Nampak
packaging excellence

Unaudited consolidated interim results for the six months ended 31 March 2022

2022

Packaging excellence

Highlights

Revenue of R8.1bn

↑ 24%

Operating profit of R668m

↑ 26%

Net profit of R321m

↑ 87%

Earnings of 34.9cps

↑ 105%

Headline earnings of 35.6cps

↑ 102%

Cash generated from operations before working capital changes of R1.1bn

↑ 30%

Investment in working capital of

R653m

due to revenue growth and abnormally high commodity prices

Covenants complied with and well within thresholds:

Net debt:EBITDA of	2.8x
EBITDA:interest cover of	4.7x

Commentary

"Nampak had a rewarding yet challenging first half of the 2022 financial year. Trading conditions improved as most of the territories we operate in did away with stringent trading restrictions and reopened their economies. Our beverage can businesses achieved remarkable performances and provided the foundation for a strong improvement in the group's interim results, supported by resilient performances from our Zambian and Zimbabwean operations. We continue to review ways of improving the performance from our Plastics businesses. Revenue, profitability and cash generation improved significantly but required further investment in working capital until such time as commodity prices normalise. These good results were achieved despite unprecedented global shipping challenges and supply chain disruptions. We have worked closely with various stakeholders to navigate this unique period in order to ensure continuity of supply to our customers and sustainable profitability for the group going forward."

Erik Smuts, Chief executive officer

Overview

The first six months of the 2022 financial year were characterised by robust trading conditions in our key markets. Group revenue increased by 24% to R8.1 billion, costs were well managed and group profits attributable to equity holders rose 102% to R222 million. The Metals businesses were the key contributors to revenue and trading profit growth. Local management at each division navigated global supply chain challenges and high commodity prices carefully and showed great resilience with improved overall results for the period.

Our safety levels remained stable and the group lost time injury frequency rate at 0.29 was within the group's maximum tolerance of 0.32 for the rolling twelve-month cycle.

Group financial performance

R million	1H22	1H21	% change
Revenue	**8 065**	6 522	24
Trading profit	**770**	706	9
Operating profit	**668**	529	26
Profit before tax	**392**	272	44
Profit for the period	**321**	171	87
Cash generated from operations before working capital changes	**1 080**	831	30
Cash generated from operations	**428**	852	(50)
Earnings per share (cents)	**34.9**	17.0	105
Headline earnings per share (cents)	**35.6**	17.6	102

Commentary continued

Revenue increased by 24% to R8.1 billion driven by healthy demand in our key markets coupled with higher selling prices caused by elevated commodity/raw material prices. The Metals division was the largest contributor to revenue growth supported by Zambian and Zimbabwean operations within the Plastic and Paper divisions.

Trading profit improved by 9% to R770 million, but significant gains made by the Metals division were limited by the marginally improved performance of the Plastics division. Group trading margins contracted to 9.5% from 10.8% as a result of the pass through of abnormally high commodity driven cost increases into selling prices.

Operating profit grew 26% to R668 million, positively impacted by lower capital and other adjusting items including:

- Improved trading conditions;
- Net devaluation losses arising from Angolan and Nigerian foreign exchange rate movements reduced to R49 million from R153 million;
- Net impairments reduced to R10 million from R14 million; and
- Net impact of devaluation associated with Zimbabwe increased to R40 million from R10 million.

Profit for the period improved by 87% to R321 million, largely impacted by the following:

- Net finance costs increased by 9% due to a 5% increase in finance costs, inclusive of R19 million ratchet interest (1H21: R65 million), and a 67% reduction in finance income; and
- Income tax expense reduced by 30% to R71 million, with a reduction in the effective tax rate to 18.1% from 37.1%.

Profits attributable to equity holders of the company improved 102% to R222 million. **Earnings per share** and **headline earnings per share** rose by 105% and 102% to 34.9 cents and 35.6 cents respectively.

Cash generated from operations before working capital was pleasingly up by 30% to R1.1 billion. However, during the period R653 million was utilised to fund increased working capital requirements given increased demand and significantly elevated commodity prices. R674 million was invested in increased inventories in order to ensure continued supply of raw materials into our operations and to meet customer demand. Trade receivables increased by R258 million but was more than funded by an increase in trade and other payables of R279 million. As a combined result, **cash generated from operations** decreased by 50% to R428 million compared to the six months to 31 March 2021.

Capital expenditure remained well controlled and was 39% lower at R94 million compared to the prior comparative period, with 92% of capital expenditure being replacement in nature.

Foreign currency availability in Angola was satisfactory and in Nigeria availability at the official spot rate slowed compared to the prior comparative period.

The group complied with all **funding covenants** for the two quarters to 31 March 2022 as trading conditions, earnings and cash generation before working capital requirements improved. This was also reflected in the 12-month rolling EBITDA for debt covenant purposes which increased by 44% to R1.8 billion. Net debt:EBITDA for the interim period at 2.8 times, remained below the maximum 3.5 times threshold. EBITDA:interest cover of 4.7 times at 31 March 2022 was greater than the required minimum of 4.0 times.

Net interest-bearing debt was 9% higher at R5.0 billion than the prior comparative period. An additional R433 million was drawn during the period to partially fund increased working capital requirements and improve cash reserves. R400 million of the non-recourse trade finance facility of R1.0 billion was utilised by the end of the period, with R267 million applied to permanently reduce the group's existing net interest-bearing debt with a commensurate reduction in the group's banking facilities.

The group's ability to reduce net interest-bearing debt by R1.0 billion by 30 September 2022 will be assessed by the funders on 30 June 2022. Cash proceeds from asset disposals, internally generated cash, the use of the group's non-recourse trade finance facility and/or proceeds raised from any potential capital raise will be considered in the assessment.

Divisional reviews

Trading performance by substrate:

R million	Revenue 1H22	Revenue 1H21	Trading profit 1H22	Trading profit 1H21	Trading margin (%) 1H22	Trading margin (%) 1H21
Metals	**5 973**	4 698	**752**	550	**12.6**	11.7
Plastics	**1 576**	1 427	**143**	140	**9.1**	9.8
Paper	**516**	397	**81**	81	**15.7**	20.4
Corporate services	**—**	—	**(206)**	(65)	**—**	—
Group total	**8 065**	6 522	**770**	706	**9.5**	10.8

Metals

Revenue from the Metals division increased by 27% to R6.0 billion and trading profit grew by 37% to R752 million as demand increased in all key markets — South Africa, Nigeria and Angola.

The South African beverage can market experienced strong growth due to increased demand for larger can sizes. This was driven by continual growth in the beer, cider and energy drink markets. The beverage market growth was assisted by an absence of bans on alcohol sales compared to those imposed during the prior comparative period. **Bevcan South Africa** benefited from higher demand and shortages of other packing substrates, as demand for larger can sizes exceeded available capacity. Revenue grew in double digits, driven by higher selling prices resulting from contractual aluminium cost pass-through pricing mechanisms. Trading profits also grew in low teens as the growth of local sales volumes more than made up for the loss of the once-off exports concluded in the prior financial year. Cash flows were adversely impacted by the high commodity prices.

The Nigerian beverage can market continued to grow due to shortages in other packaging substrates as well as higher overall consumer demand. **Bevcan Nigeria** continued to perform better than expectations, with volumes approaching maximum capacity.

After being in place for more than 18 months since March 2020, trading restrictions in response to the COVID-19 pandemic began to be eased in Angola. **Bevcan Angola's** performance improved as a result, albeit from a very low base. Volumes grew pleasingly and continuous measures implemented by management to maintain a low operating cost base contributed to improved profitability. This operation however operated below capacity, with only one of the two lines currently in use. The closure of the border with the Democratic Republic of Congo continues to adversely impact demand in Angola.

DivFood in South Africa saw good revenue growth driven by volume recovery and material price increases for raw materials. Whilst the division was impacted by tinplate shortages in the first quarter, the availability of raw materials improved and the business traded strongly in the second quarter, with particularly strong fish can sales. Other end use markets performed well with improved volumes for fruit, vegetable and milk cans. Roll-on-pilfer-proof closure sales into the wine & spirits markets were also well up on the prior comparative period. In the diversified can category shoe polish recovered, while other end use markets saw depressed demand related to pressure on consumers' disposable income.

Trading at the DivFood business in Nigeria for **general metals packaging** was below expectations. Volume allocations by key customers declined as they switched to self-manufacturing and/or other packaging substrates.

Plastics

Revenue for the Plastics division grew by 10% to R1.6 billion, largely driven by the strong performance of the group's Zimbabwean operations. Trading profits grew by 2% to R143 million as most businesses grew in double digits but were offset by reduced profitability at Rigid Plastics in South Africa.

