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 2019

Novus Holdings' core operations comprises of an extensive network of specialised printing and manufacturing plants servicing customers across the continent. The Group's activities include print production of all medium to long run requirements of magazines, retail inserts, catalogues, books, newspapers, commercial and digital work, labels, educational materials, flexible plastic packaging and manufacturing of tissue products.

SALIENT FEATURES

	2019 R'000	2018 R'000	Change %
Revenue	4 331 800	4 308 102	0,6%
Gross profit	944 022	1 126 997	-16,2%
Margin	21,8%	26,2%	
Operating profit	276 831	141 947	95,0%
Operating profit - excluding impairments, profit/(loss) on disposal of assets and loss on derecognition of foreign subsidiary	293 522	500 719	-41,4%
Operating margin	6,4%	3,3%	
Operating margin - excluding impairments, profit/(loss) on disposal of assets and loss on derecognition of foreign subsidiary	6,8%	11,6%	
Profit after tax	170 353	71 103	139,6%
Headline earnings	183 624	328 734	-44,1%
Earnings per share - cents	56,4	22,0	156,1%
Headline earnings per share - cents	60,4	102,9	-41,3%
Dividend per share - cents	30,0	52,0	-42,3%
Free cash flow*	116 614	397 964	-70,7%
Cash conversion ratio^	42,2%	108,6%	-66,4%
Debt to equity ratio	3,7%	4,1%	-0,4%

*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, profit/(loss) on disposal of assets and loss on derecognition of foreign subsidiary.

2019 was the first full year of operation with the renegotiated Media24 contracts, at reduced volumes and prices, marking a period of significant transition for the Group. All this change was successfully navigated against the backdrop of a tough economic environment, setting a new base for the future.

OPERATING ENVIRONMENT

The South African economy remains constrained with business and consumer confidence at all-time lows.
The Rand weakened in the year, against a backdrop of global trade tensions and economic uncertainty. The hedging programme has somewhat smoothed the peaks and troughs of a volatile Rand, but the weaker currency negatively impacted the cost of all key raw materials.

The impact of Rand weakness was further exacerbated by the volatile price of crude oil (up 17% in Rand terms over the period under review) and related polymers. This had material implications for input costs in the plastic packaging business.

Interrupted electricity supply remains a significant challenge, not only for Novus Holdings, but also for the entire South African economy. During February and March 2019 downtime experienced as a result of load shedding negatively affected profitability by approximately R10 million.

FINANCIAL PERFORMANCE REVIEW

Operating profit declined by 41,4% to R294 million (2018: R501 million). This is predominantly because of lower print revenues following the renegotiation of the Media24 contracts, reduced margins on retained print work and poor contribution on ITB Flexible Packaging Solutions (ITB) revenue.

The decrease in the cash conversion ratio from 108,6% to 42,2% was caused by a temporary delay in payments from debtors (financial year end fell on a weekend) and increased stock-holding. These factors, along with the R139 million share buy-back programme completed during the year, negatively impacted cash on hand at year end.

The closure of a key local paper mill in early 2018 necessitated the importation of certain paper grades, which increased the amount of stock held. Together with the strategic acquisition of raw material in anticipation of price increases, inventory increased by an additional R117 million. With an improved understanding of this supply chain, stock on hand will be reduced in the coming year, which will impact positively on cash generation.

Excluding the impact of some of the events above, the normalised cash conversion ratio for the year under review would have been 95,1%.

HEPS achieved for the year was 60,4 cents (2018: 102,9 cents) which was within the range of 60 to 65 cents as communicated to shareholders via SENS dated 09 January 2019 and in accordance with our trading updates on 04 June and 13 June 2019 (https://novus.holdings/investor-centre/).

Print

Print revenue decreased by 7,9% during the year under review. This was due to the reduced pricing and volumes with the renegotiated Media24 contracts coupled with a declining market and local economy. However, retail inserts and catalogues increased by 6,2% year-on-year. This increase is mainly due to internal organic growth and existing customers increasing their print volumes and marketing spend to counter declining consumer spend.

Print margins were eroded by the increase in input costs and capacity under-utilisation. Foreign currency volatility and raw material pricing, together with load shedding impacted the segment negatively in the last quarter.

Pleasingly, business development initiatives yielded results and the Group was awarded a material printing contract from a large South African publishing house and also awarded ballot print tenders for the Democratic Republic of Congo and Nigerian elections during the year.

