

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

NOVUS HOLDINGS RESULTS FOR THE YEAR ENDED 31 MARCH 2018

SALIENT FEATURES

	2018 R'000	2017 R'000	Change %
Revenue	4 308 102	4 312 464	-0,1%
Gross profit	1 126 997	1 105 404	+2,0%
Margin	26,2%	25,6%	
Operating profit	141 947	393 736	-63,9%
Operating profit – excluding impairments and profit/(loss) on disposal of assets	500 719	528 825	-5,3%
Operating margin	3,3%	9,1%	
Operating margin – excluding impairments and profit/(loss) on disposal of assets	11,6%	12,3%	
Profit after tax	71 103	256 827	-72,3%
Headline earnings	328 734	354 083	-7,1%
Earnings per share (EPS) – cents	22,0	80,4	-72,6%
Headline earnings per share (HEPS) – cents	102,9	110,8	-7,1%
Dividend per share – cents	52,0	56,0	-7,1%
Free cash flow*	397 964	236 332	+ 68,4%
Cash conversion ratio [^]	108,6%	77,5%	+31,1%
Debt to equity ratio	4,1%	2,8%	+1,3%

* Cash generated from operations less capital expenditure spent on property, plant and equipment and intangibles (excluding profit/(loss) on disposal of assets), less taxation paid

[^] Cash generated from operations less capital expenditure spent on property, plant and equipment and intangible assets, divided by operating profit, excluding impairments and profit/(loss) on disposal of assets.

EXECUTIVE CHAIRMAN'S REVIEW

The 2018 financial year has been a disruptive and base-setting year for Novus Holdings. It brings about the closure of many of the uncertainties that have recently surrounded our business and as a Group we are excited about the opportunities we are now exploring to sustainably grow our operations off the new base.

OPERATING ENVIRONMENT

The industry-specific declines in the printing industry have continued during the year under review. We managed to maintain our print market share of approximately 65%, but have been unable to grow it given the fiercely competitive market.

The book printing sector is offering stability to our printing business with the Department of Basic Education (DBE) contract volumes dampening to some extent, the directory volume decline we are experiencing.

The estimated R15 billion flexible plastics packaging industry also struggled during the year, but we believe that this sector of the market provides us with real opportunities as we look to increase our current and relatively small market share in this industry.

2018 FINANCIAL PERFORMANCE REVIEW

Group revenue of R4,308 million was broadly flat on prior year (2017: R4,312 million), with favourable exchange rate positions keeping our gross profit margin of 26,2% in line with prior year.

PRINT

Print revenue was down 8,8% for the year under review, largely as a result of volume declines of 11,5% experienced during the period. As the largest operational segment in the group, this had a material negative impact on the Group's earnings (excluding retrenchment costs).

Volume declines were experienced across all printing categories, with magazines and newspapers faring the worst. In this context, business development is a key focus for our management team.

Pleasingly, we have completed and delivered the DBE workbook order (60 million books per annum) for year 1 (of 3) with this contract generating 17% of total printing revenue during the year under review. It should be noted that one of our main competitors is still pursuing legal recourse insofar as the awarding of this contract to Novus Holdings and our partners are concerned. As a management team we are comfortable that our legal position is robust and we will not allow this to distract us from delivering successfully on this key contract.

Novus Print Solutions has successfully re-established itself after the move and has shown a turnaround of R25 million on an operating profit level compared to the prior year. This business is now positioned to deliver further growth.

Impairments of R201,9 million were raised against print property, plant, equipment, intangibles and goodwill during the financial year, as we restructure and right-size our print operations.

Subsequent to these impairments, plant and equipment in the print segment now make up 64% (2017: 75%) of the Group's investment in plant and equipment.

PACKAGING

ITB Plastics contributed R265 million of revenue in the second half of the financial year following the acquisition of this business in October 2017. This acquisition has now been bedded down and will contribute 12 months of revenue in 2019, with the current year only reflecting a disruptive six months' worth of revenue, during which multiple operations were relocated and consolidated into two adjacent sites in isiThebe.