Rigid Plastics' performance in South Africa was limited by lower volumes for liquid bottles caused by elongated strikes at two key customers. While the demand for closures remained resilient and grew pleasingly in a challenging environment, there was reduced demand for all other product categories. Customers also experienced raw materials shortages due to global supply chain challenges. While revenue was marginally down, profitability was negatively impacted by reduced volumes coupled with higher freight costs. Management continued to right size the business, further consolidating warehousing sites to reduce this business's operating costs.

The **Liquid Cartons** business in South Africa continued to grow, assisted by unrestricted trading compared to the prior comparative period's ad hoc countrywide bans on alcohol sales. Revenue grew moderately, supported by improved operational efficiencies.

The Zimbabwean operations, **Megapak and CMB** performed well on the back of robust demand, despite erratic electricity supply and insufficient foreign currency to purchase raw materials. These operations supplied the market with products to the extent raw materials and energy were available. Both revenue and trading profit grew in double digits and operations continued to self-fund.

Commentary continued

Paper

Overall profits for the Paper division were maintained, despite a very challenging operating environment. Revenue increased by 30% to R516 million and trading profit remained stable at R81 million, pulled back by higher operating costs at Hunyani in Zimbabwe.

Hunyani's profitability suffered as operational costs increased due to unreliable electricity supply and the impact of hyperinflation.

Zambia and **Malawi** volumes recovered with the reopening of both those economies from pandemic restrictions. Zambia's performance was largely driven by crate volume growth, while Malawian promotional efforts advanced conical carton volumes and led to improved profitability for both operations.

Corporate services

Corporate service charges increased largely due to:

› Unrealised losses on hedges related to customer contracts that will be recovered in 2H22 and should have no material impact on the full year results;

› Higher group incentive provisions raised in the current year based on improved results; and

› R24 million insurance claim settlement received in the prior period.

Trading performance by region

	Revenue		Trading profit		Trading margin (%)	
R million	1H22	1H21	1H22	1H21	1H22	1H21
South Africa	**5 373**	4 436	**327**	324	**6.1**	7.3
Rest of Africa	**2 692**	2 086	**649**	447	**24.1**	21.4
Corporate services	**–**	–	**(206)**	(65)	**–**	–
Group total	**8 065**	6 522	**770**	706	**9.5**	10.8

Sharing supply chain business risks with stakeholders

Nampak began exploring various measures to mitigate current global supply chain challenges in the form of elevated pricing caused by raw material shortages, premiums on freight costs and shipping delays. We have engaged and will continue to collaborate with suppliers and customers to ensure that supply chain risks are shared by the entire value chain to optimise working capital requirements. Pricing mechanisms will be reviewed to ensure appropriate future compensation for the group's additional investment in working capital as a consequence of abnormal increases in commodity prices or other input costs.

Reserve Bank of Zimbabwe debt

No further payments were received from the Reserve Bank of Zimbabwe during the period. This debt has now formally been included in the Zimbabwean Blocked Funds Framework for repayment. Considering this development the expected credit loss debt provision of 90% previously raised on the outstanding amount was assessed for the period and considered as adequate.

Capital restructuring of Bevcan Angola

Effective 31 March 2022, the group completed a restructure of its interest in Nampak Bevcan Angola whereby it increased its equity share from 70% to 93% through the capitalisation of a portion of an intragroup loan to this subsidiary. The remaining 7% minority stake is owned by a local Angolan shareholder who is funded by the group but will only be recognised as a minority for accounting purposes once the likelihood of repayment of the funding becomes certain. The transaction had no impact on earnings for the period under review or on the group's cash resources but is expected to be positive for future group earnings. Refer to note 3.9 in the condensed group financial statements.

Portfolio optimisation and funding structure review

Disposal initiatives for previously identified assets have proven difficult in current market conditions, but the process is ongoing. We will continue to review and optimise our business portfolio with the intention to dispose of those businesses that either do not have a good strategic fit or that do not provide an appropriate return on capital for the related risk.

Based on current funding arrangements an assessment will be performed by the lenders by 30 June 2022 on the group's ability to repay R1.0 billion in net interest-bearing debt by 30 September 2022. Nampak has already paid down R425m of this requirement and has the ability to satisfy the remainder utilising further drawdowns on its R1.0 billion non-recourse trade finance facility, if required. However, given current pressures on working capital we do not believe it will adequately address the structural constraints in the group's balance sheet.

Nampak's current debt package is maturing on 1 April 2023 and the US Private Placement Note Holders' portion thereof on 28 May 2023. Management and the board are reviewing the group's capital and funding structure with the view to addressing all these matters in a comprehensive way. We are targeting to simplify both the structure of our debt package and the funding consortium. We have made good progress in the initial design of this structure. Discussions with lenders have commenced and we plan to finalise the refinancing process before 30 September 2022.

Outlook

South Africa

Despite the impact of the conflict in Ukraine, increased commodity prices and a higher interest rate cycle on global inflation, we expect continued growth in the local beverage can market while improved demand for fish cans is expected to drive growth at DivFood. Following the recent floods that occurred mid-April 2022 in the KwaZulu-Natal province the diversified can business' performance was negatively impacted for a relatively short period, but production has already fully recovered.

The Plastics businesses will continue to focus on reducing complexity and right sizing operations to improve profitability. The Liquid Cartons business is expected to benefit in the second half as delayed export volumes are expected to resume and boost local production volumes.

Rest of Africa

We expect to see continued growth in the Nigerian beverage market but possibly at a reduced rate, although this should have little impact on our Nigerian operation given that it is already approaching full capacity. Inflationary pressures on consumers' disposable income is also expected to contribute to a softer market for the general metals packaging business for the rest of the financial year. This business will focus on restructuring its business in relation to changing market conditions.

The Angolan economy is beginning to see green shoots with the continued strengthening of the Kwanza against foreign currencies. With the economy reopening, we anticipate a slow but steady recovery of the economy, which may be boosted by the eventual reopening of borders to neighbouring countries that rely on Angolan exports.

Other key markets in the Rest of Africa are expected to improve in the second half. Zimbabwean demand remains strong but limited by the available supply of foreign currency required to purchase raw materials, while Zambia and Malawi are expected to experience a further growth in demand as conical carton and certain plastic product volumes continue to normalise relative to the prior period.

Commentary continued

Dividend

In line with previous communications, the board has decided not to resume dividends until debt is at a more sustainable level.

Interim results presentation webcast

Nampak management will hold a webcast on Thursday, 26 May 2022 at 10h00 South Africa Standard Time (UTC+2) to present the interim results, provide a business update and address questions from the investment community. Webcast details are available on the company website **http://www.nampak.com/Investors**. The interim results announcement and presentation will be uploaded on the website on the morning of the webcast.

On behalf of the Board

PM Surgey	**EE Smuts**	**GR Fullerton**
Chairman	Chief executive officer	Chief financial officer

Bryanston

26 May 2022

Sponsor

Nedbank Corporate and Investment Banking, a division of Nedbank Limited

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 2022	Restated* Unaudited 6 months ended 31 Mar 2021	Change %	Audited Year ended 30 Sep 2021
Revenue		**8 064.8**	6 522.2	24	13 958.4
Operating profit before items below		**717.9**	553.6	30	1 190.4
Net impact of devaluation associated with Zimbabwe		**(40.1)**	(10.4)		4.5
Net foreign exchange gains		**11.2**	0.2		0.8
Monetary adjustment for hyperinflation		**(51.3)**	(10.6)		(4.5)
Net measurement of expected credit loss allowance — Reserve Bank of Zimbabwe financial instrument		**–**	–		8.2
Operating profit before net impairment losses	4	**677.8**	543.2	25	1 194.9
Net impairment losses	5	**(10.2)**	(14.3)		(264.3)
Operating profit		**667.6**	528.9	26	930.6
Finance costs	6	**(284.2)**	(271.0)		(506.2)
Finance income	6	**5.2**	15.6		21.6
Share of net profit/(loss) from associates and joint ventures		**3.5**	(1.2)		(0.9)
Profit before tax		**392.1**	272.3	44	445.1
Income tax expense	7	**(71.1)**	(101.0)		(67.7)
Profit for the period		**321.0**	171.3	87	377.4
Other comprehensive loss, net of tax		**(169.7)**	(322.4)	47	(284.6)
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations excluding Zimbabwe operations		**(107.3)**	(319.1)		(237.1)
Exchange differences on translation and hyperinflation effects of Zimbabwe operations		**(70.0)**	(9.1)		(14.6)
Loss on cash flow hedges		**–**	(0.5)		(0.5)
Items that will not be reclassified to profit or loss					
Net actuarial gain/(loss) from retirement benefit obligations		**7.6**	6.3		(32.4)
Total comprehensive income/(loss) for the period		**151.3**	(151.1)	–	92.8
Profit attributable to:					
Owners of Nampak Limited		**221.9**	109.9	>100	207.2
Non-controlling interests in subsidiaries		**99.1**	61.4		170.2
Total		**321.0**	171.3	>100	377.4
Total comprehensive income/(loss) attributable to:					
Owners of Nampak Limited		**66.4**	(308.4)	–	(151.9)
Non-controlling interests in subsidiaries		**84.9**	157.3		244.7
Total		**151.3**	(151.1)	–	92.8
Earnings per share					
Basic (cents per share)	8	**34.9**	17.0	>100	32.1
Diluted (cents per share)	8	**34.2**	17.0	>100	32.1

* Operating profit has been restated to include net impairment losses. Refer to note 4.

