Novus Holdings Limited and its subsidiaries

Registration Number: 2008/011165/06

Summarised audited consolidated financial statements

for the year ended 31 March 2022

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")

Provisional audited results for the year ended 31 March 2022

Novus Holdings services the Country, and customers across sub-Saharan Africa through its print and packaging production of an extensive and diverse range of print and flexible packaging products and solutions.

Salient features

- Revenue up by 6,2% to R3 014 million (2021: R2 838 million)
- Operating profit* improvement to R193 million (2021: operating loss of R20 million)
- Headline earnings per share increased from a headline loss of 5,4 cents per share to a profit of 53,2 cents per share
- Earnings per share improved to 30,4 cents (2021: 8,3 cents loss per share)
- No additional dividend declared at this time (2021: 50 cents)
- Net working capital decreased by a further R51,6 million
- Closing cash position increased from R442,8 million to R 567,9 million

Performance overview

The Group made a noteworthy recovery in this financial year with a significant improvement in operating profit* and revenue levels stabilising after COVID-19 inflicted permanent damage to the print industry. The Group returned to profitability, reporting operating profit of R193 million compared to an operating loss of R20 million in the prior year. Revenue grew by 6,2% off a reduced base and the exclusion of Tissue revenue due to disposal thereof halfway through the prior year, with Print reporting an increase in volumes in the Retail Inserts and Catalogues category. Certain print categories namely Magazines and Newspapers, continued to decline post COVID-19 resulting from increased pressure on consumer spend. Packaging revenue grew by 9,5% with ITB Flexible Packaging Solutions ("ITB") delivering a solid performance. Novus Labels unfortunately failed to recover post COVID-19 and was consciously cut back to focus only on strategic products.

Gross profit margin increased by 5,4% to 24,4% due to changes in the product mix and increased operational efficiencies resulting from the rationalisation across the Print segment in the prior year. Operating expenses reduced by 3,4% with once off costs inclusive of R35,7 million relating to the relocation of printing assets, following the merger of the two Novus Print facilities located in Gauteng. Indirect staff costs decreased by 14,5% over the prior year including retrenchment costs for the Print segment rationalisation and the current year benefiting from the more streamlined structure.

Other once off items included in the Group's results included the following:

- An impairment of plant and machinery amounting to R69,1 million and goodwill amounting to R16,7 million in the Packaging segment mainly due to the Group's strategic decision to exit a key label customer contract. The decision to exit was informed by the division's inability to generate optimal returns as a result of constricted margins and the significant working capital invested in servicing this contract.
- The Group terminated lease agreements earlier than its original term for certain plant and machinery and a rental property lease expired in the year. This resulted in a gain on derecognition of the lease liabilities and right of use assets amounting to R44 million.
- Profit on disposal of property, plant and equipment and non-current assets held for sale amounting to R9 million.

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

Print

Revenue increased by 11,7% to R2 371 million and operating profit to R155,8 million compared to an operating loss of R37 million reported last year.

Overall sales tonnages increased by 7,1%. Retail Inserts and Catalogues together with Books and Directories saw an increase in volumes year-on-year whilst Magazines and Newspapers continued on their negative trajectories. Gross profit margin improved considerably by 5,3% from 21,5% to 26,8%.

Packaging

Revenue increased by 9,5% to R635 million and operating profit by 90,9% to R38 million.

ITB's revenue increased by 9,4% due to sustained consumer demand with gross profit margin up by 4,4% and operating profit increasing by an impressive 79,9%. The division was able to recover their raw material cost increases and extract cost efficiencies through production and savings in general overheads.

Novus Labels revenue increased by 9,7% off the low base in the prior year caused by the COVID-19 restrictions but failed to improve gross margin and return to profitability. The division contributed an operating loss of R10,8 million which included the costs incurred to exit the key customer contract.

Cash generation

Positive cash generation and the realisation of certain surplus plant and machinery and building sales led to a commendable closing cash position of R567,9 million. During the year the Group was able to successfully return excess cash to shareholders in line with its strategy, with total cash dividends of R203,5 million paid and R68,8 million in scrip shares transferred to shareholders. Two dividend distributions were made in the year totalling 90 cents per share, the largest dividend since the Group's listing. Strategic raw material purchasing to mitigate the global shortages led to a higher than anticipated net working capital with an outflow of R11,2 million. Related party loan balances owing by associates of the Group reduced by R39,6 million contributing to the positive cash balances at the end of the year.

