CAXTON&CTP publishers & printers LIMITED

REVIEWED PROVISIONAL RESULTS

FOR THE YEAR ENDED 30 June 2020

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	% change	Reviewed for the year ended 30 June 2020	Audited for the year ended 30 June 2019
Revenue	(11.8)	5 572 359	6 320 895
Other operating income		137 363	114 306
Total operating income		5 709 722	6 435 201
Changes in inventories of finished goods and work in progress		43 531	67 075
Raw materials and consumables used		2 564 013	2 860 826
Staff costs		1 412 207	1 505 151
Other operating expenses		1 339 670	1 348 489
Total operating expenses	(7.3)	5 359 421	5 781 541
Profit from operating activities before depreciation and amortisation	(46.4)	350 301	653 660
Depreciation and amortisation		298 399	288 560
Profit from operating activities after depreciation and amortisation	(85.8)	51 902	365 100
Impairment of goodwill		47 686	1 182
Loss on step acquisition of Cognition Holdings		–	37 212
Loss on disposal of associate		5 293	–
Impairment of investments		29 011	–
Impairment of loans		70 074	2 105
Impairment of plant		84 033	26 136
(Loss)/profit from operating activities		(184 195)	298 465
Net finance income		147 092	133 253
– dividends		63 902	74 596
– interest income		62 962	65 859
– interest expense		(3 116)	(1 338)
– deemed interest on loans to directors		25 391	4 340
– loss on foreign exchange		(2 047)	(10 204)
Income from associates		(9 696)	20 214
(Loss)/profit before taxation		(46 799)	451 932
Taxation		17 268	96 602
(Loss)/profit for the year	(118.0)	(64 067)	355 330
Other comprehensive income:		(96 495)	(25 497)
Items that will be not be reclassified subsequently to profit or loss			
Fair value adjustment – investments		(96 495)	(25 497)
Total comprehensive (loss)/income for the year		(160 562)	329 833
Total comprehensive (loss)/income attributable to			
Non-controlling interests		(7 379)	19 323
Equity holders of the parent		(153 183)	310 510
		(160 562)	329 833
Profit attributable to:			
Non-controlling interests		(7 379)	19 323
Equity holders of the parent		(56 688)	336 007
		(64 067)	355 330
(Loss)/earnings per ordinary share (cents)	(117.1)	(14.8)	86.7
Headline earnings per ordinary share (cents)	(79.1)	21.2	101.6
Ordinary dividend paid per share in respect of the previous year (cents)		60	60
Preference dividend paid per share in respect of the previous year (cents)		490	490
Weighted average number of shares in issue		382 888 967	387 422 175
Reconciliation between earnings and headline earnings			
(Loss)/earnings attributable to equity holders of the parent		(56 688)	336 007
Adjustments		138 012	57 465
Impairment of goodwill		47 686	1 182
Loss on step acquisition of Cognition Holdings		–	37 212
Loss on disposal of associate		5 293	–
Impairment of investments		29 011	–
Impairment of plant		84 033	26 136
(Profit)/loss on disposal of property, plant and equipment		(4 578)	351
Tax effect on above adjustments		(23 433)	(7 416)