CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED
Incorporated in the Republic of South Africa
Registration number 1947/026616/06
Share code: CAT ISIN code: ZAE000043345
Preference share code: CATP ISIN code: ZAE000043352

PROVISIONAL REVIEWED RESULTS FOR THE YEAR ENDED 30 JUNE 2017

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME

R'000	% change	Reviewed for the year to 30 June 2017	Audited for the year to 30 June 2016
Revenue	0,0%	6 407 172	6 404 995
Other operating income		127 446	136 431
		6 534 618	6 541 426
Changes in inventories of finished goods and work in progress		58 318	44 276
Raw materials and consumables used		2 820 487	2 814 092
Staff costs		1 495 088	1 434 239
Other operating expenses		1 412 025	1 486 481
Total operating expenses	0,1%	5 785 918	5 779 088
PROFIT FROM OPERATING ACTIVITIES BEFORE DEPRECIATION	(1,8%)	748 700	762 339
Depreciation		285 748	289 150
PROFIT FROM OPERATING ACTIVITIES AFTER DEPRECIATION	(2,2%)	462 952	473 189
Impairment of investments		19 875	-
Impairment of plant and goodwill		5 399	27 583
NET PROFIT FROM OPERATING ACTIVITIES		437 678	445 605
Net finance income		147 800	126 899
- dividends		85 486	79 265
- interest		53 717	48 428
- IFRS 2 interest on unwinding of transaction		3 749	3 571
- net profit/(loss)on foreign exchange		4 848	(4 365)
Net income from associates		24 667	17 636
PROFIT BEFORE TAXATION		610 145	590 141
Income tax expense		155 146	134 085
PROFIT FOR THE YEAR	(0,2%)	454 999	456 055
Other comprehensive income:		17 259	93 286
Items that will not be reclassified subsequently to profit or loss			
Fair value adjustment - land and buildings		(1 050)	44 954
Items that will be reclassified subsequently to profit or loss			
Fair value adjustment - available for sale investments		18 309	48 332
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		472 258	549 341
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Non-controlling interests		10 346	8 445
Owners of the parent		461 912	540 896
		472 258	549 341
PROFIT ATTRIBUTABLE TO:			
Non-controlling interests		10 346	8 445
Owners of the parent		444 653	447 611
		454 999	456 055
Earnings per share (cents)	(0,2%)	112,2	112,5
Headline earnings per share (cents)	(0,7%)	115,6	116,4
Preference dividend paid per share in respect of the previous year (cents)		570	530
Ordinary dividends paid per share in respect of the previous year (cents)		70	65
Earnings per share based on WANOS in issue		396 219 497	397 982 185
Reconciliation of headline earnings:			
Earnings attributable to owners of company		444 653	447 611
Adjusted for non-trading items		13 474	15 618
Impairment of plant and goodwill		5 399	27 583
Net profit on disposal of assets		(14 289)	(5 892)
Impairment investments		19 875	-
Tax effect on above adjustments		2 489	(6 073)
Headline earnings		458 127	463 229

	Reviewed for the year to 30 June 2017	%	Audited for the year to 30 June 2016	%
Condensed segmental analysis				
Revenue:				
Publishing, printing and distribution	4 881 388	76	4 976 694	78
Packaging and stationery	2 292 601	36	2 180 326	34
Other	111 797	2	88 950	1
Inter-Group sales - publishing, printing and distribution	(742 127)	(12)	(786 572)	(12)
Inter-Group sales - packaging and stationery	(136 487)	(2)	(54 403)	(1)
	6 407 172	100	6 404 995	100
Profit from operating activities after depreciation				
Publishing, printing and distribution	280 632	61	307 956	65
Packaging and stationery	176 705	38	173 474	37
Other	5 615	1	(8 241)	(2)

	462 952	100	473 189	100

Note: The segmental analysis for the prior year was adjusted to better reflect the business segments.