Outlook

The Group was able to demonstrate resilient performance post COVID-19 with the current performance reflecting the benefits of the difficult decisions taken to shut down and merge print facilities and the unfortunate reduction in jobs. The Print segment is however leaner and appropriately structured to suit the structural decline in demand within the industry.

Whilst the Group is now streamlined and adjusted to its "new normal" with over R1 billion in revenue permanently removed from its revenue base, global and local macroeconomic challenges will likely continue to materially influence its performance in the new financial year. Global pulp and paper shortages and excessive price increases along with logistical challenges are expected to have a material impact during the new financial year. The Group has attempted to mitigate part of this risk by making strategic raw material acquisitions toward the end of the financial year, however the sheer volume required and the excessive nature of increases make it extremely difficult to offset. The anticipated duration of the supply disruptions and price instability is unknown at this stage but it is hoped that a return to a degree of normality can occur by the end of the next financial year.

The Group was successful in retaining the Department of Basic Education ("DBE") contract and is confident in its ability to service this contract successfully as it has over the last 10 years.

The balance sheet remains effectively ungeared with no external borrowings.

Dividends

In light of the current global paper supply issues and the potential impact on the business the board of directors of Novus Holdings ("the Board") has prudently decided not to declare a final dividend at this stage. The Board remains committed to its strategy of ultimately returning cash to shareholders and will continuously review this position and notify shareholders accordingly.

Results presentation

Shareholders are advised that Novus Holdings will be hosting their results presentation via live audio webinar at 10h00 (SA time) on Wednesday, 22 June 2022.

For access and details of this webinar, go to the Group's website at **www.novus.holdings** and view the invitation at **https://novus.holdings/wp-content/uploads/2022/06/Novus-Holdings-Annual-Results-2022-Invite.pdf.**

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
17 June 2022

Sponsor
Merchantec Capital

Summary consolidated statement of financial position

As at 31 March 2022

	Note	2022 R'000	2021 R'000
ASSETS			
Non-current assets		**1 046 110**	1 255 930
Property, plant and equipment	14	**793 582**	953 462
Investment property	15	**62 764**	64 415
Goodwill	16	**80 212**	96 920
Other intangible assets		**2 795**	13 715
Financial assets at fair value through other comprehensive income		**3 064**	3 086
Investment in associates	19	**12 058**	23 343
Other financial assets at amortised cost		**1 118**	1 593
Deferred taxation assets	18	**90 517**	99 396
Current assets		**1 558 635**	1 487 707
Inventory	13.1	**437 223**	309 739
Trade and other receivables	13.2	**420 114**	488 984
Related party receivables	10	**20 921**	59 505
Contract assets	13.2	**2 185**	5 269
Derivative financial instruments	9	**487**	19
Cash and cash equivalents		**567 917**	442 855
Non-current assets held for sale	12	**109 788**	181 336
TOTAL ASSETS		**2 604 745**	2 743 637
EQUITY AND LIABILITIES			
Capital and reserves attributable to the Group's equity holders		**2 098 078**	2 207 469
Share capital		**509 314**	602 656
Treasury shares		**(345 759)**	(507 344)
Other reserves		**(118 516)**	(112 843)
Retained earnings		**2 053 039**	2 225 000
TOTAL EQUITY		**2 098 078**	2 207 469
LIABILITIES			
Non-current liabilities		**67 461**	152 103
Post-employment medical liability		**2 940**	2 260
Provisions		**10 748**	11 635
Borrowings and lease liabilities	17	**27 367**	92 593
Deferred taxation liabilities	18	**21 715**	39 610
Deferred grant income		**4 691**	6 005
Current liabilities		**439 206**	384 065
Current portion of borrowings and lease liabilities	17	**4 748**	25 402
Trade and other payables	13.1	**404 224**	335 641
Current income tax payable		**9 102**	9 518
Derivative financial instruments	9	**19 811**	12 157
Bank overdrafts		**7**	33
Deferred grant income		**1 314**	1 314
TOTAL EQUITY AND LIABILITIES		**2 604 745**	2 743 637