Condensed group statement of financial position

R million	Notes	Unaudited 31 Mar 2022	Unaudited 31 Mar 2021[2]	Audited 30 Sep 2021
Assets				
Non-current assets				
Property, plant and equipment and investment property	9	**5 352.0**	5 403.5	5 360.9
Right of use assets		**733.7**	782.4	666.7
Goodwill		**1 661.4**	1 674.8	1 711.8
Other intangible assets		**124.1**	138.1	134.9
Investments in associates and joint venture		**20.9**	15.4	17.5
Deferred tax assets		**435.8**	369.2	466.2
Loan and lease receivables — non-current	10	**74.0**	98.2	78.1
		8 401.9	8 481.6	8 436.1
Current assets				
Inventories		**3 625.6**	2 463.5	2 910.9
Trade and other current receivables		**2 904.2**	2 227.6	2 800.3
Tax assets		**10.3**	10.8	16.3
Loan and lease receivables — current	10	**44.2**	79.9	43.3
Bank balances and deposits		**1 397.3**	1 314.3	1 136.6
		7 981.6	6 096.1	6 907.4
Assets classified as held for sale	11.1	**49.4**	548.0	621.9
Total assets		**16 432.9**	15 125.7	15 965.4
Equity and liabilities				
Capital and reserves				
Share capital		**35.5**	35.5	35.5
Capital reserves		**(257.3)**	(223.7)	(226.9)
Other reserves		**(46.0)**	51.3	109.5
Retained earnings		**4 452.4**	4 811.2	4 911.7
Shareholders' equity		**4 184.6**	4 674.3	4 829.8
Non-controlling interests[1]		**235.6**	(615.7)	(528.7)
Total equity		**4 420.2**	4 058.6	4 301.1
Non-current liabilities				
Loans — non-current	12.1	**5 554.5**	4 760.4	4 474.3
Lease liabilities — non-current	12.2	**1 298.5**	1 113.3	1 192.7
Retirement benefit obligation		**775.1**	748.0	801.2
Deferred tax liabilities		**84.5**	202.8	175.3
Other non-current liabilities		**12.1**	14.2	12.7
		7 724.7	6 838.7	6 656.2
Current liabilities				
Trade payables and other current payables		**3 111.6**	2 542.1	2 892.6
Provisions	13	**189.4**	260.2	192.0
Tax liabilities		**81.9**	49.5	36.6
Loans and lease liabilities — current	12.3	**868.3**	1 169.6	1 577.0
Bank overdrafts		**36.8**	16.4	25.0
		4 288.0	4 037.8	4 723.2
Liabilities directly associated with assets classified as held for sale	11.2	**—**	190.6	284.9
Total equity and liabilities		**16 432.9**	15 125.7	15 965.4

1 During March 2022, the shares held by Nampak Products Limited, a subsidiary of Nampak Limited, in Nampak Bevcan Angola Lda (NBA) were sold to Nampak International Limited (NIL), a fellow subsidiary of Nampak Limited, as part of a restructuring initiative. Under the terms of this transaction, part of the intragroup loan between NIL and NBA was settled by the issue of additional shares by NBA to its shareholders and the interest of the outside shareholders in NBA was diluted for accounting purposes from 30.0% to nil effective 31 March 2022. The dilution of the outside shareholders resulted in a reallocation of the carrying amount of their interest in NBA's equity to NIL (and therefore of the Nampak Limited group) of R679.4 million (debit). Refer note 3.9.

2 Bank overdrafts have been disaggregated from loans and lease liabilities — current for enhanced disclosure. Loans and lease liabilities — current have, therefore, been re-presented.

Condensed group statement of changes in equity

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited Year ended 30 Sep 2021
Opening balance	**4 301.1**	4 214.5	4 214.5
Net shares issued during the period	**—**	—	2.0
Share-based payment expense	**15.1**	3.9	3.3
Share grants forfeited	**(1.8)**	—	(1.3)
Disposal of liquid bonds[1]	**—**	(8.7)	(10.1)
Treasury shares purchased[2]	**(45.5)**	—	—
Total comprehensive income/(loss) for the period	**151.3**	(151.1)	92.8
Dividends paid	**—**	—	(0.1)
Closing balance	**4 420.2**	4 058.6	4 301.1
Comprising:			
Share capital	**35.5**	35.5	35.5
Capital reserves	**(257.3)**	(223.7)	(226.9)
Share premium	**270.9**	268.9	270.9
Treasury shares	**(558.9)**	(513.4)	(513.4)
Share-based payments reserve	**30.7**	20.8	15.6
Other reserves	**(46.0)**	51.3	109.5
Foreign currency translation reserve	**624.5**	689.7	787.6
Recognised actuarial losses reserve	**(627.3)**	(596.2)	(634.9)
Other[3]	**(43.2)**	(42.2)	(43.2)
Retained earnings	**4 452.4**	4 811.2	4 911.7
Shareholders' equity	**4 184.6**	4 674.3	4 829.8
Non-controlling interests	**235.6**	(615.7)	(528.7)
Total equity	**4 420.2**	4 058.6	4 301.1

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

2 During the period 11 308 712 Nampak Limited shares were acquired at a cost R45.5 million as the deferred incentive portion of the Executive Incentive Plan for 2021. The deferred incentive is structured as forfeitable shares, meaning participants are the owners of the shares, but the shares are subject to forfeiture (until vesting) and disposal restrictions (until the expiry of the holding period, where applicable).

3 Other reserves relate to a put option in favour of the Botswana Development Corporation created on the acquisition of the group's interest in Nampak DivFood Botswana (Pty) Ltd of R17.0 million and deferred tax on the equity contribution by Nampak International Ltd to Nampak Zimbabwe Ltd of R26.2 million.

Condensed group statement of cash flows

R million	Notes	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021[1]	Audited Year ended 30 Sep 2021[1]
Cash generated from operations before working capital changes	14.1	**1 080.2**	830.6	1 680.4
Net working capital changes	14.1	**(652.6)**	21.1	(621.2)
Cash generated from operations	14.1	**427.6**	851.7	1 059.2
Net interest paid		**(246.7)**	(271.7)	(523.0)
Retirement benefits, contributions and settlements		**(37.8)**	(38.4)	(77.5)
Treasury shares purchased[2]		**(45.5)**	–	–
Income tax paid		**(73.5)**	(53.0)	(152.0)
Cash flows from operations		**24.1**	488.6	306.7
Dividends paid		**–**	–	(0.1)
Net cash generated from operating activities		**24.1**	488.6	306.6
Cash flows from investing activities				
Capital expenditure	16	**(94.2)**	(153.3)	(312.9)
Replacement		**(86.9)**	(143.1)	(273.7)
Expansion		**(7.3)**	(10.2)	(39.2)
Proceeds on disposal of property, plant, equipment and investments		**14.2**	25.4	40.9
Proceeds on disposal of liquid bonds		**–**	270.8	267.8
Proceeds from RBZ receivable		**–**	–	57.4
Other investing activities		**1.4**	6.5	2.3
Cash (utilised)/generated from investing activities		**(78.6)**	149.4	55.5
Net cash (utilised)/generated before financing activities		**(54.5)**	638.0	362.1
Cash flows from financing activities				
Non-current loans raised		**847.9**	1 300.0	1 499.6
Non-current loans repaid		**(414.8)**	(1 901.0)	(1 998.5)
Lease liabilities repaid		**(48.6)**	(36.9)	(71.2)
Net cash raised/(repaid) in financing activities		**384.5**	(637.9)	(570.1)
Net increase/(decrease) in cash and cash equivalents		**330.0**	0.1	(208.0)
Net cash and cash equivalents at beginning of period		**1 111.6**	1 400.4	1 400.4
Translation of cash in foreign subsidiaries		**(81.1)**	(102.6)	(80.8)
Net cash and cash equivalents at end of period	14.2	**1 360.5**	1 297.9	1 111.6

1 Proceeds on disposal of property, plant, equipment and investments have been disaggregated from other investing activities for enhanced disclosure. Other investing activities have, therefore, been re-presented. Similarly, non-current loans raised and non-current loans repaid have been disaggregated from net non-current loans repaid as previously presented and re-presented as such for enhanced disclosure.

2 Refer to footnote 2 on the condensed group statement of changes in equity.

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 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 2021 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.

