased raw materials prices moderated the progress made on improving this division's profitability. Stronger crate volumes and higher tubes allocations drove performance. Revenue was stable despite lower than anticipated volumes for liquid bottles caused by fresh milk shortages. Profitably improved, driven by gains from site consolidations, close management of fixed overhead costs and reduced headcount. **Cartons South Africa** performed relatively well and overall revenue improved, despite lost sales caused by alcohol bans for conical cartons used to package traditional beer. Volumes for both Purepak and conical cartons grew, while trading profits remained stable.

Our Zimbabwean operations performed satisfactorily but results were moderated by a weaker ZWL exchange rate. The impact of hyperinflationary accounting on trading results was limited. Both **Megapak Zimbabwe** and **CMB Zimbabwe** performed well in a challenging economic environment and revenue grew pleasingly driven by strong underlying demand. Market demand was serviced to the extent that raw materials could be sourced with the limited supply of foreign currency.

Commentary continued

Overall trading margins declined due to cost pressures. These operations continue to self-fund their operational and capital requirements, and cash generated is reinvested into operations and equipment to limit exposure to currency fluctuations.

Paper

Revenue reduced 25% due to the inclusion of Cartons Nigeria for three months in the comparative period prior to its disposal. Revenue was down as COVID-19 restrictions limited trading in most of our markets. Lower demand also impacted profitability and trading profits declined by 39%.

While demand was robust in **Zimbabwe**, performance was also limited by a weaker ZWL exchange rate on translation to Rands. Good progress was made in **Zambia** to diversify the customer base for conical cartons but pandemic restrictions limited alcohol sales. Previously allocated crate volumes did not materialise, as customers postponed certain expenditures. **Malawian** and **Kenyan** operations experienced weaker trading conditions resulting from the pandemic.

Trading performance by region

R million	Revenue		Trading profit		Trading margin (%)	
	1H21	1H20	1H21	1H20	1H21	1H20
South Africa	4 436	4 304	324	232	7.3	5.4
Rest of Africa	2 086	2 215	447	487	21.4	22.0
Corporate services	–	–	(65)	(86)	–	–
Continuing operations	6 522	6 519	706	633	10.8	9.7
South Africa (Glass)	–	791	–	88	–	11.1
Europe	–	131	–	(18)	–	(13.7)
Discontinued operations	–	922	–	70	–	7.6
Group total	6 522	7 441	706	703	10.8	9.5

Outlook

The second half of FY21 is anticipated to be much stronger than the comparative period in FY20. COVID-19 restrictions were first implemented from the end of March 2020 and negatively impacted on our performance in the second half of FY20. Improved trading conditions in the current year and the benefits of cost savings initiatives already implemented to date should result in a much-improved performance in South Africa. Demand in Nigeria is expected to remain strong for the remainder of the year.

We are making good progress with our goal to simplify the group. Final site consolidations in Plastics South Africa and operational relocations in DivFood should be completed before the end of the financial year. These will further benefit the group's profitability in 2H20 and establish an efficient platform for future growth.

There will be continued focus on delivering on our strategic objectives to reduce risk and grow profits. The proceeds from asset disposals, along with cash generated, will be utilised to further reduce debt. In line with our strategy and market developments we are re-evaluating our capital structure, not only in terms of our ability to meet covenants, but specifically as an enabler for future growth.

Restatement of prior period interim results

In preparation of the interim financial statements for the period ended 31 March 2021, it was established that the total comprehensive loss for the period ended 31 March 2020 was understated by R273.5 million and the shareholders' equity was overstated by R729.3 million. This was due to an error in the translation effect of the equity contribution to the group's Zimbabwe operation together with a misapplication of the principles underlying IAS 21: *The Effects of Changes in Foreign Exchange Rates* related to the hyperinflationary effect on equity. The net asset and tangible net asset values were overstated by 113 cents per share but the group's total equity as at 31 March 2020 was not affected. These errors did not impact the net loss, loss per share, headline loss per share or covenant calculations for the period ended 31 March 2020.

The effects of the abovementioned restatement are set out in detail in note 2.3 to the interim financial statements for the period ended 31 March 2021.

Dividend

In line with previous communications, the board has decided not to resume dividends at this stage.

Interim results presentation webcast

Nampak management will hold a webcast on Friday, 28 May 2021 at 10h00 Central Africa Time (UTC+2) to present its interim 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> and the interim results presentation and announcements will be uploaded on the website, the same morning.

On behalf of the Board

PM Surgey

Chairman

EE Smuts

Chief executive officer

GR Fullerton

Chief financial officer

Bryanston

28 May 2021

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.

