CAXTON&CTP publishers & printers LIMITED

INTERIM CONDENSED CONSOLIDATED RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

R'000	% change	Unaudited six months to 31 December 2020	Unaudited six months to 31 December 2019	Audited for the year to 30 June 2020
Revenue	(19.1)	**2 702 441**	3 340 208	5 572 359
Other operating income		**50 219**	60 069	137 363
Total operating income		**2 752 660**	3 400 277	5 709 722
Changes in inventories of finished goods and work in progress		**74 172**	45 116	(43 531)
Raw materials and consumables used		**(1 487 458)**	(1 642 902)	(2 564 013)
Staff costs		**(565 331)**	(769 479)	(1 412 207)
Other operating expenses		**(485 337)**	(746 980)	(1 339 670)
Total operating expenses	(20.9)	**(2 463 954)**	(3 114 245)	(5 359 421)
Profit from operating activities before depreciation and amortisation	0.9	**288 706**	286 032	350 301
Depreciation and amortisation		**(125 696)**	(145 101)	(298 399)
Profit from operating activities after depreciation and amortisation	15.7	**163 010**	140 931	51 902
Impairment of goodwill		**(1 097)**	–	(47 686)
Impairment of interest in associates		**–**	–	(29 011)
Profit/(loss) on disposal of associate		**399 312**	(5 097)	(5 293)
Impairment of loans		**(4 768)**	(163)	(70 074)
Impairment of plant		**(64 558)**	–	(84 033)
Profit/(loss) from operating activities		**491 899**	135 671	(184 195)
Net finance income		**39 832**	97 643	147 092
– dividends		**22 885**	38 054	63 902
– interest income		**18 199**	34 520	62 962
– interest expense		**(1 252)**	(322)	(3 116)
– deemed interest on loans to directors		**–**	25 391	25 391
– loss on foreign exchange		**–**	–	(2 047)
Income/(loss) from associates		**21 069**	2 820	(9 696)
Profit/(loss) before taxation	134.1	**552 800**	236 134	(46 799)
Taxation		**(138 035)**	(60 603)	(17 268)
Profit/(loss) for the period	136.3	**414 765**	175 531	(64 067)
Other comprehensive income:		**(54 024)**	(25 168)	(96 495)
Items that will be not be reclassified subsequently to profit or loss				
Fair value adjustment – investments and preference shares		**(54 024)**	(25 168)	(96 495)
Total comprehensive income/(loss) for the period		**360 741**	150 363	(160 562)
Total comprehensive income/(loss) attributable to				
Non-controlling interests		**4 871**	7 049	(7 379)
Equity holders of the parent		**355 870**	143 314	(153 183)
		360 741	150 363	(160 562)
(Profit)/loss attributable to				
Non-controlling interests		**4 871**	7 049	(7 379)
Equity holders of the parent		**409 894**	168 482	(56 688)
		414 765	175 531	(64 067)
Earnings/(loss) per ordinary share (cents)	146.5	**108.5**	44.0	(14.8)
Headline earnings per ordinary share (cents)	(18.8)	**36.8**	45.3	21.2
Preference dividend paid per share in respect of the previous year (cents)		**–**	490	490
Ordinary dividend paid per share in respect of the previous year (cents)		**–**	60	60
Shares in issue (weighted average shares in issue)		**377 861 111**	382 888 967	382 888 967
Reconciliation between earnings and headline earnings				
Earnings attributable to equity holders of the parent		**409 894**	168 482	(56 688)
Adjusted for excluded remeasurements		**(270 928)**	4 893	138 012
Impairment of goodwill		**1 097**	–	47 686
Impairment of interest in associates		**–**	–	29 011
(Profit)/loss on disposal of associate		**(399 312)**	5 097	5 293
Impairment of plant		**64 558**	–	84 033
Profit on disposal of property, plant and equipment		**(17 799)**	(284)	(4 578)
Tax effect on above adjustments		**80 528**	80	(23 433)
Headline earnings		**138 966**	173 375	81 324

