novus holdings

Leaders in print and manufacturing

2020

INTERIM FINANCIAL **STATEMENTS**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

Novus Holdings Limited
(Incorporated in the Republic of South Africa)
JSE share code: NVS
ISIN code: ZAE000202149
Registration number: 2008/011165/06
("Novus Holdings" or "the Company" or "the Group")

REVIEWED INTERIM RESULTS

For the six months ended 30 september 2019

With extensive experience, Novus Holdings services the country and customers across the African continent through its print production of all short to long run requirements of magazines, retail inserts, catalogues, books, newspapers, commercial work. The Group also produces educational materials for governments and multi-national publishers.

Beyond traditional printing, the Group has a packaging division that offers wet-glue labels, wrap-around labels, pressure sensitive labels and flexible plastic packaging as well as a tissue manufacturing division.

SALIENT FEATURES

- Revenue declined by 3,0% to R2 227m (2018: R2 297m)
- Headline earnings per share decreased by 40,5% to 29,4 cents per share (2018: 49,4 cents per share)
- Earnings per share decreased by 48,5% to 24,8 cents per share (2018: 48,1 cents per share)
- Net asset value per share increased by 3,1% to 918,4 cents (2018: 891,1 cents)

PERFORMANCE OVERVIEW

The consolidated results of the Group and its divisions for the six-months ended 30 September 2019 were impacted by several factors, but principally the deferment in completion of a portion of a major print project from H1 (first half) to H2 (second half). The prevailing poor consumer demand environment in South Africa as underpinned by the muted economic growth continues to have adverse impact on the Group's performance.

The Print segment experienced lower print volumes, further exacerbated by margin pressure. Improved Packaging and Tissue segment performance and reduced overheads were insufficient to counter this decline and therefore overall Group results were down on the prior comparative period.

Print

Print revenue declined by 6,3% to R1 714m and operating profit* declined by 45,3% to R117m compared to prior year during the same period.

The Print segment's performance experienced volume declines across all categories. Books & directories were down by 13,0% due mainly to the Department of Basic Education (DBE) overall volumes being lower, coupled with less of the contract work being recognised in H1 compared to the same period last year. Retail inserts & catalogues declined by 6,4%, with magazines also seeing a decline of 17,6%. Newspapers remained relatively stable with a decline of 1,4%.

This segment had a challenging six months with an increased level of competition causing pressure on pricing. In a bid to retain customers and in a drive to replace reduced volumes, margins were impacted. Paper, as a key raw material, experienced significant price increases and unfavourable forex movements which placed further pressure on margins. Significant cost reductions in operations mitigated price pressures to a limited extent.

**Operating profit excluding profit/ (loss) on disposal of assets and investments, impairments and reclassification of foreign currency translation reserve.*

Packaging

The entire Packaging segment showed an increase in revenue of 6,4% for this period contributing R382m to the Group's turnover.

ITB Flexible Packaging Solutions (ITB) increased its revenue by 15,7%. This is a strong recovery from the same period last year when the business faced extended industrial action and was also subjected to escalating raw material prices. Polymer prices have been less volatile in the current period.

While volume in the Gravure division of the **Labels business** increased by 14,4%, revenue is down 13,2% compared to the comparative period due to the disposal of the UV Flexo Labels division on 01 April 2019.

Tissue

The Tissue division's revenue increased by 19,7%, contributing 5,9% to the Group's revenue during the period under review (2018: 4,8%).

CASH UTILIZATION

Investment in net working capital increased by R224m from 31 March 2019, mainly due to the cyclical nature of the business and timing of customer contracts. Inventories reduced marginally but remained high leading up to the peak season. Capital expenditure remained modest at R41m. The dividend of R86m was paid out during the period.

TRANSFORMATION

Novus Holdings operates under a Level One B-BBEE Contributor status. The Company is awaiting an updated certificate against March 2019 Audited Financial Statements, and expects to retain its current status. In addition, because the current Level One rating was achieved at the lower end of the threshold, Management has commissioned a detailed peer review of all the scorecard metrics to ensure that the Company achieves a sustainable rating over the long-term.

The peer review process will assist management to enhance their understanding of all aspects of the balanced scorecard, which can be impacted by individual interpretation of the B-BBEE codes. The review process outcome will be communicated as soon as it is finalised.

Novus Holdings is committed to genuine transformation and maintaining a sustainable balanced rating.