Condensed group statement of comprehensive income

R million	Notes	Unaudited 6 months ended 31 Mar 2021	Restated* Unaudited 6 months ended 31 Mar 2020	Change %	Audited Year ended 30 Sep 2020
Continuing operations					
Revenue		6 522.2	6 518.9	–	11 277.9
Operating profit/(loss) before items below		553.6	315.5	75	(19.2)
Net impact of devaluation in Zimbabwe		(10.4)	(28.8)		(263.8)
Net foreign exchange gains/(losses) in operations		0.2	(165.8)		(81.9)
Monetary adjustment for hyperinflation		(10.6)	137.0		(181.9)
Operating profit/(loss)	4	543.2	286.7	89	(283.0)
Finance costs	5	(271.0)	(252.3)		(524.1)
Finance income	5	15.6	84.0		76.5
Share of net (loss)/profit from associates and joint ventures		(1.2)	(1.0)		0.5
Profit/(loss) before net impairment losses		286.6	117.4	>100	(730.1)
Net impairment losses	6	(14.3)	(3 040.3)		(4 020.2)
Profit/(loss) before tax		272.3	(2 922.9)	>100	(4 750.3)
Income tax (expense)/benefit	7	(101.0)	65.3		401.5
Profit/(loss) for the period from continuing operations		171.3	(2 857.6)	>100	(4 348.8)
Discontinued operations					
Profit for the period from discontinued operations		–	470.4		368.7
Profit/(loss) for the period		171.3	(2 387.2)	>100	(3 980.1)
Other comprehensive (loss)/income, net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of foreign operations excluding Zimbabwe operations		(319.1)	665.9		703.2
Exchange differences on translation and hyperinflation effects of Zimbabwe operations		(9.1)	(528.3)		(592.7)
(Loss)/gain on cash flow hedges		(0.5)	79.7		11.3
Fair value loss on liquid bonds		–	–		(9.9)
<i>Items that will not be reclassified to profit or loss</i>					
Net actuarial gain from retirement benefit obligations		6.3	33.3		72.7
Other comprehensive (loss)/income for the period, net of tax		(322.4)	250.6	>100	184.6
Total comprehensive loss for the period		(151.1)	(2 136.6)	>100	(3 795.5)
Profit/(loss) attributable to:					
Owners of Nampak Ltd		109.9	(2 166.9)	>100	(3 467.6)
Non-controlling interests in subsidiaries		61.4	(220.3)		(512.5)
Total		171.3	(2 387.2)	>100	(3 980.1)
Total comprehensive (loss)/income attributable to:					
Owners of Nampak Ltd		(308.4)	(1 554.7)	>100	(3 492.6)
Non-controlling interests in subsidiaries		157.3	(581.9)		(302.9)
Total		(151.1)	(2 136.6)	>100	(3 795.5)
Earnings/(loss) per share					
Basic (cents per share)					
Continuing operations		17.0	(408.9)	>100	(594.9)
Discontinued operations		–	72.9		57.2
Total		17.0	(336.0)	>100	(537.7)
Diluted (cents per share)					
Continuing operations		17.0	(406.9)	>100	(594.4)
Discontinued operations		–	72.6		57.2
Total		17.0	(334.3)	>100	(537.2)

* Refer note 2.3. The condensed group statement of comprehensive income was also re-presented to separately disclose exchange differences on translation and hyperinflation effects of Zimbabwe operations from exchange differences on translation of other foreign operations in order to be consistent with the disclosures at 30 September 2020. In addition, as the expected credit loss provision on the Reserve Bank of Zimbabwe financial instrument (R45.6 million) related to translation effects, this item has been combined with net foreign exchange gains/(losses) in operations.

Condensed group statement of financial position

R million	Notes	Unaudited 31 Mar 2021	Restated* Unaudited 31 Mar 2020	Audited 30 Sep 2020
ASSETS				
Non-current assets				
Property, plant and equipment and investment property	9	5 403.5	7 198.8	5 905.8
Right of use assets		782.4	1 227.8	880.7
Goodwill		1 674.8	2 032.5	1 877.9
Other intangible assets		138.1	182.3	164.5
Investments in associates and joint venture		15.4	22.4	14.9
Deferred tax assets		369.2	109.0	388.6
Liquid bonds and other loan receivables – non-current	10	98.2	192.3	139.7
		8 481.6	10 965.1	9 372.1
Current assets				
Inventories		2 463.5	3 363.6	2 815.9
Trade and other current receivables		2 227.6	2 855.3	1 980.6
Tax assets		10.8	17.1	45.5
Liquid bonds and other loan receivables – current	10	79.9	270.5	358.6
Bank balances and deposits		1 314.3	3 493.6	1 528.9
		6 096.1	10 000.1	6 729.5
Assets classified as held for sale	11.1	548.0	37.6	92.7
Total assets		15 125.7	21 002.8	16 194.3
Equity and liabilities				
Capital and reserves				
Share capital		35.5	35.5	35.5
Capital reserves		(223.7)	(67.0)	(227.6)
Other reserves		51.3	1 218.2	475.7
Retained earnings		4 811.2	5 317.2	4 701.3
Shareholders' equity		4 674.3	6 503.9	4 984.9
Non-controlling interests		(615.7)	(628.6)	(770.4)
Total equity		4 058.6	5 875.3	4 214.5
Non-current liabilities				
Loans – non-current	12.1	4 760.4	6 452.4	5 755.2
Lease liabilities – non-current	12.2	1 113.3	1 394.7	1 291.2
Retirement benefit obligation		748.0	866.0	775.5
Deferred tax liabilities		202.8	438.9	242.3
Other non-current liabilities		14.2	15.6	14.9
		6 838.7	9 167.6	8 079.1
Current liabilities				
Trade and other current payables		2 542.1	3 255.1	2 327.4
Provisions	13	260.2	115.6	275.4
Tax liabilities		49.5	93.0	34.9
Loans, lease liabilities and bank overdrafts	12.3	1 186.0	2 496.2	1 263.0
		4 037.8	5 959.9	3 900.7
Liabilities directly associated with assets classified as held for sale	11.2	190.6	–	–
Total equity and liabilities		15 125.7	21 002.8	16 194.3

* Refer note 2.3. The condensed group statement of financial position was also re-presented to separately disclose right of use assets from property, plant and equipment and investment property, leasing liabilities from loans, goodwill from other intangible assets and provisions from trade and other current payables in order to be consistent with the disclosures at 30 September 2020.

Condensed group statement of changes in equity

R million	Unaudited 6 months ended 31 Mar 2021	Restated* Unaudited 6 months ended 31 Mar 2020	Audited Year ended 30 Sep 2020
Opening balance	4 214.5	8 209.9	8 209.9
Adjustment to opening retained earnings – adoption of new standards	–	(221.3)**	(209.0)**
Share-based payment expense/(reversal)	3.9	9.1	(13.6)
Net impact of Zimbabwe debt capitalised	–	116.9	155.8
Disposal of liquid bonds	(8.7)	–	20.0
Disposal of businesses	–	(102.7)	(153.0)
Total comprehensive loss for the period	(151.1)	(2 136.6)	(3 795.5)
Dividends paid	–	–	(0.1)
Closing balance	4 058.6	5 875.3	4 214.5
Comprising:			
Share capital	35.5	35.5	35.5
Capital reserves	(223.7)	(67.0)	(227.6)
Share premium	268.9	268.9	268.9
Treasury shares	(513.4)	(511.7)	(513.4)
Share-based payments reserve	20.8	175.8	16.9
Other reserves	51.3	1 218.2	475.7
Foreign currency translation reserve	689.7	1 765.4	1 113.8
Financial instruments hedging reserve	–	68.9	0.5
Recognised actuarial losses reserve	(596.2)	(518.6)	(602.5)
Other	(42.2)	(97.5)	(36.1)
Retained earnings	4 811.2	5 317.2	4 701.3
Shareholders' equity	4 674.3	6 503.9	4 984.9
Non-controlling interests	(615.7)	(628.6)	(770.4)
Total equity	4 058.6	5 875.3	4 214.5

* Refer note 2.3.

