Novus Holdings Limited and its subsidiaries

Registration Number: 2008/011165/06

Summarised audited consolidated financial statements

for the year ended 31 March 2021

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

Summarised audited results for the year ended 31 March 2021

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, commercial and digital work and educational materials. Beyond traditional printing, the Group has a packaging division that offers wet-glue and wrap-around labels, pressure-sensitive labels and flexible plastic packaging.

Salient features

- Revenue declined by 31,0% to R2 838 million (2020: R4 112 million)
- Operating profit* declined to an operating loss of R20 million (2020: operating profit of R126 million)
- Headline earnings per share decreased from 23,4 cents per share to a headline loss of 5,4 cents per share
- Loss per share improved to 8,3 cents (2020: 119,6 cents loss per share)
- Net asset value per share decreased by 3,2% to 767,5 cents (2020: 792,6 cents)
- Final cash dividend of 50 cents per ordinary share with a scrip dividend alternative (2020: NIL)
- Net working capital decreased by a further R128,2 million (2020: decreased by R210,2 million)
- Free cash flow** improved by R26,2 million to R362,2 million (2020: R336,0 million)
- Cash conversion^ increased to 351,9% (2020: 119,4%)
- Closing cash position up R268,3 million to R 442,8 million (2020: R174,5 million)

Performance overview

The financial year under review was impacted by COVID-19, which resulted in economic contraction and business interruption. This tested the Group's ability to be agile and respond swiftly to the uncertainty that presented itself. The Group's primary focus was to ensure operations were stabilised, the livelihoods and health of staff were protected in the workplace and the strategic objectives amended to ensure sustainability of the Group.

The Group's performance can be attributed mainly to the lockdown regulations causing disrupted trade during the state of disaster and aggravated by the extended alcohol bans placing pressure on the Labels Gravure division and the after-effects impacting all print product categories.

Whilst revenue and operating profit were down compared to the prior year, the resilience of the Group was demonstrated through the implementation of extreme cost cutting measures with operating expenses reduced by R81,1 million (12,6%). Gross profit margin improved moderately to 19,0% from 18,7% supported by the changed product mix in print and significant asset impairments in FY2020 which absorbed the margin compression.

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

** Cash generated from operations less expenditure on property, plant and equipment ("PPE") and intangibles plus proceeds on disposal of assets, less taxation paid.

^ Cash generated from operations less expenditure on PPE and intangible assets, divided by Earnings before interest, taxation, depreciation and amortisation ("EBITDA") excluding "other gains/(losses)."

The Group continued to restructure and rationalise production facilities in order to obtain operational efficiencies, to extract under-utilised capital assets, and reduce capacity in line with future expected demand. Retrenchment costs of R29,3 million were accounted for in the year together with a net impairment charge of R27,2 million on property, plant and equipment and assets held for sale. Favourably impacting the results was a R30,7 million profit on the sale of certain redundant plant and machinery in the Print segment whilst there was a R10,9 million loss recognised in the disposal of the Tissue subsidiary.

Print

Revenue declined by 33,0% to R2 123 million and operating profit declined from R106 million to an operating loss of R37 million in the current year.

Volumes declined on all product categories with an overall tonnage drop of 35,8%. Magazine and newspaper volumes declined due to additional title closures, reduced volumes and general market declines. Retail inserts and catalogue volumes were significantly lower, also contributing to thinner margins based on overcapacity in the market. Books and directories volumes also decreased.

Packaging

Revenue decreased by 15,6% to R580 million and operating profit by 50,5% to R19,8 million.

ITB's operating profit improved by 4,7% despite revenue declining by 10,2% compared to the prior year. The division benefitted from more stable polymer pricing and cost savings across all expense categories.

The alcohol and other lockdown restrictions resulted in Labels Gravure revenue declining by 31,6% and contributing an operating loss to the segment. The division achieved lower margins from key customers due to pricing pressure and lost margin due to alcohol restrictions and inefficiencies on production and trade.