Paarl Labels received an increased allocation of labels from ABInBev in July 2017. We also successfully secured a significant allocation of wrap-around labels from Coca-Cola Beverages Africa in June 2017. Paarl Labels furthermore added volume to wet-glue and self-adhesive labels during the year, with label revenue increasing by almost 62% during the 2018 financial year to R210 million.

The EBIT contribution of R27 million from our labels business more than doubled over the year and we are confident that this business will increase its contribution to our bottom line over the medium to long term.

TISSUE

The tissue expansion project phase ended in November 2017.

The tissue manufacturing mills (which produce jumbo reels) are not yet optimized in terms of production output and we are currently in the process of improving running speeds, reducing breakdowns and increasing material efficiencies and product quality. A significant increase of market share is possible with increasing production output and efficiency and this is the current focus of the management team. Margins in this segment are currently under duress.

We have revised the tissue business model following the final implementation of the operations. This resulted in impairments of R170,2 million to the tissue division in order to value it in line with the expected medium-term results.

We also reviewed the tissue conversion operation (which converts jumbo reels into the smaller products such as toilet paper rolls or kitchen towels) as part of the expansion project and it was decided to exit this unprofitable operation in August 2017.

CAPITAL EXPENDITURE

Maintenance capex incurred during the year under review tracked in line with expectations and prior year, while expansion capex mostly related to the completion of the tissue project, as well as additional label finishing capacity introduced into the Group.

In line with our stated strategy to diversify the Group's revenue streams away from printing, capex in the printing operations is limited largely to maintenance spend, with proactive maintenance programs aiming to extend the useful lives of assets.

Due to the completed Tissue capex programme, the business was able to increase free cash flow by 68,4% to R398 million and had R209 million cash and cash equivalents at the end of the financial year. This, combined with low gearing levels, give the Group tremendous optionality as we seek to drive value going forward.

MANAGEMENT AND CHANGES TO THE BOARD

In addition to a disruptive operational period over these past 12 months, we also had senior management changes, notably the departure of Edrich Fivaz as Group CFO followed by the Group CEO, Keith Vroon.

As announced, I will be fulfilling the CEO role, effective 15 June 2018, and due care is being taken to appoint a suitable CFO.

Beyond the executive management positions, we are confident that we have some of the most experienced operational management in the industry. I believe it is our depth in leadership and management, that gives us the edge as we forge ahead into a new chapter for Novus Holdings.

The Board would like to thank both Keith and Edrich for their valuable contributions and commitment to Novus Holdings over the last decade.

We are also pleased to announce that Ms. Noluvuyo Mkhondo has been appointed as non-independent non-executive director with effect from 15 December 2017. She brings a wealth of experience with her and we look forward to working together.

APPOINTMENT OF COMPANY SECRETARY

In terms of paragraph 3.59 of the JSE Limited Listings Requirements, shareholders are advised that Kilgetty Statutory Services Proprietary Limited has been appointed company secretary of Novus Holdings with effect from 14 June 2018.

STRATEGY

In the context of our operating environment and the opportunities and risks we face as a business, the Board and management team have identified two broad strategic themes.

Firstly, it is imperative that our cash generative, core-printing business remains the industry leader, as it provides us with the platform from which to diversify and expand. We must furthermore ensure that our operations are the right size for the respective markets we operate in and that we run them as efficiently and innovatively as possible.

Secondly, we need to diversify our revenue and income streams as our print operations' revenue decline on the back of a contracting print industry. Cost containment is a key element of this drive as we replace high-margin print revenue with lower-margin packaging revenue.

Novus Holdings is a good light to medium industrial business and as a Group we have deep experience and skills in the processes required to run an industrial operation, from the installation and running of industrial equipment and plants to managing large industrial capital expenditure projects.

Given the experience and these skill sets and based on our market analysis, the labels and packaging sector presents a natural growth opportunity for Novus Holdings. It is important to note that the quality of the management team in any acquisition is a deal-breaker, as we continually look to deepen and strengthen our executive and operational management teams. Our due diligence process includes the courting of potential future management and early engagement with the targets' operational management to identify areas requiring potential support and of growth.

We have a target to diversify our revenue streams by 50% over the medium term. In the 2018 financial year 16% of our revenue came from our diversified operations, up from 8% in 2017.