Packaging

The packaging segment includes ITB and Labels.

ITB

Due to ITB being fully consolidated for 12 months (six months in prior year), ITB increased its revenue contribution to the Group by 91%. However operating profit showed a decline of 57,5% year-on-year.

Margins were under pressure with gross and operating margins down 4,5% and 4,2% respectively year-on-year. Industrial action was a major reason for this underperformance. The business suffered two separate strikes at two of the plants. Production was halted at ITB for five weeks, while an unrelated service delivery protest in the area closed access to the plant for a further week just before the year end.

Industrial action also halted production at ITB’s smaller facility in Johannesburg for almost six months. As a result, this plant was loss-making for the year under review. The direct costs of the strikes were approximately R10 million, while the secondary cost associated with margin erosion is significantly more.

The spikes in input costs, caused by a volatile oil price and weaker Rand, could not be passed on to customers during and immediately after the industrial action, while service levels were compromised.

Labels

Labels had a good year with revenue up 16,2% over prior year. The growth in sales was predominantly driven by the gravure labels (wet-glue labels) operation, while the self-adhesive labels’ sales volumes were stable.

Gross margin improved to 25,6% up from 24,7%, on the back of improved efficiency and capacity utilisation.

Tissue

Tissue operations increased revenue by 33,3% year-on-year with additional mill capacity coming online. It ended the year breaking even on a monthly basis, indicating that this business has stabilised operationally.

Gross margin improved to 2,4% up from -10,9%, on the back of increased efficiency and the ability to pass pulp price increases on to customers.

A review of the tissue operations by management and the Board has led to the decision to dispose of this business. The potential disposal of the Tissue business will be positive for cash generation and return on net assets in the year ahead.

OUTLOOK

The management team is focused on driving further efficiencies and retaining market share while continually reviewing and adjusting the capacity requirements in the Print segment. This includes further cost cutting, business development, streamlining of operations, innovating where possible and ensuring that all operations meet individual return on net assets target hurdle rates.

Cash conversion rate should revert to normal levels in the coming year as the level of outstanding debtors normalises, the revised demand and sourcing arrangements for inventory take effect and the 2019 surplus is extracted.

The book and education markets are showing a positive resurgence after a number of years in decline. The local education market presents opportunities going forward as the new curriculum is potentially finalised, and Government commits to printing textbooks.

The Group’s packaging operations in particular will be supported to deliver appropriate returns, and ITB is expected to contribute more strongly to the Group results in future.

EVENTS AFTER REPORTING DATE

A sales agreement was entered into for the disposal of its UV Flexible labels division for an estimated proceeds value of R49 million. As a result, property, plant and equipment in this business were impaired by R8,1 million at year end.

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

MANAGEMENT AND CHANGES TO THE BOARD

Neil Birch transitioned from the position of executive chairman to chief executive officer on 19 June 2018. The Board is confident that his focus on strategic execution and getting the right personnel in key positions will stand the Group in good stead going forward.

Harry Todd was appointed as the Group’s acting chief financial officer (CFO) on 01 July 2018 and subsequently CFO on 01 October 2018, with Keshree Alwar being appointed to the executive management and CFO alternate director, effective 01 October 2018.

Bernard Olivier retired from the Board while Dennis Mack was appointed to the Board as independent non-executive director effective 20 August 2018.

The Board is also pleased with the appointment of Dr Phumla Mnganga as chair of the Board post year end on 02 April 2019. Phumla brings a wealth of experience to the business and also serves on the boards of several other listed companies.

APPOINTMENT OF COMPANY SECRETARY

Melonie Brink was appointed company secretary of Novus Holdings effective 01 October 2018.

TRANSFORMATION

The decision was taken during the year under review to significantly speed up the Group’s transformation efforts. Initiatives have resulted in an improved B-BBEE rating to Level One up from Level Three.

The Board and management team are striving, not only to comply with, but also to truly embody transformation, thus ensuring that the Group can maximise its commercial prospects in South Africa in a positive and sustainable way. This is an ongoing commitment to customers, employees and the communities in which we operate.

DIVIDENDS

The current dividend policy of 2x HEPS cover remains unchanged, but will always be dependent on the cash requirements of the business.

The Board approved dividend No. 5 of 30 cents per share (2018: 52 cents). The source of the dividend is from distributable reserves and will be paid in cash. The dividend declared is subject to dividend withholding tax at 20,0%. The tax payable is 6 cents per share, leaving shareholders who are not exempt from dividends tax with a net dividend of 24 cents per share.

