



Novus Holdings Limited and its subsidiaries

Registration Number: 2008/011165/06

**Unaudited Condensed Consolidated
Interim Financial Statements**

for the six months ended 30 September 2023

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

Unaudited interim results for the six months ended 30 September 2023

SALIENT FEATURES

- Revenue up 36.8% to R2 022 million (2022: R1 478 million)
- Operating profit* up to R168,6 million (2022: R23,3 million)
- Headline earnings per share increased to 28,77 cents per share (2022: 2,89 cents per share)
- Earnings per share increased to 31,61 cents per share (2022: 2,60 cents per share)
- Net asset value per share increased to 719,92 cents (2022: 663,68 cents)
- Closing cash position of R621,1 million (2022: R236,2 million)

PERFORMANCE OVERVIEW

The financial results for the six months ended 30 September 2023 ("period") improved when compared to the prior period, largely through the inclusion of the results of Maskew Miller Learning Proprietary Limited ("MML") in the Education segment. The Print segment returned to a profitable position for the period and the Packaging segment improved its profitability year-on-year.

Group revenue increased by R544 million from R1 478 million to R2 022 million, of which R406 million is from the inclusion of MML. The return to normal production timelines of the Department of Basic Education ("DBE") contract led to a return to more normal revenue recognition patterns compared to the prior year.

Operating profit* increased to R168,6 million (2022: operating profit of R23,3 million) and gross profit margin increased to 28,7% (2022: 16,9%). The inclusion of MML for the period, added R100,2 million to operating profit. The Print segment continued to be negatively impacted by higher paper prices and the cost of own power generation.

No once off costs were recognised in the period compared to the prior period which included once off retrenchment costs and R8,4 million in transaction costs related to the MML acquisition. Operating costs for the period include an increase of R28 million in the expected credit loss provision.

Whilst no fixed asset impairments were recognised in either the current or prior periods, the current period includes a profit of R12,2 million on the sale of non-current assets held for sale and a loss of R0,7 million on the sale of property, plant and equipment (2022: loss on sale of R1,2 million).

Print

Revenue increased by 19,6% to R1 357 million (2022: R1 134 million) and operating profit* increased to R34,9 million (2022: operating loss of R7,8 million). Gross margin continued to be impacted negatively by the increased input costs however, the shift in revenue recognition on DBE resulted in its increase to 20,0% (2022: 16,9%).

Overall print volumes were down 1% however, excluding the DBE contract, volumes were down 15.8% with magazines and retail inserts showing material declines, mainly from market contraction and lost market share due to market pricing. Newspaper and book volumes both showed an increase on the prior period.

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

Packaging

Revenue decreased by 2,3% to R334,4 million (2022: R342,2 million) with both ITB and Novus Labels down on the prior period.

Gross margin increased from 16,3% to 19,2% with the segment achieving an operating profit* of R38,6 million, representing an increase of 32,8% compared to R29,1 million in the prior period.

Education

MML is included within the Education segment and contributed R406,5 million to revenue and an operating profit of R100,2 million. A delay in client order fulfillment will result in a portion of revenue that was expected in September, being recognised in October.

CASH GENERATION

The Group closed the period with a cash balance of R621,1 million, an increase of R228,8 million for the six months. This increase included R122,1 million from the sale of the Linbro Park property. The Group was in a net cash position of R155,3 million at 30 September 2023, a movement of R274,9 million from the net debt position of R119,7 million at 31 March 2023.

The first half of the financial year typically sees the Group invest substantially in working capital to fund seasonal demand and to deliver on the DBE contract. Net working capital was limited to cash outflows of R47 million, as the reduction in paper stock largely offset the seasonal investment in working capital.

Capital and interest repayments on the outstanding loan balance in the period amounted to R65,9 million with an external dividend of R12,9 million paid to the non-controlling shareholders of MML.

Capital expenditure was modest at R14,7 million with spend directed toward maintenance of current plant and equipment with proceeds from asset sales in the period of R0,4 million.

Taxation paid in the period amounted to R57,8 million mainly related to taxation paid by MML.

