THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 8 of this Circular apply, unless the context clearly indicates otherwise, throughout this Circular, including this cover page.

ACTION REQUIRED:

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required by Shareholders" which commences on page 5 of this Circular.
2. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of any of your Shares, please forward this Circular incorporating the Form of Proxy (*blue*) to the purchaser of such Shares, or the Broker, CSDP, banker or other agent through whom the disposal was effected.

Novus Holdings does not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Shares to notify such beneficial owner of the matters set out in this Circular.

novus holdings

NOVUS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 2008/011165/06

JSE Code: NVS ISIN: ZAE000202149

("**Novus Holdings**" or the "**Company**" or the "**Group**")

CIRCULAR TO SHAREHOLDERS

Relating, *inter alia*, to the:

– proposed acquisition of a 75% equity share in Pearson SA, via its wholly owned subsidiary, Novus;

and incorporating:

– a Notice of General Meeting of Shareholders; and
– the Form of Proxy *(blue)* in respect of the General Meeting of Shareholders (for use by Certificated Shareholders and Own-Name Dematerialised Shareholders only).

Corporate Advisor	Legal Advisor	Sponsor	Independent Reporting Accountant
nodus	ENSafrica	Merchantec capital	pwc

This Circular is available in English only. Copies of this Circular may be obtained during normal business hours from the registered offices of the Group and the Sponsor, at their respective addresses set out in the "Corporate Information and Advisors" section of this Circular and is also available on the Company's website at www.novus.holdings from the date of issue of this Circular up to and including the date of the General Meeting.

Date of issue: Thursday, 6 October 2022

IMPORTANT LEGAL NOTES

The definitions and interpretations commencing on page 8 of this Circular apply, unless the context clearly indicates otherwise, to this section on Important Legal Notes.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about Novus Holdings that are, or may be, forward-looking statements. All statements, other than statements of historical fact, are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the industry; production; cash costs and other operating results; growth prospects and outlook for operations, individually or in the aggregate; liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “planned”, “may”, “estimated”, “potential” or similar words and phrases. Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditure, acquisition strategy, and expansion prospects for future capital expenditure levels and other economic factors, such as, *inter alia*, interest rates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Novus Holdings cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Novus Holdings operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All forward-looking statements in respect of Novus Holdings are based on estimates and assumptions made by Novus Holdings which, although Novus Holdings believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements, estimates or assumptions include other matters not yet known to Novus Holdings or not currently considered material by Novus Holdings.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of either Novus Holdings and/or the Group not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement are not known. Novus Holdings has no duty to, and does not intend to, update or revise the forward-looking statements contained in this Circular after the date of issue of this Circular, except as may be required by Law. Any forward-looking statement included in this Circular has not been reviewed or reported on by the Group’s auditors.

FOREIGN SHAREHOLDERS

This Circular has been prepared for the purposes of complying with the Laws of South Africa and is subject to any applicable Laws, including but not limited to the Companies Act and the Listings Requirements, and is published in terms thereof. The information disclosed in this Circular may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the Laws of any jurisdiction outside of South Africa.

The release, publication or distribution of this Circular in jurisdictions other than South Africa may be restricted by Law and therefore any persons who are subject to the Laws of any jurisdiction other than South Africa should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities Laws of any such jurisdiction.

This Circular does not constitute a prospectus or a prospectus-equivalent document and has not been reviewed and/or registered by the CIPC. Shareholders are advised to read this Circular, which contains the full terms and conditions of the Acquisition, with care. Any decision to approve the Resolutions set out in the Notice of General Meeting or any other response to the proposals described in this Circular should be made only on the basis of the information in this Circular.

Foreign Shareholders may be affected in relation to the Proposed Acquisition, which is the subject of this Circular, by the Laws of the relevant jurisdictions applicable to them. Foreign Shareholders must satisfy themselves as to the full observance of any applicable Laws affecting them concerning the Proposed Acquisition, including (without limitation) obtaining any requisite governmental or other consents, and observing any other requisite formalities.

This Circular and any accompanying documentation are not intended to, and do not constitute, or form part of, an offer to sell or a solicitation of any vote or approval in any jurisdiction in which it is unlawful to make such an offer or solicitation, or such offer or solicitation would require Novus Holdings to comply with disproportionately onerous filing and/or other disproportionately onerous regulatory obligations. In those circumstances or otherwise if the distribution of this Circular and any accompanying documentation in jurisdictions outside of South Africa are restricted or prohibited by the Laws of such jurisdiction, this Circular and any accompanying documentation are deemed to have been sent for information purposes only and should not be copied or redistributed. Financial statements included in this Circular have been prepared in accordance with South African accounting standards, including *inter alia* IFRS and the international accounting standards within the meaning of the IAS Regulation 1606/2002 that may not be comparable to the financial statements of UK companies.

Any Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 8 of this Circular apply, unless the context clearly indicates otherwise, to this Corporate Information and Advisors section.

Registered office of Novus Holdings
Novus Holdings Limited
(Registration number 2008/011165/06)
10 Freedom Way
Montague Gardens
Cape Town
7441
(PO Box 37014, Chempet, 7442)

Place of Incorporation: South Africa
Date of incorporation: 5 May 2008

Directors
Executive
Neil Birch (Chief Executive Officer)
Keshree Alwar (Chief Financial Officer)

Independent non-executive
Phumla Mnganga (Chairperson)
Abduraghman Mayman
Lulama Mtanga

Non-executive
Noluvuyo Mkhondo
André van der Veen
Adrian Zetler

Registered office of Pearson SA
(Registration number 2009/022455/07)
4th Floor Auto Atlantic
Cnr Hertzog Boulevard and Heerengracht
Cape Town
Western Cape
8001
(PO Box 396, Cape Town, Western Cape, 8000)

Place of Incorporation: Cape Town, South Africa
Date of incorporation: 19 November 2009

Company Secretary of Novus Holdings
Kilgetty Statutory Services (South Africa) Proprietary Limited
(Registration number 2013/006675/07)
Unit G05
Century Gate Office Park
Corner Bosmansdam Road and Century Way
Century City
7441
(PO Box 2275, Cape Town, 8001)

Corporate Advisor
Nodus Capital Proprietary Limited
(Registration number 2007/004535/07)
Building 2, Commerce Square Office Park
39 Rivonia Road
Sandhurst, 2196
(PO Box 553696, Northlands, 2116)

Sponsor
Merchantec Proprietary Limited
(Registration number 2008/027362/07)
13th Floor, Illovo Point
68 Melville Road
Illovo, Sandton, 2196
(PO Box 41480, Craighall, 2024)

Independent Reporting Accountant
PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
5 Silo Square
V&A Waterfront
Cape Town
8002
(PO Box 2799, Cape Town 8000)

Legal Advisor
Edward Nathan Sonnenbergs Inc.
The MARC | Tower 1
129 Rivonia Road
Sandton
Johannesburg
2196
(PO Box 783347, Sandton, 2146)

Transfer Secretaries
JSE Investor Services Proprietary Limited
(Registration number 2000/007239/07)
13th Floor
19 Ameshoff Street
Braamfontein
2001
(PO Box 4844, Johannesburg, 2000)

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ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 8 of this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Shareholders.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of any of your Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected. You should read this Circular carefully and decide how you wish to vote on the Resolutions to be proposed at the General Meeting. The Notice of General Meeting is attached to and forms part of this Circular.

General Meeting

Pursuant to clause 24.1 of the MOI of the Company and in accordance with Section 62(1)(a) and Section 63(2)(b) of the Companies Act, a General Meeting of Shareholders will be held at 11:00 on Friday, 4 November 2022 (or any rescheduled, postponed or adjourned date and time in accordance with, *inter alia*, the provisions of section 64 of the Companies Act and the Company's MOI), at the registered offices of the Company, 10 Freedom Way, Montague Gardens, Cape Town, 7441, to consider, and if deemed fit, to approve, with or without modification, the Resolutions as contained in the Notice of General Meeting.

Electronic Participation at the General Meeting

The Company will make provision for Shareholders or their proxies who are unable to attend in person, to participate electronically in and vote at the General Meeting by way of electronic participation. Should you wish to participate electronically in the General Meeting, you, or your proxy, will be required to advise the Company thereof by no later than 11:00 on Wednesday, 2 November 2022 by submitting a Request via email to the Company Secretary at company.secretary@novus.holdings with the following required information:

- an email address;
- cell phone number and landline; and
- full details of the Shareholder's title to the securities issued by the Company (including as evidenced by copies of Share Certificates, as the case may be) and proof of identity.
- Dematerialised Shareholders without "own-name" registration are also required to submit written confirmation from their CSDP confirming their title to Dematerialised shareholding(s).

Upon receipt of the required information the Shareholder concerned will be provided with a secure code and instructions to access the electronic platform during the General Meeting.

Shareholders will be liable for their own network charges in relation to electronic participation in the General Meeting. Any such charges will not be for the account of Novus Holdings and/or any third-party service provider appointed in order to facilitate the General Meeting by electronic means.

Neither Novus Holdings, nor any third-party service provider appointed in order to facilitate the General Meeting by electronic means can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Shareholder from participating in the General Meeting.

As required in terms of section 63(1) of the Companies Act, before any Person may attend and participate in the General Meeting, that Person must present reasonably satisfactory identification and the chairperson of the General Meeting must be reasonably satisfied that the right of that Person to participate and vote, either as a Shareholder or as a proxy for a Shareholder, has been reasonably verified. In order to comply with the verification procedure, set out in section 63(1) of the Companies Act, Shareholders wishing to participate electronically in the General Meeting are required to effect compliance with the procedures detailed above.

Any Shareholder or proxy that does not send a Request to the Company by 11:00 on Wednesday, 2 November 2022, may still participate in and vote at the General Meeting via electronic communication and may email their Request at any time prior to the commencement of the General Meeting to the Company at company.secretary@novus.holdings.

However, for the purpose of effective administration, Shareholders and their proxies are strongly urged to send their Request by 11:00 on Wednesday, 2 November 2022.

Whilst Shareholders will be able to participate in and vote at the General Meeting via electronic communication, for the purpose of effective administration, it is recommended that Shareholders submit a duly completed Form of Proxy *(blue)* in accordance with the instructions contained therein, by no later than 11:00 on Wednesday, 2 November 2022.

The electronic communication employed will enable all persons participating in the General Meeting to communicate concurrently with one another without an intermediary and to participate reasonably effectively in the General Meeting.

1. **IF YOU HAVE DEMATERIALISED YOUR ORDINARY SHARES AND DO NOT HAVE OWN-NAME REGISTRATION**

1.1 **Voting at the General Meeting**

1.1.1 If you do not wish to, or are unable to, attend and participate (or appoint a proxy to represent you) in the General Meeting and you have not been contacted by your CSDP or Broker, it is advisable for you to contact your CSDP or Broker immediately and furnish your CSDP or Broker with your voting instructions in the manner and by the cut-off time stipulated by your CSDP or Broker in terms of the Custody Agreement between you and your CSDP or Broker.

1.1.2 If your CSDP or Broker does not obtain voting instructions from you, your CSDP or Broker will be obliged to act in accordance with the instructions contained in the Custody Agreement between you and your CSDP or Broker.

1.1.3 You must **not** complete the attached Form of Proxy *(blue)*.

1.2 **Attendance and representation at the General Meeting**

1.2.1 In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

1.2.1.1 attend and participate in the General Meeting; or

1.2.1.2 appoint a proxy to represent you at the General Meeting.

1.2.2 Your CSDP or Broker should then issue the necessary letter of representation to you for you or your proxy to attend and participate in the General Meeting. You will not be permitted to attend and participate in the General Meeting or send a proxy to represent you at the General Meeting without the necessary letter of representation being issued to you.

2. **IF YOU HAVE NOT DEMATERIALISED YOUR ORDINARY SHARES OR IF YOU HAVE DEMATERIALISED YOUR ORDINARY SHARES WITH OWN-NAME REGISTRATION**

2.1 **Voting, attendance and representation at the General Meeting**

You may attend and participate in the General Meeting (or, if you are a company or other body corporate, be represented by a duly authorised natural person).

Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy *(blue)* in accordance with its instructions and lodging it with or posting it to JSE Investor Services at 13th Floor, Ameshoff Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) or via email at meetingservices@jseinvestorservices.co.za, recommended to be received by them, for administrative purposes, by no later than 11:00 on Wednesday, 2 November 2022.

3. **GENERAL**

3.1 If you wish to Dematerialise your Shares, please contact your CSDP or Broker.

3.2 Shareholders should note that it will take between one and 10 Business Days to Dematerialise your Shares through your CSDP or Broker.

3.3 Shareholders that do not have a CSDP or Broker can contact the Transfer Secretaries directly to Dematerialise their Shares on the helpline via email at Demats@jseinvestorservices.co.za or telephonically on 0861 472 644 if calling from within South Africa and on +27 11 029 0112 if calling from outside of South Africa.

3.4 Calls made from within South Africa will be charged at the standard geographic rate and will vary by provider. Calls made from outside of South Africa will be charged at the applicable international rates. The helpline will be operational between 08:00 and 16:00 (South African time) from Monday to Friday, excluding public holidays in South Africa.

4. **FOREIGN SHAREHOLDERS**

It is the responsibility of Foreign Shareholders to satisfy themselves as to the full observance by them of the Laws and regulatory requirements of the relevant jurisdiction in connection with effect on them of the Proposed Acquisition, including the obtaining of any governmental, exchange control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. If you are in any doubt as to what action to take, please consult your CSDP, Broker, legal advisor, accountant, banker, other financial intermediary or other professional advisor immediately.

5. **OTHER**

The contents of this Circular do not purport to constitute legal advice or to comprehensively deal with the legal, regulatory and tax implications of the Proposed Acquisition or any other matter for each Shareholder. Shareholders are accordingly advised to consult their professional advisors about their personal legal, regulatory and tax positions regarding the Proposed Acquisition or any other matter.

Novus Holdings does not accept responsibility and will not be held liable for any act of or omission by any CSDP or Broker, including, without limitation, any failure on the part of the CSDP or Broker or any registered holder of Shares to notify the holder of any beneficial interest in those Shares in respect of the Proposed Acquisition or any other matter set out in this Circular.

IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 8 of this Circular shall, unless the context clearly indicates otherwise, apply to this section.

	2022
Record date to determine which Shareholders are eligible to receive this Circular on	Friday, 30 September
Circular distributed to Shareholders and notice convening the General Meeting of Shareholders announced on SENS on	Thursday, 6 October
Notice of General Meeting published in the press on	Friday, 7 October
LDT in order to be eligible to participate in and vote at the General Meeting	Tuesday, 25 October
Voting Record Date on	Friday, 28 October
Receipt of Forms of Proxy *(blue)* recommended to be received by 11:00[2] on	Wednesday, 2 November
General Meeting to be held at 11:00 on	Friday, 4 November
Results of the General Meeting released on SENS on	Friday, 4 November
Results of the General Meeting published in the press on	Monday, 7 November

Notes:

1. The above dates and times are subject to amendment. Any such amendment will be released on SENS.
2. Forms of Proxy *(blue)* and the authority (if any) under which they are signed must be: (i) lodged with or posted to JSE Investor Services at 13th Floor, Ameshoff Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) or via email at meetingservices@jseinvestorservices.co.za, recommended to be received by them, for administrative purposes, by no later than 11:00 on Wednesday, 2 November 2022.
3. Shareholders should note that, as trade in Shares on the Exchange is settled in the electronic settlement system used by Strate, settlement of trades takes place three Business Days after the date of such trades. Therefore, Shareholders who acquire Shares on the JSE after the voting LDT, being the last day to trade in Shares so as to be recorded in the Register on the Voting Record Date, will not be entitled to participate in the General Meeting.
4. Dematerialised Shareholders, other than those with Own-Name Registration, must provide their CSDP or Broker with their instructions for voting at the General Meeting by the cut-off time and date stipulated by their CSDP or Broker in terms of their respective Custody Agreements between them and their CSDP or Broker.
5. If the General Meeting is adjourned or postponed, the above dates and times will change, but the Forms of Proxy *(blue)* submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
6. Although the salient dates and times are stated to be subject to change, such statement shall not be regarded as consent or dispensation for any change to time periods which may be required in terms of the Companies Act and the Listings Requirements, where applicable, and any such consents or dispensations must be specifically applied for and granted.
7. All times referred to in this Circular are references to South African Standard Time.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context clearly indicates a contrary intention, the following words and expressions bear the meanings assigned to them below:

"AE Shares"	2,897 Accelerated Empowerment ordinary shares of no par value in Pearson SA, constituting a separate share class from Pearson SA's ordinary share class;
"Affiliates"	in relation to any Person, that Person's holding company or any subsidiary of such holding company, and any other Person directly or indirectly Controlled by, or Controlling of, or under common Control with, that Person within the meaning of section 3(2) of the Companies Act, whether or not such Person is incorporated in or outside of South Africa;
"Agreement"	the Sale and Purchase Agreement concluded between Novus Holdings, Novus and the Seller on Friday, 12 August 2022 governing the terms of the Proposed Acquisition;
"Announcement"	the terms announcement and withdrawal of cautionary announced on SENS by Novus Holdings on Friday, 12 August 2022, containing *inter alia*, the details of the Proposed Acquisition;
"Austin Business"	the term ascribed to the local courseware publishing business owned and operated by Pearson SA in South Africa which, following the Pre-Sale Reorganisation, will be the sole business to be operated by Pearson SA and, following Completion, Pearson SA is to be transferred to the direct ownership of Novus (and thus the indirect ownership of Novus Holdings) pursuant to the terms of the Agreement, excluding the Non-Austin Business notwithstanding that Pearson SA may receive access to certain assets and services of the Non-Austin Business on a transitional basis pursuant to the conclusion of certain of the Transaction Documents;
"Base Consideration"	the figure forming part of the Final Consideration, as detailed in paragraph 5.2 of this Circular;
"B-BBEE"	Broad-Based Black Economic Empowerment, as defined in the Broad-Based Black Economic Empowerment Act 53 of 2003;
"BEE"	Black Economic Empowerment;
"Blackout Period"	the period from 8 December 2022 until 24 January 2023, both days inclusive;
"Board" or **"Directors"**	the board of directors of the Company as at the Last Practicable Date whose details are set out in the '*Corporate Information and Advisors*' section of this Circular;
"Broker"	any Person registered as a "*broking member (equities)*" in terms of the rules of the JSE and in accordance with the provisions of the Financial Markets Act;
"Business Day"	a day which is not a Saturday, Sunday or gazetted, official public holiday in South Africa;
"Cautionaries"	collectively, the cautionary announcement released on SENS on Tuesday, 21 June 2022 and the renewal of cautionary announced on SENS on Wednesday, 10 August 2022;
"CEO"	Chief Executive Officer;
"CFO"	Chief Financial Officer;
"Certificated Shareholders"	holders of Certificated Shares;
"Certificated Shares"	Shares being "certificated securities" as defined in the Financial Markets Act and having accordingly not yet been Dematerialised, title to which is evidenced by Documents of Title;
"Circular"	this circular to Shareholders, dated Thursday, 6 October 2022, together with the annexures hereto, and including the Notice and the Form of Proxy *(blue)*;
"CIPC"	Companies and Intellectual Property Commission;
"Companies Act"	the Companies Act, No. 71 of 2008;
"Competition Act"	the Competition Act, No. 89 of 1998;
"Competition Appeal Court"	the Competition Appeal Court of South Africa, a court established in terms of section 36 of the Competition Act;
"Competition Authorities"	the Competition Commission, the Competition Tribunal and/or the Competition Appeal Court, insofar as approvals are required from them in terms of the Competition Act and/or other applicable Laws to implement the Transaction, and all other competition authorities insofar as such approvals are required for the Transaction;
"Competition Commission"	the Competition Commission of South Africa, a statutory body established in terms of section 19 of the Competition Act;
"Competition Tribunal"	the Competition Tribunal of South Africa, a statutory body established in terms of section 26 of the Competition Act;
"Completion"	completion of the sale and purchase of the Equity Stake, as further detailed in paragraph 5 of this Circular;
"Completion Date"	the effective date of the Transaction as described in paragraph 5.5 of this Circular;
"Conditions Precedent"	the conditions precedent to the Proposed Acquisition as set out in paragraph 5.3 of this Circular;

"Control"	the power of a person to secure, directly or indirectly, (whether by the holding of shares, possession of voting rights or by virtue of any other power conferred by the articles of association, constitution, partnership deed or other documents regulating another person or otherwise) that the affairs of such other person are conducted in accordance with his or its wishes and the terms "**Controlled**" and "**Controlling**" shall be construed accordingly;
"Corporate Advisor" or **"Nodus"**	Nodus Capital Proprietary Limited, with registration number 2007/004535/07, a private company duly registered and incorporated under the Laws of South Africa, whose details appear in the "*Corporate Information and Advisors*" section of this Circular;
"CSDP"	a "participant" as defined in the Financial Markets Act;
"COVID-19"	means corona 2, SARS-CoV-2, a novel respiratory tract virus that resulted in a global pandemic and worldwide restrictions on trade and movement;
"Custody Agreement"	a custody mandate agreement between a Dematerialised Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Shares held on the Novus Holdings' uncertificated securities register administered by a CSDP or Broker on behalf of such Shareholder;
"Dematerialise" or **"Dematerialised"** or **"Dematerialisation"**	the process by which the Certificated Shares are converted into an electronic format as Dematerialised Shares and recorded in the Company's uncertificated securities register administered by a CSDP;
"Dematerialised Shareholders"	holders of Dematerialised Shares;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question acceptable to the Board;
"EBITD"	earnings before interest, tax and depreciation;
"Equity Stake"	10,742 ordinary shares in Pearson SA, being 75% of the total issued ordinary shares of Pearson SA, currently held by the Seller;
"Exchange"	the securities exchange operated by the JSE;
"Fairly Disclosed"	means disclosed in sufficient detail and in such a manner such that on a review of the document, a purchaser acting reasonably, would be aware of the specific fact, matter or other information such that it would be in a position to make a reasonably informed assessment of the fact, matter or other information disclosed;
"Final Consideration"	refers to full cash consideration paid for the Equity Stake pursuant to Completion, as more fully described in paragraph 5.2 of this Circular;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012;
"Foreign Shareholder"	a Shareholder who is a non-resident of South Africa, as contemplated in the Exchange Control Regulations, 1961;
"Form of Proxy *(blue)*"	for purposes of the General Meeting, the form of proxy *(blue)* for use by Certificated Shareholders and Dematerialised Shareholders with Own-Name Registration, enclosed herewith;
"General Meeting"	the general meeting of Shareholders scheduled to be held at 11:00 on Friday, 4 November 2022 (or any rescheduled, postponed or adjourned date and time in accordance with, amongst others, the provisions of section 62(1)(a) and 63(2)(b) of the Companies Act and the Company's MOI), at the registered offices of the Company, 10 Freedom Way, Montague Gardens, Cape Town, 7441, to consider, and if deemed fit, to approve, with or without modification, the Resolutions as set out in the Notice forming part of this Circular;
"Governmental Authority"	i. the government of any applicable jurisdiction (including any national, state, municipal or local government or any political or administrative subdivision thereof) and any department, ministry, agency, instrumentality, court, central bank, commission or other authority thereof; ii. any governmental, quasi-governmental or private body or agency lawfully exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory, licensing, competition, tax, importing or other governmental authority or quasi-governmental authority within any applicable jurisdiction; and iii. any securities exchange within any applicable jurisdiction;
"Historical Financial Information"	the audited financial statements for the three years ended 31 December 2019, 31 December 2020 and 31 December 2021 of Pearson SA;
"IFRS"	International Financial Reporting Standards;
"Independent Reporting Accountant" or **"PwC"**	PricewaterhouseCoopers Inc.;
"Integrated Annual Report" or **"IAR"**	the integrated annual report of the Company for the year ended 31 March 2022;
"Investec Bank"	Investec Bank Limited, with registration number 1969/004763/06, a bank duly incorporated and registered in accordance with the laws of South Africa, acting through its Investment Banking Division: Mid-Market Solutions.
"Irrevocable Undertakings"	the irrevocable undertakings to vote in favour of the Resolutions provided by certain Shareholders, as described in paragraph 6 of this Circular;