Tissue

Reported revenue decreased by 47,7% to R134 million with an operating loss of R2,6 million compared to an operating loss of R19,1 million in FY2020. The Group only consolidated the results of the Tissue division for the first half of the financial year as 51% of this business was disposed of with effect from 01 October 2020 and equity accounted for from this date onwards. On a like-for-like basis, Tissue revenue was up 2,2%.

Cash generation

The Group closed the financial year with a cash balance of R442,8 million compared to R174,5 million in the prior year. Notable improvements in working capital contributing an inflow of R250,0 million, proceeds on the sale of redundant plant and machinery of R59,1 million and the disposal of Tissue equity of R20 million contributed to this strong closing position. Cash preservation strategies and curbing expenditure also contributed positively to this result.

Transformation

The Group is proud to retain its Level Two B-BBEE contributor status and remains committed to transformation.

Changes to the board

Mr André van der Veen has been appointed to the board of directors of the Company ("Board") as a non-executive director with effect from 17 May 2021, with Mr Adrian Zetler appointed as an alternate non-executive director to Mr van der Veen, also effective 17 May 2021.

After serving on the Board for almost three years, Mr Dennis Mack will retire as an independent non-executive director by rotation at the upcoming Annual General Meeting on 27 August 2021 and has indicated that he will not be available for re-election and will formally resign from the Board. Mr Mack currently serves as chairman of the Audit and Risk Committee and member of the Remuneration Committee and the Nominations Committee.

The Board is in process of streamlining its composition to ensure that it is fit for purpose and will consider the vacancy to be filled by the time Mr Mack's retirement takes effect, being 27 August 2021.

Dividends

The Board has decided to declare a cash dividend of 50 cents per ordinary share. In order to balance the cash flow requirements of the business and provide maximum flexibility to shareholders, a scrip dividend alternative will be offered to shareholders, subject to the Company obtaining the requisite regulatory and shareholder approvals. The number of shares issued under the scrip dividend alternative will be limited to 31 million ordinary shares. To the extent that there is an excess election of the scrip dividend alternative, shareholders will receive a pro-rata share of the scrip dividend with the balance of the dividend to be settled in cash. A circular setting out the terms and salient dates of the cash dividend and scrip dividend alternative will be published separately in due course.

Outlook

The impact of the COVID-19 pandemic on the business during FY2021 was significant and a return to a degree of normality is welcomed and expected in FY2022. However, permanent damage has been inflicted on the global and local markets and especially the Print industry. Short-term recovery is expected, but not to pre-COVID-19 levels as the traditional newspaper and magazine markets have been severely disrupted. The broader South African economy has also been severely harmed and recovery is not expected in the short to medium term.

During FY2021, four Print operations were closed or consolidated into other Print facilities and together with impairments to PPE, resulting in the Print 'footprint' being significantly reduced making the operating cost-structure leaner and more competitive but without compromising its traditional product offering. This bodes well for the future and this 'right-sizing' philosophy has been entrenched in the minds of management for future deployment. Whilst a recovery in post-COVID-19 volumes can be expected, the recent shortage of pulp together with the ever-present ZAR volatility will have a knock-on effect on paper-pricing and margins.

The Labels Gravure division is expected to see some form of recovery as trading normalises whilst ITB's performance is expected to remain stable. Both businesses will continue to explore alternate product line offerings that complement their existing offerings and are within the parameters of current equipment capabilities.

Management will maintain a close eye on market trends and continue to respond as and when required. In the coming months additional capital resources will be freed up to support Group initiatives along with a further anticipated cash release. Management is conscious of the generally suboptimal return on gross assets and in line with the stated strategy all operations will be continually assessed in terms of projected return on funds employed, and where appropriate, further action will be taken to ensure that all assets are carried at realisable values. This focus may result in further liquidation of underperforming assets.

With the inherent strength of the balance sheet and cash generating ability, current momentum will ensure the sustainability of the Group. The Group expects demand to remain muted, before stabilising again in the medium term.

