Novus Holdings Limited and its subsidiaries

Registration Number: 2008/011165/06

Condensed consolidated unreviewed interim financial statements

For the six months ended 30 September 2021

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

Unreviewed interim results for the six months ended 30 September 2021

Salient features

- Revenue remained stable at R1 523 million (2020: R1 523 million)
- Operating profit* up R99,4 million to R90,3 million (2020: operating loss of R9,2 million)
- Headline earnings per share increased by 497,3% to 28,49 cents per share (2020: 4,77 cents per share)
- Earnings per share increased by 8,3% to 8,52 cents per share (2020: 7,87 cents per share)
- Net asset value per share decreased to 678,21 cents (2020: 783,6 cents) following an impairment charge of R82 million and increase in issued shares following the scrip distribution
- Positive closing cash position of R197,9 million
- Dividends paid of R75,3 million

Performance overview

The Group's performance for the six months ended 30 September 2021 ("period") improved significantly compared to the prior year, in which the strictest COVID-19 restrictions applied. The Print industry saw some return to stability with overall print volumes up despite the permanent damage inflicted to publishing houses with title closures and reduced circulations. Packaging also saw some respite in the Flexible Packaging division, ITB Flexible Packaging Solutions ("ITB"), however the Labels division was unable to make a post-COVID recovery.

Group revenue remained stable at R1 523 million after the exclusion of the disposed Tissue division's revenue and delayed delivery on a major print project. Operating profit grew tenfold to R90,3 million (2020: operating loss of R9,2 million). Gross profit margin improved by 2,6% to 24,0% (2020: 21,4%) with changes in product mix, improved operating efficiencies and the exclusion of the typically low margin Tissue division revenue in the period. The Tissue division contributed R130,9 million to turnover in the prior six-month period.

Delays to the start of the production of contractual work for the Department of Basic Education ("DBE") led to a shift between the first half and second half of the year compared to the prior year where the majority of the work was recognised in the period, impacting revenue and working capital investment.

The Group's cost cutting strategies executed in FY2021 yielded positive savings in the period with overhead costs down by 17,7%.

The Labels division with its majority of customers in the alcoholic beverage segment were impacted by the erratic COVID-19 related restrictions and continued to incur challenges with production inefficiencies, unstable margins and an excessive working capital investment informing the decision to exit the division's largest customer contract. This agreement is expected to be fully terminated in the new calendar year resulting in a substantially reduced business unit with 50 jobs unfortunately becoming redundant in the current financial year. This further led to an impairment of this division's goodwill and property, plant and equipment by R16,7 million and R65,0 million respectively.

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

The Group's results for the period also accounted for the following:

- A net gain of R38,7 million for the derecognition of leases held within the Tissue division upon its cancellation; and,
- A profit on sale of assets within the Print segment of R7,5 million.

Print

Revenue increased by 7,4% to R1 200 million and operating profit by R87,3 million to R76,0 million (2020: operating loss of R11,3 million).

Overall print volumes were up 9,1% with retail inserts and newspapers showing a material growth leading to this increase. Volumes in the both the magazine category and the books and directories category decreased substantially.

Packaging

Revenue increased by 16,1% to R319,8 million, with ITB up 7,2% and Labels up 62,7% off the very low previous "hard lock down revenues". The segment yielded an operating profit of R15,0 million compared to R2,7 million in the prior period.

Cash generation

The Group's cash reserves remained strong despite the temporary yet significant investment in working capital due to the delayed start of the production of a large annual print contract, and dividends paid amounting to R75,3 million. The extraction of capital assets generating sub-optimal returns and their disposal continues with proceeds of R77,2 million received for the sale of "held for sale" print equipment and land and buildings situated in KwaZulu-Natal. Capital expenditure remained modest at R12,0 million with the Group continuing to direct spend toward maintenance of current plant and equipment.

Outlook

The Group proved its resilience in the first half and will remain focused on cost reductions through optimal sizing and achieving operational efficiencies. The cyclical nature of the business will however see a traditionally slower second half of the year and factoring in the costs associated with restructuring.

The Group is focused on improving its return on invested capital. It will continue to explore opportunities to free up capital resources that are earning sub-optimal returns and is committed to returning any surplus cash to shareholders. The Group is currently in the process of reviewing its dividend policy.

