NOVUS HOLDINGS LIMITED AND ITS SUBSIDIARIES

Registration Number: 2008/011165/06

SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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")

Novus Holdings Limited Audited Results for the year ended 31 March 2020.

With extensive experience and a solid track record, 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 and 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 and wrap-around labels, pressure sensitive labels and flexible plastic packaging as well as operating a tissue manufacturing plant.

SALIENT FEATURES

- Revenue declined by 5,1% to R4 112m (2019: R4 332m)
- Headline earnings per share decreased by 61,2% to 23,4 cents per share (2019: 60,4 cents per share)
- Earnings per share decreased to a 119,6 cents loss per share (2019: 56,4 cents per share profit)
- Net asset value per share decreased by 9,8% to 792,6 cents (2019: 878,4 cents)
- No final dividend was declared (2019: 30 cents)
- Net working capital decreased by R210,2m (2019: increased by R218,1m)
- Free cash flow* improved by R219,4m to R336,0m (2019: R116,6m)
- Cash conversion^ increased to 119,4% (2019: 27,2%)

PERFORMANCE OVERVIEW

The past year has been a disruptive year, with COVID-19 further impacting the Group's performance at the close. The Group however remained focused on its strategic objectives of right-sizing print operations, significantly reducing working capital, improving cash preservation, securing the sale of the Tissue operation whilst bolstering its B-BBEE status. It also welcomed the two-year extension granted for the Department of Basic Education tender for financial years 2021 and 2022.

Operating profit** declined by 57,1% to R126m (2019: R294m), mainly due to the Print segment's under performance.

The Print segment was significantly impacted by the weak economy and consumer demand. The contraction in print advertising spend and the circulation decline further yielded a poor result and informed a negative outlook on the future of the applicable product categories. The sheet-fed operations were also impacted by the negative market spending patterns in the education sector, with curriculum changes expected to adversely impact the commercial viability of the Novus Print KwaZulu-Natal (KZN) facility. This led to the decision to consolidate the sheet-fed operations into the Montague Gardens Digital Print facility and the closure of the KZN print facility. This together with other restructuring across the segment resulted in retrenchment costs of R23m.

The above accompanied material impairment of property, plant and equipment (PPE) of R358,2m and goodwill of R86,5m. The impact of this impairment and restructuring costs will see savings in depreciation and operating costs in FY21 and beyond.

* Cash generated from operations less expenditure on property, plant and equipment and intangibles excluding proceeds on disposal of assets, less taxation paid.

** Operating profit excluding "other gains/(losses)."

^ Cash generated from operations less expenditure on property, plant and equipment and intangible assets, divided by EBITDA excluding "other gains/(losses)."

The Group's results include the following items:

- Total impairments across the Group of R438,0m on PPE, R5,1m on intangibles and R86,5m on goodwill;
- An expected credit loss allowance across the Print and Packaging segments of R39,1m due to increased COVID-19 related customer credit risk;
- A gain on the derecognition of leases of R11,4m in accordance with IFRS16: *Leases* and
- Retrenchment costs in Print of R23,0m.

Print

Revenue declined by 5,4% to R3 168m and operating profit by 60,9% to R106m compared to the prior year.

All product categories continued to experience volume declines except for books and directories which increased by 17,8% due to additional Africa project work in the year. Magazine volumes declined by 19,0% due to title closures and the increased competitiveness for market share in the industry, while retail and inserts reduced by 10,8%. Newspaper volumes decreased by 2,5% reflective of the very mature newspaper industry with mitigating factors implemented to limit this decline.

Packaging

Revenue decreased by 8,3% to R688m mainly due to the sale of the UV Flexo division effective 01 April 2019, however on a like-for-like basis revenue grew by 1,0%.

ITB delivered a satisfactory result, with revenue up 1,6% and operating profit margin increasing from 1,2% to 5,0%. This returned the division to historical profitability levels after the challenging prior year that saw abnormal increased material costs and downtime due to strike action.

Labels Gravure revenue remained static year-on-year, however the division's revenue declined by 28,8% accounting for the sale of the UV Flexo division. Its contribution to Group revenue decreased from 5,6% to 4,2% as a result. The division achieved lower margins from key customers due to extreme pricing pressure.

Tissue

Revenue increased by 10,3% to R257m, however gross margin was down by 3,0% mainly due to tough market conditions and further cost pressures faced by the division throughout the year.

The Group has entered into a series of transactional agreements in order to dispose of its Tissue division effective 01 June 2020, subject to certain suspensive conditions, which will result in the Group retaining 49% of the issued share capital of the newly incorporated company into which the assets will be housed. Plant and manufacturing equipment were impaired by R70m with these assets classified as held for sale at year-end. This investment will be accounted for as an investment in associate in the Group's results.

CASH GENERATION

The Group's efforts to reduce working capital yielded a net cash inflow of R293m and returned the Group to a year-end cash positive position of R175m compared to an overdraft of R54m in the prior year. This bolstered the Group's liquidity position considering the strain placed on the business from the lockdown post year-end.

Capital expenditure remained modest at R80m with proceeds of R24m from the sale of a property located in Pietermaritzburg and R34m for the sale of UV Flexo division contributing positively to the cash balance.

TRANSFORMATION

The Board believes that a diverse workforce, representative of the society in which we operate, is critical to the sustainability of our business.

The Board and Management team are striving, not only to comply with, but also to truly embrace transformation, thus ensuring that the Group can maximise its commercial prospects in South Africa in a positive and sustainable way. We see this as an ongoing commitment to our customers, our employees and the communities in which we operate.