Results presentation

Shareholders are advised that Novus Holdings will be hosting their results presentation via a live audio webinar at 11h00 (SA time) on Friday, 11 June 2021.

For access and details of this webinar, please visit the Group's website at **www.novus.holdings** and view the invitation at **https://novus.holdings/wp-content/uploads/2021/06/Novus-Holdings-Annual-Results-2021-Invite.pdf.**

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
09 June 2021

Sponsor
Merchantec Capital

Summary consolidated statement of financial position

As at 31 March 2021

	Note	2021 R'000	2020 R'000
Assets			
Non-current assets		**1 255 930**	1 491 127
Property, plant and equipment	14	**953 462**	1 268 439
Investment property	15	**64 415**	–
Goodwill	16	**96 920**	96 920
Other intangible assets		**13 715**	15 978
Financial assets at fair value through other comprehensive income		**3 086**	3 255
Investment in associates	19	**23 343**	2 726
Other financial assets at amortised cost		**1 593**	2 926
Deferred taxation assets	17	**99 396**	100 883
Current assets		**1 487 707**	1 449 860
Inventory	13.1	**309 739**	486 634
Trade and other receivables	13.2	**488 984**	532 868
Related party receivables	10	**59 505**	–
Contract assets	13.2	**5 269**	21 533
Derivative financial instruments	9	**19**	76 664
Current income tax receivable		**–**	28 614
Cash and cash equivalents		**442 855**	177 872
Non-current assets held for sale	12	**181 336**	125 675
Total Assets		**2 743 637**	2 940 987
Equity and liabilities			
Capital and reserves attributable to the Group's equity holders		**2 207 469**	2 279 476
Share capital		**602 656**	602 656
Treasury shares		**(507 344)**	(507 344)
Other reserves		**(112 843)**	(19 496)
Retained earnings		**2 225 000**	2 203 660
Non-controlling interest		**–**	2 779
Total Equity		**2 207 469**	2 282 255
Liabilities			
Non-current liabilities		**152 103**	240 217
Post-employment medical liability		**2 260**	2 066
Provisions		**11 635**	15 950
Borrowings and lease liabilities		**92 593**	116 342
Deferred taxation liabilities	17	**39 610**	97 900
Deferred grant income		**6 005**	7 959
Current liabilities		**384 065**	418 515
Current portion of borrowings and lease liabilities		**25 402**	26 055
Trade and other payables	13.3	**335 641**	384 972
Current income tax payable		**9 518**	2 847
Derivative financial instruments	9	**12 157**	–
Bank overdrafts		**33**	3 335
Deferred grant income		**1 314**	1 306
Total equity and liabilities		**2 743 637**	2 940 987

Summary consolidated income statement

for the year ended 31 March 2021

	Note	2021 R'000	2020 R'000
Revenue	21	2 837 939	4 112 092
Cost of sales		(2 297 591)	(3 344 396)
Gross profit		540 348	767 696
Operating expenses		(560 121)	(641 235)
Administrative and other expenses		(550 238)	(604 515)
Net impairment losses on financial assets	13.2	(9 883)	(36 720)
Other gains/(losses)	22	(7 665)	(521 516)
Operating loss		(27 438)	(395 055)
Finance income	23	27 458	3 695
Finance costs	24	(14 837)	(55 239)
Share of net (losses)/profits of associate accounted for using the equity method	19	(1 339)	319
Loss before taxation		(16 156)	(446 599)
Taxation	25	(7 306)	102 308
Net loss for the year		(23 462)	(344 291)
Attributable to:			
Equity holders of the Group		(23 989)	(343 987)
Non-controlling interest		527	15
		(23 462)	(344 291)
Loss per share (cents):			
Basic	8	(8,34)	(119,60)
Diluted	8	(8,34)	(119,60)