"JSE"	JSE Limited, with registration number 2005/022939/06, a public company duly registered and incorporated under the Laws of South Africa, and licensed as an exchange under the Financial Markets Act;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Friday, 23 September 2022;
"Laws"	laws, legislation, statutes, regulations, directives orders, notices, promulgations and other decrees of any Governmental Authority which have force of law or which would be an offence not to obey, and the common law, all of the aforementioned as modified, re-enacted, restated, replaced or re implemented from time to time;
"LDT"	last day to trade;
"Legal Advisor" or **"ENSafrica"**	Edward Nathan Sonnenbergs Inc., a personal liability company of lawyers practicing in South Africa and the legal advisor to Novus Holdings;
"Listings Requirements"	the Listings Requirements of the JSE in force and effect as at the Last Practicable Date;
"Material Adverse Event" or **"MAE"**	a material adverse event, as described in paragraph 5.4.3 of this Circular;
"Merchantec Capital" or **"Sponsor"**	Merchantec Proprietary Limited, with registration number 2008/027362/07, a private company duly registered and incorporated under the Laws of South Africa, whose details appear in the '*Corporate Information and Advisors*' section of this Circular;
"MOI"	memorandum of incorporation;
"Non-Austin Business"	the term ascribed to the digital and print courseware publishing business in respect of the Seller's global higher education products and courseware, adapted for local publication and distribution, and serves a number of African jurisdictions, to be retained by the Seller as part of the Pre-Sale Reorganisation;
"Notice"	the notice of General Meeting of Shareholders attached to and forming part of this Circular;
"Novus Holdings" or the **"Company"** or the **"Group"** or **"Guarantor"**	Novus Holdings Limited, with registration number 2008/011165/06, a public company duly registered and incorporated under the Laws of South Africa, and the Shares of which are listed on the Exchange;
"Novus"	Novus Print Proprietary Limited, with registration number 2003/021005/07, a private company duly registered and incorporated under the Laws of South Africa, being a wholly owned Subsidiary of the Group and the party acquiring the Equity Stake;
"Ordinary Resolution"	a resolution adopted by Shareholders with the support of more than 50% of the voting rights exercised on the Resolution;
"Own-Name Registration" or **"Own-Name Dematerialised Shareholders"**	Shareholders who hold Shares that have been Dematerialised and are recorded by the CSDP on the sub-register kept by that CSDP in the name of such Shareholders;
"Pearson Group"	Pearson plc and its Affiliates from time to time, excluding Pearson SA and/or Pearson SA's Subsidiaries;
"Pearson Holdings Southern Africa" or the **"Seller"**	Pearson Holdings Southern Africa Proprietary Limited, with registration number 1960/001010/07, a private company duly registered and incorporated under the Laws of South Africa;
"Pearson SA" or the **"Vendor"**	Pearson South Africa Proprietary Limited, with registration number 2009/022455/07, a private company duly registered and incorporated under the Laws of South Africa, whose details appear in the '*Corporate Information and Advisors*' section of this Circular, which is currently beneficially owned by the Seller (75%), Sphere (22.5%) and Pearson Marang Education Trust (2.5%);
"Pearson Marang Education Trust"	Pearson Marang Education Trust, a trust registered in accordance with the laws of South Africa, under Master's Reference No. IT3719/2007 and a shareholder of Pearson SA;
"Person"	includes any individual, body corporate, trust, company, close corporation, Governmental Authority, corporate entity, unincorporated association or other entity, whether or not recognised under any Law as having separate legal existence or personality and wherever incorporated, created or established;
"Pre-Sale Reorganisation"	the transfer of the Non-Austin Business out of Pearson SA to Pearson Holdings South Africa and other members of the Pearson Group (if applicable) prior to the Completion Date as further detailed in paragraph 5.4.1 of this Circular;
"Pre-Sale Reorganisation Agreement"	the Pre-Sale Reorganisation Agreement which sets out the terms and conditions of the Pre-Sale Reorganisation;
"Proposed Acquisition" or **"Acquisition"** or **"Transaction"**	the proposed acquisition of the Equity Stake in Pearson SA by Novus from the Seller for the Final Consideration, as more fully described in this Circular;
"Proposed Acquisition Resolution"	Ordinary Resolution Number 1, as contained in the Notice required to be approved by a simple majority of Shareholders in order to implement and give effect to the Proposed Acquisition;
"Register"	the securities register of Novus Holdings, including the relevant sub-registers of the CSDP(s) administering the sub-registers of Novus Holdings, and the register of disclosures in relation to Novus Holdings;
"Request"	a request to participate electronically in the General Meeting, which further details are set out in the "*Action required by Shareholders*" section of this Circular;
"Resolutions"	collectively, all the Ordinary Resolutions as set out in the Notice of General Meeting, and "Resolution" means any one of them as the context may require;

"Seller Group"	the Seller and its group undertakings or Affiliates from time to time provided that prior to Completion, Pearson SA shall form part of the Seller Group, but from Completion, Pearson SA shall not form part of the Seller Group;
"SENS"	the Stock Exchange News Service of the JSE;
"Shareholder"	a holder of one or more Shares;
"Shares"	ordinary shares of no par value in the issued share capital of Novus Holdings;
"Signature Date"	the date of Signature of the Agreement, being Friday, 12 August 2022;
"South Africa"	the Republic of South Africa;
"Sphere RB Investments Proprietary Limited" or **"Sphere"**	Sphere RB Investments Proprietary Limited with registration number 2005/020240/07, a private company duly registered and incorporated under the Laws of South Africa, and being the holder of the AE Shares;
"Strate"	Strate Proprietary Limited, with registration number 1998/022242/07, a private company duly registered and incorporated under the Laws of South Africa, a central securities depository licensed in terms of the Financial Markets Act and responsible for the electronic clearing and settlement system provided to the JSE;
"Subsidiary"	a "subsidiary" as defined in the Companies Act, but also includes a Person incorporated outside South Africa which would, if incorporated in South Africa, be a "subsidiary" as defined in the Companies Act;
"Target Group"	Pearson SA and its direct and indirect Subsidiaries from time to time;
"Top Up"	has the meaning set out in paragraph 5.2 of this Circular;
"Transaction Documents"	collectively, additional transaction agreements governing the Transaction and for a specified period post Completion, (each in agreed form at the Signature Date) referred to in the Agreement that entail: i. the Tax Deed; ii. the Transitional Services Agreement; iii. the Reverse Transitional Services Agreement; iv. the Transitional Trade Mark Licence Agreement; v. the Transitional Content Licence Agreement; and vi. the Long Term Commercial Agreement;
"Transfer Secretaries" or **"JSE Investor Services"**	JSE Investor Services Proprietary Limited, with registration number 2000/007239/07, a private company duly registered and incorporated under the Laws of South Africa;
"Treasury Shares"	as at the Last Practicable Date, 26 095 545 Shares held in treasury by the Company;
"UK"	United Kingdom;
"Voting Record Date"	record date to be recorded in the Register as a Shareholder in order to participate in the General Meeting, being Friday, 28 October 2022;
"ZAR" or **"R"** or **"Rand"**	the lawful currency of South Africa.

The following shall apply throughout this Circular, unless the context clearly provides otherwise:

1. headings are to be ignored when construing this Circular;
2. references to one gender include all genders and references to the singular include the plural and *vice versa*;
3. any reference to a time of day is a reference to South African Standard Time, unless a contrary indication appears;
4. a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified, replaced or re-enacted;
5. a reference to any agreement or document referred to in this Circular is a reference to that agreement or document as amended, revised, varied, novated or supplemented at any time;
6. should any provision in a definition be a substantive provision conferring rights or imposing obligations on any Person, effect shall be given to that provision as if it were a substantive provision in the body of this Circular;
7. the use of the words including and include/s, in particular or any similar such word followed by a specific example/s shall not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule shall not be applied in the interpretation of such general wording or such specific example/s; and
8. references to Laws or any similar such word shall be deemed to include the Listings Requirements.

NOVUS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration number: 2008/011165/06

JSE Code: NVS ISIN: ZAE000202149

("**Novus Holdings**" or the "**Company**" or the "**Group**")

Directors
Executive
Neil Birch (Chief Executive Officer)
Keshree Alwar (Chief Financial Officer)

Independent non-executive
Phumla Mnganga (Chairperson)
Abduraghman Mayman
Lulama Mtanga

Non-executive
Noluvuyo Mkhondo
André van der Veen
Adrian Zetler

CIRCULAR TO SHAREHOLDERS

1. **INTRODUCTION**

1.1 Shareholders are referred to the Cautionaries and the Announcement released on SENS on Friday, 12 August 2022.

1.2 In the Announcement, it was advised that the Company, Novus and Pearson Holdings Southern Africa had entered into the Agreement for the proposed acquisition by Novus of the Equity Stake from Pearson Holdings Southern Africa for the Final Consideration as described in paragraph 5.2 below, subject to the fulfilment of the Conditions Precedent.

1.3 The Proposed Acquisition is classified as a Category 1 transaction in terms of the Listings Requirements. Accordingly, implementation of the Proposed Acquisition is subject to, *inter alia*, the approval of the Proposed Acquisition Resolution by Shareholders at the General Meeting.

2. **PURPOSE OF THIS CIRCULAR**

The purpose of this Circular is to:

2.1 provide Shareholders with information regarding the Proposed Acquisition, the Conditions Precedent thereto and the manner in which it will be implemented; so as to enable Shareholders to make an informed decision as to how they wish to exercise their votes in respect of the Resolutions; and

2.2 convene the General Meeting to consider and, if deemed fit, approve the Resolutions.

3. **OVERVIEW AND PROSPECTS OF NOVUS HOLDINGS**

3.1 **General**

Novus Holdings Limited is one of the largest printing and manufacturing operations in Southern Africa. What started as a small family-run operation over a century ago, has evolved into a substantial business listed on the JSE under the Business Support sector. Novus Holdings services the country, and customers across sub-Saharan Africa through its print and packaging production of an extensive and diverse range of print and flexible packaging products and solutions. Novus Holdings operates three key segments being Printing (including gravure, heatset, coldset, sheet-fed and digital); Packaging (including labels and flexible packaging) and Other, entailing other non-print or packaging products. The source for the information contained in this paragraph 3 of this Circular is the Integrated Annual Report.

3.2 **Novus Print**

As the core of the Group, Novus Print operates a network of printing plants equipped with the most technologically advanced equipment, ensuring highly efficient and automated production processes. Novus' print capabilities extend from short and medium to long-run requirements of all printed material including magazines, retail inserts, catalogues, books, newspapers, educational materials and security products.

As at the year ended 31 March 2022, revenue increased by 11,7% to R2 371 million and operating profit (excluding "other gains/(losses)" (as set out in the IAR) to R155,8 million compared to an operating loss of R37 million reported in the prior year. Overall sales tonnages increased by 7,1%. Retail Inserts and Catalogues together with Books and Directories saw an increase in volumes year-on-year whilst Magazines and Newspapers continued on their negative trajectories post COVID-19. Gross profit margin improved considerably by 5,3% from 21,5% to 26,8%.

3.3 **Novus Packaging**

This business provides customers with a range of flexible packaging solutions and reliable label printing. The packaging gravure press, located at the flagship Cape Town plant has the capability to produce wet-glue labels and wrap-around labels for the beverage and other consumer markets.

Revenue increased by 9,5% to R635 million and operating profit by 90,9% to R38 million. ITB Flexible Packaging Solutions' revenue increased by 9,4% due to sustained consumer demand with gross profit margin up by 4,4% and operating profit increasing by an impressive 79,9%. The division was able to recover raw material cost increases and extract cost efficiencies through production and savings in general overheads.

Novus Labels revenue increased by 9,7% off the low base in the prior year caused by the COVID-19 restrictions but failed to improve gross margin and return to profitability. The division contributed an operating loss of R10,8 million which included the costs incurred in rationalisation of the business following the exit from a key customer contract.

3.4 **Other**

3.4.1. **Tissue**

Novus Holdings has a 49% equity share in Mthembu Paper Mill (Pty) Ltd. This business produces jumbo tissue wadding, which is used by customers to produce a complete range of household and consumer products such as toilet paper, facial tissue, kitchen towels and serviettes.

3.4.2. **Publishing**

Novus Holdings has various small publishing houses, owned and partially owned, offering various magazines in print and digital formats for a diverse range of customers. This includes monthly, bi-monthly, quarterly and annual content production, design & layout, publishing, printing and distribution with a national distribution network.

3.5 **Directors' Opinion on Prospects**

3.5.1. For the year ended 31 March 2022, the Group was able to demonstrate resilient performance post COVID-19 with the current performance reflecting the benefits of the difficult decisions taken to shut down and merge print facilities and the unfortunate accompanying reduction in jobs. The Print segment is however leaner and appropriately structured to suit the structural decline in demand within the industry.

3.5.2. Whilst the Group is now streamlined and adjusted to its "new normal" with over R1 billion in revenue permanently removed from its revenue base, global and local macroeconomic challenges will likely continue to materially influence its performance in the new financial year. Global pulp and paper shortages and excessive price increases along with logistical challenges are expected to have a material impact during the new financial year.

3.5.3. The Group attempted to mitigate part of this risk by making strategic raw material acquisitions toward the end of the financial year, however the sheer volume required, and the excessive nature of increases make it extremely difficult to offset. The anticipated duration of the supply disruptions and price instability is unknown at this stage, but it is hoped that a return to a degree of normality can occur by the end of the current financial year. The pricing impact is being partially subsidised by Novus Holdings to the extent that is feasible, but this will still have an impact on the volumes that can be accommodated by customers' budgets.

3.5.4. The Group was successful in retaining the Department of Basic Education ("**DBE**") contract for at least 3 more years and is confident in its ability to service this contract successfully as it has over the last 10 years.

3.5.5. The balance sheet remains effectively ungeared with no external borrowings.

3.5.6. The Vendor information is set out in Annexure 7 to this Circular.

4. **OVERVIEW AND PROSPECTS OF PEARSON SA POST COMPLETION**

4.1. **General**

4.1.1. The Pearson Group was founded in the United Kingdom in 1844 and began its operations in South Africa in 1960. The financial information provided in this paragraph 4.1 has been obtained from Pearson SA's senior management team and is contained in Annexure 5 of this Circular.

4.1.2. Pearson SA's operations can trace its roots back to 1893 when Maskew Miller was founded in South Africa. Maskew Miller merged with Longman South Africa ("**Longman**") almost 100 years later to form Maskew Miller Longman Proprietary Limited in 1983. Longman has been a world leading provider of dictionaries since 1724 and was acquired by the Pearson Group in 1968.

4.1.3. Heinemann Publishers, operating in South Africa since the 1950's, was introduced into the Pearson SA group in 2010 as a result of the Pearson Group's acquisition from Harcourt.

4.1.4. Pearson SA holds 100% interest in the following South African companies, all of which are dormant:

4.1.4.1 Maskew Miller Longman Proprietary Limited ("**Maskew Miller Longman**") and its directly held subsidiary companies:

a. Kagiso Education Proprietary Limited;

b. Phumelela Publishers Proprietary Limited; and

4.1.4.2 Heinemann Publishers Proprietary Limited.

4.1.5. Further to the disclosure set out in paragraph 1 of the Announcement, the details of the issued share capital of Pearson SA is set out below:

Shareholder name	Number of ordinary shares of no par value held	Number of AE Shares held	% of ordinary shares held	% of total shares held
The Seller	10 742	-	94.0%	75.0%
Sphere	326	2 897	2.9%	22.5%
Pearson Marang Education Trust	358	-	3.1%	2.5%
Total[1]	**11 426**	**2 897**	**100%**	**100%**

Notes:
1. The total issued share capital of Pearson SA amounts to 14 323 shares (including the AE Shares).

AE Shares and Notional Funding Loan

4.1.6. The current B-BBEE structure in relation to Pearson SA remains in place with the BEE shareholders controlling 25% of the voting rights. A notional B-BBEE loan was introduced pursuant to the original BEE structure in respect of the purchase of the AE Shares. This notional loan is required to be amortised in full before these shares will enjoy cash dividend distributions *pari passu* with the ordinary shares of Pearson SA. Until this notional loan has been amortised, dividends are declared to holders of ordinary shares, being the 11,426 ordinary shares (refer to paragraph 4.1.5 above). An equivalent notional amount per share on the 2,897 AE Shares is calculated and recognised as a notional loan reduction. The AE shares therefore do not share in cash dividends until the notional loan is extinguished. The notional loan has been amortising materially over the last few years and currently stands at R328,9 million as at 31 December 2021.

4.1.7. In terms of the existing shareholders agreement in respect of Pearson SA, the holder of the AE Shares, being Sphere, was entitled to exercise a put option in relation to its equity shares of 22.5% which was accounted for as a cash settled share-based payment liability in Pearson SA amounting to R70,5 million as at 31 December 2021. As part of the Proposed Acquisition, Sphere agreed to waive the rights attached to this put option (and thus the contingent liability in respect of the put option consideration no longer exists). Additional details on the original accounting treatment of this option is included in note 12 of the notes to the Historical Financial Information and note c in the notes to the *pro forma* financial information for the accounting treatment on Acquisition.

4.1.8. Novus will be entitled to 94% of the future cash dividend distributions until such time that the notional loan is amortised. The holder of the AE Shares will then be entitled to receive 20.22% of the cash dividend distribution and Novus' share will accordingly decrease to 75%.

Pearson Overview

4.1.9. Pearson SA is an established publisher with a long history of providing education solutions from early childhood learning to beyond school. Pearson SA provides curriculum-based print materials that support the National Curriculum and Assessment Policy Statement ("**CAPS**") and includes higher education curricula, e-learning content and tools, as well as teacher training and a vast selection of supplementary learning material.

4.1.10. Pearson SA is home to Maskew Miller Longman and Heinemann, two of the best-known brand names in South African publishing and leaders in the provision of print materials and CAPS-approved learner support materials. Pearson SA is an innovator in providing learning content and teacher training for use in K-12 schools, TVET colleges, higher education institutions, and home and professional environments.

4.1.11. Pearson SA creates content in all 11 official languages and has a footprint in all 9 provinces. Pearson SA's insight and local expertise comes from its long history of working closely with the Department of Education, teachers, learners, researchers and authors.

4.1.12. Pearson SA is currently a B-BBEE level 1 contributor.

4.1.13. For the year ended 31 December 2021, revenue increased by 14.35% to R960 million, primarily arising from the K-12 schools' market, reflecting the increased procurement by Pearson SA's customer base during the year, and operating profit increased by 16.12% to R368 million.

4.1.14. Gross margins for the year ended 31 December 2021, adversely affected by higher unit manufacturing costs (paper), were to some extent counterbalanced by reduced amortisation charges during the period.

4.1.15. The operating margin as a percentage of revenue has remained relatively constant at 38.32% compared to 37.74% in the prior year in spite of non-trading adjustments (e.g., share option IFRS 2 charge, lease modification, etc.) impacting the operating profit.

4.1.16. Conversion of operating profit to cash was in excess of 100% for the year and total dividends of R249m were declared and paid, representing 91.92% of the profit after tax for the year.

4.2. **Directors' Opinion on Prospects post Completion**

4.2.1. Shareholders are referred to paragraph 5.4.1 below, regarding the acquisition of the Austin Business.

4.2.2. The Austin Business of Pearson SA occupies a very stable position in the South African educational book market. The quality of content and intellectual property along with the resources to maintain and enhance the content supports this status.

4.2.3. Given the growing population of scholars in South Africa and the slow transition to alternative digital alternatives, the market for the products should remain strong, and in the event that there is a strategic shift to digital delivery of content, the Pearson SA business is well positioned to share in that aspect of the market as it already offers such solutions.

5. DETAILS OF THE PROPOSED ACQUISITION

5.1. Rationale for the Proposed Acquisition

5.1.1. During the past three years, Novus Holdings embarked on a process to reposition and restructure the Group following market changes in its traditional print business.

5.1.2. The restructure included the liquidation of surplus assets and release of working capital in line with operational requirements which resulted in the return of surplus cash to Shareholders. Following this repositioning, the core print business remains viable with the Company focusing on operational management and return on assets, coupled with selective opportunities for investment and growth.

5.1.3. The return of surplus capital to Shareholders remains a focus of the Board but this will be evaluated against the ability to leverage the Group's skills and infrastructure. The Board and management will continue to seek and evaluate investment opportunities that deliver returns in excess of its risk adjusted cost of capital in order to create value for Shareholders.

5.1.4. The opportunity to acquire the majority of the Pearson SA business follows Pearson plc's (the parent company of the Seller) decision to divest their international local courseware publishing businesses. Pearson SA, being the owner of extensive education related intellectual property, serves all tiers of the education market in South Africa, with a primary focus on schools. The Pearson SA textbooks and courseware are active in many of the subject matter areas. The business is supported by a sophisticated and comprehensive sales and distribution network across South Africa which delivers high service levels. The business benefits from long term relationships with education departments and content owners/developers, to provide high quality learning materials to students.

5.1.5. While the paper based textbook business is expected to remain a significant part of the education system, Pearson SA have also been pro-active in developing solutions to provide digital content to assist its stakeholders and students to participate in the migration to digital educational platforms.

5.1.6. The Pearson SA textbook publishing business aligns with the core print activities of Novus Holdings and will benefit from the distribution, publishing and production network of the Novus platform.

5.1.7. As part of the Transaction, Novus Holdings will support and join the current BEE partners in a well-structured sustainable B-BBEE structure/partnership.