Novus Holdings has 346 656 348 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, 10 September 2019
Trading ex dividend commences	Wednesday, 11 September 2019

Record date	Friday, 13 September 2019
Payment date	Monday, 16 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 September 2019 and Friday, 13 September 2019, both dates inclusive.

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 the results presentation via live audio webcast at 10h30 (SA time) on Thursday, 20 June 2019.

The webcast is available for listening at https://www.corpcam.com/Novus20062019.

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

Phumla Mnganga	Neil Birch
Chairman	Chief executive officer

13 June 2019
Cape Town
Sponsor: Investec Bank Limited

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March

	2019 R'000	2018 R'000
ASSETS		
Non-current assets	2 179 879	2 253 283
Property, plant and equipment	1 857 753	1 919 115
Goodwill	182 709	173 054
Other intangible assets	26 391	30 790
Available-for-sale financial assets	–	3 090
Financial assets at fair value through other comprehensive income	3 164	–
Loans and receivables	–	6 517
Other financial assets at amortised cost	4 375	–
Deferred taxation assets	105 487	120 717
Current assets	1 539 293	1 520 199
Inventory	692 022	474 675
Trade and other receivables	686 195	702 154
Derivative financial instruments	8 983	731
Current income tax receivable	4 180	8 000
Cash and cash equivalents	120 626	243 948
Non-current assets held for sale	27 287	90 691
TOTAL ASSETS	3 719 172	3 773 482
EQUITY AND LIABILITIES		
Capital and reserves attributable to the Group's equity holders	2 670 648	2 787 087
Share capital	602 656	606 040
Treasury shares	(507 344)	(368 172)
Other reserves	(71 073)	(80 596)
Retained earnings	2 646 409	2 629 815
Non-controlling interest	2 764	3 672
TOTAL EQUITY	2 673 412	2 790 759

LIABILITIES		
Non-current liabilities	340 111	374 163
Post-employment medical liability	2 873	2 634
Provisions	15 861	17 557
Long-term liabilities	84 114	99 252
Cash-settled share-based payment liability	–	1 845
Deferred taxation liabilities	207 619	221 357
Deferred grant income	29 644	31 518
Current liabilities	705 649	608 560
Provisions	2 484	4 538
Current portion of long-term liabilities	15 474	16 254
Trade and other payables	510 604	521 519
Cash-settled share-based payment liability	1 311	7 092
Derivative financial instruments	52	21 055
Bank overdrafts and call loans	174 501	35 332
Deferred grant income	1 223	2 770
TOTAL EQUITY AND LIABILITIES	3 719 172	3 773 482

SUMMARY CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2019

	2019 R'000	2018 R'000
Revenue	4 331 800	4 308 102
Cost of sales	(3 387 778)	(3 181 105)
Gross profit	944 022	1 126 997
Operating expenses	(650 500)	(626 278)
Other gains/(losses) – net	(16 691)	(358 772)
Operating profit	276 831	141 947
Finance income	6 648	12 948
Finance costs	(45 330)	(52 894)
Profit before taxation	238 149	102 001
Taxation	(67 796)	(30 898)
Net profit for the year	170 353	71 103
Attributable to:		
Equity holders of the Group	171 606	70 418
Non-controlling interest	(1 253)	685
	170 353	71 103
Earnings per share (cents)		
Basic	56,45	22,04
Diluted	56,45	22,04

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

	2019 R'000	2018 R'000

Net profit for the year	170 353	71 103
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to profit or loss		
Hedging reserve	10 033	(1 498)
Foreign exchange movement, gross	40 707	18 368
Foreign exchange movement, tax portion	(11 398)	(5 143)
Derecognised and added to asset, gross	(3 382)	1 699
Derecognised and added to asset, tax portion	947	(476)
Derecognised and reported in cost of sales, gross	(23 390)	(22 147)
Derecognised and reported in cost of sales, tax portion	6 549	6 201
Foreign currency translation reserve	(1)	(1 942)
Exchange loss arising on translating foreign operations, gross	(2)	(2 697)
Deferred tax relating to loss arising on translating foreign operations, tax portion	1	755
Fair value reserve	53	65
Net fair value gains, gross	74	90
Net fair value gains, tax portion	(21)	(25)
Items that will not be reclassified to profit or loss		
Post-employment benefit obligations and provisions	41	640
Remeasurement of post-employment benefit obligations and provisions, gross	57	730
Remeasurement of post-employment benefit obligations and provisions, tax portion	(16)	(90)
Total other comprehensive income/(loss), net of tax	10 126	(2 735)
Total comprehensive income for the year	180 479	68 368
Attributable to:		
Equity holders of the Group	181 732	67 683
Non-controlling interest	(1 253)	685
	180 479	68 368