CONDENSED SEGMENTAL ANALYSIS

R'000	Unaudited six months to 31 December 2020	%	Unaudited six months to 31 December 2019	%	Audited for the year to 30 June 2020	%
Revenue						
Publishing, printing and distribution	**1 454 155**	**54**	1 988 485	59	3 350 063	60
Packaging and stationery	**1 248 286**	**46**	1 329 537	40	2 194 582	39
Other	**–**	**–**	22 186	1	27 714	1
	2 702 441	**100**	3 340 208	100	5 572 359	100
Profit from operating activities before depreciation and amortisation						
Publishing, printing and distribution	**153 384**	**53**	157 506	55	69 996	20
Packaging and stationery	**152 670**	**53**	164 009	57	231 921	66
Other	**(17 348)**	**(6)**	(35 483)	(12)	48 384	14
	288 706	**100**	286 032	100	350 301	100
Profit from operating activities after depreciation and amortisation						
Publishing, printing and distribution	**85 306**	**52**	77 252	55	(96 768)	(186)
Packaging and stationery	**103 011**	**63**	110 791	79	123 646	238
Other	**(25 307)**	**(15)**	(47 112)	(34)	25 024	48
	163 010	**100**	140 931	100	51 902	100

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months to 31 December 2020	Unaudited six months to 31 December 2019	Audited for the year to 30 June 2020
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	**312 363**	288 322	329 255
Changes in working capital	**(76 510)**	(14 073)	161 183
Cash generated by operating activities	**235 852**	274 249	490 438
Taxation paid	**(42 353)**	(64 178)	(78 044)
Cash inflow from operating activities	**193 499**	210 071	412 394
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant, equipment and intangibles			
– additions to maintain operations	**(34 338)**	(42 823)	(90 987)
– additions to expand operations	**(48 386)**	(22 271)	(60 321)
– proceeds from disposals	**32 435**	4 948	18 652
	(50 289)	(60 146)	(132 656)
Investments			
Associate investments	**–**	(37 945)	(34 331)
	393 603	–	–
Proceeds on disposal of associate investment	**435 603**	–	–
Capital gains tax paid on disposal of associate investment	**(42 000)**	–	–
Associate loans	**73 336**	(16 052)	(326)
Other investments	**(596 424)**	(5 851)	(13 661)
Loans to directors repaid	**–**	114 000	114 000
Acquisition of subsidiary	**8 946**	–	–
Interest received	**18 199**	35 565	62 962
Dividends received	**22 885**	38 054	63 902
	(79 455)	127 771	192 546
Cash flow from investing activities	**(129 744)**	67 625	59 890
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	**(1 273)**	(242 640)	(243 683)
Acquisition of non-controlling interest	**–**	(44 781)	(47 155)
Interest paid	**(1 252)**	(322)	(3 116)
Principal paid on lease liabilities	**(1 593)**	(4 177)	(6 552)
Own shares acquired	**–**	(126 148)	(126 148)
Cash flow from financing activities	**(4 119)**	(418 068)	(426 654)
Net increase/(decrease) in cash and cash equivalents	**59 637**	(140 372)	45 630
Cash and cash equivalents at beginning of year	**1 743 280**	1 697 650	1 697 650
Cash and cash equivalents at end of period	**1 802 917**	1 557 278	1 743 280

Executive Directors:
TD Moolman, LR Witbooi, TJW Holden

Independent Non-Executive Directors:
PM Jenkins, ACG Molusi, NA Nemukula, J Phalane, T Slabbert

Transfer Secretaries:
Computershare Investor Services Proprietary Limited

Registered office:
28 Wright Street, Industria West, Johannesburg

Incorporated in the Republic of South Africa
Registration number 1947/026616/06
Share code: CAT ISIN: ZAE000043345
Preference share code: CATP ISIN: ZAE000043352