5.1.8. The transfer of control from an international shareholder to Novus, with its established infrastructure, ensures that there will be no disruption in the delivery of important education materials to schools and learners. It also creates the opportunity for the focussed localisation of learning solutions, that will further assist to alleviate some of the unique challenges in South Africa's education system.

5.2. Final Consideration

5.2.1. The Final Consideration for the Proposed Acquisition is comprised as follows:

5.2.1.1. the Base Consideration of ZAR 829 400 000;

5.2.1.2. to the extent that the Proposed Acquisition has not been completed by 30 November 2022, the profits typically attributable to the Seller from 1 December 2022 until the Completion Date will accrue and be paid to the Seller ("**Top Up**") against the retention of such profits within Pearson SA; and

5.2.1.3. interest at a market related interest rate will accrue to a portion of the Base Consideration from 1 October 2022 to 30 November 2022.

5.2.2. The Base Consideration and interest (referred to in paragraph 5.2.1.3 above) will be settled in cash on the Completion Date. The Top Up, to the extent that it becomes due will be settled within twenty-five Business Days following the Completion Date or such later date in terms of the Agreement if any adjustments have to be made resulting from any dispute relating to the calculation of the Top Up.

5.2.3. The Final Consideration will be funded from Novus' existing cash resources and debt facilities. In this regard, a credit approved facility has been obtained, further details of which are contained in paragraph 12 of this Circular below.

5.2.4. The resultant level of gearing is within prudent senior finance limits of the Group, given the cash generating nature of the business to be acquired.

5.3. Conditions Precedent to the Proposed Acquisition

5.3.1. The implementation of the Proposed Acquisition is subject to the fulfilment of the following Conditions Precedent:

5.3.1.1. the Proposed Acquisition has been unconditionally approved by the Competition Authorities in terms of the Competition Act, or conditionally approved on terms and conditions which are acceptable to the Seller and Novus;

5.3.1.2. the receipt of Shareholder approval of the Proposed Acquisition Resolution by the requisite majority of Shareholders by way of Ordinary Resolution; and

5.3.1.3. upon the satisfaction of the conditions in clauses 5.3.1.1 and 5.3.1.2, no notice has been received by the Seller from Novus that a MAE has occurred, setting out the full details of the occurrence of a MAE.

5.3.2. The Conditions Precedent are not capable of being waived.

5.3.3. The last of the Conditions Precedent must be fulfilled by not later than 31 March 2023, which date may be extended by the parties to the Agreement by mutual written agreement.

5.4. **Material Provisions of the Agreement**

The Agreement constitutes the core document relating to the Proposed Acquisition, with the Transaction Documents forming part of the ancillary agreements thereto.

5.4.1. **Pre-Sale Reorganisation**

5.4.1.1. Pearson SA currently operates the Austin Business and the Non-Austin Business.

5.4.1.2. The Austin Business is the primary local courseware publishing business serving the South African schooling market, as well as the local higher education and vocational markets which Novus will effectively acquire by virtue of its acquisition of the Equity Stake. The Non-Austin Business comprises a digital and print courseware publishing business with respect to the Pearson Group's global higher education products, which are also adapted for local publication and distribution, and serves a number of African jurisdictions.

5.4.1.3. In preparation for the Completion and in connection with the Proposed Acquisition, Pearson Holdings Southern Africa (and other members of the Pearson Group, if applicable) has agreed to purchase from Pearson SA, the Non-Austin Business as a going concern prior to Completion, which sale and transfer of the Non-Austin Business is governed by the Pre-Sale Reorganisation Agreement, and which agreement was in agreed form as at Signature Date.

5.4.2. **Transaction Documents**

5.4.2.1. The Agreement incorporates a suite of various reciprocal transitional service and support agreements (in agreed form at Signature Date) ("**TSAs**") to provide for an orderly and cost-effective transfer and operational handover. The TSAs provide for an appropriate duration from Completion Date, to allow for an orderly handover of services between the Seller and Novus, including intellectual property management, content licences, copyright renewals, IT licences and digital platform handovers. The Pearson SA business is materially stand alone and the TSAs purpose are to document and formalise an organised handover and integration process to ensure operational continuity and efficiency of the Pearson SA business post Completion of the Acquisition. The TSAs are referred to in the Agreement as the Transitional Services Agreement, the Reverse Transitional Services Agreement, the Transitional Trade Mark Licence Agreement and the Transitional Content Licence Agreement, each of which give effect to the aforesaid pre-agreed transitional arrangements.

5.4.2.2. The Seller has provided certain customary restrictive undertakings in relation to the operation of the business of Pearson SA during the period between the Signature Date and the Completion Date. The Agreement provides customary non-compete and non-solicitation restrictive covenants in favour of Novus.

5.4.2.3. The Agreement contains warranties by the Seller in favour of Novus which are standard for a transaction of this nature. The warranties are subject to customary financial, diligence and other limitations. Novus has also given customary warranties in favour of the Seller. The Transaction Documents include customary and typical tax warranties in respect of pre-completion tax liabilities, which are subject to typical exemptions and financial thresholds.

5.4.2.4. A Tax Deed is linked to the Agreement relating to certain indemnities furnished by the Seller in favour of Novus in respect of taxation relating to Pearson SA in the period prior to the Completion Date.

5.4.2.5. Certain intellectual property will be assigned by Pearson SA or its Subsidiaries to the relevant members of the Seller Group pursuant to certain trademark, domain name, social media accounts and copyright assignment agreements which do not relate to the Austin Business. These assignments will be effected pursuant to trademark and copyright assignment agreements to be executed between Pearson SA and the relevant member of the Seller Group (and which were in agreed form on the Signature Date).

5.4.2.6. Pearson SA will be granted a royalty free perpetual licence of certain specified software from the relevant member of the Seller Group pursuant to a software licence agreement to be concluded between the relevant member of the Seller Group and Pearson SA.

5.4.2.7. The Transaction Documents were in agreed form on the Signature Date and are referenced as such in the Agreement.

5.4.3. **Material Adverse Event**

A Material Adverse Event constitutes any event or series of related events, occurring from the date of the Agreement until on or before Completion, which has resulted in losses, damages, costs, actions, awards, penalties, fines, claims or liabilities (including for the avoidance of doubt, any liability to tax but excluding, for the avoidance of doubt, the legal and other professional fees and expenses incurred by Novus) that have a repeated impact on the annual EBITD for the Austin Business of at least ZAR70 000 000, but excluding any of the foregoing arising out of, resulting from, or attributable to:

5.4.3.1. changes in stock markets, interest rates, exchange rates, commodity prices or other general economic conditions;

5.4.3.2. changes in applicable laws, regulations or accounting standards or practices;

5.4.3.3. any matter Fairly Disclosed, as contemplated in the Agreement;

5.4.3.4. any matter to the extent that is provided for in the consolidated signed, unqualified audited annual financial statements of the Target Group as at and in respect of the financial year ended 31 December 2021 or the unaudited balance sheet of Pearson SA as at 31 July 2022;

5.4.3.5. any matter to the extent that Novus, or an Affiliate of Novus or the Target Group, post-Completion has or will have post-Completion recourse under the terms of this Agreement or any other Transaction Documents;

5.4.3.6. the announcement of the Transaction or the change in control of the Company resulting from the Transaction;

5.4.3.7. any action expressly contemplated by the Agreement or taken at the express written request of Novus; and

5.4.3.8. any actions by the Governmental Authorities in response to COVID-19 or any other global pandemic.

5.5. **Completion Date**

The effective date of the Acquisition ("**Completion Date**") will be five Business Days following the last of the Conditions Precedent being satisfied unless the Conditions Precedent are fulfilled in the Blackout Period, in which case the Completion Date will be 31 January 2023.

6. **IRREVOCABLE UNDERTAKINGS**

Shareholders holding more than 50% of the issued share capital of the Company have provided irrevocable undertakings to vote in favour of the Proposed Acquisition, as set out below:

Shareholder	Number of Shares[1]	Percentage of Shares[1]
Peresec Prime Brokers Proprietary Limited	87 104 463	27.17%
A2 Investment Partners Proprietary Limited	81 336 072	25.38%
Total	**168 440 535**	**52.55%**

Notes:
1. Excluding Treasury Shares.

7. ***PRO FORMA* FINANCIAL INFORMATION OF NOVUS HOLDINGS**

7.1. The *pro forma* financial information of Novus Holdings, and the Independent Reporting Accountant's report thereon are set out in Annexures 1 and 3 of this Circular, respectively.

7.2. The following table is a summarised extract of the *pro forma* financial effects contained in Annexure 1 and have been prepared to illustrate the impact of the Proposed Acquisition on the reported financial information of Novus Holdings for the year ended 31 March 2022, had the Proposed Acquisition occurred on 1 April 2021 for the statement of comprehensive income and as at 31 March 2022 for the statement of financial position.

7.3. The *pro forma* financial information contained in Annexure 1 have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the annual financial statements of Novus Holdings for the financial year ended 31 March 2022. The *pro forma* financial information, which are the responsibility of the Directors, are provided for illustrative purposes only and, because of their *pro forma* nature, may not fairly present Novus Holdings' actual financial position, changes in equity, results of operations or cash flow.

7.4. The *pro forma* financial information set out below and in Annexure 1 should be read in conjunction with the Independent Reporting Accountants' assurance report on the *pro forma* financial information set out in Annexure 3 of this Circular.

7.5. The notes to the *pro forma* financial information and the assumptions thereto are set out in Annexure 1 to this Circular. Extracts from the *pro forma* financial information of Novus Holdings are set out below.

	Before the Proposed Acquisition	After the Proposed Acquisition	Percentage change (%)
Basic earnings per share (cents)	30,42	80,59	164,94
Headline earnings per share (cents)	53,15	106,78	100,89
Net asset value per share (cents)	605	629	4,01
Net tangible asset value per share (cents)	581	428	(26,35)
Weighted average number of Shares in issue (000's)	305 100	305 100	-
Total number of Shares in issue (000's)	346 656	346 656	-

8. **HISTORICAL FINANCIAL INFORMATION**

8.1. **Pearson SA**

In compliance with the Listings Requirements, the Historical Financial Information of Pearson SA for the three years ended 31 December 2021, 31 December 2020 and 31 December 2019 and the Independent Reporting Accountant's reports thereon are set out in Annexures 5 and 6 of this Circular, respectively.

8.2. **Non-Austin Business**

In compliance with the Listings Requirements, Special Purposes Carved-Out Consolidated Historical Financial Information of the Non-Austin Business for the three years ended 31 December 2021, 31 December 2020 and 31 December 2019 and the Independent Reporting Accountant's report thereon are set out in Annexures 2 and 4 of this Circular, respectively.

9. **MAJOR SHAREHOLDERS**

9.1. As at the Last Practicable Date, the following Shareholders are directly/indirectly beneficially interested in 5% or more of the issued Shares of Novus Holdings:

Name	Number of Shares[1] held beneficially	Percentage shareholding[1] (%)
Peresec Prime Brokers Proprietary Limited	95 919 369	29.92
A2 Investment Partners Proprietary Limited	81 336 072	25.37
Value Capital Partners	37 250 596	11.62
Caxton & CTP Publishers & Printers Limited	32 129 062	10.02
Total	**246 635 099**	**76.93**

Notes:
1. Excluding Treasury Shares.

10. **DIRECTORS' INFORMATION**

10.1. **Directors' Beneficial Interests in Shares**

As at the Last Practicable Date, the beneficial interests of the Directors (current and those who resigned during the last 18 months), directly and indirectly, in the issued share capital of Novus Holdings, are as follows:

Director	Beneficial Direct	Beneficial Indirect	Total shares	Total[4] (%)
Executive				
NW Birch	181 838	3 359 508[1]	181 838	0.06
K Alwar	8 210	605 829[1]	8 210	0.00
H. Todd[2]	87 307	-	87 307	0.03
Non-executive				
A van der Veen[3]	-	168 440 535	168 440 535	52.55
A Zetler[3]	148	168 440 535	168 440 535	52.55
Total	**277 503**	**168 440 535**	**168 717 890**	**52.64**

Notes:
1. Unexercised options held by executive Directors in terms of the Company's share appreciation rights scheme, on the basis that one option does not equal one Share, which do not carry economic or voting rights.
2. Resigned with effect from 1 September 2021.
3. Jointly held via the non-executive Directors' private company, A^2 Investment Partners Proprietary Limited and its associated parties, but counted as a single entry for purposes of the 'Total' row.
4. Excluding Treasury Shares.
5. There have been no changes in the interests set out above from 31 March 2022 to the Last Practicable Date.

10.2. **Directors' Beneficial Interest in Transactions**

There are no material beneficial interests, whether direct or indirect, of Directors including a Director who has resigned in the last 18 months, in transactions that were effected by the Company during the current or immediately preceding year or during an earlier financial year and which remain in any respect outstanding or unperformed.

10.3. **Directors' Service Contracts**

10.3.1. The material particulars of the service contracts of the executive Directors of Novus are set out below.

10.3.2. Neil Birch (as the CEO) and Keshree Alwar (as the CFO) as the executive Directors of the Company have service contracts with, and their remuneration is paid for by, the Company.

10.3.3. Each of the executive Directors of Novus have concluded a service contract with Novus on terms and conditions that are broadly consistent with market standards for such appointments. The principal terms of the service agreements with executive Directors are set out below.

Name	Position	Date of Appointment	Notice Period	Restraint
Neil Birch	CEO	19 June 2018	Three calendar months	None
Keshree Alwar	CFO	1 September 2021	Four calendar months	None

Save as set out above, there are no other written service contracts between Novus and its Directors.

10.4. **Remuneration of Directors**

10.4.1. The remuneration paid to the Directors for the year ended 31 March 2021 and 31 March 2022 are set out in Note 30 on pages 80 - 82 of the audited annual financial statements of the Company for the year ended 31 March 2022, available at:

https://novus.holdings/wp-content/uploads/2022/06/IAR22-Annual-Financial-Statements-v_Final.pdf.pdf

10.4.2 Shareholders are referred to note 16 set out on pages 68 - 69 of the audited annual financial statements of the Company for the year ended 31 March 2022, for the executive Directors' interests in the Company's share incentive schemes, available at:

https://novus.holdings/wp-content/uploads/2022/06/IAR22-Annual-Financial-Statements-v_Final.pdf.pdf

10.4.3 The Directors' remuneration will not be varied as a result of the Transaction.

11. **MATERIAL CHANGES**

11.1. There have been no material changes in the financial or trading position of Novus Holdings and its Subsidiaries since the publication of its Integrated Annual Report to the Last Practicable Date.

11.2. There have been no material changes in the financial or trading position of Pearson SA and its Subsidiaries since the publication of its annual financial statements for the year ended 31 December 2021 to the Last Practicable Date.

12. **MATERIAL LOANS**

12.1 Novus Holdings and its subsidiaries currently do not have any material loans outstanding with external parties. Novus Holdings is in process of finalising funding agreements for an approved term debt facility ("**facility**") with Investec Bank, acting through its Investment Banking Division, amounting to R500 million, to be made available not later than the Completion Date, to fund approximately 59% of the Purchase Consideration. Once concluded and advanced, this will represent the material long term borrowings of Novus Holdings. A non-refundable structuring fee of 0,75% will apply to the facility, payable upfront and will be amortised over the five-year period of the facility. Full repayment is due within five years from the date upon which all initial conditions are fulfilled to the satisfaction of the lender. The interest rate applicable to the facility is the 3-month JIBAR plus a margin of 2.90% with interest and capital repayments to be made quarterly.

12.2 As at the Last Practicable Date, the facility is still under negotiation as to the security to be provided, if any.

12.3 Pearson SA does not have any material loans outstanding. The material loans owing by Pearson SA to its Subsidiaries are as below:

Name of Lender	Loan/ Facility amount R'000	Balance as at Last Practicable Date R'000	Interest term Range	Repay-ment/ Renewal terms	Covenants	Security Provided	Purpose of loan
Maskew Miller Longman Proprietary Limited	521,378	84,531	N/A	N/A	N/A	N/A	Acquisition of business of subsidiary company. Balance of purchase price on loan.
Heinemann Publishers Proprietary Limited	139,037	116,852	N/A	N/A	N/A	N/A	Acquisition of business of subsidiary company. Balance of purchase price on loan.

13. **MATERIAL RISKS**

The material risks pertinent to the Group have been incorporated by reference and Shareholders are referred to the 'Material Matters' set out on pages 22- 25 of the Integrated Annual Report available at:

https://novus.holdings/wp-content/uploads/2022/07/Novus-Holdings-Integrated-Annual-Report-2022.pdf

14. **MATERIAL CONTRACTS**

14.1. **Novus Holdings**

14.1.1. Save for the Agreement pertaining to the Proposed Acquisition, the details of which are set out in paragraph 5 of this Circular and the service contracts of Directors entered into the last three years, the details of which are set out in paragraph 10.3 of the Circular, the material contracts entered into by Novus Holdings and its major Subsidiaries, being contracts entered into other than in the ordinary course of business and: (i) within the two years prior to the date of this Circular or; (ii) at any other time where such agreement contains an obligation or settlement that is material to Novus Holdings as at the date of this Circular are as set out below:

14.1.2. As a result of a strategic decision to exit the tissue manufacturing business, and as announced by the Company on SENS on 4 May 2020, Novus Packaging entered into an agreement to dispose of its 51% shareholding in "Novus Tissue". The intention of the Company remains to dispose of the balance of Novus Tissue in due course. Shareholders can view the details of the Novus Tissue Disposal via the following link:

https://novus.holdings/wp-content/uploads/2020/05/NVS_Disposal-of-Novus-Tissue_SENS_200504_vfinal.pdf

14.1.3. As announced on SENS on 9 June 2021, Novus disposed of a letting enterprise, in relation to a building no longer required by the Company. Shareholders can view the details of the letting enterprise disposal via the following link:

https://novus.holdings/wp-content/uploads/2021/06/NVS_Disposal-of-KwaZulu-Natal-Building_SENS_vFinal.pdf

14.2. **Pearson SA**

Save for the ancillary agreements pertaining to the Proposed Acquisition, the details of which are set out in paragraph 5 of this Circular, there have been no material contracts entered into by the Pearson SA nor its major Subsidiaries, being contracts entered into other than in the ordinary course of business and: (i) within the two years prior to the date of this Circular or; (ii) at any other time where such agreement contains an obligation or settlement that is material to Pearson SA as at the date of this Circular.

15. **MATERIAL LEGAL MATTERS**

15.1. **Novus Holdings and Novus Print**

The Directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have, or have, in the previous 12 months, had a material effect on the Company's financial position.

15.2. **Pearson SA**

The Directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have, or have, in the previous 12 months, had a material effect on the Target Group's financial position.

16. **COSTS AND EXPENSES**

16.1. There have been preliminary expenses relating to the Transaction incurred by Novus Holdings in the previous financial year immediately preceding the date of this Circular. This has been included in paragraph 16.2 below.

16.2. The estimated expenses of the Transaction, including the fees payable to professional advisors, exclusive of value-added tax, are as follows:

	R'000
Sponsor	550
Corporate Advisor	1 850
Legal Advisor	3 301
Independent Reporting Accountant	1 261
JSE documentation fees	144
Printing, publication, distribution and advertising expenses	164
Competition Commission filing fee	165
Due diligence and other advisory costs	1 530
Contingency	1 262
Total	**10 166**

17. **WORKING CAPITAL STATEMENT**

The Directors have considered the impact of the Proposed Acquisition and are of the opinion that, for a period of 12 months after the date of implementation of the Proposed Acquisition:

17.1. the Group will be able, in the ordinary course of business, to pay its debts;

17.2. the assets of the Group will be in excess of its liabilities, where for this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the Group;

17.3. the share capital and reserves of the Group will be adequate for ordinary business purposes; and

17.4. the working capital of the Group will be adequate for ordinary business purposes.

18. **TAX IMPLICATIONS FOR SHAREHOLDERS**

The tax position of a Shareholder under the Transaction is dependent on such Shareholder's individual circumstances. Any Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

19. **BOARD RESPONSIBILITY STATEMENT**

The Directors, whose names are set out in the '*Corporate Information and Advisors*' section of this Circular collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement materially false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by the Listings Requirements and the Law.

20. **BOARD OPINION**

The Board has considered the terms and conditions of the Proposed Acquisition and are of the opinion that the successful implementation of the Transaction would be beneficial to Shareholders. The Board recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, and each of the Directors who hold Shares and is eligible to vote intends to vote their Shares in favour of the Resolutions.

21. **ADVISORS' CONSENTS**

The parties referred to in the '*Corporate Information and Advisors*' section of this Circular, have consented in writing to act in the capacities stated herein and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

22. **GENERAL MEETING**

22.1. The General Meeting of Shareholders will be held at 11:00 on Friday, 4 November 2022 (or any rescheduled, postponed or adjourned date and time in accordance with, *inter alia*, the provisions of section 64 of the Companies Act and the Company's MOI), at the registered offices of the Company, 10 Freedom Way, Montague Gardens, Cape Town, 7441 to consider, and if deemed fit, to approve with or without modification, the Resolutions set out in the Notice attached to this Circular.

22.2. Shareholders are referred to the Notice attached to this Circular for detail on the Resolutions to be proposed at the General Meeting and to the "*Action Required by Shareholders*" section of this Circular for information on the procedures to be followed by Shareholders in order to participate in and to exercise their votes at the General Meeting.

23. **DOCUMENTS INCORPORATED BY REFERENCE**

The following information has been incorporated by reference and is available for viewing on the Company's website. Such information will be also available for inspection at the registered offices of Novus Holdings and the Sponsor as detailed in paragraph 24 of this Circular:

Paragraph Reference in Circular	Information	Website Link
10.4.1	Directors' Remuneration	https://novus.holdings/wp-content/uploads/2022/06/IAR22-Annual-Financial-Statements-v_Final.pdf.pdf
10.4.2	Share appreciation rights of executive Directors – Note 16 on pages numbered 68 – 69	https://novus.holdings/wp-content/uploads/2022/06/IAR22-Annual-Financial-Statements-v_Final.pdf.pdf
13	Material Risks – pages numbered 22 – 25	https://novus.holdings/wp-content/uploads/2022/07/Novus-Holdings-Integrated-Annual-Report-2022.pdf
14.1.2	SENS announcement in relation to the disposal of Novus Tissue	https://novus.holdings/wp-content/uploads/2020/05/NVS_Disposal-of-Novus-Tissue_SENS_200504_vfinal.pdf
14.1.3	SENS announcement in relation to the disposal of the letting enterprise	https://novus.holdings/wp-content/uploads/2021/06/NVS_Disposal-of-KwaZulu-Natal-Building_SENS_vFinal.pdf

24. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by Shareholders at the registered offices of Novus Holdings and the Sponsor, at their respective addresses set out in the '*Corporate Information and Advisors*' section of this Circular and on the Company's website at www.novus.holdings from Thursday, 6 October 2022 until Friday, 4 November 2022 (both days inclusive):

24.1. the Agreement (with certain information relating to the contact details of certain employees in Schedule 12 redacted to protect the privacy of such individuals, and which information is not material to the Proposed Acquisition) and the Tax Deed;

24.2. the Company's MOI and the MOI of Novus Holdings' major Subsidiaries (current as at the Last Practicable Date);

24.3. the Directors' service contracts entered into in the last three years;

24.4. the Independent Reporting Accountant's signed report on the *pro forma* financial information of Novus Holdings, which is included as Annexure 3 to this Circular;

24.5. the Independent Reporting Accountant's signed report on the Special Purpose Carve-Out Consolidated Historical Financial Information of Pearson South Africa Proprietary Limited, which is included as Annexure 4 to this Circular;

24.6. the audited annual financial statements of the Company for the three financial years ended 31 March 2020, 31 March 2021 and 31 March 2022;

24.7. the Independent Reporting Accountant's signed reports on the historical consolidated financial information of Pearson SA, which is included as Annexure 6 to this Circular;

24.8. the consent letter of the Independent Reporting Accountant and all other consent letters referred to in paragraph 21 of this Circular;

24.9. the Irrevocable Undertakings; and

24.10. a signed copy of this Circular.