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed for the year to 30 June 2017	Audited for the year to 30 June 2016
CASH FLOW FROM OPERATING ACTIVITIES	527 672	399 291
Cash generated by operations	724 827	758 050
Changes in working capital	57 467	(111 053)
Cash generated by operating activities	782 294	646 997
Taxation paid	(94 233)	(109 445)
Net interest received	53 717	48 428
Dividends received	85 486	79 265
Net cash generated from operating activities	827 264	665 245
Dividends paid	(299 592)	(265 954)
CASH FLOW FROM INVESTING ACTIVITIES	(574 594)	(368 764)
Property, plant and equipment		
- additions to maintain and expand operations	(355 968)	(353 043)
- proceeds from disposals	24 455	12 334
	(331 513)	(340 709)
- subsidiary businesses (net of cash acquired)	(157 779)	(19 198)
Associates, other investments and loans	(85 302)	(8 857)
CASH FLOWS FROM FINANCING ACTIVITIES	(22 936)	(753)
Non-controlling interest disposed of/(acquired)	1 530	(1 867)
Shares allocated in prior year now issued	-	6 000
Own shares acquired	(24 466)	(4 886)
Net (decrease)/increase in cash and cash equivalents	(69 858)	29 774
Cash acquired	(380)	-
Cash and cash equivalents at the beginning of the year	2 030 186	2 000 412
Cash and cash equivalents at the end of the year	1 959 948	2 030 186
Fair value adjustment of preference shares	(14 110)	(11 861)
Fair value of cash and cash equivalents at the end of the year	1 945 838	2 018 325
Note:		
Cash and bank resources - classified as held for sale	2 057	-
Cash and bank resources	835 725	908 020
Bank preference shares at fair value	1 108 056	1 110 305
Fair value of cash and cash equivalents at the end of the year	1 945 838	2 018 325

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

R'000	Reviewed 30 June 2017	Audited 30 June 2016
ASSETS		
Non-current assets		
Property, plant and equipment	2 703 213	2 594 389
Goodwill	78 167	-
Interest in associates	354 926	272 157
Other investments at fair value	108 019	86 155
- listed	8 088	34
- unlisted	99 931	86 121
Deferred taxation	11 363	19 299
Loans to Directors	80 332	74 987
Total non-current assets	3 336 020	3 046 987
Current assets		
Inventories	833 410	806 229
Trade and other receivables	1 093 664	1 160 063
Taxation	1 512	17 961
Bank and cash resources	835 725	908 020
Listed bank preference shares at fair value	58 056	60 305
Unlisted bank preference shares	1 050 000	1 050 000
Total assets held for sale	20 358	-
Total current assets	3 892 725	4 002 578
Total assets	7 228 745	7 049 565
EQUITY AND LIABILITIES		
Equity	5 729 123	5 579 393
Equity attributable to owners of the parent	5 681 975	5 522 685
Preference shareholders	100	100
Non-controlling interest	47 048	56 608
Non-current liabilities		
Deferred taxation	377 387	354 636
Current liabilities		
Trade and other payables	873 463	883 677
Taxation	24 043	5 354
Provisions	219 088	226 505
Total liabilities held for sale	5 641	-
Total current liabilities	1 122 235	1 115 536
Total equity and liabilities	7 228 745	7 049 565
Net asset value per share (cents)	1 436	1 406
Directors' valuation of unlisted investments and associated companies	454 857	358 277

Capital expenditure	355 968	353 043
Capital expenditure committed	90 000	144 000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Reviewed 30 June 2017	Audited 30 June 2016
Balance at beginning of the year	5 579 393	5 296 760
Total comprehensive profit for the period	472 258	549 340
Share buy backs	(24 466)	1 114
Dividends paid - ordinary and preference shareholders	(278 156)	(258 985)
Non-controlling interest disposed of/(acquired)	1 530	(1 867)
Dividends paid - non-controlling interest	(21 436)	(6 969)
Balance at end of the year	5 729 123	5 579 393

Note:

Business combinations

The Group acquired the following businesses, which has been accounted for as business combinations, during the year as follows:

- All 4 Women, Grafton Star, Boland Printers, Flip File, HP Labels .
- The acquired businesses contributed revenue of R121,8 million and a net profit after tax of R5,4 million. Had these businesses been acquired for the full reporting period the revenue would have been R234,9 million and the net profit after tax would be R20,5 million.

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

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

R'000	Acquiree's fair value
Goodwill	78 167
Property, plant and equipment	56 035
Inventory	26 619
Accounts receivable	31 205
Accounts payable	(33 867)
Cash acquired	(380)
Fair value of net assets acquired	157 779
Total cash purchase consideration	(157 779)
	-

Note:

Goodwill

Goodwill relates to expected synergies, the bulking up of service offerings and an expansion of product offerings in the Caxton Group.