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Note	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 01 April 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 originally presented		606 040	(368 172)	(80 596)	2 629 815	3 672	2 790 759
Changes in accounting policies	17	–	–	–	5 828	–	5 828
Balance as at 31 March 2018 restated		606 040	(368 172)	(80 596)	2 635 643	3 672	2 796 587
Total comprehensive income for the year		–	–	10 126	171 606	(1 253)	180 479
Profit for the year		–	–	–	171 606	–	171 606
Other comprehensive income		–	–	10 126	–	(1 253)	8 873
Transactions with owners:							
Share-based compensation movement		–	–	(4 401)	–	–	(4 401)
Cancellation of repurchased shares		(3 384)	–	–	–	–	(3 384)
Dividends paid		–	–	–	(160 840)	–	(160 840)
Share buy-backs	18	–	(139 172)	–	–	–	(139 172)
Reclassification of foreign currency translation reserve on sale of subsidiary	19	–	–	3 798	–	–	3 798
Transactions with non-controlling interests		–	–	–	–	345	345
Total transactions with owners		(3 384)	(139 172)	(603)	(160 840)	345	(303 654)
Balance as at 31 March 2019		602 656	(507 344)	(71 073)	2 646 409	2 764	2 673 412

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2019

	2019 R'000	2018 R'000
Cash generated from operating activities		
Cash generated from operations	231 165	683 632
Finance income	6 648	12 948
Finance costs	(19 603)	(18 254)
Taxation paid	(68 719)	(169 226)
Net cash generated from operating activities	149 491	509 100
Cash flows from investing activities		
Property, plant and equipment acquired	(106 660)	(138 065)
Proceeds on sale of property, plant and equipment	1 693	21 424
Proceeds from the sale of non-current assets held for sale	59 906	–
Purchase of intangible assets	(771)	(1 887)
Insurance proceeds	–	2 086
Financial assets at amortised cost advanced	(746)	(3 448)
Financial assets at amortised cost repaid	1 614	227
Acquisition of subsidiaries/businesses	(48 030)	(202 149)
Net cash utilised in investing activities	(92 994)	(321 812)
Cash flows from financing activities		
Repayment of long-term loans	(15 917)	(26 950)
Dividends paid	(160 840)	(178 946)
Payments for shares bought back	(140 756)	–
Share buy-back transaction costs	(1 475)	–
Net cash utilised in financing activities	(318 988)	(205 896)
Net decrease in cash and cash equivalents	(262 491)	(18 608)
Cash and cash equivalents at the beginning of the period	208 616	227 224
Cash and cash equivalents at the end of the period	(53 875)	208 616

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2019

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 three business segments:

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

2.BASIS OF PREPARATION

The summary consolidated financial statements for the year ended 31 March 2019 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, except for the adoption of new standards.

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 March 2019, but not yet effective on that date. The standard that is applicable to the Group, but that was not implemented early is IFRS 16: Leases.

The assessment of the impact of the new standard is set out below.

IFRS 16: Leases
IFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed, for lessee accounting. The standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has operating lease commitments of R93 million.

The Group will adopt the standard from 01 April 2019 and intends to use the cumulative catch up transition approach. The standard will be applied retrospectively with the cumulative effect recognised as an adjustment to retained earnings at 01 April 2019. The comparative information will therefore not be restated and will continue to be reported under IAS 17: Leases.

The Group has elected to apply the exemption applicable to leases ending within 12 months from the date of initial adoption of the standard and to assets of low value. The right of use asset recognised will be adjusted with any applicable onerous lease provisions.

The effect of adopting IFRS 16 on the transition date of 01 April 2019 is estimated to be an increase in assets of R94 million, an increase in lease liabilities of R118 million (after adjustments for the straight lining of lease payments liability as at 31 March 2019 and using an incremental borrowing rate of 10,15%) and deferred tax assets of approximately R6 million. This results in a net cumulative impact on retained earnings of R17 million.