The Group's proactive transformation initiatives resulted in a Level Two B-BBEE rating, based on the latest requirements of the B-BBEE codes.

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") Mr. 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 contribution to Novus Holdings and wishes him well in all his future endeavours.

Mr. Abduraghman (Manie) Mayman has been re-appointed to the Board effective 01 March 2020 and has been appointed as chairman of the Remuneration Committee as well a member of the Audit & Risk Committee.

Ms. Noluvuyo Mkhondo has been appointed as member of the Audit and Risk Committee effective 02 April 2020.

Mr. Christoff Botha has retired as non-executive director effective 01 April 2020. Mr. Botha served as chairman of the Remuneration Committee and served on the Audit & Risk Committee as well as the Nominations Committee. The Board wishes to thank Mr. Botha for his long-standing and valuable contribution to the Group.

DIVIDENDS

The stated dividend policy is to pay dividends equalling 50% of HEPS (2x HEPS cover) however due to the market uncertainty and potential short-term strain on cash resources as a result of the COVID 19 pandemic, the Group's position remains to preserve liquidity at this time and therefore the Board has decided not to declare a dividend.

POST COVID-19 OUTLOOK

Notwithstanding the inherent risks associated with providing a forward-looking view of the Group's prospects, the Board is of the opinion that shareholders cannot fairly assess the Group's prospects based on history, as the world, the country and the Group face such a challenging period. The outlook below is therefore provided in good faith and based on factors apparent to management up to 24 July 2020 in the hope that it will provide guidance to the likely anticipated impact on the 2021 financial year.

The 2020 financial year was to be a re-set year for Novus Holdings with capacity adjustments and a full review of plant and equipment values. The pressure on margins and the general decline in print (especially magazines) caused the Group to look closely at the product mix across all segments and specifically to review pricing policies to avoid over-trading going forward.

The Group was emerging from FY2020 having closed the KZN facility and severely impairing underutilised assets or those with carrying values above market. Goodwill was also revalued against the demand outlook gauged during the year. What was clear was that the South African economy was in a recession and that the pressure on consumers was tangible and evidenced in the weak demand for products across the board. Under the circumstances the Group had prudently anticipated a decline in revenue on 2020, but with improved margin and realising the benefit of strict expense management and greatly reduced depreciation, an improvement in earnings per share was expected for the 2021 year.

The COVID-19 pandemic struck in March 2020 causing some initial concern over potential impact, but when other countries and, especially, South Africa embarked on a lockdown the realities became obvious. The lockdown began less than a week before the close of the year-end but the shock was immediate and resulted in order cancellations.

The already weak publishing sector took the lockdown blow hard and for a number of long-standing brands even the early stage of lockdown could not be weathered, leading to a number of immediate business closures. Fortunately, the balance sheet management efforts of the FY2020 year had yielded a meaningful working capital reduction allowing the Group to close the year with a positive cash balance.

The months of April, May and June which included aspects of total closure, essential service only, and then regulation-restricted return to work delivered revenue of roughly half of typical and expected levels for the quarter. Notwithstanding the readiness of facilities to ramp up capacity from June 2020, the market remains depressed and uncertain of its future strategies under the post COVID-19 reality. The dramatic revenue shortfall, along with sustained running costs and exceptional costs directly related to running under COVID-19 conditions, resulted in a decline in the Group's operating profit by more than R60m in the first quarter ending 30 June 2020 compared to the same period in FY20.

Management has perpetually and continues to model a number of volume and demand scenarios based on customer interactions and has factored in announced closures of published titles and businesses as understood up to 24 July 2020. In response, a number of reaction plans have been contemplated and prepared and are ready for implementation as and when justified to ensure the Group capacity and structure remain optimised to the realistic demands of the market. As a result, a broad restructure plan is already underway which will see the unfortunate reduction in positions at all levels with a continual reduction in expenses. Due to the timing of such actions, they will have an almost neutral effect on operating profit of FY2021 as the savings in the remaining period will offset once-off costs.

The realities of the first quarter and permanent changes to the broader industry no longer allow us to base the future performance of the business on the most recent history. It is expressly stated that the performance indication is based on the current information available and most informed estimates of how demand and the South African economy may play out in the coming 8 months. The guidance takes the form of an indicative range of anticipated revenue and a general outlook for operating profit and cash flow. Additional potential cash release from disposal of certain assets held for sale is also accounted for. Despite employment of a forex hedging policy which mitigates short term currency instability, the rate of exchange remains a factor of significant potential influence.

Based on the above and subject to further adjustment in response to any currently unknown influence during the period, the 2021 financial year is anticipated to yield the following outcome:

Revenue decline of between 35% and 45% compared to FY2020.

Operating profit for the year for the Group is anticipated to be at breakeven which will translate into a net loss for the year.

Notwithstanding the anticipated difficult trading environment, the reduced operating scale and continued asset management and asset disposals will continue to yield significant cash generation.

It is not anticipated that further significant asset or goodwill impairments will be required in the period.

Assuming a lifting of all lockdown regulations by 31 March 2021, the Group anticipates a more stable albeit difficult trading environment and a return to profitability for the trading period to 31 March 2022.

The above financial information is the responsibility of the directors and has not been reviewed or reported on by the Company's external auditors.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting their results presentation via live audio webinar at 14h00 (SA time) on Thursday, 06 August 2020.

For access and details of this webinar, go to the Group's website at **www.novus.holdings** and **view the invitation for details**.