GROUP GOVERNANCE

Changes to the board

Effective 02 April 2019, Dr. Phumla Mnganga was appointed as chairman and non-executive director.

Dr. Mnganga has also taken over as chairman of the Nomination Committee, chairman of the Investment Committee and serves on the Social and Ethics Committee. Dr. Mnganga is welcomed to the Board and we look forward to her contribution to the Group.

Furthermore, shareholders are reminded that as mentioned in the Notice of Annual General Meeting ("AGM") Jan Potgieter did not seek re-election at the AGM and accordingly retired as a director of the Board with effect 30 August 2019. The Board wishes to thank Mr. Potgieter for his dedication and invaluable contributions to Novus Holdings and wishes him well in all his endeavours.

The composition of the Board and balance of power/influence remains aligned with the requirements of the King IV Report on Corporate Governance™ for South Africa.

OUTLOOK

Anticipated continued tough trading conditions and economic uncertainty places pressure on the Group, necessitating a continued focus on optimising resources to drive sustainable growth throughout. Subject to market conditions not changing adversely management is looking forward to delivering an improvement in H2 earnings compared to prior year H2.

Packaging is expected to positively contribute to the Group revenue in H2, with ITB as a solid and established business and the Labels business growing with its extended product offering.

Print will continue to drive operational efficiencies and to adjust capacity requirements, while focusing on retaining market share in a challenging environment. Management and the Board are cognisant of general print market maturity and global overcapacity and this will inform a rigorous review of all Group asset values.

While the preferred outcome for the Tissue operation remains an exit, we remain committed to ensuring that this business' profitability continues to improve. This includes a successful continued focus on driving efficiencies and reducing operating expenses.

Raw material pricing (paper and polymer) escalated in H1, but we anticipate a welcome respite in relation to the excessive paper price increases in H2 to assist in normalising margins. We remain exposed to a fluctuating and weak Rand, which could create further margin pressures going forward.

The plan to extract meaningful net working capital is well underway, and by 31 March 2020 post the busy year-end season the targeted cash inflow from September 2019 of circa R300m will return the net cash position to positive.

Our commendable B-BBEE Level One rating positions us favourably in the market for both public and private projects. With a number of significant public sector contracts up for renewal in the next few quarters, we believe that Novus Holdings will be in a competitive position when these projects are opened for bidding.

The Board of Novus Holdings has conducted a high-level strategy review and the essence of a revised short and medium term strategy will be shared with stakeholders ahead of the Group's next market closed period.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will host a live audio webcast at 10h00 (SA time) on Tuesday, 12 November 2019.

The webcast can be accessed at **http://www.corpcam.com/Novus12112019.**

Once concluded, a recording of the webcast will be available on the Group's website at **www.novus.holdings.**

On behalf of the Board

Dr. Phumla Mnganga
Chairman

Neil Birch
Chief Executive Officer

08 November 2019
Cape Town

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Shareholders of Novus Holdings Limited

We have reviewed the condensed consolidated interim financial statements of Novus Holdings Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 September 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Novus Holdings Limited for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: **Viresh Harri**
Registered Auditor

Cape Town
08 November 2019

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 September 2019 Reviewed R'000	30 September 2018 Reviewed R'000	31 March 2019 Audited R'000
ASSETS				
Non-current assets		**2 163 447**	2 210 728	2 179 879
Property, plant and equipment	12	**1 841 528**	1 894 411	1 857 753
Goodwill	6	**182 709**	173 054	182 709
Other intangible assets		**22 743**	28 030	26 391
Financial assets at fair value through other comprehensive income		**3 209**	3 126	3 164
Investment in associate		**3 370**	—	—
Other financial assets at amortised cost		**3 480**	5 434	4 375
Deferred taxation assets		**106 408**	106 673	105 487
Current assets		**1 704 311**	1 739 325	1 539 293
Inventory	14	**631 457**	587 455	692 022
Trade and other receivables	14	**715 313**	725 954	671 978
Contract assets	14	**245 358**	285 498	14 217
Derivative financial instruments	16	**7 319**	14 322	8 983
Current income tax receivable		**11 631**	19 179	4 180
Cash and cash equivalents		**93 233**	79 630	120 626
Non-current asset held for sale	13	**—**	27 287	27 287
TOTAL ASSETS		**3 867 758**	3 950 053	3 719 172
EQUITY AND LIABILITIES				
Capital and reserves attributable to the Group's equity holders		**2 641 341**	2 727 820	2 670 648
Share capital		**602 656**	602 656	602 656
Treasury shares		**(507 344)**	(427 824)	(507 344)
Other reserves		**(73 052)**	(74 516)	(71 073)
Retained earnings		**2 619 081**	2 627 504	2 646 409
Non-controlling interest		**2 390**	4 150	2 764
TOTAL EQUITY		**2 643 731**	2 731 970	2 673 412
LIABILITIES				
Non-current liabilities		**397 593**	377 972	340 111
Post-employment benefit obligations and provisions		**17 249**	19 950	18 734
Long-term liabilities		**142 329**	91 510	84 114
Deferred taxation liabilities		**211 432**	237 320	207 619
Deferred grant income		**26 583**	29 192	29 644
Current liabilities		**826 434**	840 111	705 649
Provisions		**—**	4 167	2 484
Current portion of long-term liabilities		**29 202**	15 274	15 474
Trade and other payables		**501 980**	612 179	510 604
Cash-settled share-based payment liability		**—**	1 466	1 311
Derivative financial instruments	16	**457**	5 144	52
Bank overdrafts		**292 655**	199 111	174 501
Deferred grant income		**2 140**	2 770	1 223
TOTAL EQUITY AND LIABILITIES		**3 867 758**	3 950 053	3 719 172