DIVIDEND

Our current dividend policy of 2x HEPS cover remains unchanged, but will always be dependent on acquisition opportunities and the cash requirements of the business from time to time.

The Board approved a dividend No. 4 of 52,0 cents per share (2017: 56,0 cents). The source of the dividend is from distributable reserves and paid in cash. The dividend declared is subject to dividend withholding tax at 20,0%. The tax payable is 10,4 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 41,6 cents per share.

Novus Holdings has 347 332 454 shares in issue as at the date of this declaration. The income tax reference number is 9656/360/15/4.

Salient dates for payment of the dividend:

Last day to trade (cum dividend)	Tuesday, 04 September 2018
Trading ex dividend commences	Wednesday, 05 September 2018
Record date	Friday, 07 September 2018
Payment date	Monday, 10 September 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 September 2018 and Friday, 7 September 2018, both dates inclusive.

OUTLOOK

We have provided guidance on the impact of the renegotiated Media24 contract on our Revenue and expect our Group margin to come under pressure as we continue to fill capacity in our packaging segment, replacing higher margin printing revenue with lower margin packaging and tissue revenue.

We recognise the need for an accelerated restructure of our business as the changes that have been taking place in the past are simply not enough to keep pace with the impact of a shifting operating landscape.

As a Board and management team we are focused on cost cutting, streamlining of operations, innovating where possible and acquisitions into diversified business interests in order to transform Novus Holdings into a sustainable growth business going forward.

Finally, we have emerged from an unsettling and challenging period with a very strong balance sheet. We are cash generative, enjoy strong market share positions and are more focused than ever to deliver value not only to our shareholders, but to all our stakeholders.

EVENTS AFTER REPORTING DATE

The directors are not aware of any matters or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

Any forecast information has not been reviewed or reported on by the Group's auditors.

RESULTS PRESENTATION

Shareholders are advised that Novus Holdings will be hosting their results presentation via live audio webcast at 10h30 (SA time) on Wednesday, 20 June 2018.

The webcast is available for listening at <http://www.corpcam.com/Novus20062018>.

Once concluded, a recording of the webcast will be available on the Group's website at www.novus.holdings.

Neil Birch
Executive Chairman

15 June 2018
Cape Town
Sponsor: Investec Bank Limited

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 March

	AUDITED	
	2018	2017
	R'000	R'000
ASSETS		
Non-current assets	2 253 283	2 356 990
Property, plant and equipment	1 919 115	2 102 674
Goodwill	173 054	155 419
Other intangible assets	30 790	42 250
Available-for-sale financial assets	3 090	3 000
Loans and receivables	6 517	3 050
Deferred taxation assets	120 717	50 597
Current assets	1 520 199	1 242 561
Inventory	474 675	342 330
Trade and other receivables	702 154	478 439
Related-party receivables	–	126 958
Derivative financial instruments	731	1 462
Current income tax receivable	8 000	–
Cash and cash equivalents	243 948	229 968
Non-current asset held for sale	90 691	63 404
TOTAL ASSETS	3 773 482	3 599 551
EQUITY AND LIABILITIES		
Capital and reserves attributable to the Group's equity holders	2 787 087	2 882 839
Share capital	606 040	606 040
Treasury shares	(368 172)	(368 172)
Other reserves	(80 596)	(804 465)
Retained earnings	2 629 815	3 449 436
Non-controlling interest	3 672	(374)
TOTAL EQUITY	2 790 759	2 882 465
LIABILITIES		
Non-current liabilities	374 163	371 171
Post-employment medical liability	2 634	2 987
Provisions	17 557	17 045
Long-term liabilities	99 252	60 436
Cash-settled share-based payment liability	1 845	3 139
Deferred taxation liabilities	221 357	242 429
Deferred income	31 518	45 135
Current liabilities	608 560	345 915
Provisions	4 538	2 177
Current portion of long-term liabilities	16 254	20 090
Trade and other payables	521 519	288 848
Related-party payables	–	1 154
Cash-settled share-based payment liability	7 092	9 422
Current income tax payable	–	120
Derivative financial instruments	21 055	16 520
Bank overdrafts	35 332	2 744
Deferred income	2 770	4 840
TOTAL EQUITY AND LIABILITIES	3 773 482	3 599 551

