CAXTON&CTP publishers & printers LIMITED

UNAUDITED INTERIM GROUP RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

CONSOLIDATED INCOME STATEMENTS

R'000	% change	Unaudited 6 months to 31 December 2012	Unaudited 6 months to 31 December 2011	Audited for the year to 30 June 2012
Turnover	5,3	**2 721 903**	2 585 874	4 819 103
Other operating income		**43 471**	37 299	85 075
		2 765 374	2 623 173	4 904 178
Changes in inventories of finished goods and work in progress		**21 416**	3 435	35 260
Raw materials and consumables used		**1 043 580**	985 129	1 743 398
Staff costs		**526 953**	500 260	1 022 402
Other operating expenses		**739 373**	735 244	1 356 490
Total operating expenses	4,8	**2 331 322**	2 224 068	4 157 550
PROFIT FROM OPERATING ACTIVITIES BEFORE DEPRECIATION	8,8	**434 052**	399 105	746 628
Depreciation		**118 678**	112 112	226 516
PROFIT FROM OPERATING ACTIVITIES AFTER DEPRECIATION	9,9	**315 374**	286 993	520 112
Impairment of plant		**–**	–	25 072
NET PROFIT FROM OPERATING ACTIVITIES	9,9	**315 374**	286 993	495 040
Net finance income	4,8	**53 013**	50 575	111 652
– dividends		**26 891**	14 436	40 364
– interest		**26 122**	36 063	67 904
– net profit on realisation of investments		**–**	76	–
– loss on currency hedges		**–**	–	3 384
Income from associates	1,6	**16 300**	16 045	26 073
PROFIT BEFORE TAXATION	8,8	**384 687**	353 613	632 765
Income tax expense		**113 482**	113 787	190 640
PROFIT FOR THE PERIOD	13,1	**271 205**	239 826	442 125
Other comprehensive income:		**17 853**	24 078	102 247
Fair value adjustment – listed investments and preference shares		**17 853**	24 078	102 247
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**289 058**	263 904	544 372
PROFIT ATTRIBUTABLE TO:				
Non-controlling interests		**5 457**	3 822	5 249
Owners of the company		**265 748**	236 004	436 876
		271 205	239 826	442 125
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Non-controlling interests		**5 457**	3 822	5 249
Owners of the company		**283 601**	260 082	539 123
		289 058	263 904	544 372
Earnings per share (cents)	11,1	**62,9**	56,6	104,8
Headline earnings per share (cents)	10,7	**62,5**	56,4	109,8
Preference dividend paid per share (cents)		**357**	357	357
Ordinary dividends paid per share (cents)		**40**	40	40
Shares in issue		**467 127 949**	461 648 254	461 648 254
Treasury shares		**(44 405 861)**	(44 534 342)	(44 649 502)
Earnings per share based on		**422 722 088**	417 113 912	416 998 752
Reconciliation of headline earnings:				
Earnings attributable to owners of company		**265 748**	236 004	436 876
Adjusted for non-trading items		**(1 710)**	(564)	20 796
Net profit on realisation of investments		**–**	(76)	9
Net impairment in value of property and plant		**–**	–	6 852
Goodwill written off		**–**	–	18 221
Net profit on disposal of assets		**(2 375)**	(693)	(3 288)
Tax effect on above adjustments		**665**	205	(998)
Headline earnings		**264 038**	235 440	457 672

Abridged segmental analysis		%		%		%
Revenue:						
Publishing, printing and distribution	**2 502 037**	**92**	2 393 139	92	4 587 597	95
Other	**702 768**	**26**	609 343	24	981 187	20
Inter-group sales	**(482 902)**	**(18)**	(416 608)	(16)	(749 681)	(15)
	2 721 903	**100**	2 585 874	100	4 819 103	100
Operating income:						
Publishing, printing and distribution	**261 300**	**83**	244 504	85	418 591	85
Other	**54 074**	**17**	42 489	15	76 449	15
	315 374	**100**	286 993	100	495 040	100