** Relates to the adoption of IFRS 16: Leases on 1 October 2019.

Condensed group statement of cash flows

R million	Notes	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020*	Audited Year ended 30 Sep 2020
Cash generated from operations before working capital changes	14.1	830.6	790.5	720.1
Net working capital changes	14.1	21.1	(75.6)	367.0
Cash generated from operations	14.1	851.7	714.9	1 087.1
Net interest paid		(271.7)	(280.3)	(552.4)
Retirement benefits, contributions and settlements		(38.4)	(47.9)	(77.9)
Income tax paid		(53.0)	(86.2)	(42.0)
Cash flows from operations		488.6	300.5	414.8
Dividends paid		–	–	(0.1)
Net cash generated from operating activities		488.6	300.5	414.7
Capital expenditure	16	(153.3)	(407.1)	(666.2)
Replacement		(143.1)	(349.8)	(541.4)
Expansion		(10.2)	(57.3)	(124.8)
Net proceeds on disposal of businesses		–	1 599.2	1 568.3
Net proceeds on disposal of liquid bonds		270.8	517.9	456.6
Other investing activities		31.9	52.9	54.3
Net cash generated before financing activities		638.0	2 063.4	1 827.7
Net non-current borrowings repaid		(601.0)	(351.9)	(1 739.1)
Net current borrowings raised		–	1.5	1.5
Repayment of lease liabilities		(36.9)	(30.5)	(79.0)
Net cash repaid in financing activities	14.2	(637.9)	(380.9)	(1 816.6)
Net increase in cash and cash equivalents		0.1	1 682.5	11.1
Net cash and cash equivalents at beginning of period		1 400.4	1 358.4	1 358.4
Translation of cash in foreign subsidiaries		(102.6)	142.9	30.9
Net cash and cash equivalents at end of period	14.3	1 297.9	3 183.8	1 400.4

* Re-presented to include interest paid on lease liabilities with net interest paid (previously included as part of financing activities), to separately disclose retirement benefits, contributions and settlements (previously included as part of cash generated from operations before working capital changes) and to separately disclose the different components of financing activities in order to be consistent with the disclosures at 30 September 2020.

Notes

1. Basis of preparation

The condensed interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the Companies Act of South Africa applicable to condensed financial statements. The JSE Limited Listings Requirements require interim reports to be prepared in accordance with and contain the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council.

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

2. Accounting policies and new and revised standards

2.1 Accounting policies

The accounting policies adopted and methods of computation used are consistent with those applied for the group's 2020 annual financial statements other than for the adoption of new standards.

2.2 New and revised International Financial Reporting Standards in issue

There are various amendments which have been issued. The amendments that are effective for the current year did not have a significant impact on the group. Similarly those amendments that are not effective for the current year are not expected to have a significant impact on the group.

2.3 Restatement of prior period interim results

During March 2020, Nampak International Limited (NIL) and Nampak Zimbabwe Limited (NZL) entered into an agreement whereby an intragroup loan payable by NZL to NIL was capitalised by means of an equity contribution from NIL. This equity contribution was accounted for correctly in NZL utilising the hyperinflationary accounting principles per IAS 29: Financial Reporting in Hyperinflationary Economies. However, the translation effect of the equity contribution in the foreign operation, was incorrectly presented in the group's consolidated interim results at 31 March 2020 due to the misapplication of the principles underlying IAS 21: The Effects of Changes in Foreign Exchange Rates related to the hyperinflationary effect on the equity. Thus, the amount recognised for total other comprehensive loss was understated by R273.5 million.

In addition, in accounting for the first time impact of the hyperinflation adjustments to the September 2019 equity balances of NZL, the non-controlling interests' share of these adjustments impacting other comprehensive income and the direct movements in equity, as well as the non-controlling interest balance, were incorrectly calculated. This error resulted in the shareholders' equity being overstated by R729.3 million and the net asset and tangible net asset values by 113 cents per share but did not affect the group's total equity as at 31 March 2020.

These restatements did not impact the net loss, loss per share, headline loss per share or covenant calculations for the period ended 31 March 2020.

The line items of the financial statements impacted are as follows:

R million	As previously reported	Impact of restatement	As currently reported
Condensed group statement of comprehensive income			
Loss for the period	(2 387.2)	–	(2 387.2)
Other comprehensive income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange gain on translation of foreign operations* – decrease	411.1	(273.5)	137.6
Fair value loss on liquid bonds	79.7	–	79.7
<i>Items that will not be reclassified to profit or loss</i>			
Net actuarial gain from retirement benefit obligation	33.3	–	33.3
Other comprehensive income for the period, net of tax – decrease	524.1	(273.5)	250.6
Total comprehensive loss for the period – increase	(1 863.1)	(273.5)	(2 136.6)
Total comprehensive loss attributable to:			
Owners of Nampak Ltd – increase	(941.9)	(612.8)	(1 554.7)
Non-controlling interests in subsidiaries – decrease	(921.2)	339.3	(581.9)
Total	(1 863.1)	(273.5)	(2 136.6)

* Re-presented to separately disclose exchange differences on translation and hyperinflation effects of Zimbabwe operations from exchange differences on translation of other foreign operations in order to be consistent with the disclosures at 30 September 2020.

