Novus Holdings Limited and its subsidiaries

Registration Number: 2008/011165/06

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 September 2022

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

SALIENT FEATURES

- Revenue down 3% to R1 478 million (2021: R1 523 million)
- Operating profit* down to R23,3 million (2021: R90,3 million)
- Headline earnings per share decreased to 2,89 cents per share (2021: 28,49 cents per share)
- Earnings per share decreased to 2,60 cents per share (2021: 8,52 cents per share)
- Net asset value per share decreased to 663,68 cents (2021: 678,21 cents)
- Closing cash position of R236,2 million (2021: R197,9 million)

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

PERFORMANCE OVERVIEW

The financial results for the six months ended 30 September 2022 (“**period**”) show a mixed performance for segments within the Group when compared to the prior period. The Print segment was severely impacted by the global pulp and paper shortages with excessive price increases and logistical challenges having had a material impact on its performance. However, the Packaging segment improved its performance year-on-year, with ITB Flexible Packaging Solutions (“**ITB**”) showing strong revenue growth and Novus Labels returning to profitability following the restructuring of the division.

Group revenue decreased by R45 million from R1 523 million to R1 478 million largely due to reduced print volumes across all product categories and the Novus Labels division’s exit from a large customer contract in FY2022. The delayed award, and resultant late start to the production of the Department of Basic Education (“**DBE**”) contract led to a shift in revenue recognition between the first and second half of the year. Volumes were also reduced in comparison with the prior period.

Operating profit* decreased to R23,3 million (2021: operating profit of R90,3 million) and gross profit margin decreased to 16,9% (2021: 24,0%) due to paper price increases and energy surcharges levied by European paper suppliers, and higher logistical costs experienced throughout the period. The increased frequency of power outages created further operational challenges and required additional own power generation which increased operating costs by R12 million in the period.

Whilst the gross margin was negatively impacted as a result of the above, the prior year rationalisation and cost saving initiatives led to a decrease in general overheads of 17,8% in the period. The Group’s ongoing rationalisation has led to once off retrenchment costs in the period and R8,4 million of transaction costs related to the Pearson SA acquisition were also incurred in this period.

No fixed asset impairments were recognised in the period (2021: R81,6 million) whilst an adjustment was made for an increase in the expected credit loss provision due to the credit quality of certain customers.

Print

Revenue decreased by 5,5% to R1 134 million (2021: R1 200 million) and operating profit* decreased to an operating loss of R7,8 million (2021: operating profit of R76 million). Gross margin was impacted negatively by the increased input costs resulting in its significant decrease to 16,9% (2021: 26,8%).

Overall print volumes were down 14,5% with magazines and newspapers showing material declines, mainly from market contraction and lost market share due to competitor pricing decisions.

Packaging

Revenue increased by 7,0% to R342,2 million (2021: R319,8 million) with ITB up 26,2% due to increased demand and Novus Labels down 58,9% due to the exit of their key customer contract.

Gross margin increased from 12,7% to 16,3% with the segment achieving an operating profit* of R29,1 million, representing an increase of 93,6% compared to R15,0 million in the prior period.

CASH GENERATION

The Group's cash balances remained positive. No dividends were paid in the period to preserve cash for purposes of partially funding the acquisition of Pearson SA. The first half of the financial year typically sees the Group invest substantially in working capital to fund the requirements ahead of seasonal demand and to deliver on the DBE contract, however the delayed start shifted the peak in the working capital cycle. The Group initiated strategic procurement of paper stock to protect against anticipated paper shortages and supply disruptions to mitigate some of the price risk associated with the ongoing increase in paper costs, leading to significant inventory investment beyond the normal levels up to 30 September 2022. Paper suppliers imposed monthly offtake requirements of annual paper stock volumes, rather than seasonal take-off, which contributed to increased inventory. Novus Labels saw a net working capital reduction of R44,9 million in the period mainly due to repayments of long-term debtor balances with a substantially reduced base for the future.

Capital expenditure was modest at R16,0 million with spend directed toward maintenance of current plant and equipment with proceeds from asset sales in the period of R5,8 million.

OUTLOOK

Whilst the strategic decision was made to increase stockholding in an attempt to mitigate some of the risks in the paper supply chain, this was an inadequate buffer against the current cost increases and restrictions on supply. The supply chain disruptions were sudden and extreme with the Russia/Ukraine war compounding the post Covid-19 disruptions. It is hoped that this negative cycle will begin to normalise in the new calendar year.