The Group will conclude the last year of the current DBE award and anticipates responding to a tender for the new contract.

Global pulp and paper and commodity shortages along with international logistics challenges have the potential to impact trading in the second half into FY2023 with increased demand leading to aggressive pricing for these raw materials. The Group will review its hedging policy to ensure that the foreign exchange risk is mitigated to the extent possible.

Transformation remains key and the Group has sustained its current B-BBEE Level Two rating.

Changes to the Board

The following changes took place during the period:

- Mr Dennis Mack and Mr Sandile Zungu resigned with effect from 27 August 2021. Mr Adrian Zetler was appointed to the Board and as a member to the Audit and Risk Committee with effect from the same date. Ms Noluvuyo Mkhondo resigned from the Committee on the 27 August 2021 and Mr Abduraghman Mayman replaced Mr Mack as the Chairman of the Audit and Risk Committee.
- The Board integrated its Nominations and Remuneration Committees to form the Human Capital Committee with Mr André van der Veen appointed as Chairman of the new committee with effect from 01 July 2021.
- Ms Keshree Alwar was appointed as Chief Financial Officer with effect from 01 September 2021 with Mr Harry Todd resigning from the Board on the same date.
- Ms Alwar resigned as Company Secretary with effect from 01 September 2021 with Kilgetty Statutory Services (South Africa) Proprietary Limited replacing her.

Results presentation

Shareholders are advised that Novus Holdings will be hosting their results presentation via a live webinar at 11h00 (SA time) on Friday, 12 November 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/2021/11/Novus-Holdings-Interim-Results-2022-Invite.pdf**

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
10 November 2021

Sponsor
Merchantec Capital

Condensed consolidated statement of financial position

	Note	**30 September 2021 Unreviewed R'000**	30 September 2020 Unreviewed R'000	31 March 2021 Audited R'000
Assets				
Non-current assets		**1 144 753**	1 443 477	1 255 930
Property, plant and equipment	12	**858 855**	1 221 132	953 462
Investment property		**63 657**	–	64 415
Goodwill	5	**80 213**	96 920	96 920
Other intangible assets		**12 783**	14 764	13 715
Financial assets at fair value through other comprehensive income		**3 072**	3 080	3 086
Investment in associates		**20 349**	2 477	23 343
Other financial assets at amortised cost		**908**	2 660	1 593
Deferred taxation assets		**104 916**	102 444	99 396
Current assets		**1 788 982**	1 573 332	1 487 707
Inventory	14	**448 298**	484 845	309 739
Trade and other receivables	14	**932 968**	494 081	488 984
Related party receivables	16	**25 219**	–	59 505
Contract assets	14	**50 240**	206 806	5 269
Derivative financial instruments	16	**7 888**	1 004	19
Current income tax receivable		**–**	15 780	–
Cash and cash equivalents		**197 943**	245 141	442 855
Non-current assets held for sale	13	**126 426**	125 675	181 336
Total Assets		**2 933 735**	3 016 809	2 743 637
Equity and liabilities				
Capital and reserves attributable to the Group's equity holders		**2 165 641**	2 253 713	2 207 469
Share capital		**531 742**	602 656	602 656
Treasury shares		**(368 175)**	(507 344)	(507 344)
Other reserves		**(103 646)**	(67 892)	(112 843)
Retained earnings		**2 105 720**	2 226 293	2 225 000
Non-controlling interest		**–**	2 760	–
Total Equity		**2 165 641**	2 256 473	2 207 469
Liabilities				
Non-current liabilities		**119 485**	193 392	152 103
Post-employment benefit obligations and provisions		**12 621**	17 267	13 895
Borrowings and lease liabilities		**50 139**	104 500	92 593
Deferred taxation liabilities		**51 377**	64 657	39 610
Deferred grant income		**5 348**	6 968	6 005
Current liabilities		**648 609**	566 944	384 065
Current portion of borrowings and lease liabilities		**16 840**	24 155	25 402
Trade and other payables	14	**625 590**	536 991	335 641
Current income tax payable		**4 459**	–	9 518
Derivative financial instruments	16	**406**	4 448	12 157
Bank overdrafts		**–**	–	33
Deferred grant income		**1 314**	1 350	1 314
Total equity and liabilities		**2 933 735**	3 016 809	2 743 637