Notes continued

R million	As previously reported	Impact of restatement	As currently reported
Condensed group statement of financial position			
Equity and liabilities			
Capital and reserves			
Share capital	35.5	–	35.5
Capital reserves	(67.0)	–	(67.0)
Other reserves – decrease	1 831.0	(612.8)	1 218.2
Retained earnings – decrease	5 433.7	(116.5)	5 317.2
Shareholders' equity – decrease	7 233.2	(729.3)	6 503.9
Non-controlling interests – increase	(1 357.9)	729.3	(628.6)
Total equity	5 875.3	–	5 875.3
Condensed group statement of changes in equity			
Opening balance	8 209.9	–	8 209.9
Adjustment to opening retained earnings – adoption of new standards	(221.3)	–	(221.3)
Share-based payment expense	9.1	–	9.1
Net impact of Zimbabwe debt capitalised – increase	(156.6)	273.5	116.9
Disposal of businesses	(102.7)	–	(102.7)
Total comprehensive loss for the period – increase	(1 863.1)	(273.5)	(2 136.6)
Closing balance	5 875.3	–	5 875.3
Comprising:			
Share capital	35.5	–	35.5
Capital reserves	(67.0)	–	(67.0)
Other reserves – decrease	1 831.0	(612.8)	1 218.2
Foreign currency translation reserve – decrease	2 378.2	(612.8)	1 765.4
Financial instruments hedging reserve	68.9	–	68.9
Recognised actuarial losses reserve	(518.6)	–	(518.6)
Other	(97.5)	–	(97.5)
Retained earnings – decrease	5 433.7	(116.5)	5 317.2
Shareholders' equity – decrease	7 233.2	(729.3)	6 503.9
Non-controlling interests – increase	(1 357.9)	729.3	(628.6)
Total equity	5 875.3	–	5 875.3
Return on equity – continuing operations (%) – decrease	(30.0)	(1.3)	(31.3)
Net asset value per ordinary share (cents) – decrease	1 121	(113)	1 008
Tangible net asset value per ordinary share (cents) – decrease	778	(113)	665

3. Critical judgements and key sources of estimation uncertainty

3.1 Going concern

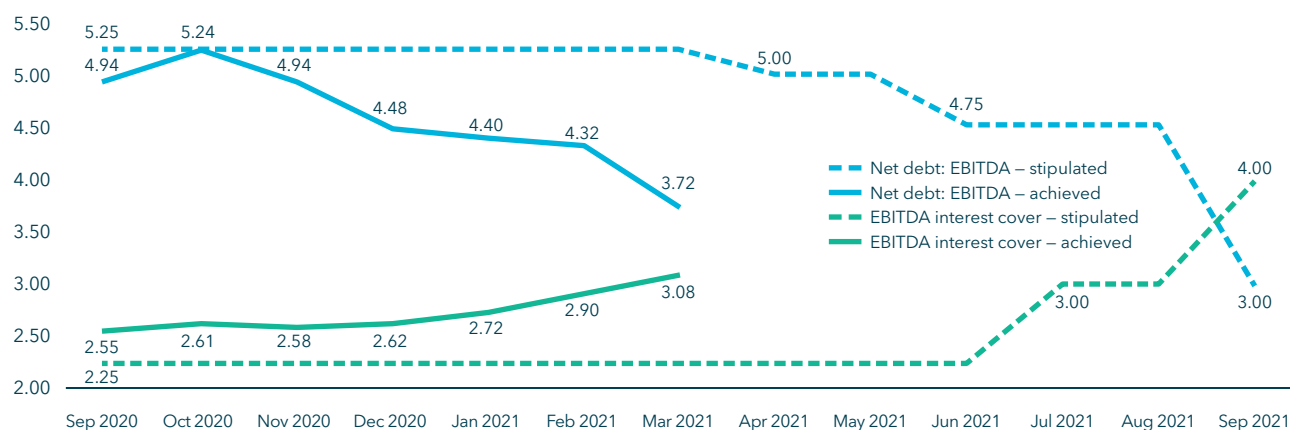
In determining the appropriate basis of preparation of the annual financial statements, the directors are required by IAS 1: Presentation of Financial Statements to assess the group's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, the directors 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 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.

For the financial year ending 30 September 2021, certain relaxations in the debt covenants were agreed with the Syndicate (RCF) and US Private Placement (USPP) lenders during September 2020. Covenants are being measured quarterly with the group required to return to the former covenant levels by 30 September 2021. As the EBITDA is based on a rolling twelve-month calculation the covenant calculation benefits materially from April 2021 when the impacts of COVID-19 fall off the rolling 12-month EBITDA. The covenant relaxations are accompanied by an agreement on certain terms and key milestones through to September 2021.

Notes continued

The graph below indicates the agreed covenant relaxation levels to 31 August 2021 and the required levels at 30 September 2021, as well as the performance against these covenants to 31 March 2021:



The covenant computations year to date above reflect the adjustment for the spot translation of the Zimbabwe results to the latest spot rate and may therefore differ to the covenants previously reported.

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

Key milestone	Requirement	Required completion date
Milestone 1	Appointment of an independent financial advisor to advise on 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*	Receipt of all binding offers for the business disposals satisfactory to the agent.	31 March 2021 (or such later date as agreed to by the agent in writing). Nampak response: Achieved within deadline.
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 R1 billion in aggregate.		30 September 2021

* Reduced to R400 million per amendment to the facility agreement on 31 March 2021. Funders will reassess these requirements at 30 June 2021 including whether a capital raise is required to augment the proceeds from asset disposals. There was no amendment to the requirement of repaying the R1 billion of interest-bearing debt by 30 September 2021.

Notes continued

The board has assessed the group's consolidated forecast for 2021 and the approved stratplan for 2022 as impacted by the forecast for 2021, including the resultant profitability levels, financial position and cash flows of the group. This assessment also takes 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.