3.PREPARATION

The preparation of the summary consolidated financial statements was supervised by the chief financial officer, Harry Todd 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 that the financial information has been correctly extracted from the underlying annual financial statements.

5.ACCOUNTING POLICIES

The accounting policies used in preparing the summary consolidated financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements, except for the adoption of the following new accounting standards and amendments to IFRS's that became effective and were adopted by the Group during the current financial year:

Standard/Interpretation	Effective date: Years beginning on or after
IFRS 15: Revenue from Contracts with Customers	01 January 2018
IFRS 9: Financial instruments	01 January 2018
Amendment to IFRS 2: Share Based Payments	01 January 2018
Annual improvements 2014-2016	01 January 2018

The relevance of these amendments to the published standards has been assessed with respect to the Group's operations.
Refer to note 17.

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 2019, as well as the prior year.

7.SEGMENT INFORMATION

IFRS 8: Operating Segments requires 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 commitee 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 profit margins, production processes, customers and suppliers. These reportable segments are Print, which comprises printing of books, magazines, retail inserts and newspapers; Packaging, which produces flexible packaging products and prints flexible labels; and Other, which includes Tissue that manufactures tissue paper and all non-print or packaging related transactions. In the prior year the Other segment included Tissue, Packaging and all non-print related transactions. The prior year segment disclosure has been amended to reflect the change in reportable segments.

	Printing R'000	Packaging R'000	Other R'000	Eliminations R'000	Total R'000
2019					
External revenue	3 348 996	750 128	232 676	–	4 331 800
Inter-segmental revenue	8 332	23 760	–	(32 092)	–
Total Revenue	3 357 328	773 888	232 676	(32 092)	4 331 800
Profit attributable to equity holders of the company	169 645	17 423	(15 462)	–	171 606
Additional disclosure					
Property, plant and equipment additions	51 669	49 935	5 056	–	106 660
Capital commitments	11 740	5 768	1 484	–	18 992
Impairment of assets	(1 700)	(8 079)	–	–	(9 779)
Total assets	3 670 913	630 029	395 847	(977 617)	3 719 172
Total liabilities	808 505	496 414	718 459	(977 617)	1 045 760
2018					
External revenue	3 634 322	475 024	198 756	–	4 308 102
Inter-segmental revenue	13 875	17 747	–	(31 622)	–
Total Revenue	3 648 197	492 771	198 756	(31 622)	4 308 102
Profit attributable to equity holders of the company	229 997	14 567	(174 146)	–	70 418

Additional disclosure					
Property, plant and equipment additions	51 417	18 492	83 620	–	153 529
Capital commitments	1 754	17 634	446	–	19 834
Impairment of assets	(201 985)	–	(170 166)	–	(372 151)
Total assets	3 692 691	610 295	395 249	(924 753)	3 773 482
Total liabilities	713 111	491 908	702 457	(924 753)	982 723

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 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. 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 period and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 4/2018 issued by the South African Institute of Chartered Accountants (SAICA).

Calculation of headline earnings	2019 R'000	2018 R'000
Earnings		
Net profit attibutable to shareholders	171 606	70 418
Adjustments (net of tax):	12 018	258 316
- Loss/(Profit) on sale of property, plant and equipment	2 563	(8 131)
- Insurance proceeds	–	(1 502)
- Impairment in value of property, plant and equipment	7 041	213 931
- Impairment in value of intangible assets	–	8 963
- Impairment in value of goodwill	–	45 055
- Reclassification of foreign currency translation reserve on sale of subsidiary	2 735	–
- Profit on sale of foreign subsidiary	(321)	–
Headline earnings	183 624	328 734
Number of ordinary shares in issue	346 656 348	347 332 454
Weighted average number of shares	304 020 814	319 545 857
Earnings per ordinary share (cents)		
Basic	56,45	22,04
Diluted	56,45	22,04
Headline earnings per ordinary share (cents)		
Basic	60,40	102,88
Diluted	60,40	102,88

9.BUSINESS COMBINATIONS

2019
With effect from 01 March 2019, the Group acquired the publishing business of 3S Media for a purchase consideration of R10,8 million. Goodwill of R9,7 million was recognised on acquisition and is attributable to the expected benefits to be derived from the publishing business which also enables sustainability of the Print segment. The goodwill will not be deductible for tax purposes.