SIGNED AT JOHANNESBURG ON 29 SEPTEMBER 2022 FOR AND ON BEHALF OF THE BOARD

Neil Birch

Chief Executive Officer

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF NOVUS HOLDINGS

Basis of preparation

The *pro forma* financial information of Novus Holdings for the year ended 31 March 2022 is set out below. The *pro forma* consolidated statement of financial position at 31 March 2022, *pro forma* consolidated income statement and statement of comprehensive income of Novus Holdings for the year ended 31 March 2022, notes thereto and *pro forma* financial effects (the "***pro forma* financial information**"), have been prepared for illustrative purposes to show the *pro forma* financial information after the implementation of the Proposed Acquisition. The *pro forma* financial information is provided for illustrative purposes only and, because of its *pro forma* nature, may not fairly present Novus Holdings' actual financial position, changes in equity, results of operations or cash flow.

The *pro forma* financial information has been prepared to illustrate the impact of the Proposed Acquisition on the reported financial information of Novus Holdings for the year ended 31 March 2022, had the Proposed Acquisition occurred on 1 April 2021 for the income statement and statement of comprehensive income purposes and at 31 March 2022 for the statement of financial position.

The *pro forma* financial information has been prepared using accounting policies that comply with IFRS and are consistent with those applied in the annual financial statements of Novus Holdings for the financial year ended 31 March 2022. The *pro forma* financial information is presented in accordance with the JSE Listings Requirements, the Guide on *Pro Forma* Financial Information issued by the South African Institute of Chartered Accountants and ISAE 3420: Assurance Engagements to Report on the Compilation of *Pro Forma* Financial Information Included in a Prospectus.

The *pro forma* financial information, including the assumptions on which it is based and the financial information from which it is prepared, is the responsibility of the Directors. Their responsibility includes determining that the Novus Holdings' *pro forma* financial information has been properly compiled on the basis stated, which is consistent with the accounting policies of Novus Holdings and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the JSE Listings Requirements.

The *pro forma* financial information should be read in conjunction with the Independent Reporting Accountants' Assurance Report thereon as set out in Annexure 3 of this Circular.

PRO FORMA CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Novus Holdings year ended 31 March 2022 Audited R'000 1	Pearson SA 31 December 2021 Audited R'000 2	Non-Austin Business 31 December 2021 Reviewed R'000 3	Accounting for the Acquisition *Pro forma* R'000 4	Transaction costs *Pro forma* R'000 5	*Pro forma* after the Acquisition R'000 6
							=1+2+3+4+5
Revenue		**3,014,233**	**960,347**	**(34,308)**	**-**	**-**	**3,940,272**
Cost of sales		(2,280,212)	(389,036)	25,070	-	-	(2,644,178)
Gross profit		**734,021**	**571,311**	**(9,238)**	**-**	**-**	**1,296,094**
Operating expenses		(540,898)	(219,398)	941	(82,576)	(10,166)	(852,097)
Administrative and other expenses	4.7	(539,120)	(212,563)	941	(82,576)	(10,166)	(843,484)
Net impairment losses on financial assets		(1,778)	(6,835)	-	-	-	(8,613)
Other (losses)/gains		(32,260)	16,110	-	-	-	(16,150)
Operating profit		**160,863**	**368,023**	**(8,297)**	**(82,576)**	**(10,166)**	**427,847**
Finance income	4.1	11,763	14,713	-	(7,511)	-	18,965
Finance costs	4.2	(25,362)	(2,663)	-	(40,793)	-	(68,818)
Impairment of associates		(3,968)	-	-	-	-	(3,968)
Share of net losses of associates accounted for using the equity method		(7,317)	-	-	-	-	(7,317)
Profit before taxation		**135,979**	**380,073**	**(8,297)**	**(130,880)**	**(10,166)**	**366,709**
Taxation	4.3	(43,172)	(109,188)	2,323	35,821	-	(114,216)
Net profit for the year		**92,807**	**270,885**	**(5,974)**	**(95,059)**	**(10,166)**	**252,493**
Attributable to Equity holders of the Group	4.6	92,807	270,885	(5,974)	(101,669)	(10,166)	245,883
Non-controlling interests	4.4	-	-	-	6,610	-	6,610
Net profit for the year		**92,807**	**270,885**	**(5,974)**	**(95,059)**	**(10,166)**	**252,493**

	Notes	Novus Holdings year ended 31 March 2022 Audited R'000 1	Pearson SA 31 December 2021 Audited R'000 2	Non-Austin Business 31 December 2021 Reviewed R'000 3	Accounting for the Acquisition *Pro forma* R'000 4	Transaction costs *Pro forma* R'000 5	*Pro forma* after the Acquisition R'000 6
Net profit attributable to shareholders		92,807	270,885	(5,974)	(101,669)	(10,166)	245,883
Headline earnings adjustments - net of tax							
(Profit)/Loss on sale of property, plant and equipment and non-current assets held for sale	4.5	(6,465)	4,034	-	(130)	-	(2,561)
Impairment of goodwill		16,708	-	-	-	-	16,708
Impairment of intangible assets		6,490	-	-	-	-	6,490
Impairment of investments in associates		2,857	-	-	-	-	2,857
Impairment in value of property, plant and equipment	4.5	49,763	6,852	-	(221)	-	56,394
Headline earnings		**162,160**	**281,771**	**(5,974)**	**(102,020)**	**(10,166)**	**325,771**
Per share performance							
Issued number of ordinary shares ('000)		346,656	-	-	-	-	346,656
Weighted number of ordinary shares ('000)		305,100	-	-	-	-	305,100
Diluted weighted number of ordinary shares ('000)		305,100	-	-	-	-	305,100
Earnings per ordinary share (cents)							
- basic earnings per share		30,42	-	-	-	-	80,59
- diluted earnings per share		30,42	-	-	-	-	80,59
Headline earnings per ordinary share (cents)							
- headline earnings per share		53,15	-	-	-	-	106,78
- diluted headline earnings per share		53,15	-	-	-	-	106,78

NOTES:

1. Column 1 has been extracted, without modification from the audited consolidated financial statements of Novus Holdings Limited and its Subsidiaries for the year ended 31 March 2022, which were audited by the Company's external auditor, PwC, who expressed an unmodified opinion thereon. The consolidated financial statements can be viewed in full on Novus Holdings' website, SENS or at the registered office in person.

2. Column 2 is extracted from the audited historical financial information of Pearson SA for the year ended 31 December 2021 included in Annexure 5. The audited historical financial information has been prepared in terms of IFRS and in accordance with Novus Holdings' elected accounting policies and should be read in conjunction with the Independent Reporting Accountants report thereon, included in Annexure 6.

3. Column 3 has been extracted without modification from the Special Purpose Carved-Out Consolidated Historical Financial Information of the Non-Austin Business for the year ended 31 December 2021 included in Annexure 2 to give effect to the exclusion of the Non-Austin Business not being acquired. Annexure 2 should be read in conjunction with the Independent Reporting Accountants report thereon, included in Annexure 4.

4.1. R342,3 million of the purchase consideration of R842,3 million is expected to be settled from cash resources. The interest income that is forgone as a result of a reduced cash balance has been included at an average interest rate of 4.37%.

4.2. The balance of the Purchase Consideration will be settled through a term debt facility of R500 million that has been obtained. The interest rate on the approved facility is the 3-month JIBAR plus 2,90% and the final repayment date is 5 years from the date upon which all initial conditions precedent are fulfilled to the satisfaction of the lender. A non-refundable structuring fee of 0.75% will apply to the facility, payable upfront and will be amortised over the 5 year period of the loan.

Reconciliation for the full interest effect for the period ended 31 March 2022

	R'000	*Interest rate %*
Interest expense on the term debt facility	(40,793)	8.63%

4.3. The income tax impact is calculated at 28% based on the tax deductibility of the interest and fees associated with the loan. Deferred tax on the amortisation of intangible assets is accounted for at a rate of 27%.

4.4. The adjustment to non-controlling interest consists of the non-controlling's interests share of 3.23% of the net profit after tax, after excluding the Non-Austin Business and income statement adjustments made on Acquisition:

	R'000
Pearson SA net profit for the year	270,885
Non-Austin business net profit for the year	(5,974)
Amortisation of intangible assets identified on acquisition	(60,280)
	204,631
Non-controlling interests share of net profit of 3.23%	6,610

4.5. Headline earnings attributable to non-controlling interests has been excluded based on the non-controlling interests share of 3.23%.

4.6. The calculated Earnings attributable to Equity Holders of the Group comprises the following:

	R'000
Net loss for the year as per Column 4	(95,059)
Less consolidation adjustment for Earnings attributable to non-controlling interests as per 4.4	(6,610)
	(101,669)

4.7. Amortisation of intangible assets recognised at acquisition has been accounted for and calculated on a straight-line basis over an estimated five-year useful life based on an initial assessment of the usual terms of the customer relationships with Pearson SA.

5. Column 5 refers to the transaction costs incurred relating to the Transaction as disclosed in paragraph 16.2 of this Circular. No tax is calculated on the transaction costs as it is capital in nature.

6. Column 6 reflects the *pro forma* Novus Holdings' Consolidated Income Statement for the financial year ended 31 March 2022 post the Proposed Acquisition.

7. Only the columns numbered 3 and 5 are not expected to have continuing effects post Completion.

***PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022**

	Novus Holdings year ended 31 March 2022 Audited R'000 1	Pearson SA 31 December 2021 Audited R'000 2	Non-Austin Business 31 December 2021 Reviewed R'000 3	Accounting for the Acquisition *Pro forma* R'000 4	Transaction costs *Pro forma* R'000 5	*Pro forma* after the Acquisition R'000 6
Net profit for the year	**92,807**	**270,885**	**(5,974)**	**(95,059)**	**(10,166)**	**252,493**
Other comprehensive (loss)/ income						
Items that may be subsequently reclassified to profit or loss						
Hedging reserve	**(5,415)**	-	-	-	-	**(5,415)**
Foreign exchange movement, gross	(7,521)	-	-	-	-	(7,521)
Foreign exchange movement, tax portion	2,106	-	-	-	-	2,106
Fair value reserve	**(15)**	**-**	**-**	**-**	**-**	**(15)**
Net fair value losses gross	(21)	-	-	-	-	(21)
Net fair value losses, tax portion	6	-	-	-	-	6
Items that will not be reclassified to profit or loss						
Post-employment benefit obligations and provisions	**(84)**	-	-	-	-	**(84)**
Remeasurement of post-employment benefit obligations and provisions, gross	(117)	-	-	-	-	(117)
Remeasurement of post-employment benefit obligations and provisions, tax portion	33	-	-	-	-	33
Total other comprehensive loss, net of tax	**(5,514)**	**-**	**-**	**-**	**-**	**(5,514)**
Total comprehensive income for the year	**87,293**	**270,885**	**(5,974)**	**(95,059)**	**(10,166)**	**246,979**
Attributable to:						
Equity holders of the Group	**87,293**	**270,885**	**(5,974)**	**(101,669)**	**(10,166)**	**240,369**
Non-controlling interests	**-**	**-**	**-**	**6,610**	**-**	**6,610**
	87,293	**270,885**	**(5,974)**	**(95,059)**	**(10,166)**	**246,979**

***PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022**

	Novus Holdings year ended 31 March 2022 Audited R'000 1	Pearson SA 31 December 2021 Audited R'000 2		Accounting for the Acquisition *Pro forma* R'000 3	Transaction costs *Pro forma* R'000 4	*Pro forma* after the Acquisition R'000 5
ASSETS						
Non-current assets	**1,046,110**	**51,094**		**593,136**	**-**	**1,690,340**
Property, plant and equipment	793,582	6,466		-	-	800,048
Investment property	62,764	-		-	-	62,764
Goodwill	80,212	21,332	**d & 3.1**	180,256	-	281,800
Other intangible assets	2,795	667	**3.1**	412,880	-	416,342
Financial assets at fair value through other comprehensive income	3,064	-		-	-	3,064
Investment in associates	12,058	-		-	-	12,058
Other financial assets at amortised cost	1,118	-		-	-	1,118
Deferred taxation asset	90,517	22,629		-	-	113,146
Current assets	**1,558,635**	**974,628**		**(612,054)**	**(10,166)**	**1,911,043**
Inventory	437,223	48,617		-	-	485,840
Intangible assets - product development	-	55,831		-	-	55,831
Trade and other receivables	420,114	581,379		-	-	1,001,493
Related party receivables	20,921	-		-	-	20,921
Contract assets	2,185	-		-	-	2,185
Derivative financial instruments	487	-		-	-	487
Cash and cash equivalents	567,917	288,801	**a & 3.1**	(612,054)	(10,166)	234,498
Non-current assets held for sale	109,788	-		-	-	109,788
TOTAL ASSETS	**2,604,745**	**1,025,722**		**(18,918)**	**(10,166)**	**3,601,383**
EQUITY						
Capital and reserves attributable to the Group's equity holders	**2,098,078**	**654,135**		**(654,135)**	**(10,166)**	**2,087,912**
Share capital	509,314	2,315,000		(2,315,000)	-	509,314
Treasury shares	(345,759)	-			-	(345,759)
Other reserves	(118,516)	(1,935,030)		1,935,030	-	(118,516)
Retained earnings	2,053,039	274,165		(274,165)	(10,166)	2,042,873
Non-controlling interest	**-**	-	**b**	94,238	-	94,238
TOTAL EQUITY	**2,098,078**	**654,135**		**(559,897)**	**(10,166)**	**2,182,149**
LIABILITIES						
Non-current liabilities	**67,461**	**111,030**		**540,980**	**-**	**719,471**
Post-employment medical liability	2,940	22,707		-	-	25,647
Other payables	-	70,498	**c**	(70,498)	-	-
Provisions	10,748	-		-	-	10,748
Borrowings and lease liabilities	27,367	17,825	**3.1**	500,000	-	545,192
Deferred taxation liabilities	21,715	-	**e & 3.1**	111,478	-	133,193
Deferred grant income	4,691	-		-	-	4,691

Current liabilities	**439,206**	**260,557**	**-**	**-**	**699,763**
Post-employment medical liability	-	1,741	-	-	1,741
Current portion of borrowings and lease liabilities	4,748	1,859	-	-	6,607
Trade and other payables	404,224	241,052	-	-	645,276
Current income tax payable	9,102	15,905	-	-	25,007
Derivative financial instruments	19,811	-	-	-	19,811
Bank overdrafts	7	-	-	-	7
Deferred grant income	1,314	-	-	-	1,314
TOTAL EQUITY AND LIABILITIES	**2,604,745**	**1,025,722**	**(18,918)**	**(10,166)**	**3,601,383**
Issued number of ordinary shares ('000)	346,656	-	-	-	346,656
Net asset value per share (Rand)	6,05	-	-	-	6,29
Net tangible asset value per share (Rand)	5,81	-	-	-	4,28

NOTES:

1. Column 1 has been extracted, without modification from the audited consolidated financial statements of Novus Holdings Limited and its subsidiaries for the year ended 31 March 2022, which were audited by the Company's external auditor, PwC, who expressed an unmodified opinion thereon. The consolidated financial statements can be viewed in full on Novus Holdings' website, SENS or at the registered office.
2. Column 2 has been extracted from the audited historical financial information of Pearson SA for the year ended 31 December 2021 included in Annexure 5. The audited historical financial information has been prepared in terms of IFRS and in accordance with Novus Holdings' elected accounting policies, which have been audited by PricewaterhouseCoopers Inc. and should be read in conjunction with PwC's independent reporting accountants reports thereon, included in Annexure 6. The information disclosed does not exclude the net assets forming part of the Non-Austin Business as it is not possible to segregate the trade receivables and payables balances as these are shared. As these are the main assets of this business and due to these impracticalities, these limited assets will form part of the Proposed Acquisition.
3. Column 3 reflects the consolidation adjustments which form part of the pro forma adjustments and have been prepared using accounting policies in terms of IFRS 3: Business Combination principles and Novus's best estimates at time of presentation. Funding is to be obtained for part of the Acquisition price and is reflected in long term borrowings. The current non-controlling interest parties in Pearson South Africa will retain their 3.23% non-controlling interest. On consolidation, 3.23% of the net assets and earnings are therefore allocated to non-controlling interests.

3.1 Provisional purchase price allocation	**R'000**	
Property, plant and equipment	6,466^	
Other intangible assets	667^	
Deferred taxation liability	(88,849)	**See note e**
Inventory	48,617^	
Intangible assets - product development	55,831^	
Trade and other receivables	581,379^	
Cash and cash equivalents	19,074	**See note a**
Borrowings and lease liabilities	(17,825) ^	
Post employment medical liability	(24,448) ^	
Current portion of borrowings and lease liabilities	(1,859) ^	
Trade and other payables	(241,052) ^	
Current income tax payable	(15,905) ^	
Non-controlling interest	(94,238)	**See note b**
Intangibles*	412,880	
Goodwill*	201,588	**See note d**
Purchase consideration	842,327#	
- financed through term funding	500,000	
- paid in cash	342,327	

* The intangibles recognised are subject to change as the PPA is provisional as allowed by IFRS3. Based on an initial identification assessment and indicative valuation, the intangibles identified are mainly attributable to goodwill and intangibles relating to customer relationships and brands. The indicative valuation of intangibles attributable to brands and customer relationships amounts to R412,9 million. A deferred tax liability of 27% amounting to R111,5 million has been included in the purchase price allocation. The remaining R201,6 million which represents the excess of the purchase price above the net identifiable assets and liabilities will be recognised as goodwill.

^ Balance as per Pearson SA Statement of Financial Position at 31 December 2021 as included in Column 2.

The Purchase Consideration comprises the Base Consideration of R829,4 million as per 5.2.1.1 plus interest at rate of 10% on R787,500,000 amounting to R12,9 million as per 5.2.1.3.

a.

The Surplus net cash at Signature Date is payable to the Sellers in terms of Clause 3.1 of the Agreement. Refer below for reconciliation of cash and cash equivalents.

The movement in cash in the statement of financial position relates to the following:	**R'000**
Surplus cash to be distributed to Shareholders per Clause 3.1.1 of the SPA	(269,727)
Purchase consideration to be paid in cash	(342,327)
	(612,054)

b.

Reconciliation of the effects in retained earnings and non-controlling interests:

		Non-controlling interests R'000
Non-controlling interests share of the net identifiable assets and liabilities at acquisition		23,740
Sphere's 22.5% interest in Pearson SA	**See note c**	70,498
Balances at acquisition		**94,238**

c.

Sphere RB Investments Proprietary Limited ("**Sphere**"), subscribed for 22.5% of Pearson SA's equity shares as follows:

326 ordinary shares for cash of R49,927,928 and 2,897 AE Shares in cash for R29 and the balance of the purchase price for the AE Shares was funded via a Notional Acquisition Funding Amount of R443,684,685 (together comprising 22.5% of Pearson SA's total equity shares).

The subscription of the AE Shares is in effect a share option scheme via a non-recourse loan. As the subscription of the ordinary and AE Shares and the provision of the notional funding took place at the same time, the transactions have the same counterparties, they relate to the same risk and there is no economic need or substantive business purpose for structuring the transactions separately and the shareholder does not have the resources to afford such a shareholding, the two transactions were viewed as one and the substance of the transaction is that of an option issued. For further detail refer to note 12 of the Historical Information in Annexure 5.

Pearson SA accounted for a cash settled share-based payment liability of R70,498,000 as a result of the acquisition by Sphere of the 22,5% of Pearson SA's equity shares. By way of the Deed of Adherence entered into on 12 August 2022 and as part of the Proposed Acquisition, Sphere agreed to waive its rights pertaining to this option from the signature date of such document, being 9 August 2022. This resulted in a modification of the cash settled share-based payment to an equity settled share-based payment. As a result, the cash settled share-based payment liability was derecognised and the equity settled share-based payment was recognised as Non-controlling interest in the statement of financial position for the purposes of this *pro forma* information at a market value. The market value was based on the latest valuation performed by Pearson SA for calculating the cash settled share-based liability as at 31 December 2021 as an indicative value for the purposes of the *pro forma* effects and will be subject to an updated valuation at Completion.

d.

Pearson SA has goodwill of R21,3 million in its statement of financial position relating to the Heinemann brand which has not been included as part of the identifiable assets recognised on Acquisition under 3.1 above. This has therefore been adjusted in the *pro forma* effects.

The adjustment to goodwill is made up of the following:	**R'000**
Goodwill in Pearson SA not recognised on Acquisition	(21 332)
Goodwill recognised on Acquisition	201,588
	180,256

e.

The deferred taxation liability balance is made up of the following:	**R'000**
Deferred taxation asset as per statement of financial position at 31 December 2021	22 629^
Deferred taxation liability raised on intangible assets recognised on acquisition	(111,478)
Deferred tax liability disclosed in 3.1	**(88,849)**

4. Column 4 refers to the transaction costs incurred relating to this transaction as disclosed in Paragraph 16.2 of this Circular.

5. Column 5 reflects the *pro forma* Novus Holdings Limited Consolidated Statement for Financial Position as at 31 March 2022 post the Acquisition.

SPECIAL PURPOSE CARVE-OUT CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF THE NON-AUSTIN BUSINESS FOR THE THREE YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

1. **Basis of preparation:**

The Special Purpose Carve-Out Consolidated Historical Financial Information has been prepared in accordance with the JSE Listings Requirements, for purposes of providing financial information to satisfy the requirements of Section 8 of the JSE Listings Requirements. The additional disclosure required in terms of paragraph 8.12 of the Listings Requirements has been included in the Special Purpose Carve-Out Consolidated Historical Financial Information. As IFRS does not provide for the preparation of special purpose carve-out historical financial information, certain accounting conventions commonly used in the preparation of historical financial information for inclusion in a Circular has been applied. In preparing the Special Purpose Carve-Out Consolidated Historical Financial Information, the recognition and measurement principles of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council have been applied, except for the material departures from these principles as has been noted below. The Special Purpose Carve-Out Historical Financial Information has further been supplemented with certain relevant note disclosures that are considered necessary to understand the Special Purpose Carve-Out Consolidated Historical Financial Information.