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
ASSETS			
Non-current assets			
Property, plant and equipment	**2 166 271**	2 412 806	2 253 613
Right-of-use assets	**9 367**	17 788	13 908
Intangible assets	**41 867**	14 340	37 454
Goodwill	**109 472**	148 753	85 067
Interest in associates	**135 058**	414 540	284 036
Investments	**697 750**	236 912	149 476
– Listed ordinary shares	**592 185**	73 805	44 208
– Unlisted ordinary shares	**58 088**	102 093	58 088
– Listed preference shares	**47 477**	61 014	47 180
Deferred taxation	**54 896**	–	66 062
	3 214 681	3 245 139	2 889 616
Current assets			
Inventories	**804 095**	939 648	1 009 668
Trade and other receivables	**1 238 017**	1 457 342	849 591
Taxation	**4 689**	3 627	17 037
Cash	**902 917**	757 278	843 280
Cash equivalents	**900 000**	800 000	900 000
	3 849 718	3 957 895	3 619 576
TOTAL ASSETS	**7 064 399**	7 203 034	6 509 192
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent	**5 587 000**	5 525 354	5 228 802
Preference share capital	**100**	100	100
Non-controlling interest	**69 875**	55 464	37 675
Total equity	**5 656 975**	5 580 918	5 266 577
Non-current liabilities			
Lease liabilities	**10 807**	12 810	10 621
Deferred taxation	**281 784**	331 926	330 589
	292 591	344 736	341 210
Current liabilities			
Trade and other payables	**775 495**	1 027 258	661 854
Lease liabilities	**3 519**	5 727	4 495
Provisions	**246 682**	224 833	207 924
Taxation	**89 137**	19 562	27 132
	1 114 833	1 277 380	901 405
TOTAL EQUITY AND LIABILITIES	**7 064 399**	7 203 034	6 509 192
Net asset value per share (cents)	**1 479**	1 462	1 384
Capital expenditure	**82 724**	65 094	151 308
Capital expenditure committed	**20 000**	52 000	70 000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited as at 31 December 2020	Unaudited as at 31 December 2019	Audited as at 30 June 2020
Balance at beginning of year	**5 266 577**	5 844 125	5 844 125
Total comprehensive income/(loss) for the period	**360 741**	150 363	(160 562)
Own shares acquired	**–**	(126 148)	(126 148)
Non-controlling interest	**30 930**	(21 300)	(47 155)
Increase in subsidiary shareholding	**–**	(23 482)	–
Dividends paid			
– ordinary and preference shareholders	**(1 273)**	(242 640)	(243 683)
Changes in subsidiary holdings	**–**		
Balance at end of period	**5 656 975**	5 580 918	5 266 577

NOTES

Acquisition of subsidiary

With effect from 1 November 2020 the group acquired an additional investment in Shumani Mills Proprietary Limited which, together with the interest already held resulted in control being gained in the subsidiary. This transaction was accounted for as a business combination with effect from this date. The acquired business contributed revenue of R25.7 million and a net profit after tax of R0.3 million. The acquired business would have contributed revenue of R63.9 million and a net profit after tax of R1.7 million had the group acquired this business for the full year. As at the reporting date, the group holds 63.1% interest.

The excess of the consideration over the net assets acquired has been provisionally allocated to goodwill. The required IFRS 3 accounting will be finalised within 12 months of the date of acquisition, once the purchase price allocation has been finalised.

Details of the assets and liabilities acquired are:

	R'000
Non-current assets	**60 860**
Current assets	**36 110**
Non-current liabilities	**(23 912)**
Current liabilities	**(26 463)**
Cash and cash equivalents	**10 946**
Total net assets	**57 541**
Attributable to non-controlling interest	**(30 950)**
Net assets acquired	**26 591**
Goodwill arising on acquisition	**21 341**
Purchase price	**47 932**

Investments are classified as at fair value through other comprehensive income

Equity price risk refers to the risk that the fair value of the future cash flows of the listed investments will fluctuate because of changes in market prices.

The group's at fair value through other comprehensive income financial assets are valued using fair market values at 31 December 2020.

Fair value estimation

The investments are valued at fair value at the reporting date using the following hierarchy.

Level 1 – Quoted prices available in active markets for identical assets or liabilities.

Level 3 – Fair value determined by valuation that uses inputs that are not based on observable market data.

The level of each investment is determined as follows:

- The listed investments are Level 1
- The unlisted investment is Level 3

For the Level 3 valuation of the investment a discounted cash flow model will be applied using cash flow forecasts for five years and an extrapolation of expected cash flows using a long-term growth rate, with the following key assumptions applied by management. Long-term growth rate of 1% and a discount rate of 20.6%.

COMMENTARY

Basis of preparation

The unaudited interim financial statements for the six months ended 31 December 2020 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council (FRSC), the requirements of IAS 34 (Interim Financial Reporting), the requirements of the South African Companies Act and the Listings Requirements of the Johannesburg Stock Exchange.