CHANGE OF SPONSOR

In accordance with paragraph 2.6A(b) of the JSE Limited Listings Requirements, Novus Holdings wishes to advise shareholders that it has appointed Merchantec Capital ('Merchantec') as sponsor to the Company, replacing Investec with effect from 01 August 2020.

Novus Holdings thanks Investec for the services rendered over the past 5 years and looks forward to working with Merchantec.

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

31 July 2020
Cape Town
Sponsor: Investec Bank Limited

Summary consolidated statement of financial position.

As at 31 March 2020

	Note	2020 R'000	2019 R'000
Assets			
Non-current assets		**1 491 127**	2 179 879
Property, plant and equipment	15,17.1	**1 268 439**	1 857 753
Goodwill	17.2	**96 920**	182 709
Other intangible assets	17.3	**15 978**	26 391
Financial assets at fair value through other comprehensive income		**3 255**	3 164
Investment in associate	20	**2 726**	–
Other financial assets at amortised cost		**2 926**	4 375
Deferred taxation assets	16	**100 883**	105 487
Current assets		**1 449 860**	1 539 293
Inventory	14.1	**486 634**	692 022
Trade and other receivables	14.2	**532 868**	671 979
Contract assets	14.2	**21 533**	14 216
Derivative financial instruments	10	**76 664**	8 983
Current income tax receivable		**28 614**	4 180
Cash and cash equivalents		**177 872**	120 626
Non-current asset held for sale	13	**125 675**	27 287
Total Assets		**2 940 987**	3 719 172
Equity and liabilities			
Capital and reserves attributable to the Group's equity holders		**2 279 476**	2 670 648
Share capital		**602 656**	602 656
Treasury shares		**(507 344)**	(507 344)
Other reserves		**(19 496)**	(71 073)
Retained earnings		**2 203 660**	2 646 409
Non-controlling interest		**2 779**	2 764
Total Equity		**2 282 255**	2 673 412
Liabilities			
Non-current liabilities		**240 217**	340 111
Post-employment medical liability		**2 066**	2 873
Provisions		**15 950**	15 861
Long-term liabilities	18	**116 342**	84 114
Deferred taxation liabilities		**97 900**	207 619
Deferred grant income		**7 959**	29 644
Current liabilities		**418 515**	705 649
Provisions		**–**	2 484
Current portion of long-term liabilities		**26 055**	15 474
Trade and other payables	14.3	**384 972**	510 604
Current income tax payable		**2 847**	–
Cash-settled share-based payment liability		**–**	1 311
Derivative financial instruments	10	**–**	52
Bank overdrafts		**3 335**	174 501
Deferred grant income		**1 306**	1 223
Total Equity and Liabilities		**2 940 987**	3 719 172

Summary consolidated income statement.

For the year ended 31 March 2020

	Note	2020 R'000	2019 R'000
Revenue	21	**4 112 092**	4 331 800
Cost of sales		**(3 344 396)**	(3 387 778)
Gross profit		**767 696**	944 022
Operating expenses		**(641 235)**	(650 500)
Administrative and other expenses		**(604 515)**	(648 409)
Net impairment of financial assets	14.2	**(36 720)**	(2 091)
Other gains/(losses)	22	**(521 516)**	(16 691)
Operating (loss)/profit		**(395 055)**	276 831
Finance income		**3 695**	6 648
Finance costs		**(55 239)**	(45 330)
Share of net profits of associate accounted for using the equity method		**319**	–
(Loss)/profit before taxation		**(446 280)**	238 149
Taxation	23	**102 308**	(67 796)
Net (loss)/profit for the year		**(343 972)**	170 353
Attributable to:			
Equity holders of the Group		**(343 987)**	171 606
Non-controlling interest		**15**	(1 253)
		(343 972)	170 353
(Loss)/earnings per share (cents):			
Basic	8	**(119,60)**	56,45
Diluted	8	**(119,60)**	56,45

Summary consolidated statement of comprehensive income.

For the year ended 31 March 2020

	2020 R'000	2019 R'000
Net (loss)/profit for the year	**(343 972)**	170 353
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Hedging reseve	**44 539**	10 033
Foreign exchange movement, gross	**81 060**	40 707
Foreign exchange movement, tax portion	**(22 697)**	(11 398)
Derecognised and added to asset, gross	**(3 052)**	(3 382)
Derecognised and added to asset, tax portion	**855**	947
Derecognised and reported in cost of sales, gross	**(16 148)**	(23 390)
Derecognised and reported in cost of sales, tax portion	**4 521**	6 549
Foreign currency translation reserve	**–**	(1)
Exchange loss arising on translating foreign operations, gross	**–**	(2)
Deferred tax relating to loss arising on translating foreign operations, tax portion	**–**	1
Fair value reserve	**48**	53
Net fair value gains, gross	**66**	74
Net fair value gains, tax portion	**(18)**	(21)
Items that will not be reclassified to profit or loss		
Post-employment benefit obligations and provisions	**1 599**	41
Remeasurement of post-employment benefit obligations and provisions, gross	**2 221**	57
Remeasurement of post-employment benefit obligations and provisions, tax portion	**(622)**	(16)
Total other comprehensive income, net of tax	**46 186**	10 126
Total comprehensive (loss)/income for the year	**(297 786)**	180 479
Attributable to:		
Equity holders of the Group	**(297 801)**	181 732
Non-controlling interest	**15**	(1 253)
	(297 786)	180 479

Summary consolidated statement of changes in equity.