Summary consolidated statement of comprehensive income

For the year ended 31 March 2021

	2021 R'000	2020 R'000
Net loss for the year	**(23 462)**	(343 972)
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Hedging reseve	**(34 017)**	44 539
Foreign exchange movement, gross	**(47 246)**	81 060
Foreign exchange movement, tax portion	**13 229**	(22 697)
Other movements, gross	**–**	(19 200)
Other movements, tax portion	**–**	5 376
Fair value reserve	**(122)**	48
Net fair value (losses)/gains gross	**(169)**	66
Net fair value (losses)/gains, tax portion	**47**	(18)
Items that will not be reclassified to profit or loss		
Post-employment benefit obligations and provisions	**350**	1 599
Remeasurement of post-employment benefit obligations and provisions, gross	**486**	2 221
Remeasurement of post-employment benefit obligations and provisions, tax portion	**(136)**	(622)
Total other comprehensive (loss)/income, net of tax	**(33 789)**	46 186
Total comprehensive loss for the year	**(57 251)**	(297 786)
Attributable to:		
Equity holders of the Group	**(57 778)**	(297 801)
Non-controlling interest	**527**	15
	(57 251)	(297 786)

Summary consolidated statement of changes in equity

for the year ended 31 March 2021

	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 2019		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
Total comprehensive (loss)/income for the year		**–**	**–**	**(33 789)**	**(23 989)**	**527**	**(57 251)**
Loss for the year		**–**	**–**	**–**	**(23 989)**	**–**	**(23 989)**
Other comprehensive loss		**–**	**–**	**(33 789)**	**–**	**527**	**(33 262)**
Reclassification adjustment to inventory, gross		**–**	**–**	**(28 173)**	**–**	**–**	**(28 173)**
Reclassification adjustment to inventory, tax portion		**–**	**–**	**7 888**	**–**	**–**	**7 888**
Transactions with owners:							
Share based compensation movement		**–**	**–**	**6 750**	**–**	**–**	**6 750**
Transfer from share based compensation reserve		**–**	**–**	**(45 329)**	**45 329**	**–**	**–**
Transactions with non-controlling interest	20	**–**	**–**	**(694)**	**–**	**(3 306)**	**(4 000)**
Total transactions with owners		**–**	**–**	**(39 273)**	**45 329**	**(3 306)**	**2 750**
Balance as at 31 March 2021		**602 656**	**(507 344)**	**(112 843)**	**2 225 000**	**–**	**2 207 469**

Summary consolidated statement of cash flows
for the year ended 31 March 2021

	Note	2021 R'000	2020 R'000
Cash flows from operating activities			
Loss before taxation		(16 156)	(446 280)
Non-cash movements in loss before tax		104 914	782 742
Net changes in working capital		249 984	91 076
Cash generated from operations		338 742	427 538
Finance income	23	3 135	3 695
Finance costs	24	(4 483)	(16 819)
Taxation paid		(2 022)	(38 003)
Related party dividends received		–	736
Net cash generated from operating activities		335 372	377 147
Cash flows from investing activities			
Property, plant and equipment acquired	14	(15 090)	(79 525)
Prepayment for property, plant and equipment		(17 369)	–
Proceeds on sale of property, plant and equipment		59 051	2 846
Proceeds from the sale of non-current assets held for sale		–	24 235
Purchase of intangible assets		(1 064)	(1 135)
Financial assets at amortised cost advanced		(134)	(626)
Financial assets at amortised cost repaid		1 467	2 050
Related party loans advanced		(58 120)	–
Acquisition of businesses		–	(650)
Disposal of business		–	34 134
Disposal of subsidiary	18	3 364	–
Acquisition of associate	19	(2 740)	(3 143)
Net cash inflow/(outflow) from investing activities		(30 635)	(21 814)
Cash flows from financing activities			
Repayment of long-term loans		(14 333)	(13 506)
Repayment of leases		(22 119)	(27 132)
Dividends paid	26	–	(86 283)
Net cash outflow from financing activities		(36 452)	(126 921)
Net increase in cash and cash equivalents		268 285	228 412
Cash and cash equivalents at the beginning of the period		174 537	(53 875)
Cash and cash equivalents at the end of the period		442 822	174 537

Notes to the summary consolidated financial statements

For the year ended 31 March 2021

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 2021 have been prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for preliminary reports, and the requirements of the South African Companies Act No 71 of 2008, as amended, 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 amendments adopted. None of the new or amended accounting pronouncements that are effective for the financial year commencing 01 April 2020 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 2021, 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 2021.