SUMMARY CONSOLIDATED INCOME STATEMENT
for the year ended 31 March

	AUDITED	
	2018 R'000	2017 R'000
Revenue	4 308 102	4 312 464
Cost of sales	(3 181 105)	(3 207 060)
Gross profit	1 126 997	1 105 404
Operating expenses	(626 278)	(576 579)
Other gains /(losses) - net	(358 772)	(135 089)
Operating profit	141 947	393 736
Finance income	12 948	13 433
Finance costs	(52 894)	(45 688)
Profit before taxation	102 001	361 481
Taxation	(30 898)	(104 654)
Net profit for the year	71 103	256 827
Attributable to:		
Equity holders of the Group	70 418	256 819
Non—controlling interest	685	8
	71 103	256 827
Earnings per share (cents)		
Basic	22,04	80,37
Diluted	22,04	80,37

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March

	AUDITED	
	2018 R'000	2017 R'000
Profit for the year	71 103	256 827
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Hedging reserve	(1 498)	(12)
Net fair value (losses) / gains , gross	–	(109)
Net fair value (gains) / losses, tax portion	–	31
Foreign exchange movement, gross	18 368	(18 122)
Foreign exchange movement, tax portion	(5 143)	5 075
Derecognised and added to asset, gross	1 699	9 425
Derecognised and added to asset, tax portion	(476)	(2 639)
Derecognised and reported in cost of sales, gross	(22 147)	8 787
Derecognised and reported in cost of sales, tax portion	6 201	(2 460)
Foreign currency translation reserve	(1 942)	(1 855)
Exchange loss arising on translating foreign operations, gross	(2 697)	(2 577)
Deferred tax relating to loss arising on translating foreign operations, tax portion	755	722
Fair value reserve	65	–
Net fair value (losses) / gains , gross	90	–
Net fair value (gains) / losses, tax portion	(25)	–
Items that will not be reclassified to profit or loss		
Post-employment benefit obligations and provisions	640	660
Remeasurement of post-employment benefit obligations and provisions, gross	730	917
Remeasurement of post-employment benefit obligations and provisions, tax portion	(90)	(257)
Total other comprehensive income, net of tax	(2 735)	(1 207)
Total comprehensive income for the year	68 368	255 620
Attributable to:		
Equity holders of the Group	67 683	255 612
Non-controlling interest	685	8
	68 368	255 620

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March

AUDITED

	Share capital and premium R'000	Treasury shares R'000	Total other reserves R'000	Retained earnings R'000	Non— controlling interest R'000	Total equity R'000
Balance as at 1 April 2016	606 040	(368 172)	(827 441)	3 412 197	—	2 822 624
Total comprehensive income for the year	—	—	(1 207)	256 819	8	255 620
Profit for the year	—	—	—	256 819	8	256 827
Other comprehensive income	—	—	(1 207)	—	—	(1 207)
Transactions with owners:						
Share based compensation movement	—	—	28 285	—	—	28 285
Transfer from share based compensation reserve	—	—	(4 102)	4 102	—	—
Dividends paid	—	—	—	(223 682)	—	(223 682)
Transactions with non-controlling interests	—	—	—	—	(382)	(382)
Total transactions with owners	—	—	24 183	(219 580)	(382)	(195 779)
Balance as at 31 March 2017	606 040	(368 172)	(804 465)	3 449 436	(374)	2 882 465
Total comprehensive income for the year	—	—	(2 735)	70 418	685	68 368
Profit for the year	—	—	—	70 418	685	71 103
Other comprehensive income	—	—	(2 735)	—	—	(2 735)
Transactions with owners:						
Share based compensation movement	—	—	15 007	—	—	15 007
Other movements	—	—	491	13	—	504
Transfer from share based compensation reserve	—	—	(18 331)	18 331	—	—
Dividends paid	—	—	—	(178 946)	—	(178 946)
Transfer to/from non distributable reserves	—	—	729 437	(729 437)	—	—
Transactions with non-controlling interests	—	—	—	—	3 361	3 361
Total transactions with owners	—	—	726 604	(890 039)	3 361	(160 074)
Balance as at 31 March 2018	606 040	(368 172)	(80 596)	2 629 815	3 672	2 790 759