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

R'000	Unaudited 31 December 2012	Unaudited 31 December 2011	Audited 30 June 2012
ASSETS			
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	**2 426 916**	2 266 610	2 385 337
ASSOCIATED COMPANIES	**149 574**	132 866	138 986
OTHER INVESTMENTS AT FAIR VALUE	**703 016**	387 904	443 400
– LISTED	**39 861**	6 967	9 137
– UNLISTED	**663 155**	380 937	434 263
TOTAL NON-CURRENT ASSETS	**3 279 506**	2 787 380	2 967 723
CURRENT ASSETS			
INVENTORIES	**656 388**	501 803	529 531
ACCOUNTS RECEIVABLE	**1 130 345**	1 147 833	738 432
TAXATION	**–**	–	24 675
CASH	**610 650**	855 647	1 130 471
BANK PREFERENCE SHARES AND OTHER INSTRUMENTS AT FAIR VALUE	**670 656**	485 461	678 736
TOTAL CURRENT ASSETS	**3 068 039**	2 990 744	3 101 845
TOTAL ASSETS	**6 347 545**	5 778 124	6 069 568
EQUITY AND LIABILITIES			
EQUITY	**5 064 351**	4 612 242	4 899 040
EQUITY ATTRIBUTABLE TO OWNERS OF COMPANY	**5 015 477**	4 575 081	4 855 623
PREFERENCE SHAREHOLDERS	**100**	100	100
NON-CONTROLLING INTEREST	**48 774**	37 061	43 317
NON-CURRENT LIABILITIES			
DEFERRED TAXATION	**439 051**	393 857	439 801
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	**684 832**	658 344	572 907
PROVISIONS	**142 986**	111 466	157 820
TAXATION	**16 325**	2 215	–
CURRENT LIABILITIES	**844 143**	772 025	730 727
TOTAL EQUITY AND LIABILITIES	**6 347 545**	5 778 124	6 069 568
Net asset value per share (cents)	**1 198**	1 106	1 175
Directors' valuation of unlisted investments and associated companies	**812 729**	513 803	573 249
Capital expenditure	**166 921**	86 402	255 026
Capital expenditure committed	**150 000**	90 000	320 000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

R'000	Unaudited 31 December 2012	Unaudited 31 December 2011	Audited 30 June 2012
Balance at beginning of the period	**4 899 040**	5 063 879	5 063 879
Total comprehensive profit for the period	**283 601**	260 082	539 123
Minority interest	**5 457**	3 822	16 500
Shares issued	**101 760**	–	–
Treasury shares	**(11 050)**	(545 561)	(546 963)
Dividends paid – ordinary and preference shareholders	**(214 457)**	(169 979)	(173 499)
Balance at end of the period	**5 064 351**	4 612 243	4 899 040

CONSOLIDATED CASH FLOW STATEMENTS

R'000	Unaudited 6 months to 31 December 2012	Unaudited 6 months to 31 December 2011	Audited for the year to 30 June 2012
CASH FLOW FROM OPERATING ACTIVITIES	**(224 094)**	(51 425)	603 425
Cash generated by operations	**416 598**	383 995	787 712
Changes in working capital	**(406 602)**	(211 377)	75 541
Cash generated by operating activities	**9 996**	172 618	863 253
Less: Taxation paid	**(72 646)**	(104 563)	(194 606)
Net interest received	**26 122**	36 063	67 913
Dividends received	**26 891**	14 436	40 364
Net cash (utilised)/generated from operating activities	**(9 637)**	118 554	776 924
Dividends paid	**(214 457)**	(169 979)	(173 499)
CASH FLOW FROM INVESTING ACTIVITIES	**(294 667)**	(221 521)	(256 583)
Property, plant and equipment			
– additions to expand operations	**(166 921)**	(86 402)	(255 026)
– proceeds from disposals	**9 040**	804	8 514
	(157 881)	(85 598)	(246 512)
Investments			
– acquisition of investments	**(136 786)**	(135 923)	(10 071)
CASH FLOWS FROM FINANCING ACTIVITIES			
Own shares acquired	**(11 050)**	(3 436)	(146 962)
Net (decrease)/increase in cash and cash equivalents	**(529 811)**	(276 382)	199 880
Subsidiary cash acquired	**–**	12 790	9 197
Cash and cash equivalents at the beginning of the period	**1 815 256**	1 606 179	1 606 179
Cash and cash equivalents at the end of the period	**1 285 445**	1 342 587	1 815 256
Fair value adjustment of preference shares and other investments	**(4 139)**	(1 479)	(6 049)
Fair value of cash and cash equivalents at the end of the period	**1 281 306**	1 341 108	1 809 207