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 2021

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
IAS 1 and IAS 8- Definition of Material (amendments)	01 January 2020
IFRS 3- Definition of a Business (amendments)	01 January 2020
Amendments to IFRS 9- Financial Instruments	01 January 2020
IAS 39 - *Financial Instruments: Recognition and Measurement*	01 January 2020
IFRS 7 - *Financial Instruments: Disclosure* – Interest rate benchmark reform (Phase 1)	01 January 2020
Revised Conceptual Framework for Financial Reporting	01 January 2020

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

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 2021, 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 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 2021

7. SEGMENT INFORMATION continued

	Printing R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
2021					
External revenue	2 123 406	580 219	134 314	–	2 837 939
Inter-segmental revenue	7 328	–	–	(7 328)	–
Total Revenue	2 130 734	580 219	134 314	(7 328)	2 837 939
Profit/(loss) before taxation	(13 634)	14 114	(16 636)	–	(16 156)
Additional disclosure					
Property, plant and equipment additions	7 825	6 960	305	–	15 090
Capital commitments	5 035	–	–	–	5 035
Impairment of assets	(26 735)	(464)	(11 965)	–	(39 164)
Reversal of impairment on held for sale assets	–	–	11 965	–	11 965
Net impairment losses on financial assets	(5 344)	(2 484)	(2 055)	–	(9 883)
Investment in associates	3 786	–	19 557	–	23 343
Total assets	2 676 674	730 258	327 114	(990 409)	2 743 637
Total liabilities	379 525	405 806	741 246	(990 409)	536 168
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 losses on 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

Notes to the summary consolidated financial statements

For the year ended 31 March 2021

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 01/2021 issued by the South African Institute of Chartered Accountants (SAICA).

Calculation of headline earnings	Note	2021 R'000	2020 R'000
Earnings			
Net loss attibutable to shareholders		**(23 989)**	(343 987)
Adjustments (net of tax):		**8 455**	411 387
- (Profit)/loss on sale of property, plant and equipment		**(22 128)**	2 057
- Profit on sale of property, plant and equipment within associate equity accounted earnings		**(127)**	–
- Loss on sale of intangible assets		**186**	–
- Loss on sale of business		**–**	3 761
- Loss on disposal of subsidiary	18	**10 941**	–
- Reversal of impairment on held for sale assets		**(8 615)**	–
- Impairment in value of property, plant and equipment		**28 198**	315 390
- Impairment in value of intangible assets		**–**	3 692
- Impairment in value of goodwill		**–**	86 487
Headline (loss)/earnings		**(15 534)**	67 400
Number of ordinary shares in issue		**346 656 348**	346 656 348
Weighted average number of shares		**287 610 917**	287 610 917
Loss per ordinary share (cents)			
Basic		**(8,34)**	(119,60)
Diluted		**(8,34)**	(119,60)
Headline (loss)/earnings per ordinary share (cents)			
Basic		**(5,40)**	23,43
Diluted		**(5,40)**	23,43

Notes to the summary consolidated financial statements

For the year ended 31 March 2021

9. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

9.1 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.

9.2 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 2021				
Assets				
Financial assets at fair value through other comprehensive income	1	3 085	–	3 086
Foreign exchange contracts	–	19	–	19
Related party loan receivables	–	–	58 120	58 120
	1	3 104	58 120	61 225
Liabilities				
Foreign exchange contracts	–	12 157	–	12 157
	–	12 157	–	12 157
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

The derivative asset at 31 March 2020 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

Related party loan receivables - the loan is carried at amortised cost which approximates fair value. Fair value was determined based on the use of unobservable inputs including counterparty credit risk.