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

- › the continued recovery of the Nampak Angola and DivFood businesses;
- › complying with the quarterly covenants as at 30 June 2021 and at 30 September 2021;
- › the timing and magnitude of cash flows from operations as the effects of COVID-19 are reversed;
- › the continued critical focus on working capital;
- › the continued management of a conservative capital expenditure programme;
- › the meeting of the remainder of the milestone programme as agreed with the RCF funders;
- › the ability to raise R1 billion to reduce interest-bearing debt from the proceeds of the disposal of assets 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
- › the uncertainty in future movements of the rand/dollar exchange rate over the next 6 months.

Although there may be material uncertainties, based on the 2021 forecast and plan for 2022, available funding facilities, the historic track record of the group to deliver on disposals and a concurrent rights issue process which is at an advanced stage, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the condensed group financial statements and that the group has adequate access to liquidity and will continue to operate for the foreseeable future.

3.2 Impairment of assets (other than assets classified as held for sale)

In terms of IAS 36: Impairment of Assets, the group is required to perform tests for the impairment of property, plant and equipment, right of use assets and intangible assets based on the expected future cash flows pertaining to these assets whenever there is an indication that these assets may be impaired.

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.

Based on market conditions and concerns with consumer demand impacting certain divisions, as well as the group's net asset value continuing to exceed the group's market capitalisation, potential asset impairment losses were considered at 31 March 2021.

Following impairment tests at these divisions, which included a test for the impairment of goodwill, no impairment losses were required to be recognised.

3.3 Functional currency of Bevcn Angola and Bevcn 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.

Notes continued

The functional currency of Bevcán Angola Limitada and Nampak Bevcán 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.

3.4 Current and deferred taxation

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

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

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

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

3.5 Reserve Bank of Zimbabwe financial instrument: expected credit loss assessment

In order to protect shareholder interests from foreign currency devaluation on the dollar denominated liabilities of Nampak Zimbabwe Limited (NZL) to Nampak International Limited (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 USD66.8 million relating to historic intragroup funding owed by NZL to NIL over a period of five years in quarterly repayments commencing on 31 March 2021.

In terms of IFRS 9: Financial Instruments the group recognised a financial asset at amortised cost based on the contract. As at 30 September 2019 an expected credit loss provision (ECL) 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.

As at 31 March 2021, the RBZ failed to settle the first instalment in terms of the group's agreement with them. On 14 April 2021 management notified the RBZ of their default in accordance with the legal agreement and a consequent response was received from them on 28 April 2021 indicating their knowledge of the default and that the default was due to a delay in the finalisation of the Zimbabwe Blocked Funds Framework legislation.

The RBZ also indicated in their response a commitment to remit the debt owed once the above legislation is finalised. In light of the RBZ's default and continued commitment to repay the debt, as well as the prevailing macroeconomic conditions in Zimbabwe, an assessment of the credit risk of the RBZ was conducted to establish whether the expected credit loss provision of 85% in respect of the financial asset should be maintained.

This assessment confirmed that although the economic data available for Zimbabwe indicates that inflation has moderated and currency fluctuations have stabilised in 2021, the full recovery of legacy debt repayable by the RBZ remains unlikely as current recovery rates provided by the World Bank indicate a rate of just 17.5% in Zimbabwe. Based on this assessment, management is of the view that the 85% ECL provision should remain unchanged until more substantive information becomes available.

Notes continued

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

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Depreciation	229.2	298.4	521.2
Amortisation	10.4	10.2	15.4
Reconciliation of operating profit/(loss) to trading profit¹			
Operating profit/(loss)	543.2	286.7	(283.0)
Adjusted for capital ² and other items ³ (excluding net impairment (losses)/reversals separately disclosed)	162.3	346.6	965.1
Capital items	–	46.7	58.3
Net loss on disposal of business	–	129.4	141.0
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	–	(82.7)	(82.7)
Other items	162.3	299.9	906.8
Net impact of devaluation in Zimbabwe	10.4	28.8	263.8
Net devaluation loss arising from Angolan and Nigerian exchange rate movements	152.8	218.7	323.8
Retrenchment and restructuring costs	0.1	52.4	135.3
(Gain)/loss on restructuring lease liabilities and loans	(0.8)	–	136.0
Other	(0.2)	–	47.9 ⁴
Trading profit	705.5	633.3	682.1

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 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. Net finance costs – continuing operations

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Loans	(199.3)	(170.4)	(381.8)
Lease liabilities	(62.9)	(68.6)	(129.0)
Overdraft facilities and other	(8.8)	(13.3)	(13.3)
Finance costs	(271.0)	(252.3)	(524.1)
Liquid bonds	5.5	58.7	34.9
RBZ receivable	4.0*	19.9*	19.9*
Bank balances and other	6.1	5.4	21.7
Finance income	15.6	84.0	76.5
Net finance costs	(255.4)	(168.3)	(447.6)

* 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	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Impairment losses			
Plant and equipment	–	(871.8)	(1 595.5)
Right of use assets	–	–	(209.2)
Goodwill	–	(2 176.4)	(2 213.4)
Intangible assets	(2.4)	–	(7.9)
Loan receivable – excluding RBZ receivable	–	–	(3.8)
Non-current assets classified as held for sale	(13.7)	–	–
Reversal of impairment losses			
Plant and equipment	–	–	9.6
Loan receivables*	1.8	7.9	–
Total	(14.3)	(3 040.3)	(4 020.2)

* Relates to liquid bonds (US dollar indexed Angolan kwanza bonds).

7. Income tax (expense)/benefit

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Current tax			
Current year	(81.5)	52.4	(82.0)
Prior year	(8.6)	(13.1)	38.7
Deferred tax			
Current year	(1.7)	43.1	451.6
Prior year	2.6	0.4	33.2
Change in tax rate	(0.3)	(14.9)	62.3
Hyper-inflation adjustment	(5.7)	36.6	(34.5)
Withholding and foreign tax	(5.8)	(39.2)	(67.8)
Total	(101.0)	65.3	401.5

The company tax rate in South Africa is 28% (2020: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those relevant jurisdictions.