Condensed consolidated income statement and statement of comprehensive income

	Note	*Six months ended 30 September* 2021 Unreviewed R'000	2020 Unreviewed R'000
Consolidated income statement			
Revenue	6	**1 523 272**	1 523 150
Cost of sales		**(1 157 297)**	(1 197 309)
Gross profit		**365 975**	325 841
Operating expenses		**(275 721)**	(335 017)
Other gains/(losses)		**(35 451)**	12 400
Operating profit		**54 803**	3 224
Finance income	7	**5 083**	37 073
Finance costs	8	**(14 559)**	(8 045)
Share of net losses of associate accounted for using the equity method		**(2 993)**	(249)
Profit before taxation		**42 334**	32 003
Taxation		**(17 583)**	(9 389)
Net profit for the period		**24 751**	22 614
Net profit for the period attributable to:			
Equity holders of the Group		**24 751**	22 633
Non-controlling interest		**–**	(19)
		24 751	22 614
Consolidated statement of comprehensive income			
Other comprehensive income/(loss), net of taxation		**1 800**	(52 089)
Items that may be subsequently reclassified to profit or loss			
- Foreign exchange movement	16	**2 514**	(72 171)
- Tax effect		**(704)**	20 207
- Fair value reserve		**(14)**	(174)
- Tax effect		**4**	49
Total comprehensive income/(loss)		**26 551**	(29 475)
Total comprehensive income/(loss) atrributable to:			
Equity holders of the Group		**26 551**	(29 456)
Non-controlling interest		**–**	(19)
		26 551	(29 475)
Earnings per share (cents)			
Basic	9	**8,52**	7,87
Diluted	9	**8,52**	7,87

Condensed consolidated statement of changes in equity

	Share capital and premium R'000	Treasury shares R'000	Total other reserves R'000	Retained earnings R'000	Non-controlling interest R'000	Total equity R'000
For the six months ended 30 September 2020						
Balance as at 31 March 2020	602 656	(507 344)	(19 496)	2 203 660	2 779	2 282 255
Total comprehensive loss for the period	–	–	(52 089)	22 633	(19)	(29 475)
Profit for the period	–	–	–	22 633	(19)	22 614
Other comprehensive loss	–	–	(52 089)	–	–	(52 089)
Transactions with owners:						
Share based compensation movement	–	–	3 693	–	–	3 693
Total transactions with owners	–	–	3 693	–	–	3 693
Balance as at 30 September 2020	602 656	(507 344)	(67 892)	2 226 293	2 760	2 256 473
For the six months ended 30 September 2021						
Balance as at 31 March 2021	602 656	(507 344)	(112 843)	2 225 000	–	2 207 469
Total comprehensive loss for the period	–	–	1 800	24 751	–	26 551
Profit for the period	–	–	–	24 751	–	24 751
Other comprehensive income	–	–	1 800	–	–	1 800
Hedging reserve reclassification adjustment to inventory, gross	–	–	6 070	–	–	6 070
Hedging reserve reclassification adjustment to inventory, tax portion	–	–	(1 699)	–	–	(1 699)
Transactions with owners:						
Share based compensation movement	–	–	3 026	–	–	3 026
Transfer of shares to be used for scrip	(139 169)	139 169	–	–	–	–
Dividends paid	–	–	–	(75 263)	–	(75 263)
Scrip issue	68 768	–	–	(68 768)	–	–
Share issue costs	(513)	–	–	–	–	(513)
Total transactions with owners	(70 914)	139 169	3 026	(144 031)	–	(72 750)
Balance as at 30 September 2021	531 742	(368 175)	(103 646)	2 105 720	–	2 165 641