Summary consolidated income statement

For the year ended 31 March 2022

	Note	2022 R'000	2021 R'000
Revenue	20	**3 014 233**	2 837 939
Cost of sales		**(2 280 212)**	(2 297 591)
Gross profit		**734 021**	540 348
Operating expenses		**(540 898)**	(560 121)
Administrative and other expenses		**(539 120)**	(550 238)
Net impairment losses on financial assets	13.2	**(1 778)**	(9 883)
Other gains/(losses)	21	**(32 260)**	(7 665)
Operating profit/(loss)		**160 863**	(27 438)
Finance income	22	**11 763**	27 458
Finance costs	23	**(25 362)**	(14 837)
Impairment of associates	21	**(3 968)**	–
Share of net (losses)/profits of associate accounted for using the equity method	19	**(7 317)**	(1 339)
Profit/(loss) before taxation		**135 979**	(16 156)
Taxation	24	**(43 172)**	(7 306)
Net profit/(loss) for the year		**92 807**	(23 462)
Attributable to:			
Equity holders of the Group		**92 807**	(23 989)
Non-controlling interest		**–**	527
		92 807	(23 462)
Earnings/(loss) per share (cents):			
Basic	8	**30,42**	(8,34)
Diluted	8	**30,42**	(8,34)

Summary consolidated statement of comprehensive income

For the year ended 31 March 2022

	2022 R'000	2021 R'000
Net profit/(loss) for the year	**92 807**	(23 462)
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to profit or loss		
Hedging reseve	**(5 415)**	(34 017)
Foreign exchange movement, gross	**(7 521)**	(47 246)
Foreign exchange movement, tax portion	**2 106**	13 229
Fair value reserve	**(15)**	(122)
Net fair value losses, gross	**(21)**	(169)
Net fair value losses, tax portion	**6**	47
Items that will not be reclassified to profit or loss		
Post-employment benefit obligations and provisions	**(84)**	350
Remeasurement of post-employment benefit obligations and provisions, gross	**(117)**	486
Remeasurement of post-employment benefit obligations and provisions, tax portion	**33**	(136)
Total other comprehensive loss, net of tax	**(5 514)**	(33 789)
Total comprehensive income/(loss) for the year	**87 293**	(57 251)
Attributable to:		
Equity holders of the Group	**87 293**	(57 778)
Non-controlling interest	**–**	527
	87 293	(57 251)

Summary consolidated statement of changes in equity

for the year ended 31 March 2022

	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 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 income/(loss)	–	–	(33 789)	–	527	(33 262)
Hedging reserve reclassification adjustment to inventory, gross	–	–	(28 173)	–	–	(28 173)
Hedging reserve 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	–	–	(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
Total comprehensive income for the year	**–**	**–**	**(5 514)**	**92 807**	**–**	**87 293**
Profit for the year	**–**	**–**	**–**	**92 807**	**–**	**92 807**
Other comprehensive loss	**–**	**–**	**(5 514)**	**–**	**–**	**(5 514)**
Hedging reserve reclassification adjustment to inventory, gross	**–**	**–**	**2 551**	**–**	**–**	**2 551**
Hedging reserve reclassification adjustment to inventory, tax portion	**–**	**–**	**(714)**	**–**	**–**	**(714)**
Transactions with owners:						
Share based compensation movement	**–**	**–**	**5 480**	**–**	**–**	**5 480**
Share awards vested and issued	**(22 416)**	**22 416**	**(7 476)**	**7 476**	**–**	**–**
Transfer of shares used for scrip dividend	**(139 169)**	**139 169**	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(203 476)**	**–**	**(203 476)**
Scrip dividend issue	**68 768**	**–**	**–**	**(68 768)**	**–**	**–**
Scrip issue costs	**(525)**	**–**	**–**	**–**	**–**	**(525)**
Total transactions with owners	**(93 342)**	**161 585**	**(1 996)**	**(264 768)**	**–**	**(198 521)**
Balance as at 31 March 2022	**509 314**	**(345 759)**	**(118 516)**	**2 053 039**	**–**	**2 098 078**