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 management of the group's balance sheet, gearing levels, funding structures and covenants in these uncertain times remained our top priority. Remaining nimble and responsive to the market's changing demand patterns as the world recovers from the pandemic and adjusts to significantly higher commodity prices and supply chain disruptions required continued focus on working capital management. The recent impacts of the Russian and Ukrainian war have further exacerbated these issues.

Significant focus has been placed on complying with the group's funding covenants, the prudent management of capital expenditure and the optimisation of working capital particularly given increased input costs and growing demand. Additional focus has been placed on addressing structural imbalances in the group's South African beverage can working capital cycle which has placed working capital under pressure. The group complied with both its covenants at its quarterly measurement periods during the half year ended 31 March 2022.

In terms of the funding agreements, the group's debt funders require interest-bearing debt to be reduced by R1.0 billion by 30 September 2022, through a strategic asset disposal process or a combination of asset disposals and a capital raise. On 30 June 2022, the group's funders will assess its ability to achieve the required deleveraging by 30 September 2022.

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The restriction to reduce debt only through asset disposals and/or a capital raise was relaxed so as to allow the utilisation of all cash flows generated through normal operating activities, inclusive of the repayments of historical debt by the Reserve Bank of Zimbabwe (RBZ), but subject to the cancellation of commensurate committed facilities.

The group aims to operate a working capital funding model that funds inventory holdings through trade payables with the group therefore only funding its high-quality trade receivables book. A non-recourse trade finance facility (trade finance facility) of up to R1.0 billion, was secured post the 30 September 2021 year-end, and has improved short term liquidity and resulted in lower net interest-bearing debt for covenant purposes. Utilisation of this facility counts towards the required repayment of interest-bearing debt of R1.0 billion by 30 September 2022 with R400 million of this facility having been utilised at 31 March 2022 with R267 million of the R400 million being applied to repay net interest-bearing debt with a commensurate cancellation of banking facilities.

The group's asset base remains well capitalised with no significant capital expenditure requirements expected in the short to medium term.

The group has already instituted the following action plans to further improve adjusted EBITDA (defined as trading profit before depreciation and amortisation and adjusted for unrealised foreign exchange losses/gains and payments in respect of leases capitalised under IFRS 16: Leases — hereinafter referred to as "EBITDA") and cash generation complemented by various cash conservation plans including the following:

- Several restructuring, cost savings and retrenchment processes and initiatives were completed during the 2021 year;
- Capital expenditures continue to be carefully managed and are budgeted at moderate levels;
- Working capital remains a critical area of focus across all sectors of the business, with a focus on ensuring inventory holdings are funded by matching trade payables to the extent possible;
- The utilisation of the trade finance facility has assisted in liquidity and in repaying net interest-bearing debt;
- Continuing and expediting cash transfers from businesses in Angola, Nigeria and Zimbabwe where possible taking into account in country US Dollar availability;
- The business has specific plans set out for the 2022 year and quarterly milestones are required to be met in terms of the revised funding agreements concluded in September 2021 failing which a capital raise will be triggered for the shortfall in the required debt repayment at a date of default;
- Internal forecasts for 2022 per operation and the group have been thoroughly reviewed. Focus has been placed on revenue growth, primarily driven by a recovery from the impacts of COVID-19, profitability improvements off improved cost base and cash generation through management of working capital and strictly controlled capital expenditure. No material expansionary capital expenditure is forecast for 2022 with moderate capex in the stratplan years;
- The group has appointed advisors and continues to consider the implications of various capital raising alternatives in assessing the various options available to reduce debt as identified asset disposals have proven challenging during the period under review. Two of the identified assets previously classified as assets held for sale no longer meet the definitions for assets held for sale in IFRS 5: Non-current Assets Held for Sale and Discontinued Operations and are therefore no longer classified as assets held for sale. The non-recourse trade finance facility has created optionality in the plan to reduce interest-bearing debt by R1.0 billion by 30 September 2022. The group's capital structure is under review. Consideration is being given to the most optimal way of improving the group's capital structure and thereby reducing net interest-bearing debt and improving financial flexibility.
- The group has no intention to cease trading, curtail operations or liquidate the businesses which are aligned with the requirements of the funding agreement.

Solvency and liquidity

Solvency

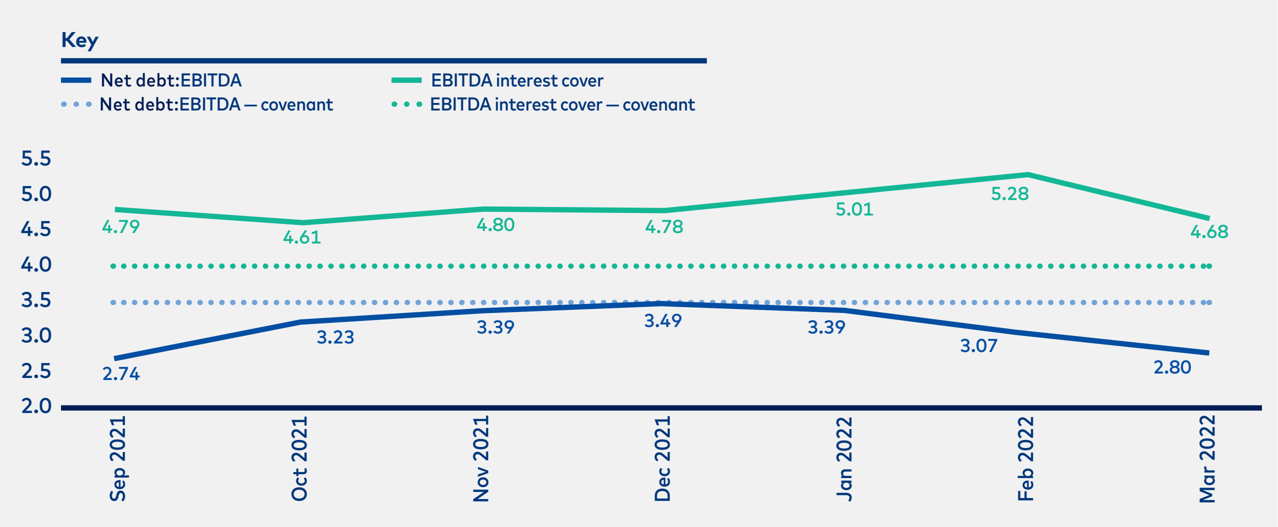
At 31 March 2022, after impairments, the valuations of the group's assets, fairly valued, exceed the group's liabilities. As such, the group is of the view that given the headroom in the fair value of the assets over the fair value of the liabilities (including contingent liabilities), the group is solvent as at 31 March 2022 and at the date of this report.

Liquidity management

During the six months ended 31 March 2022, funding covenants remained consistently below the monthly covenant threshold levels set by lenders with the net interest-bearing debt to EBITDA ratio of 2.80 times being significantly below the lenders threshold of 3.5 times and below the historically contracted threshold of 3.0 times despite the additional funding allocated to working capital to fund the increase in commodity prices and increased trading activity. Under current funding agreements, the net interest-bearing debt to EBITDA threshold will reduce to 3.0 times from October 2022.

Both of the group's covenants are computed based on a rolling 12 month EBITDA. The covenants benefited during the current six month period as the poor trading months from the prior year were replaced by stronger trading elevating the EBITDA. A stronger rand dollar exchange rate positively impacted the translation of US dollar denominated debt. This covenant is measured quarterly but reported monthly to lenders for the 2022 financial year. The EBITDA interest cover ratio of 4.68 times has been adversely impacted by the inclusion of the ratchet interest costs of R18.5 million (March 2021: R65.3 million) for the period.

The group complied with its covenants at December 2021 and 31 March 2022 as follows:



In terms of the revised agreements, compliance with debt covenants will be closely managed by the funders with monthly reporting and a formal quarterly meeting with the funders. Covenants continue to be measured quarterly. There are clearly defined milestones and a clear focus on managing the process in terms of which the group is required to reduce its interest-bearing debt by R1.0 billion by 30 September 2022 through the disposal of certain assets, the receipts from the RBZ repayment plan, the internal generation of cash, the utilisation of the trade facility and or a capital raise. The disposal of identified non-core assets at fair value has proven to be challenging in the current market conditions.

In the event of inadequate cash being generated and the group not being able to meet the deleveraging obligations or if a capital raise event is triggered prior to that date, the group may be called upon to implement a capital raise. This could potentially be through a rights issue, the private placement of shares or another form of suitable capital injection. Hence, the rights issue documentation has been prepared in parallel with other processes that are under consideration to address the group's capital structure.

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Conclusion

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, and:

› meet milestones and related contractual action points as agreed with its lenders which include the mandatory debt redemption of R1.0 billion by 30 September 2022; and
› meet forecasted liquidity requirements.

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

Based on these assessments, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

3.2 Impairment of assets

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.