for the year ended 31 March 2020

	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
Balance as at 01 April 2018		606 040	(368 172)	(80 596)	2 635 643	3 672	2 796 587
Total comprehensive income for the year		–	–	10 126	171 606	(1 253)	180 479
Profit for the year		–	–	–	171 606	–	171 606
Other comprehensive income		–	–	10 126	–	(1 253)	8 873
Transactions with owners:							
Share based compensation movement		–	–	(4 401)	–	–	(4 401)
Cancellation of repurchased shares		(3 384)	–	–	–	–	(3 384)
Dividends paid		–	–	–	(160 840)	–	(160 840)
Share buy-backs		–	(139 172)	–	–	–	(139 172)
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)	(139 172)	(603)	(160 840)	345	(303 654)
Balance as at 31 March 2019 originally presented		602 656	(507 344)	(71 073)	2 646 409	2 764	2 673 412
Changes in accounting policies	18	–	–	–	(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 (loss)/income for the year		**–**	**–**	**46 186**	**(343 987)**	**15**	**(297 786)**
Loss for the year		**–**	**–**	**–**	**(343 987)**	**–**	**(343 987)**
Other comprehensive income		**–**	**–**	**46 186**	**–**	**15**	**46 201**
Transactions with owners:							
Share based compensation movement		**–**	**–**	**5 391**	**–**	**–**	**5 391**
Dividends paid		**–**	**–**	**–**	**(86 283)**	**–**	**(86 283)**
Other movements		**–**	**–**	**–**	**(143)**	**–**	**(143)**
Total transactions with owners		**–**	**–**	**5 391**	**(86 426)**	**–**	**(81 035)**
Balance as at 31 March 2020		**602 656**	**(507 344)**	**(19 496)**	**2 203 660**	**2 779**	**2 282 255**

Summary consolidated statement of cash flows.

for the year ended 31 March 2020

	Note	2020 R'000	2019 R'000
Cash flows from operating activities			
Profit before taxation		**(446 280)**	238 149
Non-cash movements in profit before tax		**782 742**	194 900
Net changes in working capital		**91 076**	(201 884)
Cash generated from operations		**427 538**	231 165
Finance income		**3 695**	6 648
Finance costs		**(16 819)**	(19 603)
Taxation paid		**(38 003)**	(68 719)
Related party dividends received		**736**	–
Net cash generated from operating activities		**377 147**	149 491
Cash flows from investing activities			
Property, plant and equipment acquired		**(79 525)**	(106 660)
Proceeds on sale of property, plant and equipment		**2 846**	1 693
Proceeds from the sale of non-current assets held for sale		**24 235**	59 906
Purchase of intangible assets		**(1 135)**	(771)
Financial assets at amortised cost advanced		**(626)**	(746)
Financial assets at amortised cost repaid		**2 050**	1 614
Acquisition of subsidiaries/businesses	9	**(650)**	(48 030)
Disposal of businesses	19	**34 134**	–
Acquisition of associate	20	**(3 143)**	–
Net cash utilised in investing activities		**(21 814)**	(92 994)
Cash flows from financing activities			
Repayment of long-term loans		**(13 506)**	(15 917)
Repayment of leases	18	**(27 132)**	–
Dividends paid	24	**(86 283)**	(160 840)
Payments for shares bought back		**–**	(140 756)
Share buy-back transaction costs		**–**	(1 475)
Net cash utilised in financing activities		**(126 921)**	(318 988)
Net increase/(decrease) in cash and cash equivalents		**228 412**	(262 491)
Cash and cash equivalents at the beginning of the period		**(53 875)**	208 616
Cash and cash equivalents at the end of the period		**174 537**	(53 875)

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

1. REPORTING ENTITY

The financial data in the summary consolidated financial statements covers the Group's comprehensive commercial printing and manufacturing operations in South Africa. The report is structured to cover the operations according to three business segments:

- Printing (including gravure, heatset, coldset, sheet-fed and digital)
- Packaging (including labels and flexible packaging)
- Other (tissue manufacturing together with other non-print or packaging products)

2. BASIS OF PREPARATION

The summary consolidated financial statements for the year ended 31 March 2020 have been prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for preliminary reports, and the requirements of the Companies Act, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the adoption of IFRS 16: *Leases* (See note 18). 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.

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2020, but not yet effective on that date. These standards are not expected to have a material impact on the entity in the current or future reporting periods.

The summary consolidated financial statements does not include all the notes of the type normally included in consolidated annual financial statements. Accordingly, this summary consolidated financial statements is to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2020.

3. PREPARATION

The preparation of the summary consolidated financial statements was supervised by the Chief Financial Officer, Harry Todd CA(SA). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Company's auditor.

4. AUDITOR'S REPORT

This summarised report is extracted from audited information but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc. who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office.

The directors take full responsibility for the preparation of the preliminary report and the financial information has been correctly extracted from the underlying annual financial statements.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

5. ACCOUNTING POLICIES

The accounting policies used in preparing the summary consolidated 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 the following new accounting standards and amendments to IFRS's that became effective and were adopted by the Group during the current financial year:

Standard/Interpretation	Effective date: Years beginning on or after
IFRS 16: *Leases*	**01 January 2019**
IAS19: *Employee Benefits (Amendments)*	**01 January 2019**
Annual improvements 2015-2017	**01 January 2019**

The relevance of these amendments to the published standards has been assessed with respect to the Group's operations. Refer to note 18.

6. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of summary 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 summary consolidated 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 annual financial statements for the year ended 31 March 2020, as well as the prior year.

7. SEGMENT INFORMATION

IFRS 8: Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker (CODM) to allocate resources to the segments and to assess their performance. The CODM has been identified as the executive committee that makes strategic decisions.