REVIEWED CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 Reviewed R'000	2018 Reviewed R'000
		Six months ended 30 September	
CONSOLIDATED INCOME STATEMENT			
Revenue	7	**2 227 417**	2 297 452
Cost of sales		**(1 749 831)**	(1 698 461)
Gross profit		**477 586**	598 991
Operating expenses		**(331 511)**	(371 033)
Other losses		**(18 334)**	(5 627)
Operating profit		**127 741**	222 331
Finance income		**1 811**	4 111
Finance costs	8	**(29 341)**	(15 106)
Share of net profits of associate accounted for using the equity method		**228**	–
Profit before taxation		**100 439**	211 336
Taxation		**(29 522)**	(58 501)
Net profit for the period		**70 917**	152 835
Net profit for the period attributable to:			
Equity holders of the Group		**71 291**	152 702
Non-controlling interest		**(374)**	133
		70 917	152 835
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME			
Other comprehensive income, net of taxation		**(2 119)**	1 894
Items that may be subsequently reclassified to profit or loss			
- Effect of cash flow hedges		**(2 988)**	2 595
- Tax effect		**837**	(727)
- Fair value reserve		**45**	36
- Tax effect		**(13)**	(10)
Total comprehensive income		**68 798**	154 729
Total comprehensive income attributable to:			
Equity holders of the Group		**69 172**	154 596
Non-controlling interest		**(374)**	133
		68 798	154 729
Earnings per share (cents)			
Basic	9	**24,79**	48,09
Diluted	9	**24,79**	48,09

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital and premium R'000	Treasury shares R'000	Total other reserves R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
For the six months ended 30 September 2018							
Balance as at 31 March 2018		606 040	(368 172)	(80 596)	2 635 642	3 672	2 796 586
Total comprehensive income for the year		–	–	1 894	152 702	133	154 729
Profit for the year		–	–	–	152 702	133	152 835
Other comprehensive income		–	–	1 894	–	–	1 894
Transactions with owners:							
Share based compensation movement		–	–	388	–	–	388
Cancellation of repurchased shares		(3 384)	–	–	–	–	(3 384)
Dividends paid		–	–	–	(160 840)	–	(160 840)
Share buy-backs		–	(59 652)	–	–	–	(59 652)
Reclassification of foreign currency translation reserve on sale of subsidiary		–	–	3 798	–	–	3 798
Transactions with non-controlling interests		–	–	–	–	345	345
Total transactions with owners		(3 384)	(59 652)	4 186	(160 840)	345	(219 345)
Balance as at 30 September 2018		602 656	(427 824)	(74 516)	2 627 504	4 150	2 731 970
For the six months ended 30 September 2019							
Balance as at 31 March 2019		602 656	(507 344)	(71 073)	2 646 409	2 764	2 673 412
Changes in accounting policies	17	–	–	–	(16 278)	–	(16 278)
Balance as at 31 March 2019 restated		602 656	(507 344)	(71 073)	2 630 131	2 764	2 657 134
Change in estimate		–	–	–	3 942	–	3 942
Total comprehensive income for the year		**–**	**–**	**(2 119)**	**71 291**	**(374)**	**68 798**
Profit for the year		**–**	**–**	**–**	**71 291**	**(374)**	**70 917**
Other comprehensive income		**–**	**–**	**(2 119)**	**–**	**–**	**(2 119)**
Transactions with owners:							
Share based compensation movement		**–**	**–**	**140**	**–**	**–**	**140**
Dividends paid		**–**	**–**	**–**	**(86 283)**	**–**	**(86 283)**
Total transactions with owners		**–**	**–**	**140**	**(86 283)**	–	**(86 143)**
Balance as at 30 September 2019		**602 656**	**(507 344)**	**(73 052)**	**2 619 081**	**2 390**	**2 643 731**

REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	*Six months ended 30 September* 2019 Reviewed R'000	2018 Reviewed R'000	*Year ended 31 March* 2019 Audited R'000
Cash flows from operating activities				
Profit before taxation		**100 439**	211 336	238 149
Non-cash movements in profit before tax		**131 699**	78 926	194 900
Net changes in working capital		**(243 505)**	(299 204)	(201 884)
Cash (utilised)/generated from operations		**(11 367)**	(8 942)	231 165
Finance income		**1 811**	4 111	6 648
Finance costs		**(17 014)**	(8 228)	(19 603)
Taxation paid		**(28 384)**	(42 378)	(68 719)
Net cash (utilised in)/generated from operating activities		**(54 954)**	(55 437)	149 491
Cash flows from investing activities				
Property, plant and equipment acquired		**(41 090)**	(54 574)	(106 660)
Proceeds on sale of property, plant and equipment		**2 708**	61 129	1 693
Proceeds from the sale of non-current assets held for sale		**24 118**	–	59 906
Financial assets at amortised cost advanced		**–**	(1 083)	(746)
Financial assets at amortised cost repaid		**896**	–	1 614
Purchase of intangible assets		**(345)**	(616)	(771)
Acquisition of associate		**(3 143)**	–	–
Acquisition of subsidiaries/businesses		**–**	(42 041)	(48 030)
Disposal of subsidiaries/businesses	18	**25 655**	–	–
Net cash generated from/(utilised) in investing activities		**8 799**	(37 185)	(92 994)
Cash flows from financing activities				
Repayment of long-term loans		**(6 580)**	(7 953)	(14 337)
Repayment of leases		**(6 529)**	(3 704)	(1 580)
Payment for shares bought back		**–**	(62 374)	(140 756)
Share buy-back transaction costs		**–**	(604)	(1 475)
Dividends paid	15	**(86 283)**	(160 840)	(160 840)
Net cash utilised in financing activities		**(99 392)**	(235 475)	(318 988)
Net decrease in cash and cash equivalents		**(145 547)**	(328 097)	(262 491)
Cash and cash equivalents at the beginning of the period		**(53 875)**	208 616	208 616
Cash and cash equivalents at the end of the period		**(199 422)**	(119 481)	(53 875)

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS), (IAS) 34 *Interim Financial Reporting* and the IFRS Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the JSE Limited ("JSE") Listings Requirements.

The condensed consolidated interim financial statements does not include all the notes of the type normally included in consolidated annual financial statements. Accordingly, this condensed consolidated interim financial statements is to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2019.

The accounting policies used in preparing the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements, except for the adoption of IFRS 16 *Leases* (See note 17).

Other than the above, none of the new or amended accounting pronouncements that are effective for the financial year commencing 01 April 2019 are expected to have a material impact on the Group.

2. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

3. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the operating segments within the Group, revenue and operating profit in the second half of the year will not necessarily be in line with the first six months.

4. PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The preparation of the condensed consolidated interim financial statements was supervised by the Group chief financial officer, Harry Todd CA (SA).

5. REVIEW BY THE INDEPENDENT AUDITOR

These condensed consolidated interim financial statements for the six months ended 30 September 2019 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified conclusion thereon.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

6. GOODWILL

Goodwill arises on the acquisition of interests in subsidiaries and is subject to an annual impairment assessment. Management performed an updated assessment at 30 September 2019 for cash generating units where goodwill was considered significant, taking into account the revised year 1 forecasted cash flows. The changes in assumptions since 31 March 2019 is disclosed below. There has been no impairment charge recognised during the period. Movements in the Group's goodwill for the period are detailed below:

	Six months ended 30 September		*Year ended 31 March*
	2019 Reviewed R'000	2018 Reviewed R'000	2019 Audited R'000
Goodwill			
Opening balance	**245 287**	235 632	235 632
Acquisition of subsidiaries	**—**	—	9 655
Accumulated impairment	**(62 578)**	(62 578)	(62 578)
Closing balance	**182 709**	173 054	182 709

The following assumptions were applied to cash generating units where goodwill was considered significant at 30 September 2019.