Summary consolidated statement of cash flows

for the year ended 31 March 2022

	Note	2022 R'000	Restated 2021 R'000
Cash flows from operating activities			
Profit/(loss) before taxation		**135 979**	(16 156)
Non-cash movements in profit/(loss) before tax		**153 898**	104 914
Net changes in working capital		**(11 208)**	249 984
Cash generated from operations		**278 669**	338 742
Finance income	22	**11 763**	3 135
Finance costs	23	**(1 109)**	(4 483)
Taxation paid		**(51 173)**	(2 022)
Net cash generated from operating activities		**238 150**	335 372
Cash flows from investing activities			
Property, plant and equipment acquired	14	**(25 120)**	(15 090)
Prepayment for property, plant and equipment		**—**	(17 369)
Proceeds on sale of property, plant and equipment		**15 905**	59 051
Proceeds from the sale of non-current assets held for sale		**94 339**	—
Purchase of intangible assets		**(420)**	(1 064)
Financial assets at amortised cost advanced		**(570)**	(134)
Financial assets at amortised cost repaid		**1 044**	1 467
Related party loans advanced		**(1 820)**	(58 120)
Related party loans repaid		**41 419**	—
Disposal of subsidiary		**—**	3 364
Acquisition of associate	19	**—**	(2 740)
Net cash inflow/(outflow) from investing activities		**124 777**	(30 635)
Cash flows from financing activities			
Repayment of long-term loans		**(13 295)**	(14 333)
Principle portion of lease liabilities*		**(10 709)**	(11 765)
Interest portion of lease liabilities*		**(6 359)**	(10 354)
Dividends paid	25	**(203 476)**	—
Transactions with non-controlling interests		**(4 000)**	—
Net cash outflow from financing activities		**(237 839)**	(36 452)
Net increase in cash and cash equivalents		**125 088**	268 285
Cash and cash equivalents at the beginning of the period		**442 822**	174 537
Cash and cash equivalents at the end of the period		**567 910**	442 822

* *The cash flow relating to the principle and interest portion of lease liabilities has now been disaggregated and separately presented, as previously the total cash flow was included within repayment of leases.*

Notes to the summary consolidated financial statements

For the year ended 31 March 2022

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 (other non-print or packaging products)

2. BASIS OF PREPARATION

The summary consolidated financial statements for the year ended 31 March 2022 have been prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for provisional 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 provisional 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 2021 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 2022 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 2022.

3. PREPARATION

The preparation of the summary consolidated financial statements was supervised by the Chief Financial Officer, Keshree Alwar 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 provisional 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 2022

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 9, IAS 39, IFRS 7 and IFRS 16 - interest rate benchmark (IBOR) reform (Phase 2) - amendments	01 January 2021
IFRS 16 - COVID-19 Related Rent Concessions (amendment)	01 June 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 2022, 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 all non-print or packaging related transactions.

Notes to the summary consolidated financial statements

For the year ended 31 March 2022

7. SEGMENT INFORMATION (continued)

	Printing R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
2022					
External revenue	2 371 270	635 400	7 563	–	3 014 233
Inter-segmental revenue	6 238	–	–	(6 238)	–
Total Revenue	2 377 508	635 400	7 563	(6 238)	3 014 233
Profit/(loss) before taxation	145 330	(39 142)	29 791	–	135 979
Additional disclosure					
Property, plant and equipment additions	20 037	5 083	–	–	25 120
Capital commitments	177	–	–	–	177
Impairment of assets	(12 982)	(85 687)	(136)	–	(98 805)
Net impairment losses on financial assets	(6 526)	4 595	153	–	(1 778)
Investment in associates	–	–	12 058	–	12 058
Total assets	2 481 372	660 603	294 966	(832 196)	2 604 745
Total liabilities	508 383	360 326	470 154	(832 196)	506 667
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 associate	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