Investments listed - available for sale

Equity price risk refers to the risk that the fair value of the future cash flows of the listed investments will fluctuate because of changes in the market prices. The Group's available for sale financial assets are valued using the fair market value at 30 June 2017.

Fair value estimation

IFRS 13 requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices available in active markets for identical assets or liabilities.
Level 2 - Inputs used, other than quoted prices, included within Level 1, that are observable for the asset or liability, either directly or indirectly.
Level 3 - Fair value determined by valuation that uses inputs that are not based on observable market data.

The level of each investment is determined as follows:

- Old Mutual and MPact Limited are Level 1.
- Thebe Convergent Technology and Stanlib are Level 2

Commentary

Basis of Preparation

The accounting policies adopted in the preparation of the Provisional condensed consolidated financial statements for the 12 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, financial reporting pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa.

Earnings

The Group has performed creditably in the year under review, and has managed to maintain earnings at the same level as the previous year, notwithstanding increasingly difficult trading conditions. Regrettably, despite the growth in profit after tax evident at the interim reporting period, consumer confidence and spending fell markedly during the second half and the general state of the economy declined further, resulting in flat year-on-year earnings. The difficult trading conditions meant volume decline and margin pressure became more pronounced during the second half of the financial year.

Revenue ended flat compared to the prior year and was impacted by declining local advertising revenues and further declines in magazine circulation and advertising revenue. This was offset by good growth in our book printing division on the back of increased text book demand and pleasing revenue growth at the Western Cape flexible packaging operation. The recent acquisitions have also contributed positively both to revenue and profits.

Raw material inputs have been stable helped by a more predictable exchange rate, which has had the impact of stabilising pricing. Staff and operating expenses have been well-controlled, with staff costs increasing 4,2% and operating expenses declining by 5,0%. These costs were positively impacted by certain restructuring initiatives, although the benefit of these initiatives were offset to a certain extent by the acquisitions made during the year.

Net profit from operating activities declined marginally to R437,6 million after taking into account an impairment of our investment in Cognition Holdings Limited.

Net finance income increased by 16,5% to R147,8 million, driven by both increased dividends and interest. Increased dividends were earned on our preference share investment where a better rate was negotiated.

Net income from associates increased by 39,9% to R24,7 million as a result of the improved performance from our printing associates. This was, however, partially offset by our share of the losses in the fibre-to-home business, during the network development phase.

Profit before taxation of R610,1 million grew by 3,4% over the prior year while profit after taxation ended similarly to the prior year due to an increased effective taxation rate.

The weighted number of shares in issue declined to 396 219 497, resulting in earnings per share of 112,2 cents similar to the prior year and headline earnings per share of 115,6 cents, a marginal decrease of 0,7%.

Cash Flow

The fair value of cash and cash equivalents amounted to R1,946 billion, a decrease over the prior year of R72 million. Cash generated by operations declined by 4,4% to R725 million as a result of the subdued conditions in the second half of the reporting period. This was compensated for by improved working capital requirements, which is reflective of the subdued trading during the second half and improved debtor collections, resulting in cash generated by operating activities increasing by 20,9% to R782,2 million. Dividends paid accounted for R299,6 million which is an increase of 12,6% over the prior year. Investment in property, plant and equipment of R356 million were made. A large portion of the capital expenditure was in the packaging divisions to facilitate the Gauteng restructure, which is now complete, and in certain instances to upgrade to more efficient equipment.

The Group has been active with acquisitions during the year and has invested R157,8 million in buying the following businesses:

- HP Labelling self-adhesive operation in the Western Cape
- Boland Printers labelling operation in the Western Cape
- Flip File stationery business
- Star Papers stationery business
- The All 4 Women website as part of the Group's digital strategy

In addition the Group has made acquisitions and loans to associates in the amount of R85,3 million. The more significant has been a 30% investment in Universal Labelling (Pty) Ltd and the continued support through shareholder loans of our rapidly growing fibre-to-home associate Octotel (Pty) Limited. Octotel will have passed over 50 000 homes by the end of the year making it the Western Cape's largest independent Open Access fibre operator.