Condensed consolidated statement of cash flows

	Note	2021 Unreviewed R'000	2020 Unreviewed R'000	2021 Audited R'000
		Six months ended 30 September		*Year ended 31 March*
Cash flows from operating activities				
Profit/(loss) before taxation		**42 334**	32 003	(16 156)
Non-cash movements in profit before tax		**90 213**	28 942	104 914
Net changes in working capital		**(373 641)**	33 665	249 984
Cash (utilised in)/generated from operations		**(241 094)**	94 610	338 742
Finance income		**5 083**	979	3 135
Finance costs		**(586)**	(2 688)	(4 483)
Taxation paid		**(18 794)**	(13 950)	(2 022)
Net cash (utilised in)/generated from operating activities		**(255 391)**	78 951	335 372
Cash flows from investing activities				
Property, plant and equipment acquired		**(11 963)**	(6 420)	(15 090)
Prepayment for property, plant and equipment		**–**	–	(17 369)
Proceeds on sale of property, plant and equipment		**2 529**	17 624	59 051
Proceeds from the sale of non-current assets held for sale	13	**77 239**	–	–
Financial assets at amortised cost advanced		**–**	(73)	(134)
Financial assets at amortised cost repaid		**684**	339	1 467
Related party loans repaid/(advanced)		**33 953**	–	(58 120)
Purchase of intangible assets		**(420)**	(718)	(1 064)
Disposal of subsidiary		**–**	–	3 364
Acquisition of associate		**–**	–	(2 740)
Net cash generated from/(utilised in) investing activities		**102 022**	10 752	(30 635)
Cash flows from financing activities				
Repayment of long-term loans		**(6 732)**	(7 207)	(14 333)
Repayment of leases		**(9 515)**	(11 892)	(22 119)
Dividends paid	15	**(75 263)**	–	–
Net cash utilised in financing activities		**(91 510)**	(19 099)	(36 452)
Net (decrease)/increase in cash and cash equivalents		**(244 879)**	70 604	268 285
Cash and cash equivalents at the beginning of the period		**442 822**	174 537	174 537
Cash and cash equivalents at the end of the period		**197 943**	245 141	442 822

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

The condensed consolidated unreviewed interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS), (IAS) 34 Interim Financial Reporting and the IFRS Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Companies Act of South Africa and the JSE Limited ("JSE") Listings Requirements.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in consolidated annual financial statements. Accordingly, this condensed consolidated interim financial statements are to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2021.

The accounting policies used in preparing the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

None of the new or amended accounting pronouncements that are effective for the financial year commencing 01 April 2021 are expected to have a material impact on the Group.

2. ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2021.

3. SEASONALITY OF OPERATIONS

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

4. PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The preparation of the condensed consolidated interim financial statements was supervised by the Chief Financial Officer, Keshree Alwar CA (SA). The condensed consolidated interim financial statements have not been reviewed by the Company's auditors.

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

5. GOODWILL

Goodwill arises on the acquisition of interests in subsidiaries and is subject to an annual impairment assessment. Management performed an updated assessment at 30 September 2021, taking into account the revised year 1 forecasted cash flows which were updated for the known. A pre-tax discount rate of 14,5% was applied to discount these cash flows. The changes in assumptions since 31 March 2021 are disclosed below. An impairment charge of R16,7 million has been recognised during the period and relates to the Novus Labels CGU. Movements in the Group's goodwill for the period are detailed below:

	Six months ended 30 September		*Year ended 31 March*
	2021 Unreviewed R'000	2020 Unreviewed R'000	2021 Audited R'000
Goodwill			
Opening balance	**245 984**	245 984	245 984
Accumulated impairment	**(165 772)**	(149 064)	(149 064)
Closing balance	**80 212**	96 920	96 920

The following assumptions were applied to the cash flows of the cash generating units ("CGUs") with goodwill allocated to them.

ITB

No changes in assumptions were required to be made to the forecasted cash flows as the division was operating in line with it's budgeted cash flows. It was considered if one or more of the inputs were changed to a reasonable possible alternative assumption and concluded that there would be no impairment that would have to be recognised.

Novus Labels

The forecasted cash flows from FY2022 onwards were adjusted downwards to take into account the CGU's expected performance based on the revised business plans. This led to a decrease in the value in use since 31 March 2021 to below its carrying amount at 30 September 2021 and the goodwill amounting to R16,7 million was therefore impaired in full.

Property, plant and equipment held in the CGU was impaired by R65,0 million. Refer to note 12 for further details.