Notes continued

Tax rate reconciliation

%	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Statutory group tax rate	28.0	28.0	28.0
Reduction in tax rate due to:			
Exempt income (including capital profits)	(0.9)	0.9	1.2
Government incentives	(1.0)	0.1	0.1
Utilisation of prior year losses	(12.8)	–	–
Increase in tax rate due to:			
Foreign currency translation impact when converting local tax computations to functional currency	2.4	–	(0.9)
Adjustment for prior year	2.2	(0.4)	1.5
Deferred taxation not recognised	1.8	(2.4)	(5.6)
Tax effect of Zimbabwe hyperinflation, exchange losses and loan receivable	4.6	1.0	(2.2)
Tax rate increase	0.1	–	1.3
Withholding and other foreign taxes	2.1	8.7	(1.4)
Foreign tax rate differential	4.1	(21.1)	(3.8)
Impairments with no tax consequences	–	(15.7)	(8.4)
Disallowable expenses	6.5	3.1	(1.3)
Effective group tax rate	37.1	2.2	8.5

The group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date. In addition to the income tax charge to profit and loss, a deferred tax charge of R3.4 million (Sep 2020: R186.8 million) has been recognised in equity during the year.

Notes continued

8. Determination of headline earnings/(loss) and headline earnings/(loss) per share

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Continuing operations			
Profit/(loss) attributable to equity holders of the company for the period	109.9	(2 637.3)	(3 836.3)
Less: preference dividend	–	–	(0.1)
Basic earnings/(loss)	109.9	(2 637.3)	(3 836.4)
Adjusted for:			
Net impairment losses on plant, equipment, right of use assets, goodwill, intangible assets and assets classified as held for sale	16.1	3 048.2	4 016.4
Net loss on disposal of businesses	–	129.4	141.0
Net (profit)/loss on disposal of property, plant, equipment, right of use assets, intangible assets and assets classified as held for sale	(10.9)	(1.7)	9.0
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	–	(82.7)	(82.7)
Tax effects and non-controlling interests	(1.4)	(410.5)	(747.4)
Headline earnings/(loss) for the period	113.7	45.4	(500.1)
Headline earnings/(loss) per ordinary share (cents)	17.6	7.0	(77.5)
Diluted headline earnings/(loss) per share (cents)	17.6	7.0	(77.5)
Continuing and discontinued operations			
Profit/(loss) attributable to equity holders of the company for the period	109.9	(2 166.9)	(3 467.6)
Less: preference dividend	–	–	(0.1)
Basic earnings/(loss)	109.9	(2 166.9)	(3 467.7)
Adjusted for:			
Net impairment losses on plant, equipment, right of use assets, goodwill, intangible assets and assets classified as held for sale	16.1	3 061.1	4 029.3
Net profit on disposal of businesses	–	(397.0)	(305.8)
Net (profit)/loss on disposal of property, plant, equipment, right of use assets, intangible assets and assets classified as held for sale	(10.9)	(1.7)	9.0
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	–	(82.7)	(82.7)
Tax effects and non-controlling interests	(1.4)	(410.7)	(747.5)
Headline earnings/(loss) for the period	113.7	2.1	(565.4)
Headline earnings/(loss) per ordinary share (cents)	17.6	0.3	(87.7)
Diluted headline earnings/(loss) per share (cents)	17.6	0.3	(87.6)

Notes continued

9. Property, plant, equipment and investment property

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Net carrying value at the beginning of the period	5 905.8	7 195.2	7 195.2
Additions	136.8	402.6	538.6
Depreciation	(170.9)	(282.2)	(389.5)
Disposals	(5.4)	(26.1)	(35.7)
Net impairment losses	–	(871.8)	(1 585.9)
Net reclassifications to assets held for sale	(206.3)	(12.6)	(63.8)
Translation differences	(290.0)	666.8	260.3
Other movements	33.5	126.9	(13.4)
Net carrying value at the end of the period	5 403.5	7 198.8	5 905.8

10. Liquid bonds and other loan receivables

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Liquid bonds ¹	7.3	265.6	307.4
Reserve Bank of Zimbabwe financial instrument ²	136.9	155.5	150.4
Equipment sales receivables ³	22.1	26.8	24.1
Other loan receivables	11.8	14.9	16.4
Total liquid bonds and other loan receivables	178.1	462.8	498.3
Less: Amounts receivable within one year reflected as current	79.9	270.5	358.6
Liquid bonds	7.3	265.6	307.4
Reserve Bank of Zimbabwe financial instrument	60.9	–	41.3
Equipment sales receivables	8.0	2.1	5.4
Other loan receivables	3.7	2.8	4.5
Non-current liquid bonds and other loan receivables	98.2	192.3	139.7

1 Liquid bonds relate to US dollar indexed Angolan kwanza bonds. As at 31 March 2021 the Angolan kwanza equivalent of USD0.5 million (March 2020: USD14.9 million; September 2020: USD18.4 million) had been hedged through these bonds in order to protect the group against further Angolan kwanza devaluation. Interest is earned at a rate of 5.0%.

2 The Reserve Bank of Zimbabwe (RBZ) financial instrument relates to an arrangement in terms of which an amount of USD66.8 million originally owing by Nampak Zimbabwe Limited on its trade account to Nampak International Limited, a direct subsidiary of Nampak Limited, would be settled in twelve quarterly payments of USD5.6 million by the RBZ. Refer note 3.5.