DIVISIONAL PERFORMANCE

Publishing, printing and distribution

Newspaper Publishing and Printing

The depressed consumer environment has had a marked impact on the Group's local newspapers, where revenues at a local level have declined. This, combined with the move of classified, motoring and property advertising to digital platforms has resulted in a decline in profitability. In contrast to this trend, national advertising revenues have continued to show growth in line with inflation. We believe that there is still demand from local businesses to advertise in our products and, to counter the depressed economic conditions, new solutions have been created to stimulate this segment of the market.

The first phase of our digital strategy of creating local news platforms in the towns where we have local newspaper operations has been hugely successful. These platforms are now the fourth largest in South Africa, measured by unique browsers and have grown by 41% during the reporting period. Digital display advertising revenue on these platforms are showing steady growth but will not compensate for the loss of print advertising. The main reasons for this are that the main pillars of local advertising, being classified, motoring and property, has migrated to digital platforms and thus the second phase of our strategy was focused on creating our own digital solutions for these categories at a local level. The Group has invested heavily in developing these solutions and the development is nearing the end and the shift will now be on marketing these platforms and to lure users by leveraging the current visitors to our local news platforms.

The rate of decline in circulations of daily and weekly newspapers has not changed since the last reporting period. The Citizen has, however, shown rapid progress with its digital platform and has increased unique visitors by 61%, proving that there is still a demand for national and international news, albeit that consumption habits have changed significantly. The challenge remains to monetise the digital environment, as an offset to declining print circulation revenues.

The Group's newspaper printing facility delivered similar profits to the prior year which, in the face of declining newspaper circulations and paginations, is an admirable achievement. Having said this, a major third party print contract at our operation in Industria has been cancelled recently which will require a significant downsizing of this operation. Management is optimistic that these initiatives will mitigate the lost volume contribution.

Magazine Publishing and Distribution

The magazine division has managed to compensate for continued declining advertising and circulation revenues through strict cost control measures and tighter management of the distribution of each title in an effort to maximise copy sales wherever possible. In addition, management continues to seek new revenue opportunities attached to its various digital offerings and this has gained some traction in the market place.

The Group's distribution network, RNA, declined in profitability on the back of continuing declining magazine circulations combined with a noticeable decline in CD and DVD distribution revenues. These declines are in line with the respective overall market conditions and can only be mitigated to a certain extent by strict cost containment which has been evident. The focus over the reporting period has been on generating new revenue streams, although this is still in an infancy stage and will require further development before having a meaningful contribution to profits. These pilot projects include a convenience store delivery mechanism to effectively service garage forecourts as well as a direct-to-store stationery delivery system.

Commercial Printing

Web and Gravure

Operationally these divisions have performed to expectations and maintained profitability in the face of declining print volumes which was offset through improved operational efficiencies. The Johannesburg division has recently installed a semi-commercial web press which will add new capabilities and be able to produce innovative and unique offerings to the market.

Book Printing

This division has showed a significant improvement over the previous year in both revenue and profitability. This was driven by the unexpected increased demand from education publishers as a result of a major increased allocation of funds to purchase text books for the Eastern Cape Province.

During the current year, this division has added a digital print facility which has enhanced the service offering to customers and is proving advantageous in servicing customers who require both short, medium and long-run print requirements.

A focus area of this division is to increase its share of the periodical publication market and some success has been achieved during the reporting period.

Other than the aforementioned increased text book demand, the rest of the market is generally depressed which has put pressure on margins as capacity outstrips demand. This pressure has been mitigated to a certain extent by improved manufacturing efficiencies facilitated by the recently installed Manroland Lithoman printing press and also a continuous improvement programme.

Packaging and Stationery

Packaging

The Group's packaging divisions have performed to expectations and maintained profitability. This is a commendable achievement taking into account a depressed consumer environment and the disruptive nature of the reorganisation of the Gauteng operations that led to increased operational costs in the affected divisions. It is pleasing to report that the reorganisation is now complete and the focus in the short-term is to settle the affected Gauteng sites and improve operational efficiencies.

It is also pleasing to report that the Flexibles division in the Western Cape has continued its turnaround that was reported on at the half year and is well-positioned to build upon the improved performance.