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.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

7. SEGMENT INFORMATION (continued)

	Printing R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
2020					
External revenue	**3 167 720**	**687 708**	**256 664**	**–**	**4 112 092**
Inter-segmental revenue	**12 093**	**–**	**–**	**(12 093)**	**–**
Total Revenue	**3 179 813**	**687 708**	**256 664**	**(12 093)**	**4 112 092**
Profit/(loss) before taxation	**(364 868)**	**14 030**	**(95 442)**	**–**	**(446 280)**
Additional disclosure					
Property, plant and equipment additions	**63 856**	**12 371**	**3 298**	**–**	**79 525**
Capital commitments	**13 043**	**706**	**108**	**–**	**13 857**
Impairment of assets	**(445 028)**	**(14 638)**	**(69 991)**	**–**	**(529 657)**
Net impairment of financial assets	**(31 311)**	**(3 277)**	**(2 132)**	**–**	**(36 720)**
Investment in associate	**2 726**	**–**	**–**	**–**	**2 726**
Total assets	**2 826 566**	**780 192**	**362 003**	**(1 027 774)**	**2 940 987**
Total liabilities	**476 773**	**455 839**	**753 894**	**(1 027 774)**	**658 732**
2019					
External revenue	3 348 996	750 128	232 676	–	4 331 800
Inter-segmental revenue	8 332	23 760	–	(32 092)	–
Total Revenue	3 357 328	773 888	232 676	(32 092)	4 331 800
Profit/(loss) before taxation	236 381	20 885	(19 117)	–	238 149
Additional disclosure					
Property, plant and equipment additions	51 669	49 935	5 056	–	106 660
Capital commitments	11 740	5 768	1 484	–	18 992
Impairment of assets	(1 700)	(8 079)	–	–	(9 779)
Net impairment of financial assets	(1 978)	(113)	–	–	(2 091)
Total assets	3 670 913	630 029	395 847	(977 617)	3 719 172
Total liabilities	808 505	496 414	718 459	(977 617)	1 045 760

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

8. 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 01/2019 issued by the South African Institute of Chartered Accountants (SAICA).

Calculation of headline earnings	2020 R'000	2019 R'000
Earnings		
Net loss attibutable to shareholders	**(343 987)**	171 606
Adjustments (net of tax):	**411 387**	12 018
- Loss on sale of property, plant and equipment	**2 057**	2 563
- Loss on sale of business	**3 761**	–
- Impairment in value of property, plant and equipment	**315 390**	7 041
- Impairment in value of intangible assets	**3 692**	–
- Impairment in value of goodwill	**86 487**	–
- Reclassification of foreign currency translation reserve on sale of subsidiary	**–**	2 735
- Profit on sale of foreign subsidiary	**–**	(321)
Headline earnings	**67 400**	183 624
Number of ordinary shares in issue	**346 656 348**	346 656 348
Weighted average number of shares	**287 610 917**	304 020 814
(Loss)/earnings per ordinary share (cents)		
Basic	**(119,60)**	56,45
Diluted	**(119,60)**	56,45
Headline earnings per ordinary share (cents)		
Basic	**23,43**	60,40
Diluted	**23,43**	60,40

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

9. BUSINESS COMBINATIONS

2020

With effect from 01 April 2019 and 01 October 2019, the Group acquired the publishing businesses of Famous Publishing and Mum's Mail respectively. The purchase consideration for Famous Publishing was R1 and the purchase consideration for Mum's Mail was R0,65 million. Goodwill of R0,05 million for Famous Publishing and R0,65 million for Mum's Mail was recognised on acquisition and is attributable to the expected benefits to be derived from the publishing business which also enables sustainability of the print segment. The goodwill will not be deductible for tax purposes.

	2020 R'000
Fair value of assets and liabilities acquired	
Net current assets/(liabilities)	**(48)**
Identifiable assets and liabilities at acquisition date	**(48)**
Goodwill	**698**
Total purchase consideration	**650**
Cash paid	**650**
Total purchase consideration	**650**

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

10. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

10.1 *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.

10.2 *Fair value estimation*

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

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets or liabilities R'000	Significant other observable inputs R'000	Significant unobservable inputs R'000	R'000
At 31 March 2020				
Assets				
Financial assets at fair value through other comprehensive income	–	**3 255**	–	**3 255**
Foreign exchange contracts	–	**76 664**	–	**76 664**
	–	**79 919**	–	**79 919**
At 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

The derivative asset was due to the rand weakening against the Euro at the end of March 2020, the average forward cover rate was 19% lower than the closing mark-to-market rate.

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 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.

The carrying value of cash generating units for impairment consideration - discounted cash flow models for calculating either value in use or fair value less costs to sell.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

11. RELATED PARTY TRANSACTIONS

The Group entered into transactions and has balances with a number of related parties including shareholders. Transactions that are eliminated on consolidation as well as profits or losses eliminated through application of the equity method are not included.

12. CAPITAL COMMITMENTS AND CONTINGENCIES

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.

	2020 R'000	2019 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
– Property, plant and equipment	**13 857**	18 992
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	–	23 923
– in second to fifth year inclusive	–	44 918
– later than five years	–	24 291
	13 857	112 124

The prior year lease commitments include operating lease commitments under IAS 17. A lease liability has been recognised for lease payments due in terms of IFRS 16. There are no lease commitments to be disclosed for short term leases.

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.

Transfers to held for sale in the current year relate to the following:

Print Segment

An amount of R65 million relating to the Novus Print KwaZulu-Natal division's building was considered held for sale due to the closure of this printing facility.