Notes to the summary consolidated financial statements

For the year ended 31 March 2021

10. RELATED PARTY TRANSACTIONS

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

Included in the Related party receivables balance is a loan of R58,1 million receivable from Mthembu Paper Mill Proprietary Limited. The loan receivable is non-interest bearing and is payable on demand as at the end of the reporting period. The nature of the loan is deemed to be a shareholders loan to fund initial working capital requirements of the subsidiary. It was agreed that interest will become due on all outstanding amounts from 01 April 2021 until final date of repayment at a rate of Prime. As part of the impairment evaluation of the receivable, if the loan had to be demanded at the reporting date liquid assets amounting to R85,5 million would be available including a secured debtors book amounting to R57,5 million. A default rate of 2,5% was considered to determine an expected credit loss allowance on the loan receivable and is deemed immaterial.

11. 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.

	2021 R'000	2020 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
– Property, plant and equipment	**5 035**	13 857
Lease commitments – as lessee (expense)	**279**	–
	5 314	13 857

The above lease commitments relates to leases with underlying assets of a low value (office printers) and therefore have not been capitalised in accordance with the IFRS 16 exemption applied.

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For the year ended 31 March 2021

12. NON-CURRENT ASSETS HELD FOR SALE

The opening balance includes the Novus Print; KwaZulu-Natal division's building (R65,3 million) and the plant and boiler assets relating to the Tissue business (R60,4 million).

Transfers from property, plant and equipment in the current year includes the Novus Print: Linbro Park division's building as well as plant and machinery due to the planned sale of these items as a result of the closure of this print facility. This amounted to a total of R116,1 million. Additional assets from the Tissue business amounting to R2,3 million were transferred to held for sale during the year and included in the disposal below.

The Novus Print: KwaZulu-Natal division's building sale was hindered due the National lockdown but a sale has been secured for proceeds amounting to R66,0 million. The transfer is still in progress due to slow progress of registering the sale at the deeds office and is expected to be concluded by end of June 2021.

On 01 October 2021, the Tissue plant and machinery was subsequently sold as part of the 51% disposal in the subsidiary Mthembu Paper Mill Proprietary Limited, refer to note 41. A reversal of impairment of R11,9 million was recognised as majority of the purchase price was attributed to this plant and machinery. The Tissue boiler and certain assets amounting to R12,4 million did not form part of this disposal and the assets were transferred back to property, plant and equipment with an impairment recognised for the full carrying value of the boiler, refer to note 2.

In the prior year, the Paarl Coldset Pietermaritzburg building was sold in July 2019 for an amount of R24,2 million. A loss on sale of R3,0 million was recognised.

	Note	2021 R'000	2020 R'000
Opening balance		**12 5675**	27 287
Transfers from property, plant and equipment	14	**118 378**	125 675
Transfers to property, plant and equipment	14	**(12 407)**	–
Reversal of impairment		**11 965**	–
Disposals		**(62 275**	(27 287)
Closing balance		**181 336**	125 675

In accordance with IFRS 5, the land and buildings were measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The measurement is classified as a level 3 in the fair value hierarchy.

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

Non-current assets held for sale - The land and buildings were measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. Fair value is determined with reference to values being determined with reference to current sales agreements for these assets.

Notes to the summary consolidated financial statements

For the year ended 31 March 2021

13. CHANGES IN WORKING CAPITAL

13.1 Inventory

Inventory decreased due to the decline in sales activity due to the COVID-19 lockdown in the current period as well as a strategic focus to reduce inventory levels.

13.2 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 R29,0 million (2020: R39,1 million).

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

	2021 R'000	2020 R'000
Current	**1 159**	5 898
30 days and older	**978**	6 648
60 days and older	**748**	4 448
90 days and older	**2 923**	5 027
120 days and older	**23 158**	17 036
	28 966	39 057

13.3 Trade and other payables

The Trade and other payables balance reduced due to a decrease in activity during the period due to the COVID-19 lockdown.

14. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment, is mainly due to the following:

	Note	**2021 R'000**	2020 R'000
Cash acquisitions during the period		**15 090**	79 525
Depreciation during the period		**(102 670)**	(158 845)
Impairments during the period		**(39 211)**	(438 042)
Transferred (to)/from 'held for sale'	12	**(105 971)**	(125 675)
Transfer to investment property	15	**(65 172)**	–
		(297 933)	(643 037)

The current year impairments relate mainly to the Print segment with the declines in newspaper volumes impacting the Coldset operations and the remaining print product categories contracting further. This necessitated further right-sizing and capacity reductions in the segment.

In the prior year, the Group conducted a right-sizing exercise throughout all Print operations where there was a significant downturn in the results, market trends and expected future economic outlook. This was further exacerbated by the impact of the COVID-19 pandemic on the Print industry.

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For the year ended 31 March 2021

15. INVESTMENT PROPERTY

The Tissue division's building, which was not part of the disposal of the Tissue business, is occupied by Mthembu Paper Mill Proprietary Limited and was therefore transferred from property, plant and equipment to investment property on 01 October 2020. Investment property is measured by applying the cost model.

	2021 R'000	2020 R'000
Opening balance	**–**	–
Transfer (to)/from owner-occupied property	**65 172**	–
Depreciation	**(757)**	–
Closing balance	**64 415**	–

16. GOODWILL

Goodwill arises on the acquisition of interests in subsidiaries and is subject to an annual impairment assessment. Management performed an updated assessment at 31 March 2021, taking into account the revised year 1 forecasted cash flows which were updated for the known and estimated impact of the COVID-19 pandemic on these future cash flows resulting from revenue declines as a result of business interruption during lockdown and further reduced consumer demand due to the weakened economic environment. A pre-tax discount rate of 14,5% was applied to discount these cash flows. There has been no impairment charge recognised during the period. Movements in the Group's goodwill for the period are detailed below:

	2021 R'000	2020 R'000
Opening balance	**245 984**	245 286
Acquisition of subsidiaries	**–**	698
Accumulated impairment	**(149 064)**	(149 064)
Closing balance	**96 920**	96 920

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 2021				
Novus Labels	**16 708**	**Value in use**	**14,5%**	**5%**
ITB	**80 212**	**Value in use**	**14,5%**	**3%**
	96 920			

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For the year ended 31 March 2021

17. 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 seven 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 budgets that were determined by incorporating approved business plans for the subsidiary. The subsidiary has started to utilise the deferred tax asset from the current financial year.

18. DISPOSAL OF SUBSIDIARY

Effective 01 October 2020, the Group disposed of 51% of its interest in Mthembu Paper Mill Proprietary Limited which resulted in loss of control and therefore the Group derecognised it as a subsidiary. A loss on disposal of subsidiary of R10,9 million was recognised. The remaining 49% interest in Mthembu Paper Mill is accounted for as an investment in associate.

	2021 R'000
The carrying amounts of assets and liabilities as at the date of sale (01 October 2020) were:	
Non-current assets classified as held for sale	62 275
Inventory	16 786
Cash and cash equivalents	16 636
Trade and other receivables	39 010
Trade and other payables	(78 776)
Deferred taxation	(5 774)
Net assets	50 157
Fair value of retained interest (49%)	19 216
Cash consideration received	20 000
Carrying amount of net assets sold (51%)	(30 941)
Loss on disposal	(10 941)
	(10 941)
Loss on 49% retained interest	(5 361)
Loss on 51% of shares sold	(5 580)
Cash consideration received	20 000
Cash in subsidiary disposed of	(16 636)
Net cash inflow per statement of cash flows	3 364

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For the year ended 31 March 2021

19. INVESTMENT IN ASSOCIATES

A 49% investment in Free 4 All Proprietary Limited was purchased for R2,7 million effective 15 December 2020. Mthembu Paper Mill Proprietary Limited was accounted for as an investment in associate on 01 October 2020 when the Group lost control of Mthembu Paper Mill Proprietary Limited after it disposed of 51% of its shares in it. The investment in Mthembu Paper Mill was recognised at R19,2 million on 01 October 2020.