The Group has reviewed and updated its paper procurement policy to temporarily increase the paper stock volumes to mitigate the risk of supply chain disruptions and to manage longer lead times. This will lead to an increased working capital investment throughout the rest of the financial year. Gross margin will remain constrained until paper pricing is normalised, which is exacerbated by the inability of the Group to procure from the principal local newsprint paper supplier who is currently selling below import price parity.

The Group composition will change following the acquisition of Pearson SA. Its established brands and footprint in the educational sector provides Novus Holdings with the ability to further invest in the education market in future. The Competition Commission approved the proposed acquisition on 16 November 2022 and all the conditions precedent are now fulfilled. Novus Holdings will consolidate Pearson SA's results with effect from 30 November 2022. Pearson SA has traded in line with plan since entering into the transaction and the prospects appear very positive for it to continue trading in line with its historic performance. The Group views this growth and diversification opportunity very positively and is very satisfied with the transaction process to date.

Novus Holdings is proud of retaining its B-BBEE Level Two Contributor status and will continue with initiatives to transform and further enhance its status.

The Board wishes to express its appreciation to management and all staff for their efforts under trying circumstances.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting a results presentation via a live webinar at 11h00 (SA time) on Wednesday, 23 November 2022.

For access and details of this webinar, please visit the Group's website at www.novus.holdings or you may register using the below link: https://attendee.gotowebinar.com/register/6062898857631738895

On behalf of the Board

Dr Phumla Mnganga
Chairman

Neil Birch
Chief executive officer

Cape Town
18 November 2022

Sponsor
Merchantec Capital

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2022 Unaudited R'000	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000
ASSETS				
Non-current assets		**1 016 058**	1 144 753	1 046 110
Property, plant and equipment	12	**765 518**	858 855	793 582
Investment property		**61 906**	63 657	62 764
Goodwill	5	**80 212**	80 213	80 212
Other intangible assets		**2 540**	12 783	2 795
Financial assets at fair value through other comprehensive income		**3 057**	3 072	3 064
Investment in associates		**8 753**	20 349	12 058
Other financial assets at amortised cost		**606**	908	1 118
Deferred taxation assets		**93 466**	104 916	90 517
Current assets		**2 064 961**	1 788 982	1 558 635
Inventory	14	**872 431**	448 298	437 223
Trade and other receivables	14	**478 639**	932 968	420 114
Related party receivables		**25 917**	25 219	20 921
Contract assets	14	**329 522**	50 240	2 185
Derivative financial instruments	16	**12 116**	7 888	487
Cash and cash equivalents		**236 139**	197 943	567 917
Current income tax receivable		**252**	-	-
Non-current assets held for sale	13	**109 945**	126 426	109 788
TOTAL ASSETS		**3 081 019**	2 933 735	2 604 745
EQUITY AND LIABILITIES				
Capital and reserves attributable to the Group's equity holders		**2 127 505**	2 165 641	2 098 078
Share capital		**509 314**	531 742	509 314
Treasury shares		**(345 759)**	(368 175)	(345 759)
Other reserves		**(97 437)**	(103 646)	(118 516)
Retained earnings		**2 061 387**	2 105 720	2 053 039
TOTAL EQUITY		**2 127 505**	2 165 641	2 098 078
LIABILITIES				
Non-current liabilities		**68 461**	119 485	67 461
Post-employment benefit obligations and provisions		**2 884**	2 205	2 940
Provisions		**10 202**	10 416	10 748
Borrowings and lease liabilities		**24 699**	50 139	27 367
Deferred taxation liabilities		**26 643**	51 377	21 715
Deferred grant income		**4 033**	5 348	4 691
Current liabilities		**885 053**	648 609	439 206
Borrowings and lease liabilities		**5 232**	16 840	4 748
Trade and other payables	14	**878 276**	625 590	404 224
Current income tax payable		**-**	4 459	9 102
Derivative financial instruments	16	**231**	406	19 811
Bank overdrafts		**-**	-	7
Deferred grant income		**1 314**	1 314	1 314
TOTAL EQUITY AND LIABILITIES		**3 081 019**	2 933 735	2 604 745