OUTLOOK

The Print segment recovered from the prior year, but still requires an increase in retail advertising spend and a reduction in higher priced paper stocks to return to levels of cash generation achieved in the 2022 financial year. The higher stock levels from the prior year should reduce to normal stock levels by year end. Paper prices, although on the decrease, are not expected to drop to pricing levels experienced prior to the Russian/Ukraine war. On an ongoing basis we are evaluating cost structures in all aspects of the segment and will continue to invest in power generation.

The Education and Packaging segments are both trading in line with their respective business plans and the prospects remain positive for both segments to continue trading in line with their historic performance levels.

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 of directors of Novus Holdings ("**Board**") wishes to express its appreciation to management and all staff for their continued efforts.

On behalf of the Board

ANDRÉ VAN DER VEEN

Executive Chairman

Cape Town

15 November 2023

Sponsor

Merchantec Capital

Condensed consolidated statement of financial position

	Note	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
ASSETS				
Non-current assets		1 343 442	1 016 058	1 441 286
Property, plant and equipment	12	734 502	765 518	754 993
Investment property		61 434	61 906	62 317
Goodwill	5	80 212	80 212	80 212
Other intangible assets	13	373 430	2 540	438 521
Other financial assets at fair value		5 740	3 057	3 049
Investment in associates		15 116	8 753	11 197
Other financial assets at amortised cost		428	606	570
Deferred taxation assets		72 580	93 466	90 427
Current assets		2 345 850	1 955 017	1 845 841
Inventory	15	754 241	872 431	802 446
Intangible assets - product development		47 096	—	54 598
Trade and other receivables	15	765 721	478 639	547 862
Related party receivables		18 976	25 917	17 499
Contract assets	15	116 417	329 522	9 389
Derivative financial instruments	17	—	12 116	4 401
Cash and cash equivalents		621 061	236 139	392 233
Current income tax receivable		22 338	252	17 413
Non-current assets held for sale	14	—	109 945	109 945
TOTAL ASSETS		3 689 292	3 081 019	3 397 072
EQUITY AND LIABILITIES				
Capital and reserves attributable to the Group's equity holders		2 271 335	2 127 505	2 169 867
Share capital		504 762	509 314	507 208
Treasury shares		(341 207)	(345 759)	(343 653)
Other reserves		(107 506)	(97 437)	(107 436)
Retained earnings		2 215 286	2 061 387	2 113 748
Non-controlling interest		37 747	—	46 836
TOTAL EQUITY		2 309 082	2 127 505	2 216 703
LIABILITIES		517 513	68 461	346 792
Non-current liabilities		23 431	2 884	23 498
Post-employment medical liability		8 752	10 202	9 349
Provisions		375 869	24 699	189 394
Borrowings and lease liabilities	18	106 741	26 643	121 174
Deferred taxation liabilities		2 720	4 033	3 377
Deferred grant income				
Current liabilities		862 697	885 053	833 577
Post-employment medical liability		1 798	—	1 798
Current portion of borrowings and lease liabilities	18	95 665	5 232	325 537
Trade and other payables	15	763 920	878 276	504 202
Derivative financial instruments	17	—	231	717
Bank overdrafts		—	—	9
Deferred grant income		1 314	1 314	1 314
TOTAL EQUITY AND LIABILITIES		3 689 292	3 081 019	3 397 072

Condensed consolidated income statement and statement of comprehensive income

	Note	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
Consolidated income statement				
Revenue	6	2 022 284	1 478 203	3 195 625
Cost of sales		(1 441 000)	(1 228 255)	(2 595 234)
Gross profit		581 284	249 948	600 391
Operating expenses		(412 696)	(226 651)	(593 453)
Other gains/(losses)		12 723	(1 243)	76 624
Operating profit		181 311	22 054	83 562
Finance income	7	16 060	8 394	21 284
Finance costs	8	(39 343)	(10 648)	(49 245)
Share of net profit/(loss) of associate accounted for using the equity method		3 920	(3 305)	(861)
Profit before taxation		161 948	16 495	54 740
Taxation		(56 751)	(8 147)	4 853
Net profit for the period		105 197	8 348	59 593
Net profit for the period attributable to:				
Equity holders of the Group		101 394	8 348	60 585
Non-controlling interest		3 803	—	(992)
		105 197	8 348	59 593
Consolidated statement of comprehensive income				
Other comprehensive income, net of taxation		7 023	14 960	3 782
Items that may be subsequently reclassified to profit or loss	17			
- Foreign exchange movement		9 630	20 502	5 291
- Tax effect		(2 600)	(5 536)	(1 429)
- Fair value reserve		(9)	(8)	(15)
- Tax effect		2	2	4
Items that will not be reclassified to profit or loss				
- Remeasurement of post-employment benefit obligations and provisions		—	—	(96)
- Tax effect		—	—	27
Total comprehensive income		112 220	23 308	63 375
Total comprehensive income attributable to:				
Equity holders of the Group		108 417	23 308	64 367
Non-controlling interest		3 803	—	(992)
		112 220	23 308	63 375
Earnings per share (cents)				
Basic	9	31,61	2,60	18,90
Diluted	9	31,61	2,60	18,90