As the group's net asset value continues to significantly exceed the group's market capitalisation, potential impairment losses of assets other than goodwill were also considered with individual operations/cash generating units being tested for specific impairment. These valuations were performed at 31 March 2022 taking into account the approved forecast for 2022 and the strategic plans for 2023 to 2026.

Following impairment tests at these divisions, which included a test for the impairment of goodwill, no impairment losses or impairment loss reversals were required to be recognised at 31 March 2022.

3.3 Expected credit loss determination of the Reserve Bank of Zimbabwe settlement agreement

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 USD 66.8 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. This standard requires management to determine at each reporting date whether the credit risk pertaining to the asset has increased significantly from its initial recognition. To this end, management is required to consider all reasonable and supportable information available in order to compare the risk of a default occurring at the reporting date with that occurring at initial recognition. Where the risk of default has increased significantly, an expected credit loss (ECL) provision must be recognised equal to the credit losses expected to be incurred over the lifetime of the asset. In determining the measurement of the ECL provision, management should apply a definition of default that is consistent with the definition used for internal credit risk management purposes for the relevant asset and consider qualitative factors where appropriate. For the RBZ financial instrument, default is defined as the failure to honour the repayment terms of the agreement with the RBZ.

In light of the credit risk attached to the asset at 30 September 2019, an ECL provision of 85% was applied to the agreement after having regard to prevailing economic challenges and financial uncertainty in Zimbabwe at that time. This assessment and determination remained unchanged at 31 March 2020 and 30 September 2020. At 31 March 2021, however, the RBZ failed to settle the first instalment in terms of the group's agreement with them. The RBZ acknowledged their default, indicating that the default was due to the Blocked Funds Framework (BFF) that needed to be finalised. The RBZ communicated their non-contractual commitment to pay a reduced amount and comply with the terms of the original agreement. At 31 March 2021 management determined that until more substantive information became available the risk of default had not increased and that the ECL provision of 85% should remain unchanged. At 30 September 2021 the RBZ defaulted on this revised commitment and accordingly based on the past payment history and an assessment of a continued deterioration in the future, management increased the ECL provision from 85% to 90% based on the calculation of the present value of the cash flows expected from the asset over the remaining repayment period. To date the RBZ has repaid $4.0 million but has failed to meet the payments as they fall due per the contract.

Given the intentions of the BFF, management has assessed the risk of non-recoverability of the remaining 10% of the RBZ obligation taking into account both quantitative and qualitative factors with no increase in the associated expected credit loss ratio of 90% at 31 March 2022 being considered necessary. Accordingly, no further ECL has been raised at 31 March 2022.

Details of the carrying value of the RBZ financial instrument are disclosed in note 10.

3.4 Classification of disposal groups held for sale

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

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

During March 2021, the Nampak Limited board took a decision to dispose of the following businesses after consideration of binding offers received for these businesses in terms of the group's de-gearing plan set out in note 3.1:

- DivFood Mobeni business (part of the DivFood division of Nampak Products Limited, a direct subsidiary of Nampak Limited);
- Rigids Tubes business (part of the Rigids division of Nampak Products Limited, a direct subsidiary of Nampak Limited).

After an assessment of the transactions pertaining to these businesses in terms of the above criteria, the directors determined that these disposal groups met the above criteria as at 31 March 2021 and therefore classified these disposal groups as held for sale at that date and remained classified as such at 30 September 2021. These businesses, however, were not classified as discontinued operations as they neither represent a separate major line of business nor a geographical area of operations.

Despite significant progress having been made with regard to the disposal of these two assets challenging economic conditions have resulted in protracted final negotiations with the buyers of these respective assets resulting in the transactions not being concluded at 31 March 2022. Negotiations are continuing with the identified buyers of Tubes. The Mobeni asset is in the process of being marketed to new potential buyers. Accordingly, the sale of these assets are now not considered to be highly probable and have been reclassified out of assets held for sale at 31 March 2022.

Details of the net assets of these businesses are disclosed in note 11.

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continued

3.5 Modification of financial liabilities

No modifications to the group's borrowing arrangements took place during the six months ended 31 March 2022. However, the contractual terms for the revolving credit facilities were amended in September 2021. In terms of IFRS 9: Financial Instruments, when the contractual terms of a financial liability have been amended, it must be determined whether the amendments result in a substantial or insubstantial modification to the instrument concerned. In addition, IFRS 9 requires an entity to determine an accounting policy as to whether credit spread adjustments, as determined in a loan agreement, reflect movements in market rates of interest for the credit risk of the entity (defined as a floating-rate financial liability), or whether such adjustments do not reflect movements in market rates of interest for the credit risk of the entity (defined as a fixed-rate financial liability). Such re-estimations of future cash flows are then reflected in the gross carrying amount of the instrument.

When the contractual terms of a financial liability are substantially modified, it is accounted for as an extinguishment of the original debt instrument and the recognition of a new financial liability. The new debt instrument is recorded at fair value and any difference between this value and the carrying amount of the extinguished liability, including any non-cash consideration transferred, is recorded in profit or loss as are any costs or fees incurred. If a modification to the terms of a financial liability is not substantial, then the amortised cost of the liability is recalculated as the present value of the estimated future contractual cash flows discounted at the original effective interest rate. The resulting gains or losses are recognised in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortised over its term.

In limited circumstances, a qualitative assessment will be sufficient to establish that the terms of the modified financial liability are substantially different from those of the original instrument. If this assessment is not sufficient, an entity applies a quantitative assessment based on the guidance in the standard.

Based on a qualitative and quantitative assessment of the revised contractual terms, management determined that these terms were not substantially different from the terms of the previous facility. Accordingly, the modification was assessed as being insubstantial and the carrying value of the debt remained unchanged as at 30 September 2021 as the interest rate set on the loan was reset to the market rate.

The financial liability recognised under the current revolving credit facility loan agreement is defined as a floating rate financial liability measured at amortised cost. This results in the revision of the effective interest rate at the point when the contractual interest rate is revised to reflect the change in the credit risk of the group. In terms of the agreement, the group's interest rate is based on compliance with the leverage covenant level i.e. on the base floating rate plus the margin rate, depending on the covenant concerned at the end of each quarter.

3.6 Functional currency of Nampak Bevcan Angola Limitada and Nampak Bevcan Nigeria Limited

In determining the functional currency of an entity, management is required to consider the indicators provided in IAS 21: The Effects of Changes in Foreign Exchange Rates being the currency that mainly influences the selling prices for the goods or services provided, the currency whose competitive forces and regulations mainly determine the sales prices of these goods and services, the currency that mainly influences labour, material and other costs of providing these 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.

After consideration of the above factors, in particular selling prices and production costs being the dominant factors, the US Dollar was determined to be the functional currency for Nampak Bevcan Angola Limitada and Nampak Bevcan Nigeria Limited in management's initial and ongoing assessment.

Selling prices for aluminium beverage cans are negotiated in US dollar as they are linked to the London Metal Exchange (LME) where aluminium is traded in US dollar. Raw materials, being mainly aluminium, has to largely be imported and is priced internationally in US dollar. Other production costs such as gas and consumables, although payable in local currency, are also linked to the US dollar exchange rate. In addition, the nature of the manufacturing process is specialised and requires the employment of international labour which is payable in US dollar. Furthermore, the majority of the property, plant and equipment was purchased in US dollars with a significant portion of maintenance costs being US dollar linked.

There has been no change to the transactions, events and conditions supporting these factors. Consequently, there has been no change to the group's initial assessment and the decision was made that the US Dollar remains the functional currency of both companies.

3.7 Translation of Zimbabwe group companies

The Zimbabwean exchange rates used in translating the results and financial position of the Zimbabwe group companies to the reporting currency of the group for consolidation purposes are derived from the Bloomberg market internet site. These rates are aligned with the official auction mid-rates as published by the Reserve Bank of Zimbabwe on their internet site. Management, therefore, considers these rates to be appropriate for the translation and consolidation of the results and financial position of the Zimbabwe group companies.

3.8 Recognition of deferred tax assets

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. These 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.

The deferred tax assets raised relate mainly to Nampak Products Limited in respect of provisions, retirement benefit obligations, right of use assets, lease liabilities and assessed losses carried forward from prior years. These assets are expected to be recoverable against future taxable profits in the normal course of business. Further deferred tax assets were recognised in Nampak Bevan Angola Limitada in respect of assessed losses carried forward from prior years. In respect of the latter, deferred tax assets are only recognised to the extent that the company is expecting to utilise the tax losses with the consideration that these losses prescribe in 2025.

3.9 Capital restructuring of Nampak Bevcan Angola Lda

As at 31 March 2022 the capital restructuring of Nampak Bevcan Angola (NBA) was completed. This entailed the conversion into equity of a portion of an intragroup loan to NBA, funded by Nampak International Limited (NIL), a subsidiary of Nampak Limited (Nampak). Pursuant to this restructuring initiative, the shares in NBA held by Nampak Products Limited (NPL), a subsidiary of Nampak, were sold to NIL prior to the equity conversion.