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March

	AUDITED	
	2018 R'000	2017 R'000
Cash generated from operating activities		
Cash generated from operations	683 632	661 829
Finance income	12 948	13 433
Finance costs	(18 254)	(11 718)
Taxation paid	(169 226)	(188 513)
<i>Cash generated from operating activities</i>	509 100	475 031
Cash flows from investment activities		
Property, plant and equipment acquired	(138 065)	(243 719)
Proceeds on sale of property, plant and equipment	21 424	15 098
Purchase of intangible assets	(1 887)	(8 363)
Insurance proceeds	2 086	–
Loans and receivables advanced	(3 448)	(4 512)
Loans and receivables repaid	227	263
Acquisition of subsidiaries/businesses	(202 149)	10 785
<i>Cash utilised in investing activities</i>	(321 812)	(230 448)
Cash flows from financing activities		
Repayment of long-term loans	(26 950)	(60 455)
Dividends paid	(178 946)	(223 682)
<i>Cash utilised in financing activities</i>	(205 896)	(284 137)
Net decrease in cash and cash equivalents	(18 608)	(39 554)
Cash and cash equivalents at the beginning of the year	227 224	266 778
Cash and cash equivalents at the end of the year	208 616	227 224

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 March 2018

1 REPORTING ENTITY

The financial data in the summary consolidated financial statements covers the Group's comprehensive commercial printing and manufacturing operations in South Africa. Revenue derived from African business interests outside of South Africa is not yet material enough to warrant increased geographical reporting boundaries. The report is structured to cover the operations according to two business segments:

- Printing (including gravure, heatset, coldset, sheet-fed and digital)
- Other (including labels, flexible packaging, tissue manufacturing together with other non-print products)

2 BASIS OF PREPARATION

The summary consolidated financial statements for the year ended 31 March 2018 have been prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for preliminary reports, and the requirements of the Companies Act, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 - Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements, from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

3 PREPARATION

The preparation of the summary consolidated financial statements was supervised by the Group acting chief financial officer, Edrich Fivaz CA(SA). Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the Company's auditor.

4 AUDITOR'S REPORT

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The audited annual financial statements and the auditor's report thereon are available for inspection at the Company's registered office.

The directors take full responsibility for the preparation of the preliminary report and the financial information has been correctly extracted from the underlying annual financial statements.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

5 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these summary consolidated financial statements conform to IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The following new accounting standards and amendments to IFRSs became effective and were adopted by the Group during the current financial year:

	Effective date: Years beginning on or after
Standard/Interpretation	
Amendment to IAS 12: Income taxes	01 January 2017
Amendment to IAS 7: Cash flow statements	01 January 2017

The relevance of these amendments to the published standards has been assessed with respect to the Group's operations and it was concluded that, other than additional presentational disclosures required, they did not have a material impact on the Group.

6 USE OF ESTIMATES AND ASSUMPTIONS

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 31 March 2018, as well as the prior year.

7 SEGMENT INFORMATION

IFRS 8: Operating Segments require operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker (CODM) to allocate resources to the segments and to assess their performance. The CODM has been identified as the executive committee that makes strategic decisions.

The executive committee has identified five operating segments based on its business by service or product. Two operating segments meet the quantitative thresholds for separate reporting. They are however similar in nature and meet the aggregation criteria in terms of IFRS 8 paragraph 12 as they have similar profit margins, production processes, customers and suppliers. They are aggregated into the "Printing" segment, which comprises printing of books, magazines, newspapers and related products. The remaining three operating segments do not meet the quantitative threshold for separate reporting, and are combined in "Other", which comprises the Labels division that prints labels, Novus Packaging Proprietary Limited which manufactures tissue paper, ITB Manufacturing Proprietary Limited which produces flexible packaging product and any other non-print related transactions in the year.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