CONDENSED CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Notes	30 September 2022 Unaudited R'000	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000
CONSOLIDATED INCOME STATEMENT				
Revenue	6	**1 478 203**	1 523 272	3 014 233
Cost of sales		**(1 228 255)**	(1 157 297)	(2 280 212)
Gross profit		**249 948**	365 975	734 021
Operating expenses		**(226 651)**	(275 721)	(540 898)
Other gains/(losses)		**(1 243)**	(35 451)	(32 260)
Operating profit		**22 054**	54 803	160 863
Finance income	7	**8 394**	5 083	11 763
Finance costs	8	**(10 648)**	(14 559)	(25 362)
Impairment of associates		**-**	-	(3 968)
Share of net losses of associate accounted for using the equity method		**(3 305)**	(2 993)	(7 317)
Profit before taxation		**16 495**	42 334	135 979
Taxation		**(8 147)**	(17 583)	(43 172)
Net profit for the period		**8 348**	24 751	92 807
Net profit for the period attributable to:				
Equity holders of the Group		**8 348**	24 751	92 807
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
Other comprehensive income, net of taxation		**14 960**	1 800	(5 514)
Items that may be subsequently reclassified to profit or loss				
- Foreign exchange movement	16	**20 502**	2 514	(7 521)
- Tax effect		**(5 536)**	(704)	2 106
- Fair value reserve		**(8)**	(14)	(21)
- Tax effect		**2**	4	6
Items that will not be reclassified to profit or loss				
- Remeasurement of post-employment benefit obligations and provisions		**-**	-	(117)
- Tax effect		**-**	-	33
Total comprehensive income		**23 308**	26 551	87 293
Total comprehensive income atrributable to:				
Equity holders of the Group		**23 308**	26 551	87 293
Earnings per share (cents)				
Basic	9	**2,60**	8,52	30,42
Diluted	9	**2,60**	8,52	30,42

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	**Total equity R'000**
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**
For the six months ended 30 September 2022					
Balance as at 31 March 2022	509 314	(345 759)	(118 516)	2 053 039	**2 098 078**
Total comprehensive loss for the period	-	-	14 960	8 348	**23 308**
Profit for the period	-	-	-	8 348	**8 348**
Other comprehensive income	-	-	14 960	-	**14 960**
Hedging reserve reclassification adjustment to inventory, gross	-	-	5 942	-	**5 942**
Hedging reserve reclassification adjustment to inventory, tax portion	-	-	(1 604)	-	**(1 604)**
Transactions with owners:					
Share based compensation movement	-	-	1 781	-	**1 781**
Total transactions with owners	-	-	1 781	-	**1 781**
Balance as at 30 September 2022	**509 314**	**(345 759)**	**(97 437)**	**2 061 387**	**2 127 505**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**30 September 2022 Unaudited R'000**	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000
Cash flows from operating activities				
Profit before taxation		**16 495**	42 334	135 979
Non-cash movements in profit before tax		**52 990**	90 213	153 898
Net changes in working capital		**(379 857)**	(373 641)	(11 208)
Cash (utilised in)/generated from operations		**(310 372)**	(241 094)	278 669
Finance income		**8 394**	5 083	11 763
Finance costs		**(579)**	(586)	(1 109)
Taxation paid		**(11 415)**	(18 794)	(51 173)
Net cash (utilised in)/generated from operating activities		**(313 972)**	(255 391)	238 150
Cash flows from investing activities				
Property, plant and equipment acquired		**(16 084)**	(11 963)	(25 120)
Proceeds on sale of property, plant and equipment		**5 746**	2 529	15 905
Proceeds from the sale of non-current assets held for sale		**-**	77 239	94 339
Financial assets at amortised cost advanced		**-**	-	(570)
Financial assets at amortised cost repaid		**472**	684	1 044
Related party loans (advanced)/repaid		**(3 964)**	33 953	39 599
Purchase of intangible assets		**(229)**	(420)	(420)
Net cash (utilised in)/generated from investing activities		**(14 059)**	102 022	124 777
Cash flows from financing activities				
Repayment of long-term loans		**-**	(6 732)	(13 295)
Principle portion of lease liabilities*		**(2 184)**	(5 591)	(10 709)
Interest portion of lease liabilities*		**(1 556)**	(3 924)	(6 359)
Dividends	15	**-**	(75 263)	(203 476)
Transactions with non-controlling interest		**-**	-	(4 000)
Net cash utilised in financing activities		**(3 740)**	(91 510)	(237 839)
Net (decrease)/increase in cash and cash equivalents		**(331 771)**	(244 879)	125 088
Cash and cash equivalents at the beginning of the period		**567 910**	442 822	442 822
Cash and cash equivalents at the end of the period		**236 139**	197 943	567 910

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

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2022 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 Listings Requirements of the JSE Limited.