3 Finance lease receivables are repayable from 2021 to 2025. Interest rates earned are between 6.0% and 7.0%.

Notes continued

11. Disposal groups and other non-current assets held for sale

11.1 Disposal group assets and other non-current assets held for sale

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Disposal groups ¹	454.8	–	–
DivFood Mobeni ²	415.0	–	–
Plant and equipment	180.4	–	–
Right of use assets	101.2	–	–
Inventory	133.4	–	–
Rigids Tubes ³	39.8	–	–
Plant and equipment	0.2	–	–
Right of use assets	–	–	–
Inventory	14.0	–	–
Trade and other receivables	25.6	–	–
Other non-current assets held for sale	93.2	37.6	92.7
Plant and equipment ⁴	92.4	37.6	88.8
DivFood division	83.9	37.6	71.9
Megapak Swaziland (Pty) Ltd	–	–	6.6
Nampak Nigeria Limited	8.5	–	10.3
Investment in joint venture ⁵	0.8	–	3.9
Total	548.0	37.6	92.7

1 The Nampak Limited board took a decision to dispose of these businesses during March 2021 after consideration of binding offers received for these businesses in terms of the group's degearing plan set out in note 3.1 above. The group met the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations as at 31 March 2021 and therefore classified these disposal groups as held for sale at that date. These disposal groups were not recognised as discontinued operations in accordance with this standard as they neither represented a separate major line of business nor geographical area of operations.

2 No impairment loss of the DivFood Mobeni disposal group was incurred on the measurement of the disposal group to fair value less costs to sell.

3 The Rigids Tubes disposal group was impaired by R13.7 million in consideration of its fair value less costs to sell. Right of use assets were impaired to less than R0.1 million

4 Plant and equipment classified as held for sale were regarded as redundant to the operational requirements of the divisions concerned.

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

11.2 Liabilities directly associated with disposal groups held for sale

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
DivFood Mobeni			
Lease liability	169.3	–	–
Rigids Tubes	21.3	–	–
Lease liability	7.5	–	–
Trade and other payables	13.8	–	–
Total	190.6	–	–

Notes continued

11.3 Disposal groups held for sale – net carrying values

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
DivFood Mobeni	245.7	–	–
Plant and equipment	180.4	–	–
Right of use assets	101.2	–	–
Inventory	133.4	–	–
Lease liability	(169.3)	–	–
Rigids Tubes	18.5	–	–
Plant and equipment	0.2	–	–
Right of use assets	–	–	–
Inventory	14.0	–	–
Trade and other receivables	25.6	–	–
Lease liability	(7.5)	–	–
Trade and other payables	(13.8)	–	–
Total	264.2	–	–

12. Loans, lease liabilities and bank overdrafts

12.1 Loans – non-current

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Local ¹	3 000.0	1 985.4	2 300.0
Foreign ¹	2 760.4	6 494.9	4 455.2
Gross non-current loans	5 760.4	8 480.3	6 755.2
Less: Amounts due for repayment within one year reflected as current ²	1 000.0	2 027.9	1 000.0
Net non-current loans	4 760.4	6 452.4	5 755.2

1 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 for the 31 March 2021 measurement period. No liabilities have been recognised for outstanding guarantees. Interest rates charged range between 6.7% and 7.1% on the local loans, and between 3.4% and 5.3% on the foreign loans.

2 The R1 billion reflected in current relates to the requirement in the revised revolving credit facility agreement to permanently reduce the group's indebtedness by this amount by 30 September 2021 (refer note 3.1). Included in the current portion of loans repayable within one year in the previous year (March 2020) are the USPP Series A of USD115 million, which was repaid in May 2020, and the following year's amortisation of transaction fees capitalised previously as part of the carrying amount of secured loans. These fees were written-off at the end of September 2020 on the restructuring of these loans in terms of IFRS 9: Financial Instruments.

12.2 Lease liabilities – non-current

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Local	1 270.9	1 553.2	1 420.7
Foreign	12.0	–	5.0
Gross non-current lease liabilities	1 282.9	1 553.2	1 425.7
Less: Amounts due for repayment within one year reflected as current	169.6	158.5	134.5
Net non-current lease liabilities	1 113.3	1 394.7	1 291.2

A weighted average borrowing rate of between 7.1% and 8.9% has been applied to the lease liabilities recognised.

Notes continued

12.3 Loans, lease liabilities and bank overdrafts – current

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Current portion of loans	1 000.0	2 027.9	1 000.0
Current portion of lease liabilities	169.6	158.5	134.5
Bank overdrafts	16.4	309.8	128.5
Total	1 186.0	2 496.2	1 263.0

13. Provisions

R million	Restructuring and rehabilitation	Customer claims	Other	Total
At 1 April 2020	67.2	15.1	33.3	115.6
Additions	258.5	9.0	11.0	278.5
Usage	(27.4)	(4.9)	(32.6)	(64.9)
Reversals	(40.3)	(12.2)	–	(52.5)
Translation differences	(1.3)	0.1	(0.1)	(1.3)
At 30 September 2020	256.7	7.1	11.6	275.4
Additions	0.2	9.9	–	10.1
Usage	(19.6)	(4.2)	(0.4)	(24.2)
Translation differences	(0.9)	(0.1)	(0.1)	(1.1)
At 31 March 2021	236.4	12.7	11.1	260.2

Restructuring and rehabilitation

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 incurred 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. Condensed group statement of cash flows analysis

14.1 Reconciliation of profit before tax to cash generated from operations (continuing and discontinued operations)

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Profit/(loss) before tax	272.3	(2 447.3)	(4 369.5)
Continuing operations	272.3	(2 922.9)	(4 750.3)
Discontinued operations	–	475.6	380.8
Adjustment for:			
Depreciation and amortisation	239.6	313.4	536.6
Net (profit)/loss on disposal of property, plant, equipment, right of use assets, intangible assets and assets classified as held for sale	(10.9)	(1.7)	9.0
Net profit on disposal of businesses	–	(397.0)	(305.8)
Financial instruments fair value adjustment	24.7	(70.4)	(14.2)
Net defined benefit plan expense	19.7	28.5	30.5
Impairment losses	16.1	3 061.1	4 046.0
Reversal of impairment losses	(1.8)	(7.9)	(9.6)
Net unrealised foreign exchange (gains)/losses in Zimbabwe operations	(0.2)	165.8	81.9
Monetary adjustment for hyperinflation – Zimbabwe	10.6	(137.0)	181.9
Share of loss/(profit) in associates and joint ventures	1.2	1.0	(0.5)
Share based payment expense	3.9	12.6	(13.6)
Net finance costs	255.4	269.4	547.4
Cash generated from operations before working capital changes	830.6	790.5	720.1
Net working capital changes	21.1	(75.6)	367.0
Decrease in inventories	80.1	353.5	569.9
(Increase)/decrease in trade and other current receivables	(376.9)	(148.0)	589.9
Increase/(decrease) in trade and other current payables	317.9	(281.1)	(792.8)
Cash generated from operations	851.7	714.9	1 087.1