Intrepid Printers

EBITDA in 2020 adjusted downwards to take into account the CGU's expected performance. This led to a decrease in the value in use by R7,9 million since 31 March 2019, which is above its carrying amount at 30 September 2019 and no impairment is required.

ITB Manufacturing (Pty) Ltd

The assumptions as applied at 31 March 2019 remain appropriate at 30 September 2019.

7. REVENUE

	2019 Reviewed R'000	2018 Reviewed R'000
Printing revenue	**1 685 271**	1 879 359
Tissue revenue	**130 216**	107 021
Packaging revenue	**370 775**	263 074
Waste revenue	**13 301**	15 019
Other revenue	**27 854**	32 979
	2 227 417	2 297 452

8. FINANCE COSTS

Net loss from foreign exchange translation and fair-value adjustments on derivative financial instruments	**12 327**	6 878
Bank	**8 065**	2 808
Interest on lease liabilities	**8 930**	5 420
Other	**19**	—
Interest paid	**17 014**	8 228
	29 341	15 106

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

9. EARNINGS PER SHARE

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the net profit attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. Currently, the share options granted and vested under equity settled schemes to participating employees and directors are considered anti-dilutive.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 4/2018 issued by the South African Institute of Chartered Accountants (SAICA).

	Six months ended 30 September		*Year ended 31 March*
	2019 Reviewed R'000	2018 Reviewed R'000	2019 Audited R'000
Calculation of headline earnings			
Net profit attibutable to shareholders	**71 291**	152 702	171 606
Adjusted for:			
- Loss on sale of property, plant and equipment	**6 337**	2 275	3 560
- Reclassification of foreign currency translation reserve on sale of subsidiary	**–**	3 798	3 798
- Profit on sale of foreign subsidiary	**–**	(446)	(446)
- Impairment in value of property, plant and equipment	**11 997**	–	9 779
	89 625	158 329	188 297
Total tax effect of adjustments	**(5 134)**	(1 576)	(4 673)
Headline earnings	**84 491**	156 753	183 624
Number of ordinary shares in issue	**346 656 348**	346 656 348	346 656 348
Weighted average number of shares	**287 610 917**	317 552 998	304 020 814
Earnings per ordinary share (cents)			
Basic	**24,79**	48,09	56,45
Diluted	**24,79**	48,09	56,45
Headline earnings per ordinary share (cents)			
Basic	**29,38**	49,36	60,40
Diluted	**29,38**	49,36	60,40

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

10. SEGMENTAL ANALYSIS

The Group has identified its operating segments based on business by service or product and aggregated it into the reportable segments based on the nature of the operating segment and it meeting the aggregation criteria in terms of IFRS 8 paragraph 12; as they have similar profit margins, production processes, customers and suppliers. These reportable segments are Print which comprises printing of books, magazines, retail inserts and newspapers; Packaging which produces flexible packaging products and prints flexible labels and Other which includes Tissue that manufactures tissue paper and all non-print or packaging related transactions.

	Printing R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
30 September 2019 (R'000)					
External revenue	**1 713 702**	**382 252**	**131 463**	**–**	**2 227 417**
Inter-segmental revenue	**5 766**	**–**	**–**	**(5 766)**	**–**
Total Revenue	**1 719 468**	**382 252**	**131 463**	**(5 766)**	**2 227 417**
EBITDA	**169 007**	**42 560**	**288**	**–**	**211 855**
Profit before tax	**87 111**	**23 427**	**(10 099)**	**–**	**100 439**
30 September 2018 (R'000)					
External revenue	1 828 534	359 113	109 805	–	2 297 452
Inter-segmental revenue	6 546	21 325	–	(27 871)	–
Total Revenue	1 835 080	380 438	109 805	(27 871)	2 297 452
EBITDA	276 383	36 936	(10 343)	–	302 976
Profit before tax	207 523	19 917	(16 104)	–	211 336
Total assets (R'000)					
30 September 2019	**3 744 533**	**709 122**	**417 331**	**(1 003 228)**	**3 867 758**
31 March 2019	3 670 913	630 029	395 847	(977 617)	3 719 172
Total liabilities (R'000)					
30 September 2019	**908 703**	**570 650**	**747 902**	**(1 003 228)**	**1 224 027**
31 March 2019	808 505	496 414	718 459	(977 617)	1 045 760
Property, plant and equipment additions (R'000)					
30 September 2019	**33 719**	**6 680**	**691**	**–**	**41 090**
31 March 2019	51 669	49 935	5 056	–	106 660
Impairment of assets (R'000)					
30 September 2019	**(10 204)**	**(1 793)**	**–**	**–**	**(11 997)**
31 March 2019	(1 700)	(8 079)	–	–	(9 779)