There are no contingent considerations from these transactions.

The movements in the carrying value of the Group's investment in associates for the period are detailed in the table below:

	Note	2021 R'000	2020 R'000
Opening balance		2 726	–
Purchase of investment in associate		2 740	3 143
Investment retained in former subsidiary	18	19 216	–
Equity accounted earnings		(1 339)	319
Dividends received		–	(736)
Closing balance		23 343	2 726

20. TRANSACTIONS WITH NON-CONTROLLING INTEREST

The Group entered into an agreement to purchase the remaining 30% non-controlling interest in Plaslope Proprietary Limited effective 31 March 2021 for a purchase consideration of R4,0 million. This Company is now a wholly owned subsidiary of the Group.

The effect of the above transaction can be summarised as follows:

	2021 R'000
Carrying amount of non-controlling interest	3 306
Purchase consideration payable	4 000
Amount debited to equity	694

Notes to the summary consolidated financial statements

For the year ended 31 March 2021

		Note	2021 R'000	2020 R'000
21.	**REVENUE**			
	Printing revenue		**2 155 167**	3 210 598
	Tissue revenue		**127 357**	249 976
	Packaging revenue		**441 903**	491 486
	Waste revenue		**8 732**	22 896
	Distribution revenue		**60 228**	72 281
	Other revenue		**44 552**	64 855
			2 837 939	4 112 092
22.	**OTHER GAINS/(LOSSES)**			
	Profit/(loss) on disposal of property, plant and equipment		**30 733**	(2 857)
	Loss on disposal of intangible assets		**(258)**	–
	Loss on disposal of business		**–**	(5 223)
	Loss on disposal of subsidiary	18	**(10 941)**	–
	Reversal of impairment on held for sale assets	12	**11 965**	–
	Gain on derecognition of lease		**–**	11 382
	Net impairment of property, plant and equipment	14	**(39 164)**	(438 042)
	Impairment of goodwill	16	**–**	(86 487)
	Impairment of intangible assets		**–**	(5 128)
	Remeasurement of contingent consideration		**–**	4 839
			(7 665)	(521 516)
23.	**FINANCE INCOME**			
	Net gain from foreign exchange translation and fair-value adjustments on derivative financial instruments*		**24 323**	–
	Bank		**2 632**	2 739
	Other		**503**	956
	Interest received		**3 135**	3 695
			27 458	3 695

* *The current year includes R5,9 million on translation of liabilities and R18,4 million on translation of forward exchange contracts.*

		Note	2021 R'000	2020 R'000
24	**FINANCE COSTS**			
	Net loss from foreign exchange translation and fair-value adjustments on derivative financial instruments*		**–**	25 105
	Bank		**1 298**	16 273
	Interest on lease liabilities		**10 354**	13 315
	Other		**3 185**	546
	Interest paid		**14 837**	30 134
			14 837	55 239

**The prior year includes R24,8 million on translation of liabilities and R0,3 million on translation of forward exchange contracts.*

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For the year ended 31 March 2021

25. TAXATION

An effective tax rate of -45,2% (2020: 22,9%) was applicable during the current year. The increased effective tax rate is mainly due to non-deductible expenses incurred. Non-deductible expenses mainly comprise tax charges in terms of the section 42 claw-back provision for the sale of 51% shares in Mthembu Paper Mill Proprietary Limited.

26. DIVIDENDS PAID

No dividend was paid in the current financial year (2020: R86 million).

27. EVENTS AFTER THE REPORTING DATE

The directors are not aware of any matters or circumstances arising since the end of the financial year and the date of this report.

28. 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 2021, the Group is in a strong liquidity position with a positive closing cash balance of R442,8 million (2020: R174,5 million) and unutilised short and medium-term borrowing facilities of R116,6 million (2020: R221,9 million). The directors are not aware of any new material changes that may adversely impact the Group. Whilst the current year results were impacted by COVID-19, the directors are satisfied that no material uncertainty exists that might cast significant doubt on the entity's ability to continue as a going concern. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.