COMMENTARY

Basis of preparation

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

Comments

A large degree of uncertainty continues to prevail throughout all economies, both internationally and locally. Flowing from the vast amounts of liquidity that have been injected into the American economy, there appear to be green shoots emerging particularly on the unemployment and housing fronts, but inflation will have to be tackled in due course. The same cannot be said for Europe where recessionary conditions remain evident in many countries. South Africa has had a difficult six months characterised by a number of labour issues of a major magnitude. Furthermore, political positioning was the order of the day in the lead up to the Mangaung event, which fortunately appears to have resulted in a more positive sentiment going forward.

All of this does not augur well for the confidence of consumers who remain heavily indebted and are suffering from the galloping cost of living which has risen well above the inflation statistics published from time to time. In addition the value of the South African Rand has deteriorated over the period by some 10%, further adding to the cost burden.

Whilst retail and wholesale sales have held up well over the period, a large portion of this increase can be attributed to the additional non-residents who have made South Africa their home. The plight of the average consumer is manifested in the serious increase in unsecured lending, which has recently been reported on, and is a worrisome trend.

Total advertising spend has again shown growth but unfortunately the trend of Print Media losing out to Television has continued. Digital advertising has grown but off a small base and does not as yet represent major competition and is unlikely to do so in the short term.

Earnings

It is most pleasing to report that the company produced good results for the period. Turnover increased by 5.3% from R2,586 million to R2,722 million. The profit from operating activities was up by 9.9% to R315.4 million. Depreciation rose from R112.1 million to R118.7 million.

Net Finance Income increased from R50.6 million to R53.0 million. Cash and cash equivalents remained almost unchanged at R1.281 million compared to R1,341 million at 31 December 2011.

Associates traded more profitably for the period under review with improved results being achieved by Shumani Mills (Pty) Limited and Ince (Pty) Limited.

Taxation, at a rate of 29.5%, amounted to R113.5 million and was lower than the rate in the previous period of 32.2% as a result of the initial and non-recurring conversion of the Secondary Tax on Companies ("STC") into a tax on dividends and which is payable by shareholders and not the company.

Profit for the period therefore amounted to R271.2 million, an increase of 13.1% on the previous period of R239.8 million.

An additional 6,360,000 shares were issued during the period in exchange for shares which the company purchased in Element One. There are now, net of Treasury Shares, 422,722,088 shares in issue compared with 417,113,912 at the end of December 2011.

Earnings per share amounted to 62.9 cents compared with 56.6 cents in the comparative six-month period, an improvement of 11.1%.

Headline earnings increased to 62.5 cents per share from 56.4 cents per share.

Capital Expenditure and Investments

New printing presses and post-press equipment have been installed in the Johannesburg newspaper factory and additional storage and handling facilities have been built and the enlarged factory is in production.

A new gravure printing press for CTP Gravure in Durban is under construction and will be commissioned toward the end of the calendar year.

Further equipment is due to be installed in both the web printing and packaging divisions.

During the period, additional shares were acquired in Element One. These shares, together with the shares purchased as a result of the exchange of shares in the company for shares in Element One, now constitute a shareholding of just under 17% in that company, which holds slightly less than 40% of the equity of Caxton.

DIVISIONAL PERFORMANCE
PUBLISHING, PRINTING AND DISTRIBUTION

Newspaper Publishing and Printing

The company's local newspapers continue to perform satisfactorily and further good growth was achieved. Market share continues to increase mainly as a consequence of the decreases in circulation, which continue unabated, of the daily and Sunday broadsheet newspapers. It is clear that local papers are playing an even more dominant role in retail advertisers' budgets.

A digital strategy is under development and international professional assistance has been contractually secured to assist in the planning and roll-out of this exciting development. In the interim a number of improvements have been made to the "Look Local" site which is experiencing a good uptake from the public at large.

A number of new products and innovations are in the pipeline with some having been successfully launched. New partnerships have also been formed and are going according to plan.