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

11. COMMITMENTS

Commitments relate to amounts for which the Group has contracted, but that have not yet been recognised as obligations in the statement of financial position. Lease commitments relate mainly to leased property. Refer to note 17 for further disclosure of leases.

	Six months ended 30 September		Year ended 31 March
	2019 Reviewed R'000	2018 Reviewed R'000	2019 Audited R'000
Commitments			
Capital expenditure	**15 155**	6 562	18 992
Lease commitments	**70 316**	89 536	93 132
	85 471	96 098	112 124

12. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment, except for the adoption of IFRS 16 and the disposal of the UV Flexible Labels division as disclosed in notes 17-18, is mainly due to the following:

Cash acquisitions during the period	**41 090**	54 574	106 660
Depreciation during the period	**81 447**	77 265	154 483
Impairments during the period	**11 997**	–	9 779

The impairment relates mainly to the Print segment where production equipment has been identified as redundant and therefore impaired.

13. NON-CURRENT ASSETS HELD FOR SALE

At March 2019, the balance included the Paarl Coldset Pietermaritzburg building which was subsequently sold in July 2019. A loss on sale of R3 million has been recognised.

14. CHANGES IN WORKING CAPITAL

Contract assets & Trade and other receivables

The increase in these balances compared to 31 March 2019 relates mainly to the seasonality of the business.

Inventory

The Group made a strategic decision at 31 March 2019 to acquire raw materials in anticipation of price increases which led to a higher stock balance which has subsequently reduced as consumed in the period.

15. DIVIDENDS

A dividend of R86 million (2018: R161 million) that relates to the period to 31 March 2019 was paid in September 2019.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

16.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim Group financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 March 2019. There have been no material changes in the Group's credit, liquidity and market risk or key inputs in measuring fair value since 31 March 2019.

16.2 Fair value estimation

The table below analyses specific financial instruments carried at fair value, by valuation method. The different levels have been defined.

	Level 2	Level 3	Total
	Significant other observable inputs R'000	Significant unobservable inputs R'000	R'000
30 September 2019			
Assets			
Financial assets at fair value through other comprehensive income	**3 209**	**–**	**3 209**
Foreign exchange contracts	**7 319**	**–**	**7 319**
	10 528	**–**	**10 528**
Liabilities			
Contingent consideration	**–**	**6 466**	**6 466**
Foreign exchange contracts	**457**	**–**	**457**
	457	**6 466**	**6 923**
30 September 2018			
Assets			
Financial assets at fair value through other comprehensive income	3 126	–	3 126
Foreign exchange contracts	14 322	–	14 322
	17 448	–	17 448
Liabilities			
Contingent consideration	–	1 627	1 627
Foreign exchange contracts	5 144	–	5 144
	5 144	1 627	6 771
31 March 2019			
Assets			
Financial assets at fair value through other comprehensive income	3 164	–	3 164
Foreign exchange contracts	8 983	–	8 983
	12 147	–	12 147
Liabilities			
Contingent consideration	–	6 466	6 466
Foreign exchange contracts	52	–	52
	52	6 466	6 518

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

16.3 Valuation techniques used to derive Level 2 fair values

Foreign exchange contracts – in measuring the fair value of foreign exchange contracts, the Group makes use of market observable quotes of forward foreign exchange rates on instruments that have a maturity similar to the maturity profile of the Group’s foreign exchange contracts. Key inputs used in measuring the fair value of foreign exchange contracts include current spot exchange rates, market forward exchange rates, and the term of the Group’s foreign exchange contracts.

Financial assets at fair value through other comprehensive income - the use of quoted market prices or dealer quotes for similar instruments.

Valuation techniques and key inputs used to measure significant Level 3 fair values.