Special Purpose Carve-Out Consolidated Historical Financial Information

The Non-Austin Business has not operated as a separate entity. The carve-out consolidated historical financial information is, therefore, not necessarily indicative of results that would have occurred if the Non-Austin Business of Pearson SA had been a separate stand-alone entity during the years presented or of future results of the Non-Austin Business of Pearson South Africa Proprietary Limited.

The Special Purpose Carve- Out Consolidated Historical Financial Information has been prepared with the objective of presenting the results of the Non-Austin Business for the years ended 31 December 2021, 2020 and 2019.

The Consolidated Historical Financial Information of the Non-Austin Business as presented below has been prepared by carving out the Non-Austin business from the financial statements of Pearson SA. The Non-Austin Business does not form part of the Proposed Acquisition. This information was prepared to disclose the impact of this business in relation to Pearson SA and the exclusion thereof from the *pro forma* effects of Novus.

This business relates to the digital and print courseware publishing business in respect of the Seller's global higher education products and courseware, adapted for local publication and distribution, and which serves a number of African jurisdictions, to be retained by the Seller as part of the pre-sale reorganisation. The following methodology was applied to carve out the financial information from the financial statements of Pearson SA:

- All revenue and costs directly attributable to the Non-Austin Business and all other income and administrative expenses that are directly attributable to the Non-Austin Business are represented in the three year consolidated income statements below. The consolidated income statements do not include any income or administrative expenses that are not directly attributable to the Non-Austin Business.

Revenue:

Each product, purchased and resold, published and sold by Pearson SA is contained in the item masterfile (database consisting of all titles (each title contains its own unique International Standard Book Number {ISBN} consisting of 13 digits) receipted and subsequently sold by Pearson SA) and is identified as either a local or a global product. The revenue allocated to the Non-Austin business has been allocated based on the global identifier contained in the item masterfile.

Cost of Sales:

Cost of Sales comprises the following line items:

Unit manufacturing cost

These costs include the print and binding costs only, i.e. the purchase price of the Non-Austin product plus any other costs that are directly attributable to the purchase of these products including non-refundable purchase taxes and import duties, net of any rebates or other discounts. The cost of Non-Austin Business products sold is expensed to cost of sales on a weighted average basis. Costs relating to the development of the product are not included in the unit manufacturing cost.

Each product published and sold by Pearson SA is contained in the item masterfile and is identified as either a local or a global product. The cost of sales allocated of the Non-Austin Business has been allocated based on the global identifier contained in the item masterfile.

Annual transfer pricing adjustments have been included in the unit manufacturing cost and all such costs are in respect of Non-Austin products.

Royalty costs

These costs are paid to local authors for the local adaption of Non-Austin product for the local market. The royalty costs in respect of these locally adapted products have historically been immaterial as the original intellectual property is owned by a related offshore Pearson entity, i.e. the royalty costs contained in the carve out are only in respect of the locally adapted element of the various titles.

The royalty costs allocated to the Non-Austin Business and included in cost of sales are determined with reference to the global identifier contained in the item masterfile.

Amortisation

These costs represent, subsequent to a title's publication, the amortisation of direct costs incurred in the development of product, over the estimated economic lives of three to five years, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation charge taken in the earlier years for printed product. The rates of amortisation are 70%, 15% and 15% over three years for printed products and over five years straight line for digital products. The amortisation charges are in respect of non-Austin products adapted for the local South Africa market and have historically been immaterial.

The amortised charges allocated to the Non-Austin Business and included in cost of sales are determined with reference to the global identifier contained in the item masterfile.

Inventory impairment charges

Impairment charges are recognised for obsolete, slow moving and defective Non-Austin product.

Each product published and sold by Pearson SA is contained in the item masterfile and is identified as either a local or a global product. The inventory impairment charges/reversals allocated to the Non-Austin business has been allocated based on the global identifier contained in the item masterfile.

Inter-Company Trading Terms ("**ITT**")

This cost represents the second part of the purchase price in respect of the procurement of Non-Austin products and is payable to the offshore intellectual property holder, a Pearson related entity, as a percentage of the sales value derived on the eventual sale of the product.

The ITT costs allocated to the Non-Austin Business and included in cost of sales are determined with reference to the global identifier contained in the item masterfile.

Administrative and other expenses:

Administrative and other expenses consist of the following line items and the methodology applied to carve out the financial information from the financial statements of Pearson SA was as follows:

Expenses and income directly attributable to the Non-Austin Business:

- Sales and marketing expenses including remuneration and all other related costs in respect of staff focused on Non-Austin product activities.
- Commission received.

Taxation:

Taxation has been allocated based on the net profit before tax and accounted at the corporate income taxation rate of 28% for all three years.

2. **Three years carve-out consolidated income statements of the Non-Austin Business for years ended 31 December 2021, 2020, and 2019:**

	2021 R'000	2020 R'000	2019 R'000
Revenue	34,308	28,796	37,350
Cost of sales	(25,070)	(25,131)	(12,830)
Gross profit	**9,238**	**3,665**	**24,520**
Operating (expenses)/income	(941)	330	12,756
Administrative and other (expenses)/income	(941)	330	12,756
Net impairment losses on financial assets	-	-	-
Profit before taxation	**8,297**	**3,995**	**37,276**
Taxation	(2,323)	(1,119)	(10,437)
Net profit for the year	**5,974**	**2,876**	**26,839**

3. **Accounting policies:**

The principal accounting policies applied in the preparation of the historical income statements is set out below:

Revenue

Revenue is derived from selling a range of products to its customers ostensibly in the South Africa market. Sales are recognised when control of products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue is derived mainly from higher learning institutions in South Africa. A small element of product is exported to markets outside of South Africa where the product is aligned with that territory's curriculum.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 60 days and in some instances 90 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group does not expect to have any significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from digital products sold are recognised over the period relating to the right to access the digital content (i.e., the period of the licence). These are normally sold with 12 months' access and usage is available during the financial period. Accordingly, the full revenue is recognised within the financial year, which coincides with the academic year. Revenue is measured as the amount of consideration which the Group most likely expects to receive, based on the price list applicable to a given performance obligation, net of returns and allowances and trade discounts. Payment is due once delivery is made within terms of invoice.

4. **Notes to the Carve-out Consolidated Historical Financial Information**

4.1. Revenue

	2021 R'000	2020 R'000	2019 R'000
Revenue from contracts with customers			
Sale of goods at a point in time	19,343	19,104	24,684
Sale of goods over time (within the financial year)	14,965	9,692	12,666
	34,308	**28,796**	**37,350**

4.2. Expenses by Nature

	2021 R'000	2020 R'000	2019 R'000
Cost of inventories sold	(25,483)	(24,284)	(11,917)
Inventory (impairment)/reversal	413	(847)	(913)
Cost of sales	(25,070)	(25,131)	(12,830)
Commission received	1,579	2,685	15,665
Employee costs			
-Salaries and wages	(2,245)	(2,092)	(2,589)
-Provident fund contributions	(275)	(263)	(320)
	(26,011)	**(24,801)**	**(74)**

4.3. Events after reporting period

The directors are not aware of any matter or circumstance, material to the financial affairs of the Group, arising since the end of the previous financial year up to the date of the accountant's report, which would affect the amounts or disclosures contained in these extracts.

The Non-Austin Business relates to revenue of certain limited digital and print courseware global products within the higher education sector which have been excluded from the Proposed Acquisition. This represents an immaterial component of the entity and only impacts the disclosures reflected in the income statement. It is not possible to segregate trade receivables and trade payables as they are common to the Non-Austin and Austin businesses and forms the main assets of the Non-Austin Business. Due to these impracticalities, these limited assets will form part of the Proposed Acquisition. Accordingly, no statement of financial position, statement of cash flows nor statement of changes in equity have been presented as at 31 December 2021, 31 December 2020 and 31 December 2019. The JSE has granted a dispensation to exclude disclosure of a carve-out Statement of Financial Position, Statement of Cash Flows and Statement of Changes in Equity in this regard.

INDEPENDENT REPORTING ACCOUNTANT'S REVIEW REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION OF NOVUS HOLDINGS INCLUDED IN A CIRCULAR

To the Directors of Novus Holdings Limited

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information included in a Circular

We have completed our assurance engagement to report on the compilation of the *pro forma* financial information of Novus Holdings Limited (the "**Company**") by the Directors. The *pro forma* financial information, as set out in Annexure 1 of the Circular, consist of the *pro forma* consolidated statement of financial position as at 31 March 2022, the *pro forma* consolidated income statement and *pro forma* consolidated statement of comprehensive income for the year ended 31 March 2022, related notes and *pro forma* financial effects ("***Pro Forma* Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the *Pro Forma* Financial Information are specified in the JSE Limited (JSE) Listings Requirements and described in Annexure 1 of the Circular.

The *Pro Forma* Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition of 75% of the shares in Pearson South Africa Proprietary Limited. As part of this process, information about the Company's financial position and financial performance has been extracted by the Directors from the Company's financial statements for the year ended 31 March 2022, on which an audit report has been published.

Directors' responsibility

The Directors of the Company are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 1 of the Circular.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).*

The firm applies International Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the Directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in Annexure 1 of the Circular based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

The purpose of *pro forma* financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexure 1 of the Circular.

PricewaterhouseCoopers Inc.
Director: Paul Liedeman
Registered Auditor
Cape Town, South Africa
29 September 2022

INDEPENDENT REPORTING ACCOUNTANT'S REVIEW REPORT ON THE CARVE-OUT CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF THE NON-AUSTIN BUSINESS

To the Directors of Novus Holdings Limited

Independent reporting accountant's review report on the Carve-Out Consolidated Historical Financial Information of Pearson South Africa Proprietary Limited

Introduction

Novus Holdings Limited is issuing a circular (the "**Circular**") to its shareholders regarding the impact of the Acquisition of 75% of the shares in Pearson South Africa Proprietary Limited (the "**Proposed Transaction**"). Included in Annexure 2 to the Circular is the Special Purpose Carve-Out Consolidated Financial Information representing the Non-Austin Business of Pearson South Africa Proprietary Limited that was not acquired.

At your request and for the purpose of the Circular to be dated on or about 6 October 2022, we have reviewed the Special Purpose Carve-Out Consolidated Financial Information which comprises the consolidated income statements for the years then ended 31 December 2021, 31 December 2020 and 31 December 2019 respectively, and the notes, comprising a summary of significant accounting policies and other explanatory information (the " **Carve-Out Consolidated Historical Financial Information**"), as presented in Annexure 2 to the Circular, in compliance with the requirements of the JSE Limited Listings Requirements.

Directors' responsibility

The Directors of Novus Holdings Limited are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Novus Holdings Limited complies with the requirements of the JSE Limited's Listings Requirements.

The Directors of Pearson South Africa Proprietary Limited are responsible for the preparation and presentation of the Carve-out Consolidated Historical Financial Information in accordance with the basis of preparation described in Note 1 to the Carve-out Consolidated Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Carve-out Consolidated Historical Financial Information that is free from material misstatement, whether due to fraud or error.

In preparing the Carve-out Consolidated Historical Financial Information, the directors of Pearson South Africa Proprietary Limited are responsible for assessing Pearson South Africa Proprietary Limited and its subsidiaries' (the "**Group's**") ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the Carve-out Consolidated Historical Financial Information. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, which applies to a review of Carve-out Consolidated Historical Financial Information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Carve-out Consolidated Historical Financial Information is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of the Carve-out Consolidated Historical Financial Information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Carve-out Consolidated Historical Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Carve-out Consolidated Historical Financial Information of the Target for the years ended 31 December 2021, 31 December 2020 and 31 December 2019 is not prepared in all material respects in accordance with the basis of preparation described in Note 1 to the Carve-out Consolidated Historical Financial Information and the requirements of the JSE Limited Listings Requirements.

Emphasis of Matter - Basis of preparation

We draw attention to Note 1 to the Carve-out Consolidated Historical Financial Information n, which describes the basis of preparation. The Carve-out Consolidated Historical Financial Information is prepared for the purpose of Novus Holdings Limited issuing an annexure to the circular (the "**Circular**") to its shareholders regarding the Proposed Transaction. The Carve-out Consolidated Historical Financial Information does not comprise a full set of financial statements prepared in accordance with International Financial Reporting Standards and the JSE Limited Listings requirements.

We also draw attention to the fact that, as described in Note 1 to the Carve-out Consolidated Historical Financial Information, the Non-Austin Business of Pearson South Africa Proprietary Limited has not operated as a separate entity. The Carve-out Consolidated Historical Financial Information is, therefore, not necessarily indicative of results that would have occurred if the Non-Austin Business of Pearson South Africa Proprietary Limited had been a separate stand-alone entity during the years presented or of future results of the Non-Austin Business of Pearson South Africa Proprietary Limited.

The Carve-out Consolidated Historical Financial Information is prepared by the directors of Pearson South Africa Proprietary Limited for the purpose of the Circular. As a result, the Carve-out Consolidated Historical Financial Information may not be suitable for another purpose. Our conclusion is not modified in respect of these matters.

Purpose of the report

This report has been prepared for the purpose of the Circular and for no other purpose.

PricewaterhouseCoopers Inc.
Director: JA Hugo
Registered Auditor
Cape Town
29 September 2022

AUDITED/REVIEWED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF PEARSON SA FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

Unless otherwise defined or the context clearly indicates otherwise, the definitions and interpretations commencing on page 8 of this Circular apply to this Annexure 5.

Management Commentary

For the year ended 31 December 2021, revenue increased by 14.35% to R960 million, primarily arising from the K-12 schools' market, reflecting the increased procurement by Pearson SA's customer base during the year, and operating profit increased by 16.12% to R368 million.

Gross margins for the year ended 31 December 2021, adversely affected by higher unit manufacturing costs (paper), were to some extent counterbalanced by reduced amortisation charges during the period.

The operating margin as a percentage of revenue has remained relatively constant 38.32% compared to 37.74% in the prior period year in spite of non-trading adjustments (e.g. share option IFRS 2 charge, lease modification, etc.) impacting the operating profit.

Conversion of operating profit to cash was in excess of 100% for the year and total dividends of R249m were declared and paid, representing 91.9% of the profit after tax for the year.

Statement of Compliance

The preparation and presentation of the report of historical financial information is the responsibility of the directors of Pearson SA. The historical financial information of Pearson SA comprises of the Sale Assets and Assumed Liabilities of Pearson South Africa Proprietary Limited. The historical financial information has been derived from the audited financial statements of Pearson South Africa Proprietary Limited for the years ended 31 December 2021, 2020 and 2019 using the historical results of operations, assets and liabilities attributable to Pearson SA. Pearson SA's audited financial statements have been prepared in accordance with IFRS and Novus Holdings elected accounting policies.

The directors have relied on the fact that the historical financial information which has been derived from audited financial statements for the years ended 31 December 2021, 2020 and 2019, are free from material misstatement, whether due to fraud or error, and that the Pearson SA directors are responsible for the compilations of the annual financial statements for the years ended 31 December 2021, 2020 and 2019 and the internal controls as they determined are necessary to enable the preparation and presentation of the aforementioned financial statements.

HISTORICAL CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Notes	31 December 2021 Audited R'000	31 December 2020 Reviewed R'000	31 December 2019 Reviewed R'000
ASSETS				
Non-current assets		**51,094**	**64,687**	**72,664**
Property, plant and equipment	4	6,466	42,412	50,071
Goodwill	5	21,332	21,332	21,332
Other intangible assets		667	896	1,261
Deferred taxation asset	6	22,629	47	-
Current assets		**974,628**	**945,905**	**955,123**
Inventory	7	48,617	82,358	82,170
Intangible assets - product development	8	55,831	66,310	102,348
Trade and other receivables	9	574,304	552,759	393,532
Related party receivables	10	7,075	126,412	42,900
Cash and cash equivalents	11	288,801	93,541	320,382
Current income tax receivable		-	24,525	13,791
TOTAL ASSETS		**1,025,722**	**1,010,592**	**1,027,787**
EQUITY				
Share capital	16	2,315,000	2,315,000	2,315,000
Other reserves	17	(1,935,030)	(1,932,176)	(1,931,108)
Retained earnings		274,165	249,094	260,582
TOTAL EQUITY		**654,135**	**631,918**	**644,474**
LIABILITIES				
Non-current liabilities		**111,030**	**131,582**	**179,452**
Post-employment medical benefits liability	15	22,707	22,859	23,003
Other payables	12	70,498	61,919	98,057
Lease liabilities	13	17,825	46,804	47,985
Deferred taxation liabilities	6	-	-	10,407
Current liabilities		**260,557**	**247,092**	**203,861**
Post-employment medical benefits liability	15	1,741	1,589	1,445
Lease liabilities	13	1,859	1,258	811
Trade and other payables	14	241,052	244,245	201,605
Current income tax payable		15,905	-	-
TOTAL EQUITY AND LIABILITIES		**1,025,722**	**1,010,592**	**1,027,787**

HISTORICAL CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Notes	31 December 2021 Audited R'000	31 December 2020 Reviewed R'000	31 December 2019 Reviewed R'000
Revenue	18	**960,347**	**839,802**	**867,159**
Cost of sales	20	(389,036)	(351,001)	(292,147)
Gross profit		**571,311**	**488,801**	**575,012**
Operating expenses	20	(219,398)	(173,835)	(243,770)
Administrative and other expenses		(212,563)	(169,644)	(237,342)
Net impairment losses on financial assets		(6,835)	(4,191)	(6,428)
Other gains	19	16,110	1,967	16,166
Operating profit		**368,023**	**316,933**	**347,408**
Finance income		14,713	13,070	19,635
Finance cost		(2,663)	(5,117)	(5,247)
Profit before taxation		**380,073**	**324,886**	**361,796**
Taxation	21	(109,188)	(75,353)	(98,590)
Net profit for the year		**270,885**	**249,533**	**263,206**

HISTORICAL CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

	31 December 2021 Audited R'000	31 December 2020 Reviewed R'000	31 December 2019 Reviewed R'000
Net profit for the year	**270,885**	**249,533**	**263,206**
Other comprehensive income	-	-	-
Total comprehensive income for the year	**270,885**	**249,533**	**263,206**

HISTORICAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

	Share capital	Reorganisation reserve	Discount reserve	Common control reserve	Share based compensation reserve	Foreign currency translation reserve	Total other reserves	Retained earnings	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance as at 1 January 2019	2,315,000	(1,700,010)	20,428	(256,147)	5,961	2,125	(1,927,643)	271,285	**658,642**
Change in accounting policies	-	-	-	-	-	-	-	(9,082)	**(9,082)**
Total comprehensive profit for the year	-	-	-	-	-	-	-	263,206	**263,206**
Profit for the year	-	-	-	-	-	-	-	263,206	**263,206**
Transactions with owners:									
Share compensation movement	-	-	-	-	(3,465)	-	(3,465)	2,173	**(1,292)**
Dividends paid	-	-	-	-		-	-	(267,000)	**(267,000)**
Balance as at 31 December 2019	**2,315,000**	**(1,700,010)**	**20,428**	**(256,147)**	**2,496**	**2,125**	**(1,931,108)**	**260,582**	**644,474**
Total comprehensive profit for the year	-	-						249,533	**249,533**
Profit for the year	-	-	-	-	-	-	-	249,533	**249,533**
Transactions with owners:									
Share compensation movement	-	-	-	-	(1,058)	-	(1,058)	2,169	**1,111**
Foreign currency translation movement	-	-	-	-	-	(10)	(10)	10	-
Dividends paid	-	-	-	-	-	-	-	(263,200)	**(263,200)**
Balance as at 31 December 2020	**2,315,000**	**(1,700,010)**	**20,428**	**(256,147)**	**1,438**	**2,115**	**(1,932,176)**	**249,094**	**631,918**
Total comprehensive profit for the year	-	-						**270,885**	**270,885**
Profit for the year	-	-	-	-	-	-	-	**270,885**	**270,885**
Transactions with owners:									
Share compensation movement	-	-	-	-	(739)	-	(739)	**1,071**	**332**
Foreign currency translation movement	-	-	-	-	-	(2,115)	(2,115)	**2,115**	**-**
Dividends paid	-	-	-	-	-	-	-	**(249,000)**	**(249,000)**
Balance as at 31 December 2021	**2,315,000**	**(1,700,010)**	**20,428**	**(256,147)**	**699**	**-**	**(1,935,030)**	**274,165**	**654,135**
Notes	16	17	17	17	17	17			

HISTORIC CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

	Notes	31 December 2021 Audited R'000	31 December 2020 Reviewed R'000	31 December 2019 Reviewed R'000
Cash generated from operating activities				
Cash generated from operations	22	529,151	126,522	411,698
Finance income		14,713	13,070	19,635
Finance costs		(130)	(2)	(81)
Taxation paid	23	(91,340)	(96,541)	(117,470)
Net cash inflow from operating activities		**452,394**	**43,049**	**313,782**
Cash flows from investing activities				
Property, plant and equipment acquired	4	(1,701)	(978)	(2,796)
Proceeds from sale of property, plant and equipment		66	137	327
Net cash outflow from investing activities		**(1,635)**	**(841)**	**(2,469)**
Cash flows from financing activities				
Principle portion of lease liabilities	13	(2,204)	(734)	(834)
Interest portion of lease liability		(4,295)	(5,115)	(5,166)
Dividends paid		(249,000)	(263,200)	(267,000)
Net cash outflow from financing activities		**(255,499)**	**(269,049)**	**(273,000)**
Net increase/(decrease) in cash and cash equivalents		195,260	(226,841)	38,313
Cash and cash equivalents at beginning of the year		93,541	320,382	282,069
Cash and cash equivalents at end of the year	11	**288,801**	**93,541**	**320,382**

1. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the historical financial information of Pearson SA is set out below.

1.1. **General information and basis of preparation**

General information

The historical financial information of Pearson SA comprises of the Sale Assets and Assumed Liabilities of Pearson South Africa Proprietary Limited. The historical financial information has been derived from the audited consolidated financial statements of Pearson South Africa Proprietary Limited for the years ended 31 December 2021, 2020 and 2019 using the historical results of operations, assets and liabilities attributable to Pearson SA. Pearson SA's audited consolidated financial statements have been prepared in accordance with IFRS.

The directors have relied on the fact that the historical financial information which has been derived from audited financial statements for the years ended 31 December 2021, 2020 and 2019, are free from material misstatement, whether due to fraud or error, and that the Pearson SA directors are responsible for the compilations of the annual financial statements for the years ended 31 December 2021, 2020 and 2019 and the internal controls as they determined are necessary to enable the preparation and presentation of the aforementioned financial statements.