The condensed consolidated interim financial statements do not include all the notes of the type normally included in consolidated annual financial statements. Accordingly, these condensed consolidated interim financial statements are to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2022.

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 1 April 2022 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 2022.

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 or audited by the Company's auditors.

5. GOODWILL

Goodwill arises on the acquisition of interests in subsidiaries and is subject to an annual impairment assessment. The goodwill attributable to the Novus Labels division was impaired in full during the previous financial year ended 31 March 2022. Movements in the Group's goodwill for the period are detailed below:

	30 September 2022 Unaudited R'000	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000
Opening balance	**245 984**	245 984	245 984
Accumulated impairment	**(165 772)**	(165 772)	(165 772)
Closing balance	**80 212**	80 212	80 212

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.

	30 September 2022 Unaudited R'000	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000

6. *REVENUE*

Printing revenue*	**1 080 402**	1 141 685	2 259 013
Distribution revenue	**40 347**	42 900	82 821
Packaging revenue*	**330 867**	307 856	613 087
Waste revenue	**11 152**	8 300	15 705
Other revenue	**15 435**	22 531	43 607
	1 478 203	1 523 272	3 014 233

**Labels packaging revenue of R69,6 million was previously disclosed under the printing revenue stream in 2021 and was reclassified to disclose it correctly as a packaging revenue stream. The current year already reflects this reclassification.*

7. *FINANCE INCOME*

Bank	**8 319**	4 888	11 536
Other	**75**	195	227
Interest received	**8 394**	5 083	11 763

8. *FINANCE COSTS*

Net loss from foreign exchange translation and fair-value adjustments on derivative financial instruments	**8 513**	10 049	17 894
Bank	**542**	2	5
Interest on lease liabilities	**1 556**	3 924	6 359
Other	**38**	584	1 104
Interest paid	**2 135**	4 510	7 468
	10 648	14 559	25 362

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.

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).

	30 September 2022 Unaudited R'000	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000
Calculation of headline earnings			
Net profit attibutable to shareholders	**8 348**	24 751	92 807
Adjusted for:			
- Loss/(profit) on sale of property, plant and equipment	**1 243**	(7 541)	(8 979)
- Impairment of goodwill	**-**	16 708	16 708
- Impairment in value of property, plant and equipment	**-**	64 978	69 115
- Impairment in value of investments in associates	**-**	-	3 968
- Impairment in value of intangible assets	**-**	-	9 014
	9 591	98 896	182 633
Total tax effect of adjustments	**(336)**	(16 082)	(20 473)
Headline earnings	**9 255**	82 814	162 160
Number of ordinary shares in issue	**346 656 348**	346 656 348	346 656 348
Weighted average number of shares	**320 560 803**	290 641 723	305 099 595
Earnings per ordinary share (cents)			
Basic	**2,60**	8,52	30,42
Diluted	**2,60**	8,52	30,42
Headline earnings per ordinary share (cents)			
Basic	**2,89**	28,49	53,15
Diluted	**2,89**	28,49	53,15

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 all non-print or packaging related transactions.

	Printing R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
30 September 2022					
External revenue	**1 133 938**	**342 204**	**2 061**	**-**	**1 478 203**
Inter-segmental revenue	**1 801**	**-**	**-**	**(1 801)**	**-**
Total Revenue	**1 135 739**	**342 204**	**2 061**	**(1 801)**	**1 478 203**
Profit/(loss) before taxation	**(10 730)**	**28 073**	**(848)**	**-**	**16 495**
30 September 2021					
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
Total assets					
30 September 2022	**2 965 686**	**599 604**	**196 337**	**(680 608)**	**3 081 019**
31 March 2022	2 481 372	660 603	294 966	(832 196)	2 604 745
Total liabilities					
30 September 2022	**840 011**	**201 636**	**592 474**	**(680 608)**	**953 514**
31 March 2022	508 383	360 326	470 154	(832 196)	506 667
Property, plant and equipment additions					
30 September 2022	**9 253**	**6 831**	**-**	**-**	**16 084**
31 March 2022	20 037	5 083	-	-	25 120
Impairment of assets					
30 September 2022	**-**	**-**	**-**	**-**	**-**
31 March 2022	(12 982)	(85 687)	(136)	-	(98 805)

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.