It has been an active year on the acquisition front with a number of acquisitions, detailed below, which have increased our label presence:

- The purchase of a paper label manufacturer, Boland Printers in the Western Cape, which will provide a base for the Group to further penetrate the agriculture market. This business has also undergone a capital expansion to enable it to service the short-to-medium run folding carton and litho laminate markets.
- The purchase of the self-adhesive label business of HP Labelling in the Western Cape. This operation has a large presence in the agriculture market and will be fully integrated into our existing operation in Parow.
- The purchase of the self-adhesive label business of Tricolor in the Western Cape (effective date 1 August 2017) which will also be integrated into our Parow operation.
- The purchase of 30% of Universal Labels (Pty) Ltd in Gauteng. This business manufactures self-adhesive, shrink and in-mould labels. The intention is for the experienced management team to undertake further acquisitions in the Gauteng region.

The packaging markets that we service continue to be highly competitive in nature and requires the continued focus on being a low cost manufacturer, which the recent acquisitions and reorganisations are aimed to achieve. The Group is on the continued lookout for further acquisition opportunities that complement our portfolio of products.

Stationery

The stationery division improved profitability following an excellent diary season and with improved margins in other products. The recently acquired Flip File business contributed positively to this performance and has been integrated into our existing operation, allowing for rationalisation of certain costs. During the period, a small acquisition of Star Papers was concluded and this business has also been integrated into our existing site and will add to profitability.

Other

The integration of the acquired replication business with our existing business, which we previously reported on, is now complete. This has meant that three sites have been rationalised into one and this effort has resulted in improved profitability.

Prospects

The general state of the economy is not expected to improve in the short-term and this will hamper meaningful organic growth, but does present interesting acquisition opportunities and the possibility of leveraging off our established operational capacity, without significant further investment. The focus will be on running our business with our normal attention to costs and where possible, improving operational efficiencies. The Group is in an enviable position with a strong balance sheet and ample cash reserves to take advantage of any opportunities that arise.

Review report of the Independent Auditors

The company's auditors, Grant Thornton, have reviewed these results. Their unmodified review conclusion is available for inspection at the registered office of the company. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

Statement of responsibility

The preparation of the Group's consolidated results was supervised by Mr TJW Holden, BCom, CA(SA).

Dividends

The board has declared a dividend of 70,0 cents (2016: 70,0 cents) per ordinary share (gross) and a preference dividend of 570,0 cents per share (gross) for the year ending 30 June 2017.

The dividends are subject to the Dividend 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 Withholding Tax rate is 20%;
- the gross dividend amount is 70,00 cents per ordinary share and 570,00 cents per preference share for shareholders exempt from Dividends Withholding Tax;
- the nett dividend amount is 56,00 cents per ordinary share and 456,00 cents per preference for shareholders liable for Dividend Withholding Tax;
- the company has 395 597 460 ordinary shares in issue;
- the company has 50 000 preference shares in issue; and
- 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 Tuesday 14 November 2017.

Shares will be traded ex-dividend from Wednesday 15 November 2017.

The record date will be Friday 17 November 2017 and payment will be made on Monday 20 November 2017.

Share Certificates may not be dematerialised or materialised between Wednesday 15 November 2017 and Friday 17 November 2017, both days inclusive.

Events After the Reporting Period

- As announced on SENS on 19 June 2017, the company accepted the offer made by African Media Entertainment Limited ("AME") to acquire 100% of the issued share capital of Moneyweb Holdings Limited ("Moneyweb") that AME did not already own, resulting in the company disposing of its 50.72% interest in Moneyweb in exchange for 218 627 ordinary shares in AME at an issue price of 7 000 cents per share. At the year end the directors classified the Moneyweb investment as held for sale.
- The self-adhesive label business of Tricolor in the Western Cape was purchased effective from 1 August 2017 for R11,1 million.
- On 25 August 2017 the Caxton group, together with other purchasers concluded an agreement to acquire the 81,5% shareholding held by One African Media Pty Limited in Private Property South Africa Proprietary Limited, one of the leading digital property portals in South Africa, subject to regulatory approval. In terms of the transaction, the Caxton group will acquire an effective shareholding of 50% in Private Property with effect from 1 July 2017, for a purchase price of R122,9 million, plus interest calculated from 1 July 2017 to date of payment.

31 August 2017

Executive Directors: TD Moolman, PG Greyling, TJW Holden
Independent Non-Executive Directors: PM Jenkins, ACG Molusi, NA Nemukula, J Phalane, T Slabbert
Transfer Secretaries: Computershare Investor Services Proprietary Limited
Registered office: 28 Wright Street, Industria West, Johannesburg

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