Tissue division

Property, plant and equipment of R60,4 million included as part of the sale of the Tissue business was considered held for sale.

	2020 R'000	2019 R'000
Opening balance	**27 287**	90 691
Transfers from property, plant and equipment	**125 675**	–
Disposals	**(27 287)**	(63 404)
Closing balance	**125 675**	27 287

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

14. CHANGES IN WORKING CAPITAL

14.1. *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.

14.2. *Contract assets & Trade and other receivables*

The reduced balance is due to the decline in revenue as well as the timing of payments in comparison to the prior period. The balance also includes an expected credit loss allowance of R39,1 million (2019: R9,8 million) due mainly to increased COVID-19 related customer credit risk.

The ageing of the expected loss allowance per age class is presented below:

	2020 R'000	2019 R'000
Current	**5 898**	10
30 days and older	**6 648**	64
60 days and older	**4 448**	199
90 days and older	**5 027**	358
120 days and older	**17036**	9 152
	39 057	9 783

14.3. *Trade and other payables*

The Trade and other payables balance reduced due to various factors including: a reduction in stock purchases due to timing of Print projects; reduced activity at year-end due to the COVID-19 lockdown and early settlement of offshore creditors which was motivated by the anticipated unfavourable exchange rate fluctuations.

15. PROPERTY, PLANT AND EQUIPMENT

Significant movements include acquisitions of property, plant and equipment (PPE) at R83 million (2019: R107 million). Depreciation charge for the year at R159 million (2019: R154 million) and an impairment charge to the value of R438 million (2019: R10 million). Refer to note 17 with regards to the impairment charge for further detail.

16. DEFERRED TAX ASSET/LIABILITIES

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The deferred tax assets relate mainly to carried forward tax losses of Novus Packaging Proprietary Limited. The subsidiary has incurred tax losses over the last six years following the acquisition of the Correll Tissue business. They relate mainly to costs of integrating the operations and delays in the expansion project of the business. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on approved business plans and budgets for the subsidiary. The subsidiary is expected to start to utilise the deferred tax asset from the year 2021 onwards.

The reduction in the deferred taxation liability is mainly related to impairments of assets in the current year.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

17. IMPAIRMENTS

The material impairments in the current year, included in other gains/(losses), relate to the following:

17.1. *Impairment of Property, plant and equipment*

Printing

The Print segment has seen a significant decline in volumes resulting from several factors including the general economic downturn, reduced advertising spend and increased market competitiveness in the industry. This decrease in demand has affected all Print categories, with most product categories expected to continue to contract in the near future. This has been significantly felt by the Heatset operations during the financial year impacting magazines, books and directories and retail and catalogues. As a result of these impairment indicators which existed prior to year-end for the Heatset operations and negative outlook as a result of COVID-19 impacting all product categories including newspapers, management performed a detailed impairment assessment to determine the recoverable amounts of the CGUs to which these assets belong and a significant number of assets in the segment were impaired as a result. This resulted in plant and machinery and other equipment being impaired by R358,2 million to a recoverable amount of R176,7 million and goodwill being impaired in full amounting to R86,5 million.

The publication gravure department housed within the Montague Gardens Web print facility has seen a significant decline in volumes and reduced print runs over the past few years with this trend expected to continue in future. This decreased demand will lead to significant spare capacity amongst this printing equipment which resulted in these assets being impaired by R127,6 million to a recoverable amount of R33,6 million.

The Linbro Park print facility which consists solely of Heatset web offset print work has also seen a significant decline in retail and catalogue work due to customers seeking alternative means to advertise to market in order to reduce print spend. The assets within this facility have therefore been impaired by R105,6 million to a recoverable amount of R55,1 million.

The sheet-fed operations were severely impacted by the negative market spending patterns in the education sector, with curriculum changes expected to adversely impact the commercial viability of the Novus Print KwaZulu Natal (KZN) print facility. This led to the decision to consolidate the sheetfed operations into the Montague Gardens Sheetfed & Digital print facility and the closure of the KZN print facility in April 2020, leaving only a small cutsheet department. The resulting impact was to impair all assets in the KZN facility to its recoverable amount based on its fair value less costs to sell and goodwill relating to this CGU was impaired in full. A few of these assets were transferred to remaining Print divisions with assets being impaired in full where it was determined that there is no active market or future use. Plant and machinery at both print plants were impaired by R85,7 million to a recoverable amount of R53,5 million and goodwill by R51,5 million. The KZN building is carried at fair value less costs to sell, with the fair value being determined with reference to independent market valuations performed in March 2018 which was still considered appropriate at 31 March 2020. No further impairment to these land and buildings was required and this was reclassified to non current assets held for sale at 31 March 2020.

The remaining impairments across the segment amounted to R39,2 million on production and other equipment to a recoverable amount of R34,6 million. These assets were impaired to value-in-use which was based on a discounted cash flow forecast.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

17.1. *Impairment of Property, plant and equipment (continued)*

The recoverable amounts of the impaired assets and cash generating units (including goodwill) were determined by reference to either the asset's fair value less costs to sell or value in use. Where assets were impaired to their recoverable amount based on fair value less cost to sell as and where inputs were available, the inputs used were market values of these assets obtained from manufacturers or agents of the same equipment or similar types of equipment. Where the market values were not obtainable, the recoverable amounts were estimated by management with the use of internal technical experts and given that these are unobservable inputs, the fair value of these assets were classified as level 3 fair value. Where there was no market considered for the specific asset and there is no value in use, this asset was impaired in full. Where fair value less costs to sell was used, if one or more of the inputs were changed to a reasonable possible alternative assumption, there would be no further significant impairments that would have to be recognised.