Notes to the summary consolidated financial statements

For the year ended 31 March 2022

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	**2022 R'000**	2021 R'000
Earnings			
Net earnings/(loss) attibutable to shareholders		**92 807**	(23 989)
Adjustments (net of tax):		**69 353**	8 455
- (Profit)/loss on sale of property, plant and equipment and non-current assets held for sale		**(6 465)**	(22 128)
- Profit on sale of property, plant and equipment within associate equity accounted earnings		–	(127)
- Loss on sale of intangible assets		–	186
- Loss on disposal of subsidiary		–	10 941
- Reversal of impairment on held for sale assets		–	(8 615)
- Impairment in value of property, plant and equipment	14	**49 763**	28 198
- Impairment in value of intangible assets		**6 490**	–
- Impairment in value of investments in associates	19	**2 857**	–
- Impairment in value of goodwill	16	**16 708**	–
Headline earnings/(loss)		**162 160**	(15 534)
Number of ordinary shares in issue		**346 656 348**	346 656 348
Weighted average number of shares		**305 099 595**	287 610 917
Earnings/(loss) per ordinary share (cents)			
Basic		**30,42**	(8,34)
Diluted		**30,42**	(8,34)
Headline earnings/(loss) per ordinary share (cents)			
Basic		**53,15**	(5,40)
Diluted		**53,15**	(5,40)

Notes to the summary consolidated financial statements

For the year ended 31 March 2022

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 2022				
Assets				
Financial assets at fair value through other comprehensive income	1	3 063	–	3 064
Foreign exchange contracts	–	487	–	487
Related party loan receivables	–	–	18 521	18 521
	1	3 550	18 521	22 072
Liabilities				
Foreign exchange contracts	–	19 811	–	19 811
	–	19 811	–	19 811
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

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 2022

10. RELATED PARTY TRANSACTIONS

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

The loan to Mthembu Paper Mill Proprietary Limited 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 associate. As part of the impairment evaluation of the receivable, if the loan had to be demanded at the reporting date liquid assets amounting to R63,9 million (2021: R85,5 million) would be available including a secured debtors book amounting to R32,2 million (2021: 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.

	2022 R'000	2021 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
– Property, plant and equipment	**177**	5 035
Lease commitments – as lessee (expense)	**1 496**	279
	1 673	5 314

The above relates to leases with underlying assets of a low value (office printers) and leases for paper storage for a period of less than 12 months and therefore have not been capitalised in accordance with the IFRS 16 exemption applied.

Notes to the summary consolidated financial statements

For the year ended 31 March 2022

12. NON-CURRENT ASSETS HELD FOR SALE

The opening balance includes the Novus Print: KwaZulu-Natal building amounting to R65,3 million as well as the Novus Print Linbro Park building and plant and machinery due to the planned sale of these assets subsequent to the closure of the plant in 2021.

The Novus Print: KwaZulu-Natal building was transferred in August 2021 for proceeds amounting to R66,0 million and the plant and machinery in Novus Print Linbro Park for R11,2 million.

An amount of R16,7 million relating to the Novus Print: Bloemfontein division's building was considered held for sale due to the closure of this printing facility and transferred into held for sale. This property was disposed in March 2022 for proceeds of R17,1 million.

The Novus Print Linbro Park building is currently being actively marketed for sale and it is hoped that this will be disposed once the Group receives an adequate asking price in line with its market value, it is anticipated that this will be disposed of in the new financial year should the required price be obtained. As the Print division previously operating from this building has successfully moved to its City Deep facility, the building remains held for sale.

A profit on sale of R6,1 million has been recognised in the year and is included within "other gains/(losses)" on the income statement.

	Note	2022 R'000	2021 R'000
Opening balance		**181 336**	125 675
Transfers from property, plant and equipment	14	**16 718**	118 378
Transfers to property, plant and equipment	14	**—**	(12 407)
Reversal of impairment		**—**	11 965
Disposals		**(88 266)**	(62 275)
Closing balance		**109 788**	181 336
Proceeds as per statement of cash flows		**94 339**	—
Included within profit on sale of assets		**6 073**	—

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 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 recent market valuations obtained for these assets.

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13. CHANGES IN WORKING CAPITAL

13.1 *Inventory and trade and other payables*

These balances have increased year on year due to additional strategic stock purchases in the Print and Packaging segments to mitigate raw material shortages and availability.

13.2 *Contract assets & Trade and other receivables*

Trade and other receivables decreased due to timing of receipts and print projects between the current and prior year, reduction in activity in the Labels division due to the exit of the key customer contract and a prepayment made in relation to the Novus Print Bloemfontein building which was paid in 2021 and transferred in 2022. The balance also includes an expected credit loss allowance of R20,4 million (2021: R29,0 million).