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 2022						
Balance as at 31 March 2022	509 314	(345 759)	(118 516)	2 053 039	—	2 098 078
Total comprehensive income 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
For the six months ended 30 September 2023						
Balance as at 31 March 2023	507 208	(343 653)	(107 436)	2 113 748	46 836	2 216 703
Total comprehensive income for the period	—	—	7 023	101 394	3 803	112 220
Profit for the period	—	—	—	101 394	3 803	105 197
Other comprehensive income	—	—	7 023	—	—	7 023
Hedging reserve reclassification adjustment to inventory, gross	—	—	(10 545)	—	—	(10 545)
Hedging reserve reclassification adjustment to inventory, tax portion	—	—	2 847	—	—	2 847
Transactions with owners:						
Share based compensation movement	—	—	749	—	—	749
Share awards vested and issued	(2 446)	2 446	(144)	144	—	—
Dividends paid	—	—	—	—	(12 892)	(12 892)
Total transactions with owners	(2 446)	2 446	605	144	(12 892)	(12 143)
Balance as at 30 September 2023	504 762	(341 207)	(107 506)	2 215 286	37 747	2 309 082

Condensed consolidated statement of cash flows

	Note	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
Cash flows from operating activities				
Profit before taxation		161 948	16 495	54 740
Non-cash and other movements in profit before tax		148 807	52 990	88 117
Net changes in working capital		(47 267)	(379 857)	19 995
Cash generated from/(utilised in) operations		263 488	(310 372)	162 852
Finance income		15 972	8 394	21 284
Finance costs		—	—	—
Taxation paid		(57 753)	(11 415)	(102 512)
Net cash generated from/(utilised in) operating activities		221 707	(313 393)	81 624
Cash flows from investing activities				
Property, plant and equipment acquired		(14 743)	(16 084)	(48 904)
Proceeds from the sale of non-current assets held for sale	14	122 125	—	—
Proceeds on sale of property, plant and equipment		446	5 746	5 907
Other financial assets acquired		(2 700)	—	—
Related party loans advanced		(2 479)	(3 964)	(643)
Purchase of intangible assets		(483)	(229)	(366)
Financial assets at amortised cost repaid		143	472	507
Acquisition of subsidiary		—	—	(636 085)
Proceeds on sale of intangible assets		453	—	—
Net cash generated from/(utilised in) investing activities		102 762	(14 059)	(679 584)
Cash flows from financing activities				
Proceeds from borrowings	18	300 000	—	1 000 000
Repayment of borrowings	18	(339 609)	—	(515 141)
Principle portion of lease liabilities		(3 788)	(2 184)	(5 233)
Interest portion of lease liabilities		(1 605)	(1 556)	(3 233)
Interest paid		(37 738)	(579)	(36 931)
Dividends paid to Company's shareholders	16	—	—	—
Dividends paid to non-controlling interest in subsidiaries		(12 892)	—	(17 188)
Net cash (utilised in)/generated from financing activities		(95 632)	(4 319)	422 274
Net increase/(decrease) in cash and cash equivalents		228 837	(331 771)	(175 686)
Cash and cash equivalents at the beginning of the period		392 224	567 910	567 910
Cash and cash equivalents at the end of the period		621 061	236 139	392 224

Notes to the condensed consolidated interim financial statements

for the six months ended 30 September 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2023 have been prepared in accordance with International Financial Reporting Standards (IFRS), (IAS) 34 Interim Financial Reporting, 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, these condensed consolidated interim financial statements are to be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2023.