Significant accounting policies

The significant accounting policies applied in preparing these interim financial statements are consistent with those applied in the annual financial statements for the year ended 30 June 2020. These interim financial statements have not been reviewed or reported on by the Caxton Group auditors, BDO South Africa Inc.

Earnings

The current reporting period continued to be impacted by the effects of the COVID-19 pandemic and the resultant lockdown levels regulated by government. Even though the levels of lockdown relaxed over the period, the level of operating activity, on the whole, did not return to that of the prior year. The South African economy has been faced with ongoing job losses and reduced consumer spending as the country attempts to deal with the health risks that the pandemic poses. This environment severely impacted consumer spending, although over the period, there have been some encouraging signs of improving economic activity. This notwithstanding, only time will tell whether the improvement is sustainable or a result of temporary pent-up demand. With this in mind it is critical that our operations remain nimble and responsive to the changing government regulations and consumer demand to ensure that they can adequately respond.

As reported at year end, numerous mitigating actions were implemented over the last quarter of the previous financial year, and these actions were completed in the current period. This included closure of divisions, restructure of ongoing operations, a freeze on remuneration and cash preservation. It is pleasing to witness the positive impact of these actions on the results under review that culminated in a satisfactory outcome when taken against the backdrop of the curtailed economic environment with which all of us are only too familiar. Profit from operating activities before depreciation and amortisation increased marginally by 0.9% to R288.7 million, which is reflective of the actions undertaken to combat the pandemic.

Revenues declined by R637.8 million (19.1%) to R2 702.4 million mainly due to the closure of a number of operations. The most significant of these was the magazine publishing and distribution business (R250.1 million), whilst the ongoing operations faced reduced demand and saw their turnover being curtailed by R387.7 million (12.5%). Fortunately, the revenues of most operations have either approached more normal levels or reflected an upward trajectory. The unknown element is the sustainability of these trends for the remainder of the financial year.

Raw material input prices softened as exchange rates strengthened following the steep devaluation reported at year end. This meant that there was a minimal decline in margins over the reporting period, and these essentially remained similar to those of the prior year.

There has been a substantial saving in staff costs and other operating expenses associated with the discontinued operations and, when combined with substantial savings in the continuing operations, these factors delivered a pleasing response to the challenging trading environment.

Staff costs declined by R204.1 million (26.5%) and, excluding the closed operations, by R121.6 million (17.7%). The reduction of costs in the continuing operations was achieved mainly as a result of realigning the employee cost base to approximate the new levels of demand that are expected to continue for the foreseeable future. This will be continually reviewed as a clearer picture emerges.

Other operating expenses declined by R261.6 million (35.0%) and excluding the closed operations, by R67.8 million (12.3%), which is a commendable achievement by the ongoing operations that instituted cost saving initiatives in the face of the pandemic.

The impact of the revenue decline was to a large extent offset by the savings made in staff and other costs, which resulted in profit from operating activities before depreciation increasing marginally (0.9%) to R288.7 million. Depreciation and amortisation declined by R19.4 million to R125.7 million as the impairment of assets at the last financial year took effect, resulting in profit from operations after depreciation and amortisation of R163.0 million, an increase of 15.7% over the corresponding prior period.

During the period, the sale of our investment in associate companies Octotel (Pty) Limited, our fibre to the home operation, and RSAWeb (Pty) Limited, our internet service provider, was concluded resulting in a profit on disposal of R399.3 million (R304.9 million after Capital Gains Tax).

Impairments of associates' loans and goodwill amounted to R4.8 million and R1.1 million respectively, while further impairments to plant and equipment of R64.6 million were made as subsequent to year end a clearer picture has emerged of the decline of the magazine and daily and weekly newspaper printing markets which has required a further impairment since we believe the decline experienced is not likely to be reversed and is permanent in nature.

Profit from operating activities increased from R135.7 million to R491.9 million but this was partly reduced by a decline in net finance income to R39.8 million (2019: R97.6 million). Although cash resources were maintained, the decline can largely be attributed to the declining interest rate environment and a reduction in dividends received from investments. In addition, the prior year had a non-recurring deemed interest charge on loans to directors of R25.4 million.

Net income from associates increased from R2.8 million to R21.1 million as profit from our fibre to the home associate, Octotel (Pty) Limited, was recognised for the first time up to the point of disposal.