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

6. REVENUE

	2021 Unreviewed R'000	2020 Unreviewed R'000
Printing revenue	1 211 333	1 134 103
Distribution revenue	42 900	21 205
Tissue revenue	–	127 370
Packaging revenue	238 208	221 916
Waste revenue	8 300	6 384
Other revenue	22 531	12 172
	1 523 272	1 523 150

7. FINANCE INCOME

Net gain from foreign exchange translation and fair-value adjustments on derivative financial instruments	–	36 094
Bank	4 888	577
Other	195	402
Interest received	5 083	979
	5 083	37 073

8. FINANCE COSTS

Net loss from foreign exchange translation and fair-value adjustments on derivative financial instruments	10 049	–
Bank	2	2 688
Interest on lease liabilities	3 924	5 357
Other	584	–
Interest paid	4 510	8 045
	14 559	8 045

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

9. EARNINGS PER SHARE

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the period and is based on the net profit attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect.

Currently, the share appreciation rights 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).

	Six months ended 30 September		*Year ended 31 March*
	2021 Unreviewed R'000	2020 Unreviewed R'000	2021 Audited R'000
Calculation of headline earnings			
Net profit/(loss) attibutable to shareholders	**24 751**	22 633	(23 989)
Adjusted for:			
- Profit on sale of property, plant and equipment	**(7 541)**	(12 657)	(30 733)
- Profit on sale of property, plant and equipment within associate equity accounted earnings	**–**	–	(176)
- Loss on sale of intangible assets	**–**	257	258
- Loss on disposal of subsidiary	**–**	–	10 941
- Impairment of goodwill	**16 708**	–	–
- Impairment in value of property, plant and equipment	**64 978**	–	39 164
- Reversal of impairment on held for sale assets	**–**	–	(11 965)
	98 896	10 233	(16 500)
Total tax effect of adjustments	**(16 082)**	3 472	966
Headline earnings	**82 814**	13 705	(15 534)
Number of ordinary shares in issue	**346 656 348**	346 656 348	346 656 348
Weighted average number of shares	**290 641 723**	287 610 917	287 610 917
Earnings per ordinary share (cents)			
Basic	**8,52**	7,87	(8,34)
Diluted	**8,52**	7,87	(8,34)
Headline earnings per ordinary share (cents)			
Basic	**28,49**	4,77	(5,40)
Diluted	**28,49**	4,77	(5,40)

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

10. SEGMENTAL ANALYSIS

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

	Printing R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
30 September 2021 (R'000)					
External revenue	**1 199 695**	**319 822**	**3 755**	**–**	**1 523 272**
Inter-segmental revenue	**3 101**	**–**	**–**	**(3 101)**	**–**
Total Revenue	**1 202 796**	**319 822**	**3 755**	**(3 101)**	**1 523 272**
Profit/(loss) before taxation	**76 111**	**(68 756)**	**34 978**	**–**	**42 333**
30 September 2020 (R'000)					
External revenue	1 116 805	275 428	130 917	–	1 523 150
Inter-segmental revenue	2 895	–	–	(2 895)	–
Total Revenue	1 119 700	275 428	130 917	(2 895)	1 523 150
Profit/(loss) before taxation	35 145	(815)	(2 327)	–	32 003
Total assets (R'000)					
30 September 2021	**2 884 651**	**712 492**	**337 917**	**(1 001 325)**	**2 933 735**
31 March 2021	2 676 674	730 258	327 114	(990 409)	2 743 637
Total liabilities (R'000)					
30 September 2021	**621 119**	**423 531**	**724 769**	**(1 001 325)**	**768 094**
31 March 2021	379 525	405 806	741 246	(990 409)	536 168
Property, plant and equipment additions (R'000)					
30 September 2021	**9 186**	**2 777**	**–**	**–**	**11 963**
31 March 2021	7 825	6 960	305	–	15 090
Impairment of assets (R'000)					
30 September 2021	**–**	**(81 686)**	**–**	**–**	**(81 686)**
31 March 2021	(26 735)	(464)	(11 965)	–	(39 164)

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

11. COMMITMENTS

Commitments relate to amounts for which the Group has contracted, but that have not yet been recognised as obligations in the statement of financial position.