The companies and subsidiaries that are subject to the Acquisition comprise the following:

Entity name	Geographical location	% held
Maskew Miller Longman Proprietary Limited	South Africa	100%
Heinemann Publishers Proprietary Limited	South Africa	100%

Basis of preparation of historical financial information

The Statements of Financial Position at 31 December 2021, 2020 and 2019, the Income Statements and Statements of Comprehensive income for the three years ended 31 December 2021, 2020 and 2019, the Statement of Changes in Equity for the three years ended 31 December 2021, 2020 and 2019, the Statement of Cash Flows for the three years ended 31 December 2021, 2020 and 2019, accounting policies and the notes thereto have been compiled from the audited financial statements of Pearson South Africa Proprietary Limited. The audited Historical Financial Statements were prepared in accordance with IFRS and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council.

The Historical Financial Information has been prepared in accordance with the JSE Listings Requirements, for purposes of providing financial information to satisfy the requirements of Section 8 of the JSE Listing Requirements.

Share capital and retained income

A historical analysis of the share capital and retained income balances for the 3 years ended 31 December 2021, 2020 and 2019 has been disclosed.

1.2. **Critical accounting estimates and judgements**

Pearson SA makes estimates and judgements concerning the future and these accounting estimates are an integral part of the preparation of financial statements. The resulting accounting estimates, will, by definition, seldom precisely equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of inventories

The recoverability of inventories is based upon a detailed line-by-line management review of the Group's inventory items at various stages of the financial year. Information considered in the impairment review include the age complement of the inventory on hand (i.e. when the first and last product was receipted into inventory) including the sales that have occurred during the past year. Other factors considered in the review would ordinarily include the likelihood of future publications of each title, the inter relationship between inventories, product development assets and author cost impairments.

Impairment of intangible assets for product development and author costs

Intangible assets not yet available for use are tested for impairment when an indication of impairment exists, and at least annually, irrespective of indicators. Author costs are recovered as and when the related royalties are earned by contractual set off against the royalties due to an author.

Taxation

Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The companies recognise liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment and right-of-use assets

The estimated useful economic lives of property, plant and equipment are reviewed and adjusted if appropriate, at the end of each reporting period. This involves the use of judgement in estimating the useful lives and residual values.

Impairment of goodwill

Goodwill is tested for impairment annually. The recoverable amounts of cash-generating units are based on value-in- use calculations. Calculations of the recoverable amounts require the use of estimates. Refer to note 5.

Expected credit loss allowance on trade and other receivables

At each reporting date, the Group evaluates the recoverability of trade and other receivables and records allowances for the expected credit losses based on the ECL model. The allowances are measured through calculating the historical loss rates based on the payment profiles of receivables over actual credit losses experienced. The historical rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as tough trading conditions due to inflation and consumer behaviour affecting the ability of the customers to settle their debt. The actual level of receivables collected may differ from the estimated levels of recovery, which could impact operating results positively or negatively.

1.3. **Basis of consolidation**

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. The identifiable assets and liabilities acquired, including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Common control transactions

Business combinations in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination (and where that control is not transitory) are referred to as common control transactions. The accounting policy for the acquiring entity is to account for the transaction at book value (predecessor values) in its consolidated financial statements. The book value of the acquired entity is the consolidated book value as reflected in the consolidated financial statements at the highest level of common control. The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired is allocated to the "common control reserve" in equity. Where comparative periods are presented, the financial statements and financial information presented are not restated.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.4. **Inventory**

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods comprises only the purchase price of the product, including non-refundable purchase taxes and import duties, net of rebates or other discounts; costs that are directly attributable to the purchase of inventories, including initial delivery and handling costs; and other costs that are incurred in bringing the inventory to their present location and condition.

Net realisable value is the estimated selling prices in the ordinary course of business, less the estimated costs of completion and selling expenses. Impairment charges are recognised for obsolete, slow moving and defective stock.

1.5. **Intangible assets**

Copyrights

Expenditure on acquired copyrights is initially stated at historical cost. Copyrights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Copyrights are amortised using the straight-line method to allocate the cost of copyrights over their estimated useful lives (maximum of 20 years). The carrying value is reviewed annually and written down to its recoverable amount if the carrying amount is greater than the recoverable amount.

Goodwill

Goodwill is initially measured at cost, being an amount representing the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest over the fair value of the identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree (a bargain purchase), the difference is recognised in profit or loss.

Goodwill arising on acquisition of subsidiaries is included in "goodwill" in the statement of financial position. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes. An impairment test is performed by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Acquired intangible assets

Acquired intangible assets include customer lists and relationships, trademarks and brands, publishing rights, content and technology. These assets are capitalised at historical cost and those intangible assets acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using an amortisation method that reflects the pattern of their consumption over their estimated useful lives of between 2 and 20 years.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software is amortised on the straight-line method over its estimated useful life (three years) when available for use.

Product development assets

Product development assets represent direct costs incurred in the development of educational programmes and titles prior to their publication. These costs are recognised as current intangible assets where the title will generate probable future economic benefits and costs can be measured reliably. These costs are eligible for capitalisation when incurred after the research phase when feasibility has been completed and prior to publication of the product/availability for use or sale. Product development assets relating to content are amortised upon publication of the title over estimated economic lives of three to five years, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years for printed product. The rates of amortisation are 70%, 15% and 15% over three years for printed products and over five years for digital products.

The assessment of the useful economic life and the recoverability of product development assets involves judgement and is based on historical trends and management's estimation of future potential sales. Product development assets are assessed for impairment triggers on a regular basis or when triggering events occur. The carrying amount of product development assets is set out in note 8.

Product development assets are measured at cost less accumulated amortisation and accumulated impairment losses.

1.6. Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 60 days from date of statement. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables they are all classified as current.

A provision for impairment of trade receivables is established using the simplified approach to measuring expected credit losses (ECL's) for trade receivables at an amount equal to the lifetime ECLs. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience. The historical credit loss rates are based on the payment profiles of sales over a period of 12 months during the previous reporting period and the corresponding actual credit losses experienced during the current 12-month reporting period. The historical rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as tough trading conditions due to inflation and consumer behaviour affecting the ability of the customers to settle their debt.

The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- Significant financial difficulty of the customer; or
- The customer is over credit terms or it is highly probable the customer will not be able to pay all amounts owing according to original terms of payment or numerous defaults on revised repayment plans put in place.

The Group's customer base is divided into the following classes and is based on the source of funding and sustainability of funding:

- Government, including national and provincial education departments, tenderers and Section 20 and 21 schools, universities and TVET colleges. These customers are classified as "Organs of State" for the purposes of the Public Finance Management Act and are therefore all state funded in terms of the annual budgetary allocations from the Minister of Finance, and such financing of all of these institutions is governed by the Public Finance Management Act. Notwithstanding this, the credit terms which are extended to these customers are the same - 60 days from date of statement.
- Trade, mainly bookshops.

The table below shows the difference classes of counterparties that make up the gross trade receivables balance at each year end:

Customer type	2021 R'000	2020 R'000	2019 R'000
Government	474,947	453,787	245,162
Trade	106,766	107,461	106,404
Total	**581,713**	**561,248**	**351,566**

1.7. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately within current liabilities on the statement of financial position.

1.8. Leases

The Group leases various offices. Rental contracts are typically made for fixed periods of three years to ten years. Certain lease contracts in place have renewal options included. Renewal options are only included in the lease term if the lease is reasonably certain to be extended.

For any new contracts entered into, the Group considers whether the contract contains a lease and applies IFRS 16: *Leases* as set out below.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The lease liability is measured as the present value of lease payments over the lease term, discounted at the Group's incremental borrowing rate. To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. The right-of-use asset is recognised at the amount of the initial measurement of the lease liability and any initial direct costs.

Right-of-use assets

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the earlier of the useful life or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

On the statement of financial position, the right-of-use asset has been included in Property, Plant and Equipment under "Non-current assets".

Lease Liabilities

Subsequent to initial measurement of the lease liability, the liability will be reduced for payments made and increased for finance costs incurred. It is re-measured to reflect any reassessment or modification. When the lease liability is re-measured, the corresponding gain or loss is reflected in profit or loss.

On the statement of financial position, lease liabilities have been included in 'Lease liabilities' under "Non-current liabilities" and 'Current portion of lease liabilities' under "Current liabilities".

The Group has elected to apply the exemptions applicable to short term leases and to assets of low value. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Deferred tax is recognised on temporary differences arising from the lease liability and right-of-use assets.

1.9. **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The amounts are unsecured and are usually paid within 60 to 90 days of recognition. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.10. **Financial assets**

The Group classifies its financial assets in the following category: financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. The classification of its financial assets is determined at initial recognition.

Financial assets at amortised cost

Financial assets at amortised cost include trade and other receivables and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost are carried at amortised cost using the effective interest rate method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(a) Financial assets carried at amortised cost

The Group assesses whether its financial assets at amortised cost are impaired based on the basis of expected credit losses (ECL). This analysis requires the identification of significant increases in the credit risk of the counterparty. Considering that the majority of the Group's financial assets are trade receivables, the analysis also integrates statistical data reflecting the past experience of losses incurred due to default.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

The model and some of the assumptions used in calculating these ECL's are key sources of estimation uncertainty.

A provision for impairment of financial assets carried at amortised cost, except for trade and other receivables, is established using the general approach to measuring expected credit losses (ECL's) for financial assets carried at amortised cost.

Financial assets are written off when there is no reasonable expectation of recovery such as when attempts are unsuccessfully made to recover debt with the assistance of lawyers. When financial assets have been written off, the Group continues to attempt to recover the amount due. Where recoveries are made, these are recognised in profit or loss.

1.11. **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge or credit is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The normal South African company tax rate used for the year ending 31 December 2021 is 28% (2020 and 2019: 28%). On 23 February 2022, the Minister of Finance announced that the Corporate tax rate will decrease from 28% to 27% for years of assessment commencing on/after 1 April 2022.

1.12. **Revenue**

Revenue is derived from selling a range of products to its customers ostensibly in the South Africa market. Sales are recognised when control of products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue is derived mainly from provincial education departments in South Africa, schools and bookshops. Revenue is also derived from higher learning institutions in South Africa. A small element of product is exported to markets outside of South Africa where the product is aligned with that territory's curriculum.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 60 days and in some instances 90 days, which is consistent with market practice.

In certain markets, it is the Group's policy to sell its products to the end customer with a right of return. As a result, a returns liability (included within trade and other receivables) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Given the relevant insignificant size of the market where customers are permitted to return product and because the number of products returned has been steady for years, it is highly improbable that a significant adjustment in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns is reassessed at various intervals throughout the year.

Revenue from digital products sold are recognised over the period relating to the right to access the digital content (i.e. the period of the licence). These are normally sold with 12 months' access and usage is available during the financial period. Accordingly, the full revenue is recognised within the financial year, which coincides with the academic year. Revenue is measured as the amount of consideration which the Group most likely expects to receive, based on the price list applicable to a given performance obligation, net of returns and allowances and trade discounts. Payment is due once delivery is made within terms of invoice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group does not expect to have any significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

1.13. **Employee benefits**

Retirement benefits

A defined contribution plan is a provident plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

For the defined contribution plans, the Group pays contributions to a privately administered provident scheme on a contractual basis. The Group has no further obligations once the contributions have ben paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post-employment medical aid benefit

The Group provides post-employment health care benefits to certain of its retirees and certain qualifying employees. The entitlement to post-employment healthcare benefits is subject to the employee remaining in service up to retirement age and completing a minimum service period. The expected costs of these benefits are accrued over the minimum service period. Independent qualified actuaries carry out annual valuations of these obligations. The actuarial valuation method used to value the obligations is the projected unit credit method. Future benefits are projected using specific actuarial assumptions and the liability to in-service members is accrued over their expected working lifetime. These obligations are unfunded.

Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group's shareholders or it recognises an accrual where contractually obliged or where there is past practice that has created a constructive obligation.

Share based payments

The fair value of options or shares granted under the Group's share and option plans is recognised as an employee expense after taking into account the Group's best estimate of the number of awards expected to vest. Fair value is measured at the date of the grant and is spread over the vesting period of the option or share. The fair value of the options granted is measured using an option model that is most appropriate to the award. The fair value of shares awarded is measured using the share price at the date of grant unless another method is more appropriate.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1.14. **Dividends**

Dividends are recorded in the financial statements in the period in which the dividends are approved by the board of directors. Interim dividends are recorded in the period in which they are approved and paid.

1.15. **Foreign currency translation**

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in South African Rands (ZAR) which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2. **New amendment and improved accounting standards and interpretations effective during the period**

The following standards, interpretations and amendments to published standards that became effective and were adopted by the Group during the current financial year:

Standard/Interpretation:	**Effective date: years beginning on or after**
IFRS 9, IAS 39, IFRS 7 and IFRS 16- interest rate benchmark (IBOR) reform	
(Phase 2) - (amendments)	01 January 2021
IFRS 16 - COVID-19 Related Rent Concessions (amendment)	01 June 2020

3. **Standards, Interpretations and Amendments to Published Standards which are not yet effective**

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 31 December 2021, but not yet effective on that date. These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation:	**Effective date: years beginning on or after**
IFRS3 – Business Combinations	01 January 2022
IAS 1 – Classification of Liabilities as Current or Non-current (amendments)	01 January 2022
IFRS 3 – Business combinations (amendments)	01 January 2022
IAS 16 – Proceeds before Intended Use (amendments)	01 January 2022
IAS 37 – Onerous Contracts - Cost of Fulfilling a Contract (amendments)	01 January 2022
Annual improvements cycle 2018 - 2021	01 January 2022

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Right-of-use asset R'000	Vehicles, computers and office equipment Owned R'000	Total R'000
Cost	-	48,064	48,064
Accumulated depreciation and impairment	-	(28,100)	(28,100)
Net book value at 1 January 2019	**-**	**19,964**	**19,964**
Additions	-	2,797	2,797
Initial recognition of IFRS 16	36,104	-	36,104
Disposals	-	(5)	(5)
Depreciation	(3,353)	(5,436)	(8,789)
Net book value at 31 December 2019	**32,751**	**17,320**	**50,071**
Cost	36,104	49,442	85,546
Accumulated depreciation and impairment	(3,353)	(32,122)	(35,475)
Additions	-	978	978
Disposals	-	(53)	(53)
Depreciation	(3,201)	(5,383)	(8,584)
Net book value at 31 December 2020	**29,550**	**12,862**	**42,412**
Cost	36,104	49,848	85,952
Accumulated depreciation and impairment	(6,554)	(36,986)	(43,540)
Additions	426	1,701	2,127
Disposals	-	(5,669)	(5,669)
Depreciation	(3,273)	(4,382)	(7,655)
Impairment	(9,516)	-	(9,516)
Lease modification	(15,233)	-	(15,233)
Net book value at 31 December 2021	**1,954**	**4,512**	**6,466**
Cost	11,494	31,564	43,058
Accumulated depreciation and impairment	(9,540)	(27,052)	(36,592)

The impairment of R9,5m in FY21 relates to the right-of-use asset where a decision was made to reduce the area being rented at the group's Auto Atlantic premises.

Impairment assumptions are based on past practices and expectations of future changes in the market (2020: included the impact of COVID-19 on future cash flows and economic environment), and are derived from the most recent financial budgets and forecasts that have been prepared by management for the next financial year and extrapolated cash flows for the following years based on an estimated growth rate as set out in the note 5.

5. GOODWILL

	2021 R'000	2020 R'000	2019 R'000
Cost	21,332	21,332	21,332
Accumulated impairment	-	-	-
Net book value at 31 December	**21,332**	**21,332**	**21,332**

Impairment testing of goodwill

The Group has allocated goodwill to one cash generating unit (CGU) being Heineman which includes the brand, publishing rights, series names and customers. The recoverable amount of this CGU has been based on a value-in-use calculation. The value-in-use calculation uses cash flow projections for a period of three years, based on financial budgets approved by management. The growth rates disclosed are the long-term historic growth rates of the territories in which the CGU operates and reflect the long-term growth prospects of the sections in which the CGU operates. The discount rates used are pre-tax and reflect specific risks relating to the CGU. Cash flow growth rates are derived from management's latest estimates of forecast sales taking into consideration past experience of operating margins achieved in the CGU.

The key assumptions used by management in the value-in-use calculations were:

	2021	2020	2019
Discount rate	11.04%	11.02%	11.2%
Long term growth rate	2%	2%	2%
EBIT margin	35% - 40%	35% - 40%	35% - 40%

The Group's impairment review is not sensitive to a change in the key assumptions used. Based on the Group's sensitivity analysis for all three years, no reasonable possible change in the discount rate, growth rate or EBIT margin would cause an impairment to goodwill.

6. DEFERRED TAXATION

	2021 R'000	2020 R'000	2019 R'000
Movement in deferred taxation			
Balance at the beginning of the year	47	(10,407)	(13,646)
Change in accounting policy: Lease liabilities	-	-	3,532
Income statement (debit)/credit	22,582	10,454	(293)
Balance at the end of the year	**22,629**	**47**	**(10,407)**
Due to the following temporary differences:			
Property, plant and equipment	(1,051)	(1,169)	(915)
Trade and other receivables	6,469	4,918	4,512
Intangible assets - product development	(15,632)	(18,567)	(28,657)
Author costs	(36)	(497)	(848)
Prepayments	(2,889)	(758)	(3,136)
Inventory provision (*)	15,494	1,241	685
Restructuring provision	-	-	1 ,640
Other provisions (i.e. returns, bonus, leave pay, post employment medical benefits)	15,309	9,695	11,820
Leases	4,965	5,183	4,494
	22,629	**47**	**(10,407)**

(*) Management has determined based on recent income tax court cases that a deduction for inventory allowances is no longer claimable. Accordingly, the tax base relating to the inventory provision during 2021 has been adjusted in the computation of income tax in 2021 and in the 2020 income tax return and as a consequence, the 2020 income tax return treatment has been reflected as a prior year under/over provision in current and deferred taxation in 2021.

7. INVENTORY

	2021 R'000	2020 R'000	2019 R'000
Gross inventory: Finished products	103,952	123,215	104,705
Less: Provision for slow-moving and obsolete inventory	(55,335)	(40,857)	(22,535)
Net inventory	**48,617**	**82,358**	**82,170**
The cost of inventories recognised as an expense and included in "cost of sales" during the financial year amounted to:	**381,509**	**332,420**	**287,414**
No inventory items have been pledged as security.			
Inventory written down during the year amounted to:	14,478	20,578	2,377

8. INTANGIBLE ASSETS - PRODUCT DEVELOPMENT

	2021 R'000	2020 R'000	2019 R'000
Opening balance	66,310	102,348	112,649
Additions	11,961	27,649	28,337
Amortisation	(35,166)	(52,437)	(36,281)
Impairment	-	(11,250)	(2,357)
Impairment reversal	12,726	-	-
Closing balance	**55,831**	**66,310**	**102,348**

Amortisation and impairment charges on product development assets are included within cost of sales in the income statement.

9. TRADE AND OTHER RECEIVABLES

	2021 R'000	2020 R'000	2019 R'000
Trade accounts receivables, gross	581,713	561,248	351,566
Less: Expected credit loss allowance	(32,512)	(25,677)	(21,486)
Less: Provision for returns	(3,240)	(3,357)	(3,792)
	545,961	532,214	326,288
Other receivables	28,343	20,545	67,244
	574,304	**552,759**	**393,532**
Expected credit loss allowance of trade receivables			
Opening balance	25,677	21,486	15,224
Expected credit loss allowance	6,835	4,191	6,428
Allowance utilised	-	-	(166)
Closing balance	**32,512**	**25,677**	**21,486**

The debt provision as a % of the trade debt book appears low in 2020 compared to 2019 and 2021. The debt provision in this year was affected by the following:

As a result of the hard COVID lockdown during 2020 (for 3 months, April to June), the Group's distribution centre was shut down. Furthermore, during this period customers stopped placing orders, and subsequent to lockdown many customers moved to working from home/a hybrid working environment.

During 2020, most of the Group's customers who ordinarily place significant annual orders, placed their orders very late in the financial year and as a consequence, product was dispatched later than usual to the Group's customers. Consequently, a significant portion (R430m) of the total trade debt in existence at December 2020 comprised debt that was not yet due, and as a consequence the doubtful debts provision at year-end reflected this position.

The Group identifies specific credit loss allowances if these receivables are over terms after it is highly probable the customer will not be able to pay all amounts owing according to original terms of payment or numerous defaults on revised repayment plans put in place. The cumulative specific loss allowance balance for financial years ended 31 December amounts to R13.3 million for 2021, R13.9 million for 2020 and R13.4 million for 2019.

Refer to Note 25 for the credit risk assessment of related parties receivables included with *Other receivables*.

The Group has not pledged any of its trade receivables as security against its lease liabilities or other liabilities.

10. RELATED PARTY RECEIVABLES

	2021 R'000	2020 R'000	2019 R'000
Pearson Education Limited UK	-	47	68
Pearson Holdings South Africa (Pty) Ltd	2,419	126,365	41,966
Pearson Education Inc	4,431	-	303
Pearson Education Australia	225	-	-
Pearson Education India	-	-	563
	7,075	**126,412**	**42,900**

Refer to Note 25 for detailed related party disclosures.

11. CASH AND CASH EQUIVALENTS

	2021 R'000	2020 R'000	2019 R'000
Cash and cash equivalents	**288,801**	**93,541**	**320,382**

All bank balances are held with reputable bankers.

The credit quality of bank balances, excluded cash on hand that is neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about the counterparty default rates:

Standard Bank local currency deposit rating long-term	41,611	50,962	60,367
Citibank short-term deposits	120,473	42,565	150,000
ABSA short-term counterparty	126,703	-	110,000
	288,787	**93,527**	**320,367**

The ratings are obtainable from the latest available ratings issued by the Global Credit Rating Company (Moody's).

12. OTHER PAYABLES

	2021 R'000	2020 R'000	2019 R'000
Cash settled liability	49,928	49,928	49,928
Share options liability			
At fair value at the end of the year	20,570	11,991	48,129
At fair value at the beginning of the year	11,991	48,129	47,269
Fair value charge/(release) to the income statement	8,579	(36,138)	860
	70,498	**61,919**	**98,057**

In 2016 Pearson SA repurchased shares from its then two existing BBEE shareholders and subsequent to the repurchase of these shares, Sphere RB Investments Proprietary Limited, subscribed for 22.5% of Pearson SA's equity shares as follows:

- 326 ordinary shares for cash for R49,927,928; and
- 2,897 AE Shares in cash for R29.

The balance of the purchase price for the AE Shares was funded via a Notional Acquisition Funding Amount of R443,684,685 (together comprising 22.5% of Pearson SA's total equity shares).