"The Citizen", the company's regional daily newspaper, has maintained circulation against the trend experienced by other daily newspapers and advertising has improved. Distribution efficiencies have been effected with the anticipated savings having been realised.

Once again, the Johannesburg newspaper factory has produced acceptable results in line with budget, notwithstanding the disruptions that took place during the six months under review. Substantial installations to press and post-press equipment occurred and the printing of the majority of the Gauteng publications of the Independent and Times Media Group were absorbed. During the change-over their old Johannesburg facility was operational but inefficient and duplicate costs were incurred.

The quality of the printing is exceptionally good and has been well received by readers.

Magazine Publishing and Distribution

Magazine circulation has been negatively affected by the pressure on consumer's disposable income and circulations have decreased, but not to the same extent as "paid for" newspapers where, in addition, the migration of erstwhile readers to the Internet has taken place. These phenomena are emphasised in the reduction of subscriptions to both newspapers and magazines.

Advertising revenues have only marginally improved and the company's magazines have done well to retain market share. Profits have however been below budget expectation mainly as a result of the increase in printing and other costs.

The company's magazine distribution business, RNA, has also been affected by rising costs, particularly on transport, which plays a major role in its cost base, and falling circulations. Profits are marginally lower than those achieved in the previous period. This has had no impact on the efficiency of their distribution capabilities and, with the continued focus on service, backed up with excellent administration control, they remain the pre-eminent distributor of magazines in South Africa.

COMMERCIAL PRINTING

Web, Gravure Printing and Book Printing

The volume of Commercial Printing remained static during the six months under review. Margins continued to be under pressure and have decreased. The exchange rate deterioration is impacting on this division as their major cost inputs being paper and ink, have increased by some 10% and difficulties have been encountered with customers accepting higher prices, which of course is inevitable. This division has however had a major benefit flowing from the increase in the printing of education material.

The Limpopo textbook debacle created a situation where Government materially increased the country's spend on textbooks which resulted in educational publishers requiring vastly increased volumes and improvements in service deliveries to meet deadlines. The company's facilities are highly efficient and, against the odds, were able to cope with the additional work load and met all delivery dates.

This has helped this division to improve its profits. Early indications are that a similar amount will be spent by Government in 2013, which is the final year of the introduction of the new curriculum.

A new gravure press is under construction for the Durban factory and two further presses will shortly be purchased and installed, one in Johannesburg and the other in Cape Town, to cater for increases in volumes and also to take advantage of technological advancements in press performance.

OTHER

Packaging

The various divisions comprising the Packaging Division had an excellent year and substantially increased profits. A number of additions to equipment in the recent past has enabled improvements in the quality of products and new customers have been secured. Further presses have been ordered and will be installed during the latter half of 2013. The company continues to be focused on niche areas in the Packaging Industry, such as labels for the Beer, Wine and Spirit producers, labels and containers for the Tobacco Industry and folded cartons and flexible plastic packaging for a variety of users. This area of activity will be expanded in the foreseeable future despite the continuing pressure on margins.

Stationery

Stationery manufacture remains a difficult but small area of the company's overall operations and competition is fierce with the result that profits continue to be under pressure and budgets were not achieved. Steps have been taken to rationalise production and further plans are in progress to improve profitability.

PROSPECTS

The company has, in a difficult period in South Africa and Internationally, produced earnings ahead of its expectation and its competitors for the six months under review. Significant improvement in the global economy are not foreseen at this juncture. The Exchange Rate is an aggravating factor as most commentators appear to be bearish on the Rand going forward and a number of downgrades by the rating agencies have occurred. The company imports most of its raw materials, equipment and spares from European countries and a deteriorating currency influences profitability.

However, a number of initiatives undertaken in the past, and the finalisation of the installation of plant in the Johannesburg newspaper factory, should help to achieve a similar improvement in earnings for the second half of the financial year.

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

Executive Directors: TD Moolman, GM Utian, PG Greyling, TJW Holden

Non-Executive Directors: PM Jenkins, ACG Molusi, NA Nemukula, T Slabbert, P Vallet

Transfer Secretaries: Computershare Investor Services (Pty) Limited

Registered office: 28 Wright Street, Industria West, Johannesburg

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Preference share code: CATP ISIN: ZAE000043352

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