	Six months ended 30 September		*Year ended 31 March*
	2021 Unreviewed R'000	2020 Unreviewed R'000	2021 Audited R'000
Commitments			
Capital expenditure	**617**	15 616	5 035
Lease commitments	**285**	–	279
	902	15 616	5 314

12. PROPERTY, PLANT AND EQUIPMENT

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

	2021 Unreviewed R'000	2020 Unreviewed R'000	2021 Audited R'000
Cash acquisitions the period	**11 963**	6 420	15 090
Depreciation during the period	**42 866**	53 444	102 670
Impairments during the period	**64 978**	–	39 211

The impairment in the period relates to the Labels division within the Packaging segment. The impairment resulted from the decision to terminate the division's largest customer contract, significantly influencing the future cash flows of the division and the assets value-in-use. This led to an impairment of property, plant and equipment by R65,0 million to its recoverable amount. The recoverable amounts of the impaired assets were determined with reference to the assets fair value less costs to sell. 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, approximation of values using recent sale transactions of equipment and given that these are unobservable inputs, the fair value of these assets were classified as level 3 fair value estimates. Where there was no market considered for the specific asset and there is no value-in-use, this asset was impaired in full. 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 at this stage.

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

13. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale includes the following amounts:

An amount of R16,6 million relating to the Novus Print: Bloemfontein division's building was considered held for sale due to the closure of this printing facility.

Novus Print: Linbro Park division's building due to the planned sale as a result of the closure of this print facility. This amounts to a total of R109,8 million.

The movement in the period pertains to the disposal of the Novus Print: KwaZulu Natal building included as held for sale at 31 March 2021 with a carrying amount of R65,3 million for proceeds amounting to R66,0 million in August 2021.

14. CHANGES IN WORKING CAPITAL

Contract assets & Trade and other receivables

The increase in the trade and other receivables as well as contract asset balances compared to 31 March 2021 relates mainly to the seasonality of the business. The Group re-assessed the impact of trading conditions on trade and other receivables at the reporting date and kept a consistent default rate compared to 31 March 2021 to calculate the expected credit loss allowance with the allowance decreasing from R33,1 million to R28,8 million.

Inventory

Inventory balances have increased since 31 March 2021 mainly due to paper stock on hand and in transit that has increased in line with the timing of print projects.

Trade and other payables

At 31 March 2021, the trade and other payables balance reduced due to various factors including: a reduction in stock purchases due to timing of Print projects and the exclusion of the tissue business due to its disposal. This however has increased as at 30 September 2021 due to the seasonality of the business in line with the timing of print projects.

15. DIVIDENDS

Dividends declared for the period ended 31 March 2021 was paid during the interim period ended 30 September 2021 and amounted to R144 million of which R75,3 million was paid in cash and R68,8 million worth of shares were issued to shareholders as a scrip dividend.

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

16.1 Financial risk factors

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

The condensed consolidated interim Group financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 March 2021. There have been no material changes in the Group's credit, liquidity and market risk or key inputs in measuring fair value since 31 March 2021.

16.2 Fair value estimation

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

	Level 2	*Level 3*	*Total*
	Significant other observable inputs R'000	**Significant unobservable inputs R'000**	**R'000**
30 September 2021			
Assets			
Financial assets at fair value through other comprehensive income	**3 072**	**–**	**3 072**
Foreign exchange contracts	**7 888**	**–**	**7 888**
Related party loan receivables	**–**	**25 219**	**25 219**
	10 960	**25 219**	**36 179**
Liabilities			
Foreign exchange contracts	**406**	**–**	**406**
	406	**–**	**406**
30 September 2020			
Assets			
Financial assets at fair value through other comprehensive income	3 080	–	3 080
Foreign exchange contracts	1 004	–	1 004
	4 084	–	4 084
Liabilities			
Foreign exchange contracts	4 448	–	4 448
	4 448	–	4 448
31 March 2021			
Assets			
Financial assets at fair value through other comprehensive income	3 086	–	3 086
Foreign exchange contracts	19	–	19
Related party loan receivables	–	58 120	58 120
	3 105	58 120	61 225
Liabilities			
Foreign exchange contracts	12 157	–	12 157
	12 157	–	12 157

Notes to the condensed consolidated interim financial statements

For the six months ended 30 September 2021

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS continued

16.3 Valuation techniques used to derive Level 2 fair values

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

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

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

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.

17. EVENTS AFTER REPORTING DATE

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