The subscription of the AE Shares is in effect a share option scheme via a non-recourse loan. As the subscription of the ordinary and AE Shares and the provision of the notional funding took place at the same time, the transactions have the same counterparties, they relate to the same risk and there is no economic need or substantive business purpose for restructuring the transactions separately (the objective is one of empowerment and even if the transactions were structured separately it would achieve the same outcome) and the shareholder does not have the resources to afford such a shareholding, the two transactions should be viewed as one and the substance of the transaction is that of an option issued.

The transaction met the definition of a derivative and due to the limited downside risk that the new shareholder is exposed to by way of notional funding provided by Pearson SA, the risks and rewards of both the issue of the ordinary shares and the AE Shares do not transfer to the shareholder. The shares issued to the new shareholder were accounted for as a share-based transaction under IFRS 2, as in substance, these arrangements are in fact option arrangements.

With respect to the AE Shares issued to the new B-BBEE shareholder representing the remaining option liability refer below:

In return for their BEE credentials, the BEE shareholders were provided with a notional loan to purchase these shares, but the only recourse of the loan is the shares themselves and the loan is "paid down" via notional dividends from the AE Shares themselves. In substance such arrangements are in fact option arrangements with a reducing exercise price. As a result these arrangements are accounted for under IFRS 2.

Whilst an amount was received as payment for this IFRS2 option, this is insufficient compensation. As such, an IFRS2 expense needs to be recorded and the shareholder can choose, via the put option, the method of settlement (either cash settled or shares), the IFRS 2 option is effectively classified as a cash settled liability to be measured at fair value, initially and at the end of each reporting period until settled, by applying an option pricing model, taking into account the terms and conditions on which the option was granted. A Monte Carlo option pricing model has been followed.

The assumptions used in the annual remeasurements as per the valuation are as follows:

	2021	2020	2019
Asset value (R'000)	380,447	509,756	584,975
Notional loan (R'000)	328,921	359,827	421,183
Interest rate	9%	9%	9%
Notional distribution	100%	80%	80%
Dividend yield	12%	2.5%	5%
AE Shares	2,897	2,897	2,897
Ordinary shares	11,426	11,426	11,426
Total shares	14,323	14,323	14,323
Option value (R'000)	20,570	11,991	48,129

13. LEASE LIABILITIES

	2021 R'000	2020 R'000	2019 R'000
Total liabilities	19,684	48,062	48,796
Less: Current portion	(1,859)	(1,258)	(811)
Interest-bearing: Lease Liabilities	**17,825**	**46,804**	**47,985**
The maturity analysis of lease liabilities is as follows:			
Payable within one year	6,702	6,265	5,924
Payable within two to five years	31,263	29,345	27,554
Payable later than five years	36,055	44,675	52,730
	74,020	80,285	86,208
Future finance costs on finance leases	(27,736)	(32,223)	(37,412)
Lease modification	(26,600)	-	-
	19,684	**48,062**	**48,796**
The table below show a reconciliation of lease liabilities			
Opening Balance	48,062	48,796	-
Adoption of IFRS 16	-	-	49,630
Lease modification	(26,600)	-	-
New lease	426	-	-
Interest	4,295	5,115	5,166
Payments	(6,499)	(5,849)	(6,000)
Closing Balance	**19,684**	**48,062**	**48,796**

The lease portfolio consisted previously of approximately 3 property leases, mainly offices. The Group adopted IFRS 16 'Leases' at 1 January 2019 and applied the modified retrospective approach. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group recognises lease payments associated with these leases as an expense on a straight line basis over the lease term.

The option not to renew the Auto Atlantic lease was accounted for as a modification. The modification was effective when the latest business case in respect of the proposed lease reducing the office space to be leased was approved, i.e.1 November 2021. The Auto Atlantic lease term is thus only up until July 2025.

Transition disclosures for IFRS 16 for the financial year ended 31 December 2019:

As shown above, the Group adopted IFRS 16 leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 depended on the length of the leases (including any extension period) and ranged from 11.21% for leases up to ten years and 8.49% for leases up to two years.

i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review, there were no onerous contracts as at 1 January 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment applying IAS 17 and Interpretation IFRIC 4 “Determining whether an Arrangement contains a Lease.”

ii) Measurement of lease liabilities	**R'000**
Operating lease commitments disclosed as at 31 December 2018	8,933
Add: adjustments as a result of extension options	82,505
Add: new leases	389
Less: effect of discounting	(42,609)
	49,218
Lease liability recognised as at 1 January 2019	
Split between:	
Current lease liabilities	5,921
Non-current lease liabilities	43,297
	49,218

iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet in 1 January 2019:	**R'000**
Right-of-use asset increase by:	35,704
Deferred tax liability decrease by:	(3,532)
Lease liabilities increase by:	49,218
The net impact on accumulated losses on 1 January 2019 was an increase of:	9,082

14. TRADE AND OTHER PAYABLES

	2021 R’000	**2020 R’000**	**2019 R’000**
Trade payables	49,870	45,988	29,109
Trade amounts due to related parties	4,274	15,642	9,919
Accrued expenses	51,470	55,094	32,929
Royalty accruals	126,499	115,023	115,759
Other payables	8,939	12,498	13,889
	241,052	**244,245**	**201,605**

15. POST-EMPLOYMENT MEDICAL BENEFITS LIABILITY

	2021 R’000	**2020 R’000**	**2019 R’000**
Total liabilities	24,448	24,448	24,448
Less: Current portion	1,741	1,589	1,445
Post employment medical benefits liability	**22,707**	**22,859**	**23,003**

The Group provides post employment medical benefits to certain qualifying employees and retirees. A projected liability of R21,918,000 (2020: R20,104,000 and 2019: R21,000,000) was determined by an actuarial valuation.

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS 19 “Employee Benefits”. Future benefit values are projected using specific actuarial assumptions and the liability for in-service members is accrued over the expected working lifetime.

The most significant assumptions used for the current and previous valuations are outlined below:

	2021	2020	2019
Discount rate	11.10%	10.30%	10.50%
Health cost inflation	6.20%	5.80%	6.90%
Expected retirement age	65 years	65 years	65 years
There is no allowance for early retirement.			

Movement in post-employment medical benefits liability:

Opening balance	20,104	21,000	22,415
Current service cost	133	167	177
Interest cost	2,209	2,080	2,271
Employer medical benefit payments	(1,669)	(1,511)	(1,465)
Remeasurements	1,141	(1,632)	(2,398)
Closing balance	**21,918**	**20,104**	**21,000**

A sensitivity analysis on the accrued liability is presented below:

- A 1% decrease or increase in the rate of healthcare subsidy cost inflation (current valuation);
- A 1% decrease or increase in the discount rate (current valuation) ; and
- A 1% decrease or increase in the current service and interest cost (prior valuation).

	Accrued Liability R'000	Movement R'000	Total R'000	% Change
Healthcare cost (1% change)	21,918	2,159	24,077	9.9%
inflation (current) (-1% change)	21,918	(1,856)	20,062	-8.5%
Discount rate (1% change)	21,918	(1,846)	20,072	-8.4%
(current) (-1% change)	21,918	2,174	24,092	9.9%
Current Service				
Cost + Interest (1% change)	2,447	260	2,707	10.6%
Cost (prior) (-1% change)	2,447	(223)	2,224	-9.1%

16. SHARE CAPITAL

	2021 R'000	2020 R'000	2019 R'000
Ordinary shares are classified as equity. Unissued shares are under control of the Board of Directors.			
Authorised			
200,000 ordinary no par value shares	-	-	-
100,000 accelerated empowerment ordinary no par value shares	-	-	-
Issued			
11,426 ordinary no par value shares	2,364,928	2,364,928	2,364,928
2,897 accelerated empowerment ordinary no par value shares	-	-	-
Total issued share capital	**2,364,928**	**2,364,928**	**2,364,928**
Disclosed under Other Operating Payables (note 12)	(49,928)	(49,928)	(49,928)
	2,315,000	**2,315,000**	**2,315,000**

17. OTHER RESERVES

	2021 R'000	2020 R'000	2019 R'000
Other reserves in the statement of financial position comprise the following:			
Reorganisation reserve (*)	(1,700,010)	(1,700,010)	(1,700,010)
Discount reserve	20,428	20,428	20,428
Common control reserve	(256,147)	(256,147)	(256,147)
Share based compensation reserve	699	1,438	2,496
Foreign currency translation reserve	-	2,115	2,125
	(1,935,030)	**(1,932,176)**	**(1,931,108)**

(*) The company has accounted for its investments at the carrying amounts of its shares in accordance with paragraph 13 of IAS 27. The balance of the purchase price amounting to R1,700,009,612 that arose in 2010 has been accounted for as a Reorganisation Reserve.

The Discount reserve relates to discount on proceeds received on shares issued to an outside shareholder.

18. REVENUE

	2021 R'000	2020 R'000	2019 R'000
Revenue from contracts with customers			
Sale of goods at a point in time	890,868	804,061	826,754
Sale of goods over time (within the financial year)	49,564	35,741	40,405
	940,432	**839,802**	**867,159**

19. OTHER GAINS/(LOSSES)

	2021 R'000	2020 R'000	2019 R'000
Sundry income consists of:			
Other income received from related parties	1,874	732	-
Commission received from related parties	2,849	1,154	15,269
Interest received from related parties	-	81	897
Gain on lease liability modification	9,606	-	-
Other income	1,781	-	-
	16,110	**1,967**	**16,166**

20. **EXPENSES BY NATURE**

	2021 R'000	2020 R'000	2019 R'000
Operating profit includes the following items:			
Depreciation classification			
Cost of sales	-	-	-
Operating expenses	7,655	8,584	8,789
Amortisation classification			
Cost of sales	35,166	52,437	36,281
Operating expenses	229	365	1,084
Operating lease charges	(117)	2,144	5,184
Auditors' remuneration	1,461	1,545	1,498
Foreign exchange loss/(gain)	2,312	(2,339)	2,279
Cost of inventories sold	381,509	332,420	287,414
Employee costs	78,845	96,413	110,779
- *Salaries and wages*	70,770	86,774	100,007
- *Provident fund contributions*	8,075	9,639	10,772
Directors and prescribed officers' emoluments	2,792	14,385	17,952
- *Salaries and wages*	2,211	13,258	9,613
- *Bonus and other payments*	240	480	6,908
- *Provident fund contributions*	341	647	1,431
Distribution expenses	17,075	16,085	16,786
Net impairment losses on financial assets	6,835	5,115	6,428
Inventory impairment	8,503	18,580	4,734
Share based compensation reserve charge/(release)	332	1,111	(1,292)
Share options fair value charge/(release)	8,579	(36,138)	860
Other expenses (*)	50, 464	9,938	30,713
	601,599	**520,645**	**529,489**

(*) These expenses include mainly marketing, advertising, travel and outsourced services costs, B-BBEE annual contributions in respect of enterprise development, supplier development and socio-economic development and other sundry costs such as facilities, data communications and various consulting services.

21. **TAXATION**

	2021 R'000	2020 R'000	2019 R'000
Major components of the income taxation expense:			
Current	**(131,770)**	**(85,807)**	**(98,297)**
Local income taxation - current year	(120,905)	(90,305)	(96,641)
Local income taxation - prior years	(10,865)	4,498	(1,656)
Deferred	**22,582**	**10,454**	**(293)**
Local income taxation - current year	11,904	8,823	(4,036)
Local income taxation - prior years	10,678	1,631	3,743
	(109,188)	**(75,353)**	**(98,590)**
Reconciliation of the income taxation expense			
Reconciliation between the accounting profit and the income taxation expense			
Accounting profit	380,073	324,886	361,796
Tax at the applicable tax rate of 28% (2020 and 2019: 28%)	106,420	90,968	101,303
Tax effects of adjustments on taxable income			
Non-deductible expenses (*)	2,580	311	-
Non-taxable income (**)	-	(9,798)	(626)
Prior year adjustments	188	(6,128)	(2,087)

(*) Non – deductible expenses relate mainly to share based option liability charges.

(**) Non – taxable income relate mainly to share based option liability credits to the income statement.

22. CASH GENERATED FROM OPERATIONS

	2021 R'000	2020 R'000	2019 R'000
Profit before tax	**380,073**	**324,886**	**361,796**
Adjusted for:	**56,548**	**18,425**	**31,748**
Depreciation of property, plant and equipment	7,654	8,584	8,697
Amortisation of intangible assets	35,395	52,802	37,365
Impairment of property, plant and equipment	9,516	-	-
Impairment of trade receivables	11,528	-	-
Gain on lease modification	(9,606)	-	-
Operating lease straight lining	-	-	(901)
Loss/(profit) on disposal of property, plant and equipment	5,603	(85)	(322)
Finance income	(14,713)	(13,070)	(19,635)
Finance costs	2,663	5,117	5,247
Share-based compensation expense	8,911	(35,027)	(432)
Foreign exchange movement	(403)	104	1,729
Changes in working capital	**92,530**	**(216,789)**	**18,154**
Inventories	33,740	(187)	(28,519)
Intangible assets -product development	(24,687)	(16,399)	(28,337)
Trade and other receivables	(33,072)	(159,227)	140,423
Related party receivables	119,337	(83,514)	17,766
Trade and other payables	(2,788)	42,538	(83,179)
	529,151	**126,522**	**411,698**

23. TAXATION PAID

	2021 R'000	2020 R'000	2019 R'000
(Payable)/receivable at the beginning of the year	24,525	13,791	(5,382)
Current taxation for the year recognised in profit or loss	(131,770)	(85,807)	(98,297)
Payable/ (receivable) at the end of the year	15,905	(24,525)	(13,791)
	(91,340)	**(96,541)**	**(117,470)**

24. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The following analysis details the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Amount R'000	Cash flows R'000	0 to 12 months R'000	1 to 5 years R'000	Over 5 years R'000
Financial liabilities					
At 31 December 2021					
Interest-bearing: Lease liabilities	19,684	74,020	6,702	31,263	36, 055
Trade payables	241,051	241,051	241,051	-	-
Other payables	70,498	70,498	-	70,498	-
	331,233	**385,569**	**247,753**	**101,761**	**36,055**
At 31 December 2020					
Interest-bearing: Capitalised finance lease	48,062	80,285	6,265	29,345	44,675
Trade payables	244,244	244,244	244,244	-	-
Other payables	61,919	61,919	-	61,919	-
	354,225	**386,448**	**250,509**	**91,264**	**44,675**
At 31 December 2019					
Interest-bearing: Capitalised finance lease	48,796	86,208	5,924	27,554	52,730
Trade payables	201,604	201,604	201,604	-	-
Other payables	98,057	98,057	-	98,057	-
	348,457	**385,869**	**207,528**	**125,611**	**52,730**

Credit risk

The Group is exposed to credit risk relating to the following assets:

Trade and other receivables

Trade receivables consist primarily of invoiced amounts from normal trading activities.

Other receivables are assessed on a continuous basis to determine their risk of default. Management considers this risk to be low from the history of the counterparty settling it's outstanding amounts by the due date and through monitoring of the sector that the counterparty operates in.

A provision for impairment of trade receivables is established using the simplified approach to measuring expected credit losses (ECL's) for trade receivables at an amount equal to the lifetime ECLs. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience. The historical credit loss rates are based on the payment profiles of sales over a period of 12 months during the previous reporting period and the corresponding actual credit losses experienced during the current 12-month reporting period. The historical rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as tough trading conditions due to inflation and consumer behaviour affecting the ability of the customers to settle their debt.

Given two provincial departments are currently under administration, the general retail economic conditions in the market have deteriorated in the recent past (two retail customers have fallen on difficult times recently), and on the back end of COVID-19, additional expected credit losses are anticipated, and this has been considered in the expected credit losses to cater for any adverse eventuality. The following provision matrix is applied in calculating the expected credit loss allowance:

	Current	> 30 days past due	> 60 days past due	> 90 days past due	> 120 days past due	> 150 days past due	Total R'000
At 31 December 2021							
Expected loss rate	0,30%	0,30%	0,30%	0,30%	10,00%	32,30%	
Gross carrying amount – trade receivables (R'000)	410,553	113,005	16,394	(424)	607	43,903	584,038
Loss allowance (R'000)	893	246	36	(1)	53	12,313	13,540
Loss allowance for specific accounts (R'000)	-	-	-	-	-	18,972	18,972
Loss allowance (R'000)	**893**	**246**	**36**	**(1)**	**53**	**31,285**	**32,512**
At 31 December 2020							
Expected loss rate	0,30%	0,30%	2,80%	5,30%	15,00%	23,60%	
Gross carrying amount – trade receivables (R'000)	520,935	29,323	668	5,055	(359)	46,262	601,884
Loss allowance (R'000)	1,302	73	18	265	(54)	10,909	12,514
Loss allowance for specific accounts (R'000)	-	-	-	-	-	13,163	13,163
Loss allowance (R'000)	**1,302**	**73**	**18**	**265**	**(54)**	**24,072**	**25,677**
At 31 December 2019							
Expected loss rate	0,30%	0,40%	0,30%	0,30%	0,70%	26,20%	
Gross carrying amount – trade receivables (R'000)	266,419	43,880	(2,492)	(357)	968	43 592	352,010
Loss allowance (R'000)	666	180	(7)	(1)	7	11,435	12,280
Loss allowance for specific accounts (R'000)	-	-	-	-	-	12,580	12,580
Loss allowance (R'000)	**666**	**180**	**(7)**	**(1)**	**7**	**24,015**	**24,860**

The Group's customer base is divided into the following classes and is based on the source of funding and sustainability of funding:

- Government, including national and provincial education departments, tenderers and Section 20 and 21 schools, universities and FET colleges. These customers are classified as "Organs of State" for the purposes of the Public Finance Management Act and are therefore all state funded in terms of the annual budgetary allocations from the Minister of Finance, and such financing of all of these institutions is governed by the Public Finance Management Act. Notwithstanding this, the credit terms which are extended to these customers are the same - 60 days from date of statement.

- Trade, mainly bookshops.

As of 31 December 2021, the Group's trade receivables of R140 973 619 (2020: R55 271 864, 2019 :R64 105 296) were past due. The ageing of these trade receivables is as follows at year-end:

	2021 R'000	2020 R'000	2019 R'000
0 to 3 months overdue	128,975	35,046	41,031
Over 3 months overdue	11,998	20,226	23,074
	140,973	**55,272**	**64,105**

Certain customers, including Organs of State customers, do exceed their credit terms and the perceived risk which this might pose is considered and mitigated through a variety of avenues. All trade customers (which excludes TVET colleges and provincial education departments) are credit vetted and follow up of debt is managed by a fully functional Credit Management Department. Avenues to recover debt include: (a) Personal contact with the customer, where the debt is discussed, reasons for overdue amounts are ascertained and plans of action are implemented to ensure recovery of the debt, (b) the customer's history with the Group is reviewed and assessed based on historical conduct of the account by both Sales and Credit Management, and an informed decision is made on whether to allow the customer an extended facility or not, (c) Where possible, the customer would also be approached and where approved, Deeds Office searches would be conducted with a view to the possible registration of securities against the customer, (d) Where the size of the debt warrants it, customer financial statements are obtained, and the viability of the customer is assessed against generally acceptable financial ratios and credit bureau reports are also obtained and are scrutinised for any defaults or judgements which may have been recently granted against the customer and this information is factored into the final decision (e) Due to the seasonal nature of the K-12 schools business, certain customers may be allowed to exceed their terms in order to cater for the back-to-school demand - this concession is built into an annual promotion scheme which is called "As January" in which the purchases by certain selected customers for the period 1 October to 31 December of any year, only become due and payable on 31 March of the subsequent year.

Cash Deposits

The Group is exposed to certain concentrations of credit risk relating to its cash. It places its cash mainly with major banking groups and high-quality institutions that have high credit ratings. For the years ended 31 December 2021, 31 December 2020 and 31 December 2019 the Group had no significant credit risk exposure in cash and cash equivalents held at commercial banks. The Group has no external borrowing facilities.

Foreign exchange

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British Pound Sterling and the US Dollar. The Group does not make use of forward exchange contracts.

The Group's exposure to foreign currency risk at the end of the reporting periods were as follows:

	2021	2020	2019
Trade payables, denominated in British Pounds Sterling	**389,723**	**744,905**	**190,682**
Trade payables, Rand value (R'000)	**8,389**	**14,907**	**3,532**
Trade payables, denominated in US dollars	**79,002**	**534,100**	**500,663**
Trade payables, Rand value (R'000)	**1,259**	**7,830**	**7,033**

At 31 December, if the currency had weakened/strengthened by 10% against the UK Pound with all other variables held constant, post-tax profit for the year would have been higher/lower by R604 004 in 2021, R1 073 301 in 2020 and R254 315 in 2019 mainly as a result of foreign exchange gains/losses on translation of UK Pound denominated trade payables. At 31 December, if the currency had weakened/strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year would have been higher/lower by R90 615 in 2021, R563 781 in 2020 and R506 401 in 2019 mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated trade payables.

Cash flow and fair value interest rate risk

The Group's interest rate risk principally arises from cash deposits, invested with reputable financial institutions. These deposits are subject to normal interest rate risk.

The following financial instruments were noted at year-end which are subject to interest rate risk:

Financial assets	Interest rate per annum	R'000
Short term bank funds on deposits:		
2021	3.15%-3.725%	276,184
2020	2.95%	67,153
2019	6.00%	284,141
Amount due by related parties		
2021	7.50%	-
2020	7.50%	126,365
2019	10.50%	41,966

At the end of the reporting period, if interest rates on these deposits and borrowings had been 2% higher/lower with all other variables held constant, post-tax profit for the year would have been R3.9 million higher/lower for 2021, R2.7 million for 2020 and R4.6 million for 2019, mainly as a result of higher/lower net interest income.

Fair Value estimation

All financial instruments are recognised at the time the Group becomes party to the contractual provisions of the instruments. All financial instruments are initially measured at cost, which includes directly attributable transactions costs, being the fair value of the consideration given.