14.2 Net cash repaid in financing activities

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Non-current borrowings raised	1 300.0	–	2 388.4
Non-current borrowings repaid	(1 901.0)	(351.9)	(4 127.5)
Net current borrowings raised	–	1.5	1.5
Lease liabilities repaid	(36.9)	(30.5)	(79.0)
Total	(637.9)	(380.9)	(1 816.6)

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

R million	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Bank balances and deposits ¹	1 314.3	3 493.6	1 528.9
Bank overdrafts ²	(16.4)	(309.8)	(128.5)
Total	1 297.9	3 183.8	1 400.4

1 Included in bank balances and deposits are balances relating to Nampak Zimbabwe Limited of R75.9 million (March 2020: R66.7 million; September 2020: R61.9 million) which is regarded as having restricted transferability.

2 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.

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	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
At fair value through other comprehensive income – level 1			
Liquid bonds – financial assets	7.3	–	307.4
At fair value through profit or loss – level 2			
Financial assets			
Derivative financial assets ¹	–	125.7	13.7
Financial liabilities			
Derivative financial liabilities ¹	24.7	–	11.1
At amortised cost			
Financial assets	3 435.1	6 686.0	3 449.9
Non-current loan receivables ²	98.2	192.3	139.7
Trade and other current receivables ³	1 950.0	2 729.6	1 730.1
Current loan receivables ²	72.6	270.5	51.2
Bank balances and deposits	1 314.3	3 493.6	1 528.9
Financial liabilities	9 721.7	13 714.0	10 542.3
Non-current loans	4 760.4	6 452.4	5 755.2
Non-current lease liabilities ⁴	1 113.3	1 394.7	1 291.2
Trade and other current payables ⁵	2 662.0	3 370.7	2 232.9
Current loans, other borrowings and bank overdrafts	1 186.0	2 496.2	1 263.0

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

2 Liquid bonds were reclassified to fair value through other comprehensive income after March 2020 in recognising that they would generally no longer be held to maturity.

3 Excludes derivative financial assets (which are measured at fair value through profit or loss), prepayments and trade and other current receivables presented as part of assets classified as held for sale.

4 Excludes lease liabilities presented as part of liabilities associated with assets classified as held for sale.

5 Excludes derivative financial liabilities (which are measured at fair value through profit or loss), 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	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Capital expenditure	153.3	407.1	666.2
Replacement	143.1	349.8	541.4
Expansion	10.2	57.3	124.8
Capital commitments	140.0	161.4	139.9
Contracted	110.8	126.1	89.5
Approved not contracted	29.2	35.3	50.4
Lease commitments	47.2	22.9	41.3
Land and buildings	5.3	9.0	7.4
Other	41.9	13.9	33.9
Contingent liabilities – customer claims and guarantees	6.4	9.3	10.7

Notes continued

17. Share statistics

	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Ordinary shares in issue (000)	690 475	689 812	689 812
Ordinary shares in issue – net of treasury shares (000)	645 744	645 081	645 081
Weighted average number of ordinary shares on which basic earnings and headline earnings per share are based (000)	645 469	644 935	644 935
Weighted average number of ordinary shares on which diluted basic earnings and diluted headline earnings per share are based (000)	645 552	648 142	645 465

18. Key ratios and exchange rates

18.1 Key ratios

		Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
EBITDA ¹ – continuing operations	R million	782.8	595.3	253.6
Net gearing				
– based on total net borrowings	%	142	109	149
– based on net borrowings excluding capitalised finance leases	%	105	82	115
Current ratio	times	1.6	1.7	1.7
Acid test ratio	times	1.0	1.1	1.0
Net debt: EBITDA – debt covenants	times	3.7	3.3	4.9
EBITDA: Interest cover – debt covenants	times	3.1	4.1	2.6
Return on equity – continuing operations ²	%	3.7	(31.3)	(55.1)
Return on net assets – continuing operations				
– based on trading profit	%	11.8	9.2	5.5
– based on operating profit		9.0	4.2	(2.3)
Return on invested capital – continuing operations				
– based on trading profit	%	9.2	6.7	4.4
– based on operating profit		7.1	2.1	(1.8)
Return on invested capital – continuing and discontinuing operations	%			
–based on trading profit		9.2	7.4	4.8
– based on operating profit		7.1	3.6	1.4
Net asset value per ordinary share ³	cents	724	1 008	773
Tangible net asset value per ordinary share ³	cents	443	665	456

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

2 Restated for 31 March 2020 – refer note 2.3.

3 Calculated on shareholders equity and ordinary shares in issue, net of treasury shares. Restated for 31 March 2020 – refer note 2.3.

Notes continued

18.2 Exchange rates

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

	Unaudited 6 months ended 31 Mar 2021	Unaudited 6 months ended 31 Mar 2020	Audited year ended 30 Sep 2020
Rand/UK pound			
Average	20.62	19.29	20.68
Closing	20.37	22.07	21.55
Rand/Euro			
Average	18.32	16.61	18.19
Closing	17.34	19.53	19.56
Rand/US dollar			
Average	15.29	15.04	16.24
Closing	14.76	17.80	16.69
Naira/US dollar			
Average	389.84	363.75	375.15
Closing	407.63	387.51	381.75
Kwanza/US dollar			
Average	662.25	493.22	549.67
Closing	642.03	567.04	640.10
RTGS dollar/US dollar			
Average	87.41	17.34	36.76
Closing	84.40	25.00	81.44

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. Events after the reporting date

There were no significant events after the reporting date.

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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