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 2023 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 2023.

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, Craig Wright 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 (continued)

for the six months ended 30 September 2023

5. GOODWILL

Goodwill arises on the acquisition of interests in subsidiaries and is subject to an annual impairment assessment. Movements in the Group's goodwill for the period are detailed below:

	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
Goodwill			
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 its 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.

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
6. REVENUE			
Revenue from contracts with customers			
Printing revenue	1 233 258	1 080 402	2 261 738
Educational revenue	406 468	—	156 353
Distribution revenue	34 065	40 347	86 087
Packaging revenue	322 731	330 867	636 263
Waste revenue	11 930	11 152	22 526
Other revenue	7 780	11 479	23 471
Revenue other than from contracts with customers			
Other revenue*	6 052	3 956	9 187
	2 022 284	1 478 203	3 195 625

*Other revenue has been split for disclosure purposes between revenue from contracts with customers and revenue other than from contracts with customers, in line with the Group accounting policies.

7. FINANCE INCOME

Net gain from foreign exchange translation and fair-value adjustments on derivative financial instruments

	88	—	—
Bank	15 787	8 319	20 778
Other	185	75	506
Interest received	15 972	8 394	21 284
	16 060	8 394	21 284

8. FINANCE COSTS

Net loss from foreign exchange translation and fair-value adjustments on derivative financial instruments

	—	8 513	12 831
Bank	6 135	542	3 743
Interest on borrowings	31 595	—	29 115
Interest on lease liabilities	1 605	1 556	3 233
Other	8	38	323
Interest expense	39 343	2 135	36 414
	39 343	10 648	49 245

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

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 01/2023 issued by the South African Institute of Chartered Accountants (SAICA).

	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
Calculation of headline earnings			
Net profit attributable to shareholders	101 394	8 348	60 585
Adjusted for:			
- (Profit)/loss on sale of property, plant and equipment and non-current assets held for sale	(11 469)	1 243	1 285
- (Profit)/loss on sale of intangible assets	(84)	—	—
- Gain on bargain purchase	(668)	—	(100 053)
- Impairment in value of property, plant and equipment	—	—	20 479
	89 173	9 591	(17 704)
Total tax effect of adjustments	3 119	(336)	(5 876)
Headline earnings/(loss)	92 292	9 255	(23 580)
Number of ordinary shares in issue	346 656 348	346 656 348	346 656 348
Weighted average number of shares	320 743 289	320 560 803	320 600 549
Earnings per ordinary share (cents)			
Basic	31,61	2,60	18,90
Diluted	31,61	2,60	18,90
Headline earnings/(loss) per ordinary share (cents)			
Basic	28,77	2,89	(7,35)
Diluted	28,77	2,89	(7,35)

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

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; Education consists of Maskew Miller Learning, which develops educational content for various institutions from government to private colleges; and Other, which includes all non-print, packaging or educational related transactions.

	Printing R'000	Education R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
30 September 2023						
External revenue	1 281 441	406 468	334 375	—	—	2 022 284
Inter-segmental revenue	75 315	—	—	—	(75 315)	—
Total Revenue	1 356 756	406 468	334 375	—	(75 315)	2 022 284
Profit/(loss) before taxation	18 599	105 911	38 534	3 812	(4 908)	161 948
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
Total assets						
30 September 2023	2 392 230	1 200 054	635 258	164 719	(702 969)	3 689 292
31 March 2023	2 083 980	1 252 126	567 743	164 748	(671 525)	3 397 072
Total liabilities						
30 September 2023	835 074	473 046	198 401	576 658	(702 969)	1 380 210
31 March 2023	679 620	439 785	155 939	576 550	(671 525)	1 180 369
Property, plant and equipment additions						
30 September 2023	4 716	1 821	8 206	—	—	14 743
31 March 2023	28 275	2 543	19 305	—	—	50 123
Impairment of assets						
30 September 2023	—	—	—	—	—	—
31 March 2023	(18 576)	—	(3 569)	—	—	22 145

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

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 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
Commitments			
Capital expenditure	57 381	14 414	2 950
Lease commitments	—	511	—
	57 381	14 925	2 950

Capital expenditure mostly relates to expansion machinery within the Packaging segment.

12. PROPERTY, PLANT AND EQUIPMENT

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

	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
Cash acquisitions during the period	14 743	16 084	48 904
Depreciation during the period	36 391	35 682	71 465
Impairments during the period	—	—	20 479
Acquisition of subsidiary	—	—	10 295

13. OTHER INTANGIBLE ASSETS

The movement in intangible assets, is mainly due to the following:

	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
Amortisation	64 721	—	43 130

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

14. NON-CURRENT ASSETS HELD FOR SALE

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

The non current assets held for sale balance at 31 March 2023 related to the Novus Print Linbro Park division's properties, amounting to R109,9 million, following the closure of the print facility. The transfer of these properties took place on 11 September 2023 with net proceeds of R122,1 million received in the period. A profit on sale of R12,1 million was recognised in "other gains/losses."

15. CHANGES IN WORKING CAPITAL

Contract assets & Trade and other receivables

The increase in the trade and other receivables compared to 31 March 2023 relates mainly to the seasonality of the business whilst the decrease in contract assets is due to the application of IFRS 15 and timing differences compared to the prior year. The Group re-assessed the impact of trading conditions on trade and other receivables at the reporting date and has increased its specific allowance since 31 March 2023 to calculate an expected credit loss allowance of R57,2 million compared to the allowance recognised at 31 March 2023 of R29,2 million.

Inventory

Inventory balances have decreased slightly since 31 March 2023, despite the impact of seasonality, mainly due to the downward managing of the paper stock on hand.

Trade and other payables

The trade and other payables balance has increased significantly since 31 March 2023 due to the seasonality of the business in line with the timing of print projects.

16. DIVIDENDS

No dividends were declared during the six month period ended 30 September 2023.

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

17.1 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 2023. 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 2023.

17.2 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
30 September 2023				
Assets				
Other financial assets at fair value through other comprehensive income/profit or loss	1	5 739	—	5 740
Foreign exchange contracts*	—	—	—	—
Related party loan receivables**	—	—	18 976	18 976
	1	5 739	18 976	24 716
30 September 2022				
Assets				
Other 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

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

17. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

	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
31 March 2023				
Assets				
Other financial assets at fair value through other comprehensive income	1	3 048	—	3 049
Foreign exchange contracts*	—	4 401	—	4 401
Related party loan receivables**	—	—	17 499	17 499
	1	7 449	17 499	24 949
Liabilities				
Foreign exchange contracts*	—	717	—	717
	—	717	—	717

* Financial assets/liabilities carried at fair value.

** Financial asset/liabilities measured at amortised cost and included in the above table for fair value disclosure.

17.3 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/profit or loss - 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.

Notes to the condensed consolidated interim financial statements (continued)

for the six months ended 30 September 2023

18. BORROWINGS AND LEASE LIABILITIES

	30 September 2023 Unaudited R'000	30 September 2022 Unaudited R'000	31 March 2023 Audited R'000
The table below shows a reconciliation of lease liabilities:			
Opening balance	33 822	32 115	32 115
New Leases	—	—	1 219
Acquisition of subsidiary	—	—	5 721
Interest	1 605	1 556	3 233
Payments	(5 393)	(3 740)	(8 466)
Closing balance	30 034	29 931	33 822
The table below shows a reconciliation of borrowings:			
Opening balance	481 109	—	—
New borrowings	300 000	—	1 000 000
Structuring cost paid and to be amortised over the loan period	—	—	(3 750)
Payments	(371 204)	—	(544 257)
Interest	31 595	—	29 115
Closing balance	441 500	—	481 109

Loan Covenants

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenants:

- Gross debt: EBITDA ratio must be less than 3.5 times for the period of 12 months following 30 November 2022 and 3 times for the remaining period to the repayment date of 29 November 2027.
- EBITDA interest expense ratio must be greater than or equal to 3 times.
- Debt service cover ratio must be greater than or equal to 1.3 times.
- A distribution covenant whereby Total Group Debt: EBITDA ratio must be less than 2 times immediately before and after any dividend distribution made by the Group.

The Group has complied with all the required financial covenants at 30 September 2023.

19. 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.