Fair value is defined as the amount an asset could be exchanged, liability settled or equity instrument exchanged, between knowledgeable, willing parties in arms' length transactions.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

25. **RELATED PARTIES**

The following transactions were carried out by group companies with parties defined as related parties:

	2021 R'000	2020 R'000	2019 R'000
Purchase of products			
Pearson Education Limited UK	3,120	3,630	2,906
Pearson Education Botswana (Pty) Ltd	50	-	-
	3,170	**3,630**	**2,906**
Royalties Paid			
Pearson Education Australia	-	1	3
Pearson Education Inc	-	-	9
Pearson Education Limited UK	-	-	17
	-	**1**	**29**
Development Fees			
Pearson Education Australia	10	(13)	17
Pearson Education Inc	4,459	1,584	3,672
Pearson Education Limited UK	9,724	16,654	(11,499)
Pearson Education South Asia Pte. Ltd	76	38	15
Pearson Education Asia Limited	2	1	5
Pearson Canada Inc	156	-	-
	14,427	**18,264**	**(7,790)**
Dividend paid			
Pearson Holdings Southern Africa (Pty) Ltd	234,094	247,444	251,016
Sales of product			
Pearson Education Botswana (Pty) Ltd	9	27	83
Pearson Education Namibia (Pty) Ltd	65	489	975
Longman Zambia Educational Publishers Ltd	-	22	94
	74	**538**	**1,152**
Interest received			
Pearson Holdings Southern Africa (Pty) Ltd	-	81	-
Pearson Education Africa (Pty) Ltd	-	-	897
	-	**81**	**897**
Commission received			
Pearson Education Limited UK	2,849	1,154	15,269
Other income			
NCS Pearson Inc	1,607	732	-
Pearson Education Inc	115	-	-
	1,722	**732**	**-**
Overheads recovered			
Pearson Institute of Higher Education (Pty) Ltd	607	9,797	19,163
Pearson Education Africa (Pty) Ltd	10,343	6,972	7,270
	10,950	**16,769**	**26,433**

The following balances with related parties are outstanding:

	2021 R'000	2020 R'000	2019 R'000
Trade amounts due by related parties			
Pearson Education Namibia (Pty) Ltd	7	343	60
Pearson Education Botswana (Pty) Ltd	1	31	36
Longman Zambia Educational Publishers Ltd	148	148	123
	156	**522**	**219**
Other trade amounts due by related parties			
Pearson Institute of Higher Education (Pty) Ltd (**)	-	1,076	53,901
Pearson Education Africa (Pty) Ltd (***)	16,874	3,783	618
Pearson Education Namibia (Pty) Ltd	-	37	79
	16,874	**4,896**	**54,598**
Trade amounts due to related parties			
Pearson Education South Asia Pte. Ltd	24	24	4
Pearson Education Limited UK	4,232	7,780	7,383
Pearson Education Asia Limited	2	-	1
Pearson Education Australia	-	400	332
Pearson Education Inc	-	7,438	2,199
Pearson Canada Inc	16	-	-
	4,274	**15,642**	**9,919**
Amounts due by related parties			
Pearson Education Limited UK	-	47	68
Pearson Holdings Southern Africa (Pty) Ltd (*)	2,419	126,365	41,966
Pearson Education Inc	4,431	-	303
Pearson Education Australia	225	-	-
Pearson Education India	-	-	563
	7,075	**126,412**	**42,900**

All balances are unsecured, bear no interest and are due within the ordinary course of business.

(*) As part of the impairment evaluation of the receivable, if the amount due had to be demanded at the reporting date (31 December 2020) liquid assets amounting to R217m (2021: R303m, 2019: R177m) would be available including cash amounting to R217m (2021: R303m, 2019: R177m). An expected credit loss allowance on the loan receivable is thus deemed immaterial. The amount due (R2m) as at 31 December 2021 is in respect of inter group charges.

(**) This amount consisted of an accumulation of monthly administration fee charges for services provided to the customer. As part of the impairment evaluation of the receivable, if the amount had to be demanded at the reporting date (31 December 2019) liquid assets amounting to R27.9m would be available including cash amounting to R27.9m. Given that there was a commitment that the receivable's holding company would inject cash into the business via an additional share issue by the debtor, no impairment was deemed necessary. An expected credit loss allowance on the loan receivable is thus deemed immaterial.

The balance was subsequently repaid to the Group in 2020 as a result of the proceeds received from the receivable's issue of shares. The amount due in respect of 2020 was repaid prior to the shares in the receivable being disposed of in February 2021.

(***) This amount consisted of an accumulation of monthly administration fee charges for services provided to the customer. As part of the impairment evaluation of the receivable, if the amount had to be demanded at the reporting date (31 December 2021) liquid assets amounting to R2.1m would be available including cash amounting to R2.1m. Given that the receivable was supported by its holding company from a financing perspective, an expected credit loss allowance on the loan receivable is thus deemed immaterial. The balance was subsequently repaid to the Group in 2021 as a result of funding provided by the receivable's holding company.

26. DIRECTORS' REMUNERATION

	Salary and other payments R'000	Allowances R'000	Bonus and performance related payments R'000	Provident Fund R'000	Total R'000
For the year ended 31 December 2021					
Directors					
Other services (*)					
N Bodenham	1,177	-	108	192	1,477
N Ramlagan	934	100	132	149	1,315
	2,111	**100**	**240**	**341**	**2,792**
For the year ended 31 December 2020					
Directors					
Other services (*)					
N Bodenham	870	-	-	142	1,012
N Hendricks	5,000	-	176	-	5,176
U Ndlovu	1,223	-	36	31	1,290
M Ogden	3,248	81	168	304	3,801
R Mokotsi	2,746	90	100	170	3,106
	13,087	**171**	**480**	**647**	**14,385**
For the year ended 31 December 2019					
Directors					
Other services (*)					
N Hendricks	2,176	-	-	261	2,437
U Ndlovu	192	-	-	31	223
E Matthews	633	30	1,181	101	1,945
M Ogden	2,093	108	710	435	3,346
A Bhebhe	1,465	100	443	255	2,263
W Moollan	820	50	4,156	104	5,130
R Mokotsi	1,826	120	418	244	2,608
	9,205	**408**	**6,908**	**1,431**	**17,952**

(*) In connection with carrying on with the affairs of the Group and paid by Pearson SA.

27. **Share Based Payments**

27.1 Worldwide Save for Shares Plan – Since 1994, the Group has operated a Save-As-You-Earn plan for UK employees. In 1998, the Group introduced a Worldwide Save for Shares Plan. Under these plans, employees can save a portion of their monthly salary over periods of three or five years. At the end of this period, the employee has the option to purchase ordinary shares with the accumulated funds at a purchase price equal to 80% of the market price prevailing at the time of the commencement of the employee's participation in the plan. Options that are not exercised within six months of the end of the savings period lapse unconditionally.

27.2 Long-Term Incentive Plan – The plan was first introduced in 2001 and from time to time the plan rules are renewed. The plan consists of restricted shares. The vesting of restricted shares is normally dependent on continuing service over a three to five-year period, and in the case of Executive Directors and senior management upon the satisfaction of corporate performance targets over a three-year period. These targets may be based on market and/or non-market performance criteria. Restricted shares awarded to Executive Directors in May 2021 and May 2020 vest dependent on relative total shareholder return, return on invested capital and adjusted earnings per share growth. These awards are in addition to the 2020 one-off co-investment award for the Chief Executive, vesting in three equal tranches based on market and non-market performance criteria. The applicable market condition for the vesting of the final tranche is on total shareholder return. Other restricted shares awarded in 2021 and 2020 generally vest depending on continuing service over periods of up to three years.

As at the end of each historical period, the value of the share-based amounts on balance sheet is not considered material, considering the reduced awarding of options and less employees participating in the Worldwide Save for Shares Plan over the period. The share-based amounts, included in "Other Reserves" (note 17) amounts to R0.7m (31 December 2021), R1.4m (31 December 2020) and R2.5m (31 December 2019).

28. **Going Concern**

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position, and, in the light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. The directors are not aware of any new material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

29. **Events after reporting period**

Other than the Group's holding company, Pearson Holdings Southern Africa Proprietary Limited, concluding an agreement with Novus Holdings Limited on 12 August 2022, whereby Novus Holdings Limited, together with its wholly-owned subsidiary, Novus Print Proprietary Limited entered into a sale and purchase agreement with Pearson Holdings Southern Africa Proprietary Limited, to acquire Pearson Holdings Southern Africa Proprietary Limited's equity stake in Pearson SA, the directors are not aware of any matter or circumstance, material to the financial affairs of the Group, arising since the end of the previous financial year up to the date of the accountant's report, which would affect the amounts or disclosures contained in these extracts of the Group's historical annual financial statements.

INDEPENDENT REPORTING ACCOUNTANT'S REPORTS ON THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION OF PEARSON SA

Audit Report In respect of the financial year ended 31 December 2021:

To the Directors of Novus Holdings Limited

Independent reporting accountant's audit report on the Consolidated Historical Financial Information

Our opinion

Novus Holdings Limited is issuing a circular (the "**Circular**") to its shareholders regarding the pro forma financial information presenting the impact of the Acquisition of 75% of the shares in Pearson South Africa Proprietary Limited (the "**Proposed Transaction**").

In our opinion, the Consolidated Historical Financial Information as set out in Annexure 5 of the Circular (the "**Consolidated Historical Financial Information**") presents fairly, in all material respects, the consolidated balance sheet of Pearson South Africa Proprietary Limited and its subsidiaries (together the "**Group**") as at 31 December 2021, and its consolidated income statement and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the JSE Limited Listings Requirements.

What we have audited

At your request and solely for the purpose of the Circular to be dated on or about 6 October 2022, we have audited Pearson South Africa Proprietary Limited's Consolidated Historical Financial Information, which comprises:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated historical financial information, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting accountant's responsibilities for the audit of the Consolidated Historical Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

Purpose of this report

This report has been prepared for the purpose of the Circular and for no other purpose.

Other Matter

The Consolidated Historical Financial Information of Pearson South Africa Proprietary Limited as at 31 December 2020 and as at 31 December 2019, and for the years then ended 31 December 2020 and 31 December 2019 were not audited but subject to review. A review engagement is substantially less in scope than an audit. The review reports dated 29 September 2022 expressed an unqualified conclusion.

Responsibilities of the Directors for the Consolidated Historical Financial Information

The Directors of Novus Holdings Limited are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Novus Holdings Limited complies with the requirements of the JSE Limited Listings Requirements.

The Directors of Pearson South Africa Proprietary Limited are responsible for the preparation and fair presentation of the Consolidated Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of Consolidated Historical Financial Information that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Historical Financial Information, the directors of Pearson South Africa Proprietary Limited are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the Consolidated Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the Consolidated Historical Financial Information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Consolidated Historical Financial Information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of Pearson South Africa Proprietary Limited.
- Conclude on the appropriateness of the directors of Pearson South Africa Proprietary Limited's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the consolidated historical financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Historical Financial Information, including the disclosures, and whether the consolidated historical financial information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Historical Financial Information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of Pearson South Africa Proprietary Limited regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

Director: JA Hugo

Registered Auditor

Cape Town

29 September 2022

Review Report In respect of the financial years ended 31 December 2020 and 31 December 2019:

Independent reporting accountant's review report on the Historical Consolidated Financial Information of Pearson South Africa Proprietary Limited

To the Directors of Novus Holdings Limited

Introduction

Novus Holdings Limited is issuing a circular (the "**Circular**") to its shareholders regarding the pro forma financial information presenting the impact of the Acquisition of 75% of the shares in Pearson South Africa Proprietary Limited (the "**Proposed Transaction**").

At your request and for the purpose of the Circular to be dated on or about 6 October 2022, we have reviewed the balance sheet of Pearson South Africa Proprietary Limited as at 31 December 2020 and 31 December 2019 and the related income statements, statements of changes in equity and cash flows for the years then ended 31 December 2020 and 31 December 2019 respectively, and the notes, comprising a summary of significant accounting policies and other explanatory information (the "**Consolidated Historical Financial Information**"), as presented in Annexure 5 to the Circular, in compliance with the requirements of the JSE Limited Listings Requirements.

Directors' responsibility

The Directors of Novus Holdings Limited are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Novus Holdings Limited complies with the requirements of the JSE Limited's Listings Requirements.

The Directors of Pearson South Africa Proprietary Limited are responsible for the preparation and presentation of the Consolidated Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated historical financial information that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Historical Financial Information, the directors of Pearson South Africa Proprietary Limited are responsible for assessing Pearson South Africa Proprietary Limited and its subsidiaries' (the "**Group's**") ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the Consolidated Historical Financial Information. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity,* which applies to a review of Consolidated Historical Financial Information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Consolidated Historical Financial Information is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of Consolidated Historical Financial Information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Consolidated Historical Financial Information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Consolidated Historical Financial Information of Pearson South Africa Proprietary Limited do not present fairly, in all material respects, the financial position of Pearson South Africa Proprietary Limited as at 31 December 2020 and as at 31 December 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements.

Purpose of the report

This report has been prepared for the purpose of the Circular and for no other purpose.

PricewaterhouseCoopers Inc.

Director: JA Hugo

Registered Auditor

Cape Town

29 September 2022

VENDOR INFORMATION

A. The Proposed Acquisition

1. Neither Pearson SA nor any of its Subsidiaries acquired any material assets during the three years preceding the Last Practicable Date, other than in the ordinary course of business.
2. Pearson SA has been owned by the Seller and its BEE partners, being Sphere (22.5%) and Pearson Marang Education Trust (2.5%) in the previous three years.
3. The Pearson SA shareholders have not guaranteed the book debts. The Agreement contains warranties which are usual for transactions of this nature.
4. Warranties in respect of the Proposed Acquisition are normal for acquisitions of such a nature.
5. The Agreement provides for customary non-compete and non-solicitation restrictive covenants in favour of Novus and therefore precludes the Vendor from carrying on business in competition with the Company.
6. There are no liabilities for accrued taxation that will be settled in terms of the Agreement.
7. The proportionate net asset value of Pearson SA as extracted from the historical financial statements as at 31 December 2021 of Pearson SA as set out in Annexure 5 to the Circular is R490,601,000. The difference between the Final Consideration and the proportionate net asset value of Pearson SA is R351,726,000.
8. No other Director or promoter of Pearson SA (or any partnership, syndicate or other association in which a promoter or Director had an interest) has any beneficial interest, direct or indirect in the Proposed Acquisition.
9. No cash or securities have been paid or benefit given within the three preceding years of this Circular or is proposed to be paid or given to any promoter (not being a Director).
10. The Equity Stake will be transferred into the name of Novus on the Completion Date.

B. Material acquisitions by major Subsidiaries of the Vendor in the preceding three years

There have been no material acquisitions by the Vendor in the preceding three years.

NOVUS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2008/011165/06
JSE Code: NVS ISIN: ZAE000202149
("**Novus Holdings**" or the **"Company**" or the **"Group**")

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

The definitions and interpretations commencing on page 8 of the Circular to which this Notice is attached apply mutatis mutandis throughout this Notice, unless the context clearly indicates otherwise.

If you are in any doubt as to what action you should take in respect of the General Meeting and/or the following Resolutions, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

Notice

Pursuant to clause 24.1 of the MOI of the Company and in accordance with Section 62(1)(a) and Section 63(2)(b) of the Companies Act, notice is hereby given to Shareholders, as at the Voting Record Date, that a General Meeting of Shareholders will be held at 11:00 on Friday, 4 November 2022 (or any rescheduled, postponed or adjourned date and time in accordance with, *inter alia*, the provisions of section 64 of the Companies Act and the Company's MOI), at the registered offices of the Company, 10 Freedom Way, Montague Gardens, Cape Town, 7441, to pass, with or without modification, the Resolutions as set out in this Notice.

Shareholders are referred to the "*Action Required by Shareholders*" section of the Circular for information on the procedure to be followed by Shareholders in order to participate in and to exercise their votes at the General Meeting.

Salient dates and times for the General Meeting are set out below:[1,2]

	2022
LDT in order to be eligible to participate in and vote at the General Meeting on	Tuesday, 25 October
Voting Record Date	Friday, 28 October
Recommended last day to lodge Forms of Proxy *(blue)* for the General Meeting with the Transfer Secretaries[3] by 11:00 on	Wednesday, 2 November
General Meeting to be held at 11:00 on	Friday, 4 November

Notes:
1. The above dates and times are subject to amendment. Any such amendment will be released on SENS.
2. All times indicated above are local times in South Africa.
3. Forms of Proxy *(blue)* and the authority (if any) under which they are signed must be lodged with or posted to JSE Investor Services at 13th Floor, Ameshoff Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) or via email at meetingservices@jseinvestorservices.co.za, recommended to be received by them, for administrative purposes, by no later than 11:00 on Wednesday, 2 November 2022.

Quorum

The requisite quorum is determined, subject to the Companies Act, in accordance with clause 24.4.1 of the Company's MOI, read in conjunction with the definition of "shareholder" in clause 1.1.26 of the Company's MOI, to count the number of Shareholders for purposes of a quorum.

In terms of clause 24.4.1 of the Company's MOI, the quorum for a Shareholders' meeting to begin or for a matter to be considered shall be at least three Shareholders entitled to attend and participate in the meeting and:

- the meeting may not begin unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% of all the voting rights that are entitled to be exercised in respect of at least one matter to be decided at the meeting; and
- a matter to be decided at the meeting may not begin to be considered unless sufficient persons are present at the meeting to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised in respect of that matter at the time the matter is called on the agenda.

Electronic Participation at the General Meeting

The Company will make provision for Shareholders or their proxies who are unable to attend in person, to participate electronically in and vote at the General Meeting. Should you wish to participate electronically in the General Meeting, you, or your proxy, will be required to advise the Company thereof by no later than Wednesday, 2 November 2022 by submitting a Request via email to the Company Secretary at company.secretary@novus.holdings with the following required information:

- an email address;
- cell phone number and landline; and
- full details of the Shareholder's title to the securities issued by the Company (including as evidenced by copies of Share Certificates, as the case may be) and proof of identity.
- Dematerialised Shareholders without "own-name" registration are also required to submit written confirmation from their CSDP confirming their title to Dematerialised shareholding(s).

Upon receipt of the required information the Shareholder concerned will be provided with a secure code and instructions to access the electronic platform during the General Meeting.

Shareholders will be liable for their own network charges in relation to electronic participation in the General Meeting. Any such charges will not be for the account of Novus Holdings /or any third-party service provider appointed in order to facilitate the General Meeting by electronic means.

Neither Novus Holdings nor any third-party service provider appointed in order to facilitate the General Meeting by electronic means can be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Shareholder from participating in the General Meeting.

As required in terms of section 63(1) of the Companies Act, before any Person may attend and participate in the General Meeting, that Person must present reasonably satisfactory identification and the chairperson of the General Meeting must be reasonably satisfied that the right of that Person to participate and vote, either as a Shareholder or as a proxy for a Shareholder, has been reasonably verified. In order to comply with the verification procedure set out in section 63(1) of the Companies Act, Shareholders wishing to participate electronically in the General Meeting are required to effect compliance with the procedures detailed above.

Any Shareholder or proxy that does not send a Request to the Company by 11:00 on Wednesday, 2 November 2022, may still participate in and vote at the General Meeting via electronic communication and may email their Request at any time prior to the commencement of the General Meeting to the Company at company.secretary@novus.holdings, but subject also to complying with the other requirements set out in this Notice and the Form of Proxy *(blue)*.

However, for the purpose of effective administration, Shareholders and their proxies are strongly urged to send their Request by 11:00 on Wednesday, 2 November 2022.

Whilst Shareholders will be able to participate in and vote at the General Meeting via electronic communication, for the purpose of effective administration, Shareholders are strongly encouraged to submit a duly completed Form of Proxy *(blue)* in accordance with the instructions contained therein, by no later than 11:00 on Wednesday, 2 November 2022.

The electronic communication employed will enable all persons participating in the General Meeting to communicate concurrently with one another without an intermediary and to participate reasonably effectively in the General Meeting.

ORDINARY RESOLUTION NUMBER 1 – APPROVAL OF THE PROPOSED ACQUISITION

"**RESOLVED THAT**, the Proposed Acquisition be and is hereby approved as a Category 1 transaction in terms of the Listings Requirements."

Percentage of voting rights required

The percentage of voting rights required for this Ordinary Resolution Number 1 to be adopted is more than 50% of the voting rights exercised in favour of the Resolution by Shareholders or their appointed proxies and entitled to exercise voting rights on this Ordinary Resolution Number 1.

Reason for and effect of Ordinary Resolution Number 1

The reason for and effect of Ordinary Resolution Number 1 is to give effect to the Proposed Acquisition (as more fully contemplated in the Circular to which this Notice is attached and forms part of) as required in terms of the Listings Requirements.

ORDINARY RESOLUTION NUMBER 2 – SIGNING POWERS

RESOLVED THAT, any Director of the Company and, where applicable, the Company Secretary, be and is hereby authorised to do all such things, sign all such documentation and take all such actions as may be necessary to implement the Proposed Acquisition, hereby ratifying, allowing and confirming all and whatsoever the Director and, where applicable, the Company Secretary, shall lawfully do or cause to be done or might have done in the premises by virtue of these present.

VOTING AND PROXIES

As required in terms of section 63(1) of the Companies Act, before any Person may attend and participate in the General Meeting, that Person must present reasonably satisfactory identification and the chairperson of the General Meeting must be reasonably satisfied that the right of that Person to participate and vote, either as a Shareholder or as a proxy for a Shareholder, has been reasonably verified.

If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact JSE Investor Services for guidance.

On a poll, Shareholders will have one vote in respect of each Ordinary Share held.

A Shareholder entitled to attend and participate in the General Meeting is entitled, in terms of section 58 of the Companies Act, to appoint one or more proxies to attend and participate in his/her stead. A proxy need not be a Shareholder. For the convenience of Certificated Shareholders and Own-Name Dematerialised Shareholders, a Form of Proxy *(blue)* is attached hereto. Completion of a Form of Proxy *(blue)* will not preclude such Shareholder from attending and participating (in preference to that Shareholder's proxy) at the General Meeting. Shareholders are reminded that, in accordance with article 25 of the Company's MOI, they will be able to participate in and vote at the General Meeting via electronic communication.

Duly completed Forms of Proxy *(blue)* and the authority (if any) under which it is signed must, for administrative purposes, be lodged with or posted to JSE Investor Services at 13th Floor, Ameshoff Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) or via email at meetingservices@jseinvestorservices.co.za, recommended to be received by them, for administrative purposes by not later than 11:00 on Wednesday, 2 November 2022.

Shareholders who hold Dematerialised Shares, other than with Own Name Registration, must inform their CSDP or Broker of their intention to attend and participate in the General Meeting and request their CSDP or Broker to issue them with the necessary letters of representation to attend and participate in the General Meeting or provide their CSDP or Broker with their voting instructions should they not wish to attend and participate in the General Meeting, failing which the CSDP or Broker will be obliged to act in terms of the Custody Agreement between such Shareholder and his/her CSDP or Broker.

SIGNED ON 29 SEPTEMBER 2022 AT JOHANNESBURG FOR AND ON BEHALF OF THE BOARD

Neil Birch

Chief Executive Officer

Company secretary and registered office

Kilgetty Statutory Services (South Africa) Proprietary Limited
Unit G05
Century Gate Office Park
Corner Bosmansdam Road and Century Way
Century City
7441
(PO Box 2275, Cape Town, 8001)

Transfer Secretaries

JSE Investor Services Proprietary Limited
13th Floor
19 Ameshoff Street
Braamfontein
2001
(PO Box 4844, Johannesburg, 2000)
Email: meetingservices@jseinvestorservices.co.za