The group profit before taxation was R552.8 million and, with taxation of R138.0 million (including Capital Gains Tax), this resulted in profit after taxation of R414.8 million – representing earnings per share of 108.5 cents and headline earnings per share of 36.8 cents, an increase of 146.5% and a decline of 18.8% respectively, over the corresponding prior period.

Cash Flow

Cash and cash equivalents increased from the year end by R59.7 million to R1 803 million which is a commendable performance taking into account the cash closure costs associated with the discontinued operations and the difficult trading environment.

Cash generated by operations increased by R24.0 million, over the corresponding prior period, to R312.4 million whilst working capital requirements absorbed R76.5 million. Management reduced stock levels in line with reduced demand but this was more than offset by an increase in accounts receivable in line with the peak trading period and the impact of coming out of the hard lockdown, which changed the ordering pattern of some customers. After taxation of R42.4 million paid on normal profits, the cash inflow from operating activities amounted to R193.5 million.

The net investment in property, plant and equipment amounted to R50.3 million and includes the proceeds from the disposal of unused properties following the closure of operations, of R32.4 million. The capital spend includes the completion of our solar and battery pilot site that should be commissioned in the second six months. It is our intention, based on the results of the pilot site, to roll this solution out to other sites.

The net investments in associates, investments and loans absorbed R129.7 million and can be summarised as follows:

- The after-taxation cash inflow from the sale of our associates Octotel (Pty) Limited and RSAWeb (Pty) Limited of R393.6 million
- The net repayment of associate loans of R73.3 million
- A further investment in MPact Limited of R596.4 million – at the time of writing our shareholding in MPact was 31.14%.
- The cash acquired of R8.9 million when the group took a controlling stake in our associate Shumani Mills (Pty) Limited
- Interest and dividends received of R18.2 million and R22.9 million respectively

DIVISIONAL PERFORMANCE

Publishing, printing and distribution

Newspaper publishing and printing

The newspaper publishing industry faces extremely challenging times with the effects of the pandemic applying further pressure on an already constrained consumer spending environment, which ultimately manifests itself in reduced national and local advertising spend, the lifeblood of these publications. Over the reporting period, national advertising was slow to respond and ended substantially below that for the same period of the prior year. The most buoyant market of national advertising spend continues to be in the food and grocery sectors, while furniture and general merchandising spend was significantly depressed.
It is encouraging to note that the trend of national advertising levels has been steadily improving over the six-month period and we are of the view that this should, over time, return to pre-COVID-19 levels. The footprint of delivering local weekly newspapers to over three million households remain an important distribution channel for local news and advertising content.

The same cannot be said for advertising spend at a local level where many small businesses are facing cash flow problems or have been forced to close down. The local teams have been developing affordable advertising packages for local customers to assist over this period.

In response to the above, management has implemented various initiatives to reduce the cost base by consolidating newspaper footprints, which will be reviewed continually as a clearer trend on advertising spend emerges. The focus of management is to provide quality editorial, drive advertising sales and continually find ways to reduce the cost base to ensure that this business will endure through this difficult period.

The daily and weekend newspaper market faced a more intensive decline than our local newspapers and, to survive this period, publishers implemented significant cuts in print orders and paginations. This had a knock-on effect on the throughputs in our newspapers printing plant in Gauteng and the outlying areas. The closure of two printing plants and the consolidation of these into our existing plants, as well as the restructure of the shift patterns, has gone some way to mitigate the impact of the lost turnover. What has been noticeable is an increasing demand for newsprint from retailers as they seek further cost reductions by substituting more expensive paper options with economical alternatives. This, however, could not prevent the decline in profitability of our newspaper printing facilities, that was inevitable when faced which such drastic actions from our publishing customers. The recovery of print orders and paginations is proving to be extremely slow and should this not materialise, further restructuring will be necessary.

The group's own daily newspaper, The Citizen, improved profitability over the prior year as management was successful in reducing the major costs of printing and distribution to offset the decline in circulation and advertising revenues.

Magazine publishing and distribution

The group's magazine publishing and distribution operations were closed during the period and all closure costs were accounted for in the previous financial year.