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

	2022 R'000	2021 R'000
Current	**6 869**	1 159
30 days and older	**1 633**	978
60 days and older	**581**	748
90 days and older	**791**	2 923
120 days and older	**10 573**	23 158
	20 447	28 966

14. PROPERTY, PLANT AND EQUIPMENT

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

	Note	**2022 R'000**	2021 R'000
Cash acquisitions during the period		**25 120**	15 090
Depreciation during the period		**(83 887)**	(102 670)
Impairments during the period		**(69 115)**	(39 211)
Transferred (to)/from 'held for sale'	12	**(16 718)**	(105 971)
Transfer to investment property	15	**–**	(65 172)
		(144 600)	(297 934)

The current year impairments relates to the following:

Packaging segment

Novus Labels

The impairment resulted from the decision to terminate the division's largest customer contract, significantly influencing the future cash flows of the division. This led to an impairment of property, plant and equipment by R65,0 million to its recoverable amount of R42,4 million. The goodwill attributable to the division of R16,7 million was also impaired in full as a result. Refer to note 16.

Within the segment, a remaining R4,1 million impairment was accounted for on plant and machinery within the ITB Cash Generating Unit.

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15. INVESTMENT PROPERTY

Investment property relates to the Correll Tissue building now occupied by Mthembu Paper Mill Proprietary Limited. The fair value of the property is considered to be R68,5 million based on current prices in an active market for similar properties. Rental income of R7,4 million (2021: R2,3 million) was recognised related to the property. All property related costs are on charged to the lessee.

	2022 R'000	2021 R'000
Opening balance	**64 415**	–
Transfer (to)/from owner-occupied property	**(136)**	65 172
Depreciation	**(1 515)**	(757)
Closing balance	**62 764**	64 415

16. GOODWILL

The Group has allocated its goodwill to various cash-generating units. The recoverable amounts of these cash-generating units have been determined based on either a value-in-use calculation or fair value less costs to sell, where more appropriate. The value-in-use is based on discounted cash flow calculations. The Group based its cash flow calculations on three years budgeted and two years forecasted 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 growth rates disclosed are the long-term average growth rates which were used to extrapolate the cash flows into the future. These rates were also compared to the average long term industry growth rates for reasonableness. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash generating units in which they operate. The goodwill attributable to the Novus Labels division was impaired in full in the current year. Movements in the Group's goodwill for the period are detailed below:

	2022 R'000	2021 R'000
Opening balance	**245 984**	245 984
Accumulated impairment	**(165 772)**	(149 064)
Closing balance	**80 212**	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 2022				
ITB	**80 212**	**Value in use**	**15,5%**	**3%**
	80 212			

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17. BORROWINGS AND LEASE LIABILITIES

The table below show a reconciliation of lease liabilities	2022 R'000	2021 R'000
Opening balance	**104 700**	104 700
Lease modification	—	1 696
Leases terminated	**(61 876)**	—
Interest	**6 359**	10 354
Payments	**(17 068)**	(22 119)
Closing balance	**32 115**	104 700

Leases terminated in the year includes the following:

Printing

Novus Print entered into a lease agreement for machinery and equipment which had an original termination date of July 2030 and was terminated in the current year on the basis of unfavourable terms, this led to the lease liability of R14,1 million and right of use asset of R11,5 million being derecognised with a gain on derecognition of R2,6 million. In addition to this a lease for the rental of property which was terminated on 28 February 2022. On initial recognition of this lease, a renewal period was assumed until 28 February 2024. This therefore led to a derecognition of the lease liability of R9,1 million, right of use asset of R6,4 million and a gain on derecognition of R2,7 million.

Other

A lease agreement for machinery and equipment leased by the Tissue division. This agreement had an original termination date of December 2036 and was terminated early on the basis of unfavourable terms, the lease liability was derecognised resulting in a gain on derecognition of leases amounting to R38,7 million. The right of use asset was impaired in full by March 2021.

18. 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 a number of 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 started to utilise the assessed loss from the prior financial year and based on future projections it is considered unlikely that the same circumstances within which the losses accumulated will recur. The Group expects to fully utilise this deferred tax asset within the next 10 years based on current projections and forecasts.