	2019 R'000
Fair value of assets and liabilities acquired	
Property, plant and equipment	24
Net current assets/(liabilities)	1 149
Identifiable assets and liabilities at acquisition date	1 173
Goodwill	9 655
Total purchase consideration	10 828
Contingent consideration	4 839
Cash paid	5 989
Total purchase consideration	10 828
Cash flow	
Cash consideration paid in respect of 3S Media	5 989
Contingent consideration paid in respect of ITB Manufacturing Proprietary Limited	42 041
Cash flow on acquisition	48 030

2018

With effect from 01 October 2017, the Group acquired 100% of the share capital of ITB Manufacturing Proprietary Limited for a purchase consideration of R224 million. The acquisition was to 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. Details of this business combination were disclosed in note 30 of the Group's annual financial statements for the year ended 31 March 2018.

10.FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

10.1Financial 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 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 2019.

10.2Fair value estimation

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

	Level 1 Quoted prices in active markets for identical assets or liabilities R'000	Level 2 Significant other observable inputs R'000	Level 3 Significant unobservable inputs R'000	Total R'000
At 31 March 2019				
Assets				
Financial assets at fair value through other comprehensive income	–	3 164	–	3 164
Foreign exchange contracts	–	8 983	–	8 983
	–	12 147	–	12 147
Liabilities				
Contingent consideration	–	–	6 466	6 466
Foreign exchange contracts	–	52	–	52
	–	52	6 466	6 518
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

10.2 Fair value estimation (continued)
Valuation techniques used to derive Level 2 fair values
Foreign exchange contracts – In measuring the fair value of foreign exchange contracts, the Group makes use of market observable quotes of forward foreign exchange rates on instruments that have a maturity similar to the maturity profile of the Group's foreign exchange contracts. Key inputs used in measuring the fair value of foreign exchange contracts include current spot exchange rates, market forward exchange rates, and the term of the Group's foreign exchange contracts.

Financial assets at fair value through other comprehensive income – the use of quoted market prices 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 carrying value of cash generating units for impairment consideration – discounted cash flow models for calculating either value in use or fair value less costs to sell.

11.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 were changes to the related parties which existed at the end of the 2018 financial year 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%. This therefore changed the relationships with the ultimate holding company and holding company which were disclosed previously. Transactions were reported for common controlled entities within the Naspers Group until 26 September 2017 in the 2018 financial year and therefore no transactions with the above mentioned entities were included in the 2019 financial year.

12.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.

	2019 R'000	2018 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
– Property, plant and equipment	18 992	19 834
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	23 923	18 479
– in second to fifth year inclusive	44 918	50 046
– later than five years	24 291	31 436
	112 124	119 795

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.

13.NON-CURRENT ASSETS HELD FOR SALE

At March 2018, the balance included the Paarl Media Paarl building which was subsequently sold in July 2018. The remaining balance relates to the Paarl Coldset Pietermaritzburg building which was classified as held for sale at March 2018, due to delays in the transfer of this property it remains as held for sale in the current year.

	2019	2018

	R'000	R'000
Opening balance	90 691	63 404
Transfers from property, plant and equipment	–	27 287
Disposals	(63 404)	–
Closing balance	27 287	90 691

14.INVENTORY

Inventory increased in the Print segment due to requirement to import newsprint paper (previously sourced locally and on a consignment basis) and the strategic acquisition of raw material in anticipation of price increases (close to year end).

15.PROPERTY, PLANT AND EQUIPMENT

Significant movements include acquisitions of property, plant and equipment (PPE) at R107 million (2018: R154 million), depreciation charge for the year at R154 million (2018: R191 million) and an impairment charge to the value of R10 million (2018: R297 million).

16.DEFERRED TAX

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The deferred tax assets relate mainly to carried forward tax losses of the Tissue division in Novus Packaging Proprietary Limited. The division has incurred tax losses over the last five years following the acquisition of the business. They relate mainly to costs of integrating the operations and delays in the expansion project of the business. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on approved business plans and budgets for the subsidiary. The subsidiary is expected to utilise the deferred tax assets from the year 2023 onwards based on the above estimates.

17.CHANGES IN ACCOUNTING POLICIES

The Group has applied both IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers using the modified retrospective approach by recognising the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 01 April 2018. Therefore the comparative information has not been restated and continues to be reported under IAS 18 Revenue and IAS 39 Financial Instruments. IFRS 9 was assessed by management at the previous reporting date and concluded that there is no material impact for the Group and therefore no adjustment to the opening balance of equity at 01 April 2018.