	Printing R'000	Other R'000	Eliminations R'000	Total R'000
2018				
External revenue	3 634 322	673 780	–	4 308 102
Inter-segmental revenue	13 875	17 747	(31 622)	–
Total Revenue	3 648 197	691 527	(31 622)	4 308 102
Profit attributable to equity holders of the company	229 997	(159 579)	–	70 418
Additional disclosure				
Property, plant and equipment additions	51 417	102 112	–	153 529
Capital commitments	1 754	18 080	–	19 834
Impairment of PPE, goodwill and intangible assets	(201 985)	(170 166)	–	(372 151)
Total assets	3 692 691	1 005 544	(924 753)	3 773 482
Total liabilities	713 111	1 194 365	(924 753)	982 723
2017				
External revenue	3 986 504	325 960	–	4 312 464
Inter-segmental revenue	11 514	32 783	(44 297)	–
Total Revenue	3 998 018	358 743	(44 297)	4 312 464
Profit attributable to equity holders of the company	360 887	(104 068)	–	256 819
Additional disclosure				
Property, plant and equipment additions	112 985	166 430	–	279 415
Capital commitments	4 023	42 784	–	46 807
Impairment of PPE, goodwill and intangible assets	(108 998)	(29 644)	–	(138 642)
Total assets	3 685 512	634 549	(720 510)	3 559 551
Total liabilities	642 023	795 573	(720 510)	717 086

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

8 EARNINGS PER SHARE

Basic earnings per share

Earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the net profit attributable to ordinary shareholders. For the purpose of calculating earnings per share, treasury shares are deducted from the number of ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares and is based on the net profit attributable to ordinary shareholders, adjusted for the after-tax dilutive effect. Currently, the share options granted and vested under equity settled schemes to participating employees and directors are considered anti-dilutive.

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

	AUDITED	
	2018 R'000	2017 R'000
Calculation of headline earnings		
Earnings		
Net profit attributable to shareholders	70 418	256 819
Adjustments (net of tax):	258 316	97 264
– Profit on sale of property, plant and equipment	(8 131)	(2 558)
– Insurance proceeds	(1 502)	–
– Impairment in value of property, plant and equipment	213 931	99 822
– Impairment in value of intangible assets	8 963	–
– Impairment in value of goodwill	45 055	–
Headline earnings	328 734	354 083
Number of ordinary shares in issue	347 332 454	347 332 454
Weighted average number of shares	319 545 857	319 545 857
Earnings per ordinary share (cents)		
Basic	22,04	80,37
Diluted	22,04	80,37
Headline earnings per ordinary share (cents)		
Basic	102,88	110,81
Diluted	102,88	110,81

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

9 BUSINESS COMBINATIONS
2018

With effect from 1 October 2017, the Group acquired 100% of the share capital of ITB Manufacturing Proprietary Limited for a purchase consideration of R224 million. The acquisition will enable the Group to expand into packaging and goodwill of R80,2 million relates to the expected benefits to be derived from a larger customer base operating in a growth sector. The goodwill will not be deductible for tax purposes.

	2018 R'000
Fair value of assets and liabilities acquired	
Property, plant and equipment	188 630
Intangible assets	6 709
Inventory	74 371
Trade and other receivables	75 577
Trade and other payables	(73 517)
Cash and cash equivalents	2 682
Bank overdraft	(24 831)
Current tax payable	(364)
Deferred taxation	(40 158)
Long term liabilities	(62 282)
Identifiable assets and liabilities at acquisition date	146 817
Non controlling interest	(3 361)
Goodwill	80 212
Total purchase consideration	223 668
Contingent consideration	43 668
Cash paid	180 000
Total purchase consideration	223 668
Cash flow	
Cash consideration paid in respect of ITB Manufacturing Proprietary Limited	(180 000)
Cash in entity acquired	2 682
Bank overdraft in entity acquired	(24 831)
Cash flow on acquisition	(202 149)

Acquisition-related costs of R1,1 million that were not directly attributable to the issue of shares are included in profit or loss and in operating cash flows in the statement of cash flows.

Revenue of R264,9 million and a profit after tax of R7,4 million have been included in the consolidated statement of comprehensive income since acquisition date.

The Group's revenue and profit after tax would have been R4 553,9 million and R72,3 million respectively if the acquisition had occurred at the beginning of the reporting period. Included in the profit after tax of the subsidiary prior to being consolidated were non-recurring moving and transaction costs. The contingent consideration is limited to R43,7 million, of which R42 million was paid on 1 June 2018 with the remainder to be paid at a later date.