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19. INVESTMENT IN ASSOCIATES

The Group currently has three investments in associates in which it holds 49% of the equity interest of these companies. The investment in Free 4 All Proprietary Limited was purchased for R2,7 million effective 15 December 2020 and investment in Mikateko Media Proprietary Limited for R3,1 million in 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.

Investments in associates have been considered for impairment in accordance with the policy. Both Mikateko Proprietary Limited and Free 4 All Proprietary Limited were impaired to nil. No impairment was considered necessary for the investment in Mthembu Paper Mill Proprietary Limited.

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:

	2022 R'000	2021 R'000
Opening balance	23 343	2 726
Purchase of investment in associate	—	2 740
Investment retained in former subsidiary	—	19 216
Equity accounted earnings	(7 317)	(1 339)
Impairment of associate	(3 968)	—
Closing balance	12 058	23 343

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	Note	**2022 R'000**	Restated 2021 R'000
20. REVENUE			
Printing revenue*		**2 259 013**	2 043 646
Tissue revenue		**–**	127 357
Packaging revenue*		**613 087**	553 424
Waste revenue		**15 705**	8 732
Distribution revenue		**82 821**	60 228
Other revenue		**43 607**	44 552
		3 014 233	2 837 939

* *Labels packaging revenue of R111,5 million was previously disclosed under the printing revenue stream in 2021 and was reclassified to disclose it correctly as a packaging revenue stream. This resulted in an increase in packaging revenue and a corresponding decrease in printing revenue. The current year already reflects this reclassification.*

	Note	**2022 R'000**	2021 R'000
21. OTHER GAINS/(LOSSES)			
Profit/(loss) on disposal of property, plant and equipment and non-current assets held for sale		**8 979**	30 733
Loss on disposal of intangible assets		**–**	(258)
Loss on disposal of subsidiary		**–**	(10 941)
Reversal of impairment on held for sale assets	12	**–**	11 965
Gain on derecognition of lease		**44 019**	–
Insurance proceeds		**9 579**	–
Net impairment of property, plant and equipment	14	**(69 115)**	(39 164)
Impairment of goodwill	16	**(16 708)**	–
Impairment of intangible assets		**(9 014)**	–
Impairment of associates		**(3 968)**	–
		(36 228)	(7 665)
22. FINANCE INCOME			
Net gain from foreign exchange translation and fair-value adjustments on derivative financial instruments*		**–**	24 323
Bank		**11 536**	2 632
Other		**227**	503
Interest received		**11 763**	3 135
		11 763	27 458

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

	Note	**2022 R'000**	2021 R'000
23. FINANCE COSTS			
Net loss from foreign exchange translation and fair-value adjustments on derivative financial instruments*		**17 894**	–
Bank		**5**	1 298
Interest on lease liabilities		**6 359**	10 354
Other		**1 104**	3 185
Interest paid		**7 468**	14 837
		25 362	14 837

* *The current year includes R3,4 million on translation of liabilities and R14,5 million on translation of forward exchange contracts.*

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24. TAXATION

An effective tax rate of 31,7% (2021: -45,2%) was applicable during the current year. The increased effective tax rate is mainly due to non-deductible expenses incurred. This relates mainly to equity settled share-based compensation charges on the employee share incentive plans and non deductible consulting and legal fees. It also includes the impairment of goodwill charge in Novus Labels of R16,7 million. The Group accounted for an increased tax charge of R2,6 million relating to the new corporate income tax rate effective for the financial year 01 April 2022. Deferred tax assets and liabilities were therefore reduced in line with the tax rate.

25. DIVIDENDS PAID

No final dividend has been declared. The prior year included a final dividend which was a scrip dividend alternative together with a special dividend paid in February 2022 of 40 cents. This amounted to a transfer of 31 258 089 treasury shares to shareholders in September 2021 amounting to R68,8 million and cash dividends paid in September 2021 and February 2022 totalling R203,5 million.

26. 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.

27. 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 2022, the Group is in a strong liquidity position with a positive closing cash balance of R567,9 million (2021: R442,8 million) and unutilised short and medium-term borrowing facilities of R140,5 million (2021: R116,6 million). The directors are not aware of any new material changes that may adversely impact the Group and 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.