IFRS 9 Financial instruments
The standard adresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement impairment, derecognition and hedge accounting. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. Previously, under the 'incurred loss' model, a provision for impairment of trade receivables was established when there was objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of impairment may have included indications that the debtors or a group of debtors is experiencing significant financial difficulty, the probability that they will enter bankruptcy or financial reorganisation, and default or late payments against agreed terms.

The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following basis:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group will measure loss allowances at an amount equal to lifetime ECLs.
There was no change in the classification of measurement categories for financial instruments.

Changes to hedge accounting policies have been applied prospectively. All hedging relationships designated under IAS 39 at 31 March 2018, met the criteria for hedge accounting under IFRS 9 at 01 April 2018, and are therefore regarded as continuing hedging relationships.

IFRS 15 Revenue from Contracts with Customers
The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. A contract asset is raised for products printed but not yet invoiced/delivered as per the below policy. Management has assessed the effects of applying the new standard on the Group's financial statements and has identified the following:

Type of product/service	Revenue recognition and timing	Nature of change in accounting policy

Printing revenue	Revenue is recognised upon customer acceptance of product specifications and completion of printing to customer specifications (point in time).	Revenue will be recognised once the job is completed and ready for delivery rather than upon delivery under IAS 18.
Tissue revenue	Revenue is recognised at a point in time upon delivery og the related product and customer acceptance.	No change under IFRS 15.
Packaging revenue	Revenue is recognised based on contractual arrangements with customers, either upon customer acceptance of product specifications and completion of the product to customer specifications (point in time) or upon delivery of the related product and customer acceptance (point in time).	Revenue will be recognised once the job is completed and ready for delivery rather than upon delivery under IAS 18.
Distribution revenue	Revenue is recognised at a point in time upon delivery of the related product and customer acceptance.	No change under IFRS 15.
Waste revenue	Revenue is recognised at a point in time upon delivery of the related product and customer acceptance.	No change under IFRS 15.
Other revenue	Revenue is recognised at a point in time upon delivery of the related product and customer acceptance.	No change under IFRS 15.

The following table summarises the impact of transition to IFRS 15 on retained earnings at 01 April 2018:

	Previously reported 31 March 2018 R’000	IFRS 15 R’000	Restated 31 March 2018 R’000
Income statement			
Revenue	4 308 102	33 741	4 341 843
Cost of sales	(3 181 105)	(25 644)	(3 206 749)
Deferred tax	(30 898)	(2 269)	(33 167)
Net profit after tax	71 103	5 828	76 931
Statement of financial position			
Trade receivables	702 154	33 741	735 895
Inventory	474 674	(25 644)	449 030
Retained earnings	2 629 816	5 828	2 635 644
Deferred taxation liabilities	221 357	2 269	223 626

18.SHARE BUY-BACKS

In terms of a general authority granted by Novus Holdings Limited shareholders at the Company’s annual general meeting held on 17 August 2018, a special resolution was passed to approve the repurchase of its ordinary shares. The Group, through its subsidiary, Novus Print Proprietary Limited, purchased a total of 31 258 834 ordinary shares in the Company during the current year. The shares were acquired at an average price of R4,45 per share including share transaction costs, ranging from R4,02 to R4,78 per share. The total cost of R139 million, including transaction costs of R0,8 million was accounted for as a debit to equity as these shares are held as treasury shares in the Group.

19.DISPOSAL OF INTERNATIONAL PRINTING GROUP LIMITADA

During the reporting period, the Group disposed of its 97,74% interest in its only foreign subsidiary, International Printing Group Limitada. The exchange differences previously recognised in equity were reclassified to profit or loss with a profit of disposal of foreign subsidiary being recognised.

20.EVENTS AFTER THE REPORTING DATE

The following events took place after the reporting date:

Effective 01 April 2019, the Group acquired 49% of the ordinary share capital in Mikateko Media Proprietary Limited for a purchase consideration of R3,1 million. This investment is classified as an investment in associate.

The Group entered into a sales agreement for the disposal of its UV Flexible labels division for an estimated proceeds value of R49 million. As a result, property, plant and equipment in the division was impaired to its fair value, less costs to sell with a R8,1 million impairment charge accounted for at year end.

The directors are not aware of any other matter or circumstance arising since the end of the financial year and the date of this report.