The sale of shares to NIL from NPL was required in terms of Angolan legislation as only those entities who are shareholders of a company can equitise loans. As part of the agreement to recapitalise NBA, which would have resulted in the full dilution of the minority, NIL sold 7% of its shareholding received from the capitalisation to the minorities at an agreed price which was effected through a loan provided by NIL to the minorities. The loan is secured by the underlying shares sold and repayment of the loan will be settled by the minorities ceding their right to normal dividends in settlement of the loan during the loan term.

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The shareholding will have voting rights. Should the loan not be repaid within the period of the loan, such shares as have not been paid for may be acquired by NIL at the fair value of the shares at that point in time and offset against any outstanding balance on the loan.

The transaction has resulted in NIL's shareholding legally increasing from 70% to 93%, and consequently the outside shareholder's interest (OSI, minority) reducing to 7% with effect from 31 March 2022. This transaction did not require any further cash injection and is expected to positively impact earnings attributable to Nampak's equity shareholders in the future.

The recapitalising transaction represents an option over own equity for accounting purposes. Until the equity interest held by the minority becomes unencumbered, they are exposed to the upside on the equity interest, while there is no exposure to downside risk or risk of loss during the loan period. Consequently, NIL does not recognise the equity interest issued to the minority and does not recognise the loan as outstanding.

For the Nampak group consolidated financial statements, the 7% shareholding sold meets the definition of a non-controlling interest (NCI) per IFRS 10, however due to the underlying nature of the transaction, the in-substance ownership held by the NCI represents a 0% accounting and economic interest until such time as the option is in the money. Therefore, no profit attribution will be provided to the NCI until this point. At 31 March 2022 the dilution of the OSI in NBA resulted in an increase of the carrying amount of Nampak's interest in the equity of NBA of R679.4 million.

4. Operating profit before net impairment losses

Operating profit is defined as the profit derived from the core operating activities of group companies over which we have control in terms of IFRS 10: Consolidated Financial Statements. Operating profit is presented after deducting operating expenses, including employee benefit expenses, depreciation and amortisation, net foreign exchange losses and net impairment losses, from gross profit (being revenue less raw materials and consumables used in production) and other operating income. Operating profit, therefore excludes finance costs and finance income as these are not part of the core operating activities of the group, while the share of net profits/(losses) of associates and joint ventures are excluded from operating profit as the group does not have control over the investing, financing and operating decisions of these entities.

The comparative (March 2021) for operating profit has been restated due to incorrectly presenting the operating profit for that period exclusive of net impairment losses. The operating profit for the six months ended 31 March 2021 was presented in the 2021 interim financial statements as R543.2 million, which excluded net impairment losses of R14.3 million presented below the operating profit and has therefore been restated to an operating profit of R528.9 million inclusive of these net impairment losses. The reason for excluding net impairment losses for the period concerned was to demonstrate the sustainable operating profit of the group as it was considered that the inclusion of the net impairment losses, which were material and arose under abnormal market conditions, would distort this line item. However, after consideration of the requirements of IAS 1 Presentation of Financial Statements, it was considered that it would be more appropriate to reflect net impairment losses as part of operating profit although separately presented on the face of the statement of comprehensive income where these losses are material. Accordingly, the operating profit is now disclosed before and after net impairment losses.

4.1 Included in operating profit before net impairment losses are the following items in addition to those indicated in the reconciliation below:

R million	**Unaudited 6 months ended 31 Mar 2022**	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Depreciation	**242.2**	229.2	441.2
Property, plant and equipment	**187.4**	170.9	333.1
Right of use assets	**54.8**	58.3	108.1
Amortisation	**9.7**	10.4	19.2

4.2 Reconciliation of operating profit before net impairment losses to trading profit[1]

R million	**Unaudited 6 months ended 31 Mar 2022**	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Operating profit before net impairment losses	**677.8**	543.2	1 194.9
Adjusted for capital[2] and other items[3] (excluding net impairment losses separately disclosed)	**92.6**	162.3	226.6
Capital items			
Net profit on disposal of investments and businesses	**–**	–	(10.2)
Other items	**92.6**	162.3	236.8
Net impact of devaluation associated with Zimbabwe	**40.1**	10.4	(4.5)
Net devaluation loss arising from Angolan and Nigerian exchange rate movements	**48.7**	152.8	246.0
Retrenchment and restructuring costs[4]	**4.2**	0.1	(1.3)
Gain on restructuring lease liabilities	**–**	(0.8)	(0.8)
Other	**(0.4)**	(0.2)	(2.6)
Trading profit	**770.4**	705.5	1 421.5

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

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

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

4 The September 2021 comparative includes a reversal of a provision raised in the 2020 financial year which was reversed in the 2021 financial year for the DivFood operations in Mobeni and Rosslyn where alternative measures were adopted.

5. Net impairment losses

R million	**Unaudited 6 months ended 31 Mar 2022**	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Impairment losses	**(10.2)**	(16.1)	(436.8)
Plant, equipment and vehicles	**–**	–	(229.7)
Right of use assets	**–**	–	(169.5)
Other intangible assets	**–**	(2.4)	(2.4)
Non-current assets classified as held for sale	**(10.2)**	(13.7)	(35.2)
Reversal of impairment losses	**–**	1.8	172.5
Freehold land and buildings	**–**	–	3.0
Plant and equipment	**–**	–	136.2
Right of use assets	**–**	–	33.3
Loan receivables	**–**	1.8	–
Total	**(10.2)**	(14.3)	(264.3)

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6. Net finance costs

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Loans[1]	**(191.3)**	(199.3)	(352.5)
Bank overdrafts and other	**(30.6)**	(8.8)	(27.6)
Finance costs before lease liabilities	**(221.9)**	(208.1)	(380.1)
Lease liabilities	**(62.3)**	(62.9)	(126.1)
Finance costs	**(284.2)**	(271.0)	(506.2)
Liquid bonds	**–**	5.5	5.6
RBZ receivable[2]	**0.9**	4.0	3.9
Bank balances and other	**4.3**	6.1	12.1
Finance income	**5.2**	15.6	21.6
Net finance costs	**(279.0)**	(255.4)	(484.6)

1 Included is ratchet interest relating to the revolving credit facilities of R18.5 million (March 2021: R65.3 million; September 2021: R87.8 million).

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

7. Income tax expense

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Current tax			
Current year	**(100.7)**	(81.5)	(119.2)
Prior year	**(8.3)**	(8.6)	(20.8)
Capital gains tax	**–**	–	(0.6)
Hyper-inflation adjustment	**(7.1)**	–	(20.9)
Deferred tax			
Current year	**57.4**	(1.7)	117.7
Prior year	**27.8**	2.6	(2.2)
Change in tax rate	**(12.5)**	(0.3)	0.3
Hyper-inflation adjustment	**(13.9)**	(5.7)	(2.1)
Withholding and foreign tax	**(13.8)**	(5.8)	(19.9)
Total	**(71.1)**	(101.0)	(67.7)

The company tax rate in South Africa is 28% (2021: 28%) of the estimated assessable profit for the year. The South African tax rate will be reduced from 28% to 27% for the 2023 financial year. Taxation for other jurisdictions is calculated at the rates prevailing in those relevant jurisdictions.

Tax rate reconciliation

%	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Statutory group tax rate	**28.0**	28.0	28.0
Increase in tax rate due to:	**24.1**	23.8	24.6
Tax effect of Zimbabwe hyperinflation	**9.2**	4.6	5.8
Disallowable expenses	**6.7**	6.5	8.6
Withholding and other foreign taxes	**3.5**	2.1	4.5
Tax rate reduction	**3.2**	0.1	–
Deferred taxation not recognised	**1.5**	1.8	0.5
Adjustment for prior year	**–**	2.2	5.2
Foreign currency translation impact when converting local tax computations to functional currency	**–**	2.4	–
Foreign tax rate differential	**–**	4.1	–
Reduction in tax rate due to:	**(34.0)**	(14.7)	(37.4)
Recognition of losses and temporary differences not previously recognised	**–**	–	(23.4)
Exempt income (including capital profits)	**(0.4)**	(0.9)	(2.1)
Government incentives	**(1.0)**	(1.0)	(1.8)
Foreign tax rate differential	**(1.7)**	–	(1.0)
Adjustment for prior year	**(4.9)**	–	–
Foreign currency translation impact when converting local tax computations to functional currency	**(5.7)**	–	(0.7)
Utilisation of prior year losses	**(20.3)**	(12.8)	(8.4)
Effective group tax rate	**18.1**	37.1	15.2

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

In addition to the income tax charge to profit and loss, a deferred tax charge of R1.9 million (March 2021: R3.4 million charge; September 2021: R9.2 million credit) has been recognised in equity during the year.