Where assets were impaired to their recoverable amount based on value-in-use, the value-in-use is based on discounted cash flow calculations. The Group based its cash flow calculations on three to five year budgeted and forecasted financial information. The budgeted information for year 1 was approved by the board of directors on a consolidated level, with years 2 - 3 derived from budgeted information approved by management and extrapolated over the forecasted years.The budgeted and forecast information was updated to take into account the estimated impact of the COVID-19 pandemic on these future cash flows resulting from revenue declines as a result of business interruption during lockdown periods and further reduced consumer demand due to the weakened economic environment. The growth rate of -3% is a long-term average growth rate which was used to extrapolate the cash flows into the future. This rate was also compared to the average long term industry growth rates for reasonableness. The discount rate used of 16.4% is pre-tax and reflects the specific risks relating to the segment.

Due to majority of the print assets being impaired to fair value and the large extent of the current impairment and historic impairments made in 2018 resulting from the renegotiated Media24 contracts, should an assumption change in the value-in-use calculation, by a reasonable expectation, this is not expected to increase the impairment charge. The cash flows however are based on management's best estimate and therefore subject to judgement and includes an element of uncertainty.

Other

Tissue

The Group's decision to dispose of the Tissue business led to the impairment of the division's assets to it's fair value less cost to sell. This resulted in an impairment charge of R70,0 million to plant and equipment. The assets to be disposed were reclassified to non-current assets held for sale.

Other than those impairments disclosed above, the remaining segments were considered for impairment in light of the COVID-19 pandemic impairment trigger and no further impairment was considered necessary at this stage.

17.2 *Impairment of Goodwill*

The impairment charge of R86,5 million, included in "Other gains/(losses)" in the income statement, arose in the Print segment. The goodwill in Paarl Media Cape, Paarl Media Holdings, Intrepid Printers, Digital Print Solutions was impaired in full. The goodwill attributable to publishing businesses acquired from 01 March 2019 to date and initially recorded at a carrying value of R9,7 million for 3S Media and R0,7 million for remaining publishing acquisitions, as per note 9, was evaluated for impairment and impaired in full based on the economic outlook for the publishing industry and updated value-in-use calculations. Refer to note 17.1 for further details on the nature of the remaining Print goodwill impairments.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

17.2 *Impairment of Goodwill (continued)*

The Group allocated the remaining goodwill to the following cash-generating units:

	Net Book Value R'000	Basis of determination of recoverable amount	Discount rate applied to cash flows	Growth rate to extrapolate cash flows into perpetuity
Cash-generating unit				
At 31 March 2020				
Novus Labels	**16 708**	**Value in use**	**15,4%**	**5%**
ITB	**80 212**	**Value in use**	**15,4%**	**3%**
	96 920			

17.3 *Impairment of Other intangible assets*

The impairment charge in the current year of R5,1 million (2019: Rnil) which occurred in the Print segment relates to components of software deemed to be redundant. These components were impaired to a recoverable amount of Rnil. The average remaining useful life of computer software is six years.

18. CHANGES IN ACCOUNTING POLICIES

The Group has applied IFRS 16: *Leases* retrospectively with the cumulative effect recognised as an adjustment to retained earnings on the date of initial application. The comparative information was therefore not restated and will continue to be reported under IAS17: *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 IFRS16, the leased assets are capitalised and shown on the statement of financial position.

The Group has elected not to re-assess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on the assessment made for IAS 17. The Group has also elected to rely on previous assessments on whether leases are onerous as an alternative to performing an impairment review on initial application. There was one onerous lease relating to rental of a building by the Tissue division.

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. No other practicial expedients have been used.

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 1 April 2019. The incremental borrowing rate applied to the lease liabilities was 10,15%. The right 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.

Deferred tax is recognised on temporary differences arising from the lease liability and right-of-use assets.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and lease liability at the date of initial application.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

18. CHANGES IN ACCOUNTING POLICIES (continued)

The effect of adopting IFRS 16 is as follows:

	2020 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	123 185
Onerous lease provision	(3 585)
Straight-lining lease liability	(3 725)
Net impact on equity	(16 278)

	01 April 2019 R'000
The recognised right-of-use assets that had an impact on retained earnings relate to the following types of assets:	
Land and Buildings	91 877
Plant and Machinery	766
Vehicles, computers and office equipment	623
	93 266
The right of use asset above has been adjusted with the onerous lease provision.	
Impact on the statement of comprehensive income as at 31 March 2020	
Increase in depreciation expense	13 559
Decrease in operating lease expense	(19 746)
Decrease in straight-lining of lease expense	(1 165)
Increase in operating profit	(7 352)
Increase in finance costs	8 011
Decrease in profit before tax for the period	659

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

	2020 R'000
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 straight-lining of leases	(3 724)
Less: Onerous lease provision netted off right of use asset	(3 585)
Impact on liabilities on transition date	115 875

After the adoption of IFRS 16: *Leases*, management re assessed the lease terms of its leases. As a result, the right-of-use assets were adjusted by R32,7 million and lease liabilities were adjusted by R38,1 million. This resulted in a net impact of R3,9 million on retained earnings.