Contingent consideration – expected cash outflows are estimated and calculated based on the terms of the purchase agreement.

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

17. CHANGES IN ACCOUNTING POLICIES

The Group has applied IFRS 16: *Leases* using the cumulative catch up transition approach. The cumulative effect was recognised as an adjustment to retained earnings on the transition date. The comparative information was therefore not restated and will continue to be reported under IAS 17: *Leases*.

IFRS 16 results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed, for lessee accounting. The standard affects the accounting for the Group's operating leases. The Group leases various offices, factory premises and equipment. Certain lease contracts in place have renewal options included. Renewal options are only included in the lease term if the lease is reasonably certain to be extended. Under IFRS 16, the leased assets are capitalised and shown on the statement of financial position.

The Group has elected to apply the exemptions applicable to short term leases and to assets of low value. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17: *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 01 April 2019. The incremental borrowing rate applied to the lease liabilities was 10,15%. The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. The right of use asset recognised will be adjusted with any applicable onerous lease provisions. The effect of adopting IFRS 16 is as follows:

	2019 Reviewed R'000
Impact on the statement of financial position as at the transition date of 01 April 2019:	
Assets	
Right-of-use assets (within Property, plant and equipment)	**93 266**
Deferred taxation	**6 331**
Liabilities	
Lease liabilities	**115 875**
Net impact on equity	**(16 278)**

	30 September 2019 R'000	01 April 2019 R'000
The recognised right-of-use assets relate to the following types of assets:		
Properties	54 016	91 877
Equipment	1 080	1 389
	55 096	93 266

Lease liabilities above includes the impact of derecognising the liability related to straight lining of leases under IAS 17 as well as derecognising the onerous lease provision. The right-of-use asset above has then accordingly been adjusted with the onerous lease provision.

Impact on the statement of comprehensive income as at 30 September 2019	
Increase in depreciation expense	**6 752**
Decrease in operating lease expense	**(9 773)**
Decrease in straightlining of lease expense	**(581)**
Increase in operating profit	**(3 602)**
Increase in finance costs	**4 119**
Decrease in profit before tax for the period	**517**

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

17. CHANGES IN ACCOUNTING POLICIES (continued)

The table below shows the reconciliation between operating lease commitments disclosed at 31 March 2019 and lease liabilities recognised on 01 April 2019:

Operating lease commitments at 31 March 2019	93 132
Add: Operating lease commitments for renewal periods taken into account	178 999
Less: Leases commitments ending in 12 months	(12 200)
Lease commitments to which IFRS 16 has been applied	259 931
Less: discounting impact using incremental borrowing rate at transition date	(136 747)
Lease liabilities recognised at 01 April 2019	123 184
Less: Derecognition of lease liability for straightlining of leases	(3 724)
Less: Onerous lease provision netted off right of use asset	(3 585)
Impact on liabilities on transition date	115 875

Contractual maturities of lease liabilities as at 30 September 2019 are shown below	
Less than one year	13 266
One to five years	45 259
More than five years	20 873
	79 398
Non current lease liabilities*	66 132
Current lease liabilities**	13 266
	79 398

* Included within the Long-term liabilities line on the Statement of financial position
** Included within the Current portion of long-term liabilities line on the Statement of financial position

NOTES TO THE REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

For the six months ended 30 September 2019

18. SALE OF UV FLEXIBLE LABELS DIVISION

Effective 01 April 2019, the Group disposed its UV Flexible Labels division for a proceeds value of R37,5 million of which R25,7 million has been received. A loss on sale of this business of R4 million was recognised.

	2019 Reviewed R'000
The carrying amounts of assets and liabilities as at the date of sale was:	
Property, plant and equipment	23 435
Other intangible assets	1 066
Inventory	16 956
Trade and other receivables	12 573
Trade and other payables	(12 500)
Net assets	41 530

19. EVENTS AFTER REPORTING DATE

The directors are not aware of any matter or circumstance arising since the end of the reporting date that would significantly affect the operations of the Group or the results of its operations.

20. INVESTMENT IN ASSOCIATE AND TRADEMARKS

Effective 01 April 2019, the Group acquired 49% of the ordinary share capital in Mikateko Media Proprietary Limited for a purchase consideration of R3,1 million. This investment is classified as an investment in associate.

Also effective 01 April 2019, the Group purchased the trademarks of a publishing business amounting to R1.

There are no contingent considerations from these transactions.