8. Basic and headline earnings per share

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Profit attributable to equity holders of the company for the period	**221.9**	109.9	207.2
Less: preference dividend	**–**	–	(0.1)
Basic earnings	**221.9**	109.9	207.1
Adjusted for:			
Net impairment losses on property, plant, equipment, right of use assets, other intangible assets and assets classified as held for sale	**10.2**	16.1	264.3
Net profit on disposal of investments and businesses	**–**	–	(10.2)
Net profit on disposal of plant, equipment and assets classified as held for sale	**(4.0)**	(10.9)	(9.8)
Tax effects and non-controlling interests	**(1.7)**	(1.4)	(49.1)
Headline earnings	**226.4**	113.7	402.3
Basic earnings per share (cents)	**34.9**	17.0	32.1
Diluted basic earnings per share (cents)	**34.2**	17.0	32.1
Headline earnings per share (cents)	**35.6**	17.6	62.3
Diluted headline earnings per share (cents)	**34.9**	17.6	62.3

Notes
continued

9. Property, plant, equipment and investment property

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Net carrying value at the beginning of the period	**5 360.9**	5 905.8	5 905.8
Additions	**92.6**	136.8	311.6
Depreciation	**(187.4)**	(170.9)	(333.1)
Disposals	**(8.9)**	(5.4)	(7.1)
Net impairment losses	**–**	–	(90.5)
Net reclassifications from/(to) assets classified as held for sale	**200.5**	(206.3)	(216.2)
Translation differences	**(105.5)**	(290.0)	(228.8)
Other movements	**(0.2)**	33.5	19.2
Net carrying value at the end of the period	**5 352.0**	5 403.5	5 360.9

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

Depreciation is charged so as to write off the cost over their estimated useful life, using the straightline method – other than for the Bevcan operations where the units of production method is applied. Depreciation is not provided in respect of land. Depreciation methods, useful lives and residual values are reassessed annually or when there is an indication that they have changed.

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

10. Loan and lease receivables

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Liquid bonds[1]	**–**	7.3	–
Reserve Bank of Zimbabwe financial instrument[2]	**85.6**	136.9	87.5
Equipment sales receivables[3]	**13.7**	22.1	22.4
Other loan receivables	**18.9**	11.8	11.5
Loan and lease receivables	**118.2**	178.1	121.4
Less: Amounts receivable within one year reflected as current	**44.2**	79.9	43.3
Liquid bonds	**–**	7.3	–
Reserve Bank of Zimbabwe financial instrument	**34.2**	60.9	35.0
Equipment sales receivables	**7.3**	8.0	6.3
Other loan receivables	**2.7**	3.7	2.0
Non-current loan and lease receivables	**74.0**	98.2	78.1

1 Liquid bonds relate to US dollar indexed Angolan kwanza bonds. Interest rates earned were between 5.0% and 7.0% during the prior year. As at 30 September 2021, all remaining liquid bonds were disposed of.

2 The Reserve Bank of Zimbabwe (RBZ) financial instrument relates to an agreement in terms of which US$66.8 million owing to the group, was meant to be settled by the RBZ over a five-year period in quarterly repayments commencing 31 March 2021 after an initial two-year holiday. Management determined that at 30 September 2021 the risk of default on this instrument had increased since its initial recognition and that the expected credit loss (ECL) provision should be increased from 85% to 90%. Refer to note 3.3. A net measurement of the loss allowance relating to the RBZ instrument, being a gain of R8.2 million, was recognised. The gross carrying value of the instrument is R856.0 million, while the ECL provision relating to this instrument is R770.4 million. The net carrying value of this instrument is therefore R85.6 million. Management has assessed the risk of non-recoverability of the remaining 10% of the RBZ obligation taking into account both quantitative and qualitative factors and the Zimbabwean Blocked Funds Framework with no increase in the associated expected credit loss ratio at 31 March 2022 being considered necessary. Accordingly, no further ECL provision has been raised at 31 March 2022.

3 Equipment sales receivables are repayable from 2022 to 2026. Interest rates earned are between 7.0% and 15.3%.

Loan and lease receivables are measured initially at fair value. Subsequently, liquid bonds are measured at fair value through other comprehensive income, while other loan receivables and lease receivables are measured at amortised cost. The liquid bonds were held for collecting contractual cash flows and for sale.

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

11.1 Assets classified as held for sale

R million	**Unaudited 6 months ended 31 Mar 2022**	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Disposal groups[1]			
DivFood Mobeni[2]	**–**	415.0	508.9
Plant and equipment	**–**	180.4	186.3
Right of use assets	**–**	101.2	104.8
Other intangible assets	**–**	–	0.6
Trade and other receivables	**–**	–	72.6
Inventories	**–**	133.4	144.6
Rigids Tubes[3]	**–**	39.8	53.6
Plant and equipment	**–**	0.2	14.2
Right of use assets	**–**	–	–
Inventories	**–**	14.0	22.3
Trade and other receivables	**–**	25.6	17.1
Other non-current assets held for sale			
Plant and equipment[4]	**49.4**	92.4	59.4
DivFood division	**49.4**	83.9	59.3
Megapak Swaziland (Pty) Ltd	**–**	–	0.1
Nampak Nigeria Limited	**–**	8.5	–
Investment in joint venture[5]	**–**	0.8	–
Total	**49.4**	548.0	621.9

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 or geographical area of operations. Despite significant progress having been made with regard to the disposal of these two assets challenging economic conditions have resulted in protracted final negotiations with the buyers of these respective assets resulting the transactions not being concluded at 31 March 2022. Negotiations are continuing with the identified buyers of Tubes. The Mobeni asset is in the process of being marketed to new potential buyers. Accordingly, the sale of these assets is now not considered to be highly probable and have been reclassified out of assets held for sale at 31 March 2022.

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 (March 2021) 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 redundant to the operational requirements of the divisions concerned. An impairment loss of R10.2 million (March 2021: nil; September 2021: R35.2 million) was recognised in respect of these assets in the current period.

5 The investment in joint venture classified as held for sale related to the investment in Softex Tissue Products (Pvt) Ltd held by Nampak Zimbabwe Ltd. This investment was disposed of in the prior year.

11.2 Liabilities directly associated with assets classified as held for sale

R million	**Unaudited 6 months ended 31 Mar 2022**	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
DivFood Mobeni	**–**	169.3	264.1
Lease liabilities	**–**	169.3	169.3
Trade and other payables	**–**	–	94.8
Rigids Tubes	**–**	21.3	20.8
Lease liabilities	**–**	7.5	5.2
Trade and other payables	**–**	13.8	15.6
Total	**–**	190.6	284.9

Notes

continued

11.3 Disposal groups held for sale — net carrying values

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
DivFood Mobeni	–	245.7	244.8
Plant and equipment	–	180.4	186.3
Right of use assets	–	101.2	104.8
Other intangible assets	–	–	0.6
Trade and other receivables	–	–	72.6
Inventories	–	133.4	144.6
Lease liabilities	–	(169.3)	(169.3)
Trade and other payables	–	–	(94.8)
Rigids Tubes	–	18.5	32.8
Plant and equipment	–	0.2	14.2
Right of use assets	–	–	–
Inventories	–	14.0	22.3
Trade and other receivables	–	25.6	17.1
Lease liabilities	–	(7.5)	(5.2)
Trade and other payables	–	(13.8)	(15.6)
Total	–	264.2	277.6

12. Loans and lease liabilities

12.1 Loans — non-current

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Local	**3 551.8**	3 000.0	3 186.1
Foreign	**2 709.7**	2 760.4	2 738.2
Loans	**6 261.5**	5 760.4	5 924.3
Less: Amounts due for repayment within one year reflected as current	**707.0**	1 000.0	1 450.0
Non-current loans	**5 554.5**	4 760.4	4 474.3

Loans are secured by guarantees issued by the Nampak Limited group. These facilities are subject to covenants relating to interest cover and liquidity of the Nampak Limited group. The Nampak Limited group was within the covenant requirements at the quarterly measurement dates. No liabilities have been recognised for outstanding guarantees. Interest rates charged range between 7.1% and 7.7% on the local loans and between 3.8% and 5.3% on the foreign loans.