	30 September 2022 Unaudited R'000	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000
Commitments			
Capital expenditure	**14 414**	617	177
Lease commitments	**511**	285	1 496
	14 925	902	1 673

12. PROPERTY, PLANT AND EQUIPMENT

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

	30 September 2022 Unaudited R'000	30 September 2021 Unaudited R'000	31 March 2022 Audited R'000
Cash acquisitions during the period	**16 084**	11 963	25 120
Depreciation during the period	**35 682**	42 866	83 887
Impairments during the period	**-**	64 978	69 115

The impairment in the prior corresponding period relates mainly to plant and equipment in the Novus Labels division within the Packaging segment following the decision to exit a key customer contract. This led to an impairment of the assets to its fair value less costs to sell.

13. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale includes the Novus Print Linbro Park building which is currently being actively marketed for sale and was classified as held for sale following the closure of this print facility in the prior year. This amounts to a total of R109,9 million.

14. CHANGES IN WORKING CAPITAL

Contract assets & Trade and other receivables

The increase in the trade and other receivables compared to 31 March 2022 relates mainly to the seasonality of the business whilst the increase in contract assets is due to the the application of IFRS 15. 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 2022 to calculate the expected credit loss allowance of R26,6 million with the allowance increasing since 31 March 2022 from R20,4 million.

Inventory

Inventory balances have increased significantly since 31 March 2022 mainly due to paper stock on hand that has increased as a result of several factors which include: a strategic decision to secure stock available to mitigate potential supply constraints and account for longer lead times, supplier driven minimum volume purchase levels spread evenly across the year compared to previously where purchased based on seasonality of the business, increase in the cost of paper due to energy surcharges levied by European suppliers, higher logistical costs and global shortage of pulp. This led to inventory days increasing from 70 in March 2022 to 130 days in September 2022 (71 days in September 2021).

Trade and other payables

The trade and other payables balance has increased significantly since 31 March 2022 due to the seasonality of the business in line with the timing of print projects and as a result of the increased inventory on hand.

15. DIVIDENDS

No dividends were declared during the six month period ended 30 September 2022.

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 2022. The Group has evaluated changes to financial risks since disclosed at 31 March 2022 and determined that there have been no material changes in the Group's credit and market risk or key inputs in measuring fair value since 31 March 2022.

In assessing the liquidity risk of the Group at 30 September 2022, the Group has reviewed its short term working capital facilities in the period and due to the significant seasonal working capital investment, it has increased these facilities, temporarily, to fund these requirements. The Group therefore has access to available facilities to adequately fund any short terms cash requirements and remains liquid with a strong closing cash position of R236,1 million.

16.2 Fair value estimation

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

	Level 1 Quoted prices in active markets for identical assets or liabilities	**Level 2** Significant other observable inputs	**Level 3** Significant unobservable inputs	**Total**
	R'000	**R'000**	**R'000**	**R'000**
30 September 2022				
Assets				
Financial assets at fair value through other comprehensive income	1	3 056	-	3 057
Foreign exchange contracts	-	12 116	-	12 116
Related party loan receivables	-	-	22 146	22 146
	1	**15 172**	**22 146**	**37 319**
Liabilities				
Foreign exchange contracts	-	231	-	231
	-	231	-	231
30 September 2021				
Assets				
Financial assets at fair value through other comprehensive income	1	3 071	-	3 072
Foreign exchange contracts	-	7 888	-	7 888
Related party loan receivables	-	-	25 219	25 219
	1	10 959	25 219	36 179
Liabilities				
Foreign exchange contracts	-	406	-	406
	-	406	-	406

16. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets or liabilities	Significant other observable inputs	Significant unobservable inputs	
	R'000	R'000	R'000	R'000
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

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

Novus Holdings Limited, concluded an agreement with Pearson Holdings Southern Africa Proprietary Limited on 12 August 2022, whereby Novus Holdings Limited, together with its wholly-owned subsidiary, Novus Print Proprietary Limited entered into a sale and purchase agreement to acquire Pearson Holdings Southern Africa Proprietary Limited's 75% share of the issued ordinary shares in Pearson South Africa Proprietary Limited for a purchase consideration of R842,3 million. At 30 September 2022, the transaction was subject to the fulfilment of conditions precedent as stipulated in the sale and purchase agreement. The Competition Commission approved the proposed acquisition merger on 16 November 2022 and all the conditions precedent were therefore fulfilled at that date, accordingly the transaction will take effect from 30 November 2022.

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.

18. 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.