2017

With effect from 21 September 2016, the Group acquired 97.74% of the share capital of International Printing Group Limitada for a purchase consideration of R0,3 million. This consideration was settled by converting a portion of the debt owed to the Group, to equity in International Printing Group Limitada. Details of this business combination were disclosed in note 30 of the group's annual financial statements for the year ended 31 March 2017.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

10 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

10.1 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 summary consolidated 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 2018.

10.2 Fair value estimation

The table below analyses 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 R'000	Level 2 Significant other observable inputs R'000	Level 3 Significant unobservable inputs R'000	Total R'000
At 31 March 2018				
Assets				
Available for sale financial assets	—	3 090	—	3 090
Foreign exchange contracts	—	731	—	731
	—	3 821	—	3 821
Liabilities				
Contingent consideration	—	—	43 668	43 668
Foreign exchange contracts	—	21 055	—	21 055
	—	21 055	43 668	64 723
At 31 March 2017				
Assets				
Available for sale financial assets	—	3 000	—	3 000
Foreign exchange contracts	—	1 462	—	1 462
	—	4 462	—	4 462
Liabilities				
Foreign exchange contracts	—	16 520	—	16 520
	—	16 520	—	16 520

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

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.

Available -for-sale financial assets - the use of quoted market prices for similar instruments.

Valuation techniques and key inputs used to measure significant Level 3 fair values

Contingent consideration - expected cash outflows are estimated and calculated based on the terms of the purchase agreement (see note 9). The amount is determined based on a multiple of sustainable earnings of the acquired business for the year 1 March 2017 to 28 February 2018.

The carrying amounts of the other financial assets and liabilities are a reasonable approximation of their fair values.

11 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, GOODWILL AND INTANGIBLE ASSETS

The Group recognised an impairment of property, plant and equipment of R297,1 million (2017: R138,6 million. R172,3 million (2017: R109 million) of the impairments relates to the Printing segment and R124,8 million (2017: R29,6 million) relates to the Other segment.

Goodwill and intangible assets impaired amounted to R75,0 million (2017: Rnil) of which R29,6 million (R2017: Rnil) relates to the Printing segment and R45,4 million (2017: Rnil) to the Other segment.

These impairment losses have been included in "Other gains/(losses)" in the income statement.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2018

12 RELATED PARTY TRANSACTIONS

The Group entered into transactions and has balances with a number of related parties including shareholders and entities under common control. Transactions that are eliminated on consolidation as well as profits or losses eliminated through application of the equity method are not included. There are changes to the related parties which exist at year end as Media24 divested itself of the majority of its shareholding in Novus Holdings to Naspers Limited, retaining a non-controlling minority stake of 17.48% of issued share capital. This therefore changed the relationships with the ultimate holding company and holding company which were disclosed in 2017. All transactions have been reported for common controlled entities within the Naspers Group until 26 September 2017.

13 CAPITAL COMMITMENTS AND CONTINGENCIES

Commitments relate to amounts for which the Group has contracted, but that have not yet been recognised as obligations in the statement of financial position.

	AUDITED	
	2018 R'000	2017 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
– Property, plant and equipment	19 834	46 807
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	18 479	5 486
– in second to fifth year inclusive	50 046	12 841
– later than five years	31 436	–
	119 795	65 135

The Group leases manufacturing and office space as well as equipment under various non-cancellable operating leases. Certain contracts contain renewal options and escalation clauses for various periods of time.

14 EVENTS AFTER REPORTING DATE

The Group has commenced the implementation of a corporate reorganisation in an attempt to align segments and divisions with the operational reporting structure. Through this process, the group envisages that it will also achieve a more streamlined legal organogram. The series of transactions does not have an impact on the consolidated financial statements of the Group, as they are merely reorganising the entities in the organogram.

The Group made the following name changes to subsidiaries within the Group. This included the following:

- Novus Packaging Proprietary Limited was changed to Novus Packaging Holdings Proprietary Limited and
- Paarl Tissue Proprietary Limited was changed to Novus Packaging Proprietary Limited.

The directors are not aware of any matters or circumstances arising since the end of the financial year and the date of this report.