12.2 Lease liabilities — non-current

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Local	**1 442.8**	1 270.9	1 299.8
Foreign	**17.0**	12.0	19.9
Lease liabilities	**1 459.8**	1 282.9	1 319.7
Less: Amounts due for repayment within one year reflected as current	**161.3**	169.6	127.0
Non-current lease liabilities	**1 298.5**	1 113.3	1 192.7

12.3 Loans and lease liabilities — current

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Current portion of loans	**707.0**	1 000.0	1 450.0
Current portion of lease liabilities	**161.3**	169.6	127.0
Total	**868.3**	1 169.6	1 577.0

13. Provisions

R million	Restructuring	Customer claims	Other	Total
At 1 April 2021	236.4	12.7	11.1	260.2
Additions	0.5	3.9	—	4.4
Usage	(17.4)	(4.5)	(0.5)	(22.4)
Reversals	(40.7)	(6.0)	(3.3)	(50.0)
Translation differences	(0.2)	—	—	(0.2)
At 30 September 2021	178.6	6.1	7.3	192.0
Additions	1.6	9.3	—	10.9
Usage	(7.3)	(3.5)	(0.3)	(11.1)
Reversals	—	(1.7)	—	(1.7)
Translation differences	(0.7)	—	—	(0.7)
At 31 March 2022	**172.2**	**10.2**	**7.0**	**189.4**

Restructuring

The provision for restructuring is 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. The restructuring provision only includes those direct expenditures which are necessarily entailed by the restructuring and are not associated with the ongoing activities of the group.

Customer claims

The provision for customer claims consists of 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

R million	**Unaudited 6 months ended 31 Mar 2022**	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Profit before tax	**392.1**	272.3	445.1
Adjustment for:			
Depreciation and amortisation	**251.9**	239.6	460.4
Net profit on disposal of plant, equipment and assets classified as held for sale	**(4.0)**	(10.9)	(9.8)
Net profit on disposal of investments and businesses	**–**	–	(10.2)
Financial instruments fair value adjustment	**71.7**	24.7	(11.9)
Net defined benefit plan expense	**27.6**	19.7	58.2
Impairment losses	**10.2**	16.1	436.8
Reversal of impairment losses	**–**	(1.8)	(172.5)
Net devaluation impact associated with Zimbabwe	**40.1**	10.4	(4.5)
Net foreign exchange gains	**(11.2)**	(0.2)	(0.8)
Monetary adjustment for hyperinflation	**51.3**	10.6	4.5
Net measurement of expected credit loss allowance — Reserve Bank of Zimbabwe financial instrument	**–**	–	(8.2)
Share of (profit)/loss in associates and joint ventures	**(3.5)**	1.2	0.9
Share based payment expense	**15.1**	3.9	3.3
Net finance costs	**279.0**	255.4	484.6
Cash generated from operations before working capital changes	**1 080.2**	830.6	1 680.4
Net working capital changes	**(652.6)**	21.1	(621.2)
(Increase)/decrease in inventories	**(673.6)**	80.1	(388.8)
Increase in trade and other current receivables	**(257.8)**	(376.9)	(987.7)
Increase in trade and other current payables	**278.8**	317.9	755.3
Cash generated from operations	**427.6**	851.7	1 059.2

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

R million	**Unaudited 6 months ended 31 Mar 2022**	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Bank balances and deposits	**1 397.3**	1 314.3	1 136.6
Bank overdrafts*	**(36.8)**	(16.4)	(25.0)
Total	**1 360.5**	1 297.9	1 111.6

* 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 are therefore classified as cash and cash equivalents.

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

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 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
At fair value through other comprehensive income — level 1			
Liquid bonds — financial assets	**–**	7.3	–
At fair value through profit or loss — level 2			
Financial assets			
Derivative financial assets[1]	**–**	–	31.1
Financial liabilities			
Derivative financial liabilities[1]	**53.0**	24.7	13.5
At amortised cost			
Financial assets	**4 168.8**	3 435.1	3 865.5
Non-current loan and lease receivables[2]	**74.0**	98.2	78.1
Trade and other current receivables[3]	**2 653.3**	1 950.0	2 607.5
Current loan and lease receivables[2]	**44.2**	72.6	43.3
Bank balances and deposits	**1 397.3**	1 314.3	1 136.6
Financial liabilities	**10 758.9**	9 721.7	10 083.9
Non-current loans	**5 554.5**	4 760.4	4 474.3
Non-current lease liabilities[4]	**1 298.5**	1 113.3	1 192.7
Trade and other current payables[5]	**3 000.8**	2 662.0	2 814.9
Current loans and lease liabilities	**868.3**	1 169.6	1 577.0
Bank overdrafts	**36.8**	16.4	25.0

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

2 Excludes liquid bonds which are measured at fair value through other comprehensive income. The remaining liquid bonds were disposed of as at 30 September 2021.

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

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

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

16. Capital expenditure, commitments and contingent liabilities

R million	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Capital expenditure	**94.2**	153.3	312.9
Replacement	**86.9**	143.1	273.7
Expansion	**7.3**	10.2	39.2
Capital commitments	**42.9**	140.0	36.3
Contracted	**25.7**	110.8	32.5
Approved not contracted	**17.2**	29.2	3.8
Lease commitments	**42.8**	47.2	27.5
Land and buildings	**0.3**	5.3	1.2
Other	**42.5**	41.9	26.3
Contingent liabilities — customer claims and guarantees	**25.7**	6.4	10.0

Notes

continued

17. Share statistics

	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Ordinary shares in issue (000)	**690 475**	690 475	690 475
Ordinary shares in issue — net of treasury shares (000)	**634 435**	645 744	645 744
Weighted average number of ordinary shares on which basic earnings and headline earnings per share are based (000)	**636 325**	645 469	645 469
Weighted average number of ordinary shares on which diluted basic earnings and diluted headline earnings per share are based (000)	**649 587**	645 552	646 070

18. Key ratios and exchange rates

18.1 Key ratios

		Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021[4]	Audited year ended 30 Sep 2021
EBITDA[1]	R million	929.7	782.8	1 655.3
EBITDA — debt covenants[2]	R million	1 788.1	1 237.6	1 716.2
Net gearing				
— based on total net borrowings	%	141	142	144
— based on net borrowings excluding capitalised finance leases	%	108	105	109
Current ratio	times	1.9	1.6	1.5
Acid test ratio	times	1.0	1.0	0.9
Net debt: EBITDA — debt covenants	times	2.8	3.7	2.7
EBITDA: Interest cover — debt covenants	times	4.7	3.1	4.8
Return on equity	%	10.0	3.7	4.2
Return on net assets				
— based on trading profit	%	14.3	11.8	12.8
— based on operating profit	%	12.4	8.8	8.4
Return on invested capital				
— based on trading profit	%	10.8	9.2	9.8
— based on operating profit	%	9.4	6.9	6.4
Net asset value per ordinary share[3]	cents	660	724	748
Tangible net asset value per ordinary share[3]	cents	378	443	462

1 EBITDA is calculated as operating profit from continuing operations before depreciation, amortisation and net impairment losses.

2 EBITDA — debt covenants is calculated as trading profit before depreciation and amortisation, adjusted for unrealised foreign exchange losses/(gains) and lease payments. This measure is calculated on a rolling 12 months basis.

3 Calculated on shareholders' equity and ordinary shares in issue, net of treasury shares.

4 The prior year ratios for return on net assets and return on invested capital that are based on operating profit have been restated in line with the restatement of operating profit. Refer note 4.

18.2 Exchange rates

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

	Unaudited 6 months ended 31 Mar 2022	Unaudited 6 months ended 31 Mar 2021	Audited year ended 30 Sep 2021
Rand/UK pound			
Average	**20.62**	20.62	20.29
Closing	**19.23**	20.37	20.34
Rand/Euro			
Average	**17.37**	18.32	17.73
Closing	**16.22**	17.34	17.49
Rand/US dollar			
Average	**15.33**	15.29	14.83
Closing	**14.64**	14.76	15.11
Naira/US dollar			
Average	**415.17**	389.84	400.33
Closing	**416.09**	407.63	413.05
Kwanza/US dollar			
Average	**546.32**	662.25	655.82
Closing	**448.92**	642.03	614.21
RTGS dollar/US dollar			
Closing*	**142.42**	84.40	87.67

* No average rate is disclosed as Zimbabwe is considered to be a hyperinflationary economy and the results of the Zimbabwe group companies are, therefore, translated at the closing rate.

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. Malbak Group Pension Fund surplus — contingent asset

The Nampak Limited group is eligible to be allocated a portion of the surplus in the Malbak Group Pension Fund. The amount provisionally allocated to Malbak Limited is valued at R218 million as at 28 February 2022 but this should not be considered a final allocation until the outcome of a communication exercise to the affected stakeholders who have the right to object is known. The surplus allocation is thus likely but not certain, nor is it certain when it will be paid. When the allocation of the surplus is finalised, it will be transferred to other retirement funds to fund the retirement contributions to those funds which the group is required to make for its employees.

21. Events after the reporting date

Due to the extent of the flood damage incurred in KwaZulu-Natal in April 2022, it is expected that the gap cover for group risks provided by Nampak Insurance Company Limited, a Nampak Limited group subsidiary, is likely to be called upon. Although, the full impact of the cash flow expected in this regard is still being assessed, the maximum amount that may be called upon is R50 million.

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