Digital assets

Cognition Holdings' core business of active data exchange services enjoyed a good recovery through the unbanning of alcohol which saw a pent-up demand from that market segment. Unfortunately, the sustainability of this has been halted by the further restrictions implemented by government. Its subsidiary, Private Property, delivered a positive six-month performance under the circumstances and managed to continue growing the business metrics and cash generation even though revenues declined. The focus on cost cutting measures has ensured a stable financial performance.

Our investment in the local accommodation platform (Afristay.com) saw the benefit of an increased demand for local travel as restrictions were lifted, while our international safari travel business (Safari.com) is still impacted by the lack of international travel worldwide.

We continue to support and make funds available in our security industry alert and emergency response platform (Response 24), which has managed to sign up a variety of security businesses in the period under review but has yet to demonstrate that the business model will result in a profitable business in the future. With this in mind various alternatives are being considered and a much stricter control on funding is in place.

Web and gravure printing

These operations were faced with a significant drop off in various retail catalogues as retailers curtailed advertising spend in light of the circumstances. This necessitated restructuring both operations and reducing the cost base to align with the new demand levels. The major change has been the implementation of a flexible shift pattern that allows the operations to align employee costs with the variable demand. The action taken has meant that these operations will be well placed when retailer printing volumes return to more normal levels.

Book and magazine printing

Magazine publication printing has been severely constrained as publishers finalised closures of titles and also implemented changes to production frequencies as well as print orders, which ultimately resulted in a 40% decline in printing requirements. These levels of demand for magazine printing are permanent in nature, necessitating a restructure of the business and realignment of the cost base.

The above scenario, when combined with an increased market share in the education book market, has meant that our operation has managed to improve profitability in a very difficult period. The inconsistency of education book demand and the permanent decline in magazine requirements dictates a continued focus on costs to ensure that this operation can endure the lean periods.

Packaging and stationery

Packaging

The packaging operations had a pleasing half year performance, improving profitability. Once the lockdown restrictions eased and the bans implemented on certain categories had been lifted, there was a relatively quick return of demand, especially in the alcohol and fast-food sectors, albeit attributable to filling supply chains and response to consumer pent-up demand. The question remains how sustainable this demand will prove to be.

The label operations in the Western Cape that serve the wine, spirit and food market have shown growth and improved profitability as the ban on alcohol consumption was lifted during the period. Towards the end of the reporting period this ban was reinstituted and thus the impact on demand going forward is uncertain.

The gravure beer label operation in Gauteng, which provides an exemplary service to the major beer brewers, lost market share in a tender issued by the country's largest brewer. In our view this was as a result of unsustainable pricing by competitors. The business has been restructured to remain a sustainable operation into the future.

The fast-food market has shown remarkable resilience after the lifting of the lockdown ban. Our decision to make the capital investments necessary to diversify our product offering in this sector is paying dividends and remains a focus for growth into the future.

Even though the cigarette ban was eventually lifted, our operation that is focused on this market segment has shown a decline in turnover as the industry and the government have not yet been successful in curbing the illicit trade. There is no doubt that the initial cigarette ban assisted in the further strengthening of the illicit market.

The packaging industry remains a focal point for the group and it is essential that each of our operations remains flexible enough to react to the constantly changing regulatory environment that has an impact on our operations.

Stationery

This operation has been severely impacted by the pandemic, resulting in reduced turnover and profitability, as schools operated remotely for a large part of the reporting period and demand for some of the key product lines was materially impacted. The postponement of school starting dates has also affected the timing of "back to school "purchases and thus, in contrast to prior years, we anticipate further demand towards the end of January and early February.

Prospects

The group has managed to weather the initial impact of the pandemic and the lockdown on the economy and has emerged leaner, and more importantly, has managed to conserve cash resources. This has taken a toll on our employees, who have all had to make sacrifices during the last year, and to whom we are greatly indebted. The unknown going forward is the consistency of demand in an uncertain economic environment and with a severely constrained consumer. The outcome of this will ultimately determine the financial performance of the group but as always, the operations will be managed as tightly as possible and, where necessary, further restructuring will take place should the situation so demand. It is pleasing to report that the group has started to deploy some of its cash resources into investments that should yield a greater return and this is expected to bear fruit into the future.

Statement of responsibility

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

18 March 2021

Sponsor

AcaciaCap ADVISORS

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