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

18. CHANGES IN ACCOUNTING POLICIES (continued)

The table below show a reconciliation of lease liabilities as at 31 March 2020

	2020 R'000
Right-of-use assets	
Opening Balance	–
Adjustment on transition to IFRS 16- previously operating leases under IAS 17	93 266
Adjustment on transition to IFRS 16- previously finance leases under IAS 17	59 210
Re-assessment of lease terms	(32 657)
Lease terminated	(6 463)
New leases entered into	2 952
Current year depreciation	(16 836)
Disposal of assets in a business	(822)
Movement in onerous lease provision	(37 209)
Closing Balance	61 441
Lease Liabilities*	
Opening Balance	–
Adjustment on transition to IFRS 16- previously operating leases under IAS 17	123 185
Adjustment on transition to IFRS 16- previously finance leases under IAS 17	58 454
Re-assessment of lease terms	(38 133)
Leases terminated	(17 846)
New leases entered into	2 926
Interest	13 315
Payments	(27 132)
Closing Balance	114 769

* Included within the Long-term liabilities and Current portion of long-term liabilities lines in the Statement of financial position.

19. SALE OF UV FLEXO LABELS DIVISION

Effective, 01 April 2019 the Group disposed its UV Flexo labels division for a proceeds value of R36,3 million. A loss on sale of this business of R5,2 million was recognised.

	2020 R'000
The carrying amounts of assets and liabilities as at the date of sale were:	
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)
Total proceeds value	
Cash proceeds	34 134
Amounts to be received in the future	2 173
Loss on disposal	(5 223)

Notes to the summary consolidated financial statements.

For the year ended 31 March 2020

20. INVESTMENT IN ASSOCIATE

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.

There are no contingent considerations from this transaction.

	Note	2020 R'000	2019 R'000
21. REVENUE			
Printing revenue		**3 210 598**	3 474 934
Tissue revenue		**249 976**	224 093
Packaging revenue		**491 486**	485 064
Waste revenue		**22 896**	28 714
Distribution revenue		**72 281**	97 112
Other revenue		**64 855**	21 883
		4 112 092	4 331 800
22. OTHER GAINS/(LOSSES)			
Loss on sale of property, plant and equipment		**(2 857)**	(3 560)
Loss on sale of business	19	**(5 223)**	–
Gain on derecognition of lease		**11 382**	–
Impairment of property, plant and equipment	17.1	**(438 042)**	(9 779)
Impairment of goodwill	17.2	**(86 487)**	–
Impairment of intangible assets	17.3	**(5 128)**	–
Remeasurement of contingent consideration		**4 839**	–
Reclassification of foreign currency translation reserve on sale of subsidiary		**–**	(3 798)
Profit on sale of foreign subsidiary		**–**	446
		(521 516)	(16 691)

23. TAXATION

An effective tax rate of 22,9% (2019: 28,5%) was applicable during the current year. The reduced effective tax rate is mainly due to the reported loss before tax but this was offset by non-deductible expenses incurred. Non-deductible expenses mainly comprise goodwill impairments and equity settled share-based compensation charges.

24. DIVIDENDS

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

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For the year ended 31 March 2020

25. EVENTS AFTER THE REPORTING DATE

The following events took place after reporting date:

(a) Disposal of Tissue division

The Group entered into a series of transactional agreements in order to dispose of its Tissue division effective 01 June 2020 which will result in the Group retaining 49% of the issued share capital of the newly incorporated company into which the assets will be housed. The purchase consideration is an amount of R60 million plus an additional consideration for any stock or current assets which may be required at effective date. The Group owned premises from which the division operates will be leased to the acquiring company with an option to purchase in future, subject to certain terms and conditions. The transaction has not yet been concluded as not all suspensive conditions per the agreement have been met and funding is still being finalised.

At 31 March 2020, property, plant and equipment to be sold in the division was impaired to the fair value less costs to sell with an impairment charge of R70 million. These assets were then reclassified to non-current assets held for sale. The property remains accounted for at its carrying value within Land and Buildings Owned.

Subsequent to year end, as at the effective date this investment will be accounted for as an investment in associate.

(b) Covid-19 pandemic

On 15 March 2020, the President of South Africa declared a national state of disaster as a result of the global COVID-19 pandemic. This led to the country being placed on lockdown in order to control the spread of the virus, thus impacting the Group's ability to operate under these lockdown regulations from the period 26 March 2020 to date.

The Group experienced some of the negative financial consequences as a result impacting the 31 March 2020 financial year as customers reduced or cancelled sales orders ahead of the lockdown, and with production coming to a halt for many of the Group's operations during lockdown until the regulations were issued and clarified. Subsequent to year-end and as permitted under the current lockdown regulations, the Print operations were curtailed to the regulated capacity requirements in order to supply essential magazines and newspapers. The Labels Gravure and ITB divisions within the Packaging segment and Tissue division resumed operations to produce packaging allowed for essential consumer products and essential goods.

As part of the Group's initiatives to relieve some of these negative financial impacts faced by customers due to the lockdown, extension of payment terms were provided to certain customers who were able to pay 30 days after their original payment terms. Refer to note 8 where the impact of COVID-19 has been factored into the default rates applied to calculate an expected credit loss allowance.

The impact on the financial position and results of operations as of and for the year ended 31 March 2020 were considered and the directors have concluded that no additional material adjustments were necessary to the financial statements presented. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

The directors are not aware of any other matter or circumstance arising since the end of the financial year and the date of this report.

26. GOING CONCERN

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. As at 31 March 2020, the Group is in a strong liquidity position with a positive closing cash balance of R174,5 million and unutilized short and medium term borrowing facilities of R221,9 million. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material noncompliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group. The directors have considered the impact of COVID-19 as detailed in note 25 and are satisfied that no material uncertainty exists that might cast significant doubt on the entity's ability to continue as a going concern.