CAXTON&CTP publishers & printers LIMITED

REVIEWED RESULTS
FOR THE YEAR ENDED 30 JUNE 2015

PROVISIONAL CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

R'000	% change	Reviewed for the year to 30 June 2015	Audited for the year to 30 June 2014
Revenue	16,2	6 261 388	5 389 551
Other operating income		111 906	94 191
		6 373 294	5 483 742
Changes in inventories of finished goods and work in progress		83 038	36 440
Raw materials and consumables used		2 614 891	2 181 323
Staff costs		1 407 389	1 227 915
IFRS 2 share-based payment expense – equity settled		43 188	–
Other operating expenses		1 466 873	1 347 889
Total operating expenses	17,1	5 615 379	4 793 567
PROFIT FROM OPERATING ACTIVITIES	9,8	757 915	690 175
Depreciation		280 727	259 728
PROFIT FROM OPERATING ACTIVITIES AFTER DEPRECIATION	10,9	477 188	430 447
Impairment of plant and goodwill		22 175	459 548
NET PROFIT/(LOSS) FROM OPERATING ACTIVITIES		455 013	(29 101)
Net finance income		111 510	574 575
– dividends		63 773	48 899
– interest		50 981	54 178
– IFRS 2 interest on unwinding of transaction		2 200	–
– net (loss)/profit on currency hedges		(5 444)	1 431
		111 510	104 508
– profit on realisation of investments		–	470 067
Net income from associates		30 168	19 500
PROFIT BEFORE TAXATION		596 691	564 974
Income tax expense		162 810	129 115
PROFIT FOR THE YEAR	(0,5)	433 881	435 859
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Fair value adjustment – investment and preference shares		(3 984)	(119 122)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		429 897	316 737
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Non-controlling interests		10 608	9 043
Owners of the parent		419 289	307 694
		429 897	316 737
PROFIT ATTRIBUTABLE TO:			
Non-controlling interests		10 608	9 043
Owners of the parent		423 273	426 816
		433 881	435 859
Earnings per share (cents)	1,7	106,8	105,0
Adjusted earnings per share (cents)	11,5	117,1	105,0
Headline earnings per share (cents)	10,6	108,8	98,4
Adjusted headline earnings per share (cents)	21,1	119,1	98,4
Preference dividend paid per share (cents)		490	450
Ordinary dividends paid per share (cents)		60	55
WANOS in issue (weighted avarage number of shares)		391 632 132	406 494 087
WANOS shares allocated not issued		4 830 685	–
Earnings per share based on		396 462 817	406 494 087
Reconciliation of adjusted earnings			
Owners of the parent		423 273	
Net IFRS 2 share-based payment expense – equity settled		40 988	
		464 261	
Reconciliation of headline earnings:			
Earnings attributable to owners of company		423 273	426 816
Adjusted for non-trading items		8 014	(26 989)
Net (profit) on realisation of investments		–	(470 067)
Impairment of plant and goodwill		22 175	459 548
Net (profit)/loss on disposal of assets		(11 045)	1 600
Tax effect on above adjustments		(3 116)	(18 069)
Headline earnings		431 287	399 827
Reconciliation of adjusted headline earnings:			
Headline earnings		431 287	
Adjusted for non-recurring items			
Net IFRS 2 share-based payment expense – equity settled		40 988	
Adjusted headline earnings		472 275	

Condensed segmental analysis		%		%
Revenue:				
Publishing, printing and distribution	4 953 458	79	5 003 149	92
Packaging	1 933 608	31	807 646	15
Other	307 109	5	440 167	8
Inter-group sales – publishing, printing and distribution	(862 779)	(14)	(770 357)	(14)
Inter-group sales – packaging	(61 698)	(1)	(18 012)	–
Inter-group sales – other	(8 310)	(0)	(73 042)	(1)
	6 261 388	100	5 389 551	100
Profit from operating activities after depreciation				
Publishing, printing and distribution	348 622	73	310 921	72
Packaging	165 589	35	50 787	12
Other	(37 023)	(8)	68 739	16
	477 188	100	430 447	100

PROVISIONAL CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

R'000	Reviewed for the year to 30 June 2015	Audited for the year to 30 June 2014
CASH FLOW FROM OPERATING ACTIVITIES	515 149	295 114
Cash generated by operations	766 687	749 510
Changes in working capital	50 847	(52 994)
Cash generated by operating activities	817 534	696 516
Taxation paid	(175 547)	(264 153)
Net interest received	50 981	54 178
Dividends received	63 773	48 899
Net cash generated from operating activities	756 741	535 440
Dividends paid	(241 592)	(240 326)
CASH FLOW FROM INVESTING ACTIVITIES	(710 567)	564 654
Property, plant and equipment		
– additions to expand operations	(453 624)	(397 651)
– proceeds from disposals	69 570	38 077
	(384 054)	(359 574)
– subsidiary business (net of cash acquired)	(337 342)	(63 899)
Associates, other investments and loans	10 829	988 127
CASH FLOWS FROM FINANCING ACTIVITIES	(32 825)	(56 096)
Own shares acquired	(32 825)	(56 096)
Net (decrease)/increase in cash and cash equivalents	(228 243)	803 672
Cash and cash equivalents at the beginning of the year	2 228 655	1 424 983
Cash and cash equivalents at the end of the year	2 000 412	2 228 655
Fair value adjustment of preference shares	(11 480)	(6 584)
Fair value of cash and cash equivalents at the end of the year	1 988 932	2 222 071
Note:		
Cash	878 247	1 306 489
Bank preference shares at fair value	1 110 685	915 582
Fair value of cash and cash equivalents at the end of the year	1 988 932	2 222 071

PROVISIONAL CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

R'000	Reviewed 30 June 2015	Audited 30 June 2014
Assets		
Non-current assets		
Property, plant and equipment	2 484 914	2 208 608
Associated companies	240 030	221 695
Other investments at fair value	29 026	28 022
– Listed	34	31
– Unlisted	28 992	27 991
Total non-current assets	2 753 970	2 458 325
Current assets		
Inventories	811 659	638 750
Accounts receivable	1 123 474	982 193
Taxation	10 226	–
Cash	878 247	1 306 489
Listed bank preference shares at fair value	60 685	65 582
Unlisted bank preference shares	1 050 000	850 000
Total current assets	3 934 291	3 843 014
Total assets	6 688 262	6 301 339
Equity and liabilities		
Equity	5 296 760	5 028 876
Equity attributable to owners of the parent	5 239 661	4 976 134
Preference shareholders	100	100
Non-controlling interest	56 999	52 642
Non-current liabilities		
Deferred taxation	281 288	262 778
Current liabilities		
Trade and other payables	885 313	739 031
Taxation	–	21 935
Provisions	224 901	248 719
Total current liabilities	1 110 214	1 009 685
Total equity and liabilities	6 688 262	6 301 339
Net asset value per share (cents)	1 352	1 237
Directors' valuation of unlisted investments and associated companies	269 022	249 685
Capital expenditure	453 624	397 651
Capital expenditure committed	144 000	150 000

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

R'000	Reviewed 30 June 2015	Audited 30 June 2014
Balance at beginning of the year	5 028 876	5 396 969
Total comprehensive profit for the period	429 897	316 737
Share buy backs	(32 825)	(444 504)
Shares allotted not issued	112 404	–
Dividends paid – ordinary and preference shareholders	(235 341)	(234 386)
Dividends paid – minority shareholders	(6 251)	(5 940)
Balance at end of the year	5 296 760	5 028 876

Note:
Business combination

Nampak Cartons & Labels division which was acquired on the 1 August 2014 has been accounted for as a business combination for the current period.

The acquired business contributed revenue of R1 074 million and a net profit after tax of R39,9 million. Had this business been acquired for the full reporting period the revenue would have been R1 172 million and the net profit after tax would be R43,3 million.

These amounts have been calculated using the group's accounting policies.

Details of the assets and liabilities from the acquisition are as follows:

R'000	Acquirees fair values
Plant and equipment	175 748
Inventory	243 252
Trade and other receivables	214 617
Trade and other payables	(193 235)
Provisions	(60 018)
Retrenchment provisions	(51 916)
Fair value of net assets acquired	328 448
Total cash purchase consideration	328 448
	–

Hozi Holdings (Pty) Ltd which was acquired on the 1 July 2014 has been accounted for as a business combination for the current period.

The acquired business contributed revenue of R0,894 million and a net loss after tax of R0,190 million.

These amounts have been calculated using the group's accounting policies.

Details of the assets and liabilities from the acquisition are as follows:

R'000	Acquirees fair values
Intangible assets	8 597
Trade and other receivables	497
Trade and other payables	(200)
Cash	239
Fair value of net liability acquired	2 017
Total cash purchase consideration – related party loan	9 133
	–

Commentary
Basis of preparation
The accounting policies adopted in the preparation of the financial statement for the twelve months under review are in accordance with the requirements of International Financial Reporting Standards ("IFRS") and are consistent with the prior year and IAS 34 on interim reporting, the JSE Listings Requirements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Companies Act of South Africa.

Earnings
Despite a difficult economic environment characterised by sluggish economic growth, the group has performed well – a testament to the actions taken in the past year. These included the restructure of the commercial printing divisions, closure of the non-performing stationery business in Ladysmith and further diversification into the packaging market through the acquisition of the Nampak Cartons and Labels business.

Revenue for the period grew by 16,2% to R6,261 billion. This includes revenue from the acquisitions made during the year. On a comparable basis revenue declined by 3% which is similar to that achieved for the first six months of the financial year. The decline was mostly felt in the newspaper printing operations, where there is a decline in daily newspaper volumes and in the book printing division, as a result of reduced demand for educational text books.

Raw material input costs have remained stable and any currency fluctuation has been well managed.

Staff costs excluding acquisitions and the once-off IFRS 2 Share-Based Payment on the executive directors facility, have been contained and the restructuring and closure of operations have had a positive impact. On a comparable basis, staff costs have declined by 1% and operating expenses have declined by 1,7% for the same reasons.

The company provided financial assistance to family trusts of two executive directors to enable them to subscribe for shares in the company. The financial results include a once-off equity settled IFRS 2 charge that represents the difference between the present value of the benefit arising from the interest free loans and share subscription price. This charge will be reversed over the duration of the loan.

Profit from operating activities amounted to R757,9 million an increase of 9,8% but on a comparable basis excluding the IFRS 2 adjustment, profit from operating activities would have increased by 16,2% to R801,1 million. Depreciation increased from R259,7 million to R280,7 million while the impairment of plant accounted for R22,2 million. This included the review of the useful life of the assets purchased from Nampak. We will continue to review this aspect on an ongoing basis as the reorganisation activities take place.

Net finance income of R111,5 million includes interest received of R2,2 million due to the unwinding of the IFRS 2 charge. Excluding the said adjustment, the net finance income was similar to that achieved last year, if the profit on realisation of investments is excluded.

Net income from associates has increased to R30,2 million from R19,5 million – mainly due to a turnaround in the printing associates and a strong performance from the regional newspaper associates.

Profit before taxation increased from R565,0 million to R596,7 million, an increase of 5,6%.Taxation at a rate of 27,3% absorbed R162,8 million which resulted in profit after taxation of R433,9 million, similar to that achieved in the prior year. Excluding the once-off share-based payment of R43,2 million and the interest received due to the unwinding of IFRS 2 charge of R2,2 million, profit before taxation would have increased by 12,9% and profit after taxation by 8,9%.

The weighted number of shares in issue declined to 391 632 132 while the impact of the executive directors, share allocation added a further weighted number of shares of 4 830 685. This resulted in an earnings per share of 106,8 cents, an increase of 1,7%, and headline earnings per share of 108,8 cents, an increase of 10,6%. Excluding the once-off impact of the IFRS share-based payment, adjusted earnings per share of 117,1 cents and adjusted headline earnings per share of 119,1 cents was achieved. This is an increase over the previous year of 11,5% and 21,1% respectively.

Cash flow
Cash and cash equivalents at 30 June 2015 amounted to R1,989 billion. The ability of the group to generate cash remains strong with cash generated by operating activities of R817,5 million, an increase of 17,4% over the prior year.

Capital expenditure of R453,6 million was incurred and included the following:

- acquisition of properties and plant to facilitate the integration of the acquired Nampak operations
- expenditure to upgrade technology in existing packaging operations
- completion of the gravure press installation in Durban
- expenditure to upgrade technology and improve efficiencies at the book printing operation.

The following investments were made during the year:

- acquisition of the Nampak Carton and Labels division for R328,4 million, effective 1 August 2014
- acquisition of digital media assets for property and vehicle verticals

DIVISIONAL PERFORMANCE
PUBLISHING, PRINTING AND DISTRIBUTION
Newspaper Publishing and Printing
The challenges facing newspapers worldwide continue. Monetising online audiences is still elusive with digital advertising growth not compensating for the loss of advertising print income and the decline in circulations.

South African newspaper publishers face the same problems. On the upside the demand for quality news, particularly on mobile platforms, is greater than ever. The challenge is to manage the established print business efficiently while simultaneously developing digital start-ups.

We are satisfied we are achieving the former and are optimistic our newspapers still have legs and plenty of stamina which means publishing quality and relevant news remains a very high priority. It is encouraging that even though there was a slight drop in operating profit, our newspapers outperformed the rest of the market.

Our investment in digital continued apace, being almost double what it was in 2014 and this trend will continue. We are strongly focused on improving our multi-media offering and the progress we are making on this front is also very encouraging.

The trend of declining circulations and advertising revenues led to lower page impressions in the newspaper print factories. The knock-on was a drop in operating profits albeit not commensurate with the decline in throughput, thanks to very strict cost management and improved efficiencies.

Magazine Publishing and Distribution
Magazines have gone through a rough patch in the last year with advertising budgets and traditional reading habits severely affected. With the ever-increasing choice of reading platforms, capturing audiences' sustained attention is challenging. Consumers remain under pressure with the weak economy and this continues to negatively affect the outlook for printed magazines. The magazine division continues to invest in new revenue opportunities and the strategy is to create more touch points to engage and grow audiences across many platforms.

The group's magazine distribution business, RNA has performed admirably in difficult circumstances with improved profitability through a combination of strict cost control and correcting the margin decline in imported magazines. The acquisition of new customers in the distribution of CDs and DVDs has also had a positive impact.

COMMERCIAL PRINTING
Web and Gravure
We are glad to report that the rationalisation of print facilities and factories, completed in December 2014 as envisaged in last year's report, has been hugely successful and has led to a complete turnaround in profitability of this division during the second six months of the financial year. This turnaround was further assisted by stable prices of raw materials as well as a fairly stable exchange rate. Even though the number of factories and presses were reduced we were able to maintain and even increase volume throughput. This coupled with reduced costs led to improved profitability.

Although the market remains tough due to the continued weak economy we are optimistic that the trend of improving profitability will continue into the coming year where the benefits of the rationalisation will be felt for the first six months to December in comparison to last year.

Book Printing
The performance of the division has shown a significant decline in the last six months of the financial period. This was characterised by a dramatic decline in the volume of orders placed by education publishers and margin erosion due to overcapacity. Concern amongst publishers over Government's single textbook strategy, together with the lack of predictability of order volumes has created an uncertain outlook.

Our investment strategy will ensure the most cost-efficient production facility with the commissioning of a new 10 colour sheet fed press early in 2015 together with a unique web offset press, which will be commissioned later this year. These investments will yield significant improvements in productivity, efficiency, quality and waste reduction.

Packaging
The packaging divisions have been an area of growth, both from our existing operations and as a result of the acquisition of the Nampak Cartons and Labels business effective 1 August 2014.

The group's existing operations continue to grow profitability in a competitive market as a result of providing excellent service and quality while driving production efficiencies.

The Nampak acquisition has settled quickly and the focus has been on addressing the unsustainable cost base and formulating the plan for the next 18 months. This plan has included the acquisition of equipment and properties to improve efficiencies and streamline operations. The full impact of these plans on profitability will only be realised once completed.

Other
The stationery divisions were positively impacted with the closure of the loss-making operation in Ladysmith.

Prospects
Trading conditions are expected to continue to be difficult especially against the background of limited economic growth. The group will continue to implement efficiency plans to compensate for the limited growth environment and also explore further avenues of growth through acquisitions. The current decline in the Rand will result in increases in raw material prices, which will put margins under pressure.

Review of the Independent Auditors
The company's auditors, Grant Thornton, have reviewed these results. Their unqualified review is available for inspection at the registered office of the company.

Statement of responsibility
The preparation of the group's consolidated results was supervised by the Acting Financial Director, Mr TJW Holden, BCom, CA(SA).

Dividends
The board has declared a dividend of 65,0 cents (2014: 60,0 cents) per ordinary share (gross) and a preference dividend of 530,0 cents per share (gross) for the year ending 30 June 2015.

The dividends are subject to the Dividends Withholding Tax. In accordance with the provisions of the JSE Listings Requirements, the following additional information is disclosed:

- the Dividend has been declared out of current profits available for distribution
- the Dividend Tax rate is 15%
- the gross dividend amount is 65,0 cents per ordinary share and 530,0 cents per preference share for shareholders exempt from Dividends Tax
- the net dividend amount is 55,25000 cents per ordinary share and 450,5000 cents per preference share for shareholders liable for Dividends Tax
- the company has 391 517 651 ordinary shares in issue
- the company has 50,000 preference shares in issue
- the company's income tax reference number is: 9175/167/71/8

The following dates are applicable to the dividends.

The last date to trade in order to be eligible for the dividend will be Friday 13 November 2015.

Shares will be traded ex-dividend from Monday 16 November 2015.

The record date will be Friday 20 November 2015 and payment will be made on Monday 23 November 2015.

Share certificates may not be dematerialised or materialised between Monday 16 November and Friday 20 November 2015, both days inclusive.

02 September 2015

Executive Directors: TD Moolman, PG Greyling, TJW Holden
Non-Executive Directors: PM Jenkins, ACG Molusi, NA Nemukula, T Slabbert, GM Utian, P Vallet
Transfer Secretaries: Computershare Investor Services (Pty) Limited
Registered office: 28 Wright Street, Industria West, Johannesburg

Incorporated in the Republic of South Africa
Registration number 1947/026616/06
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Preference share code: CATP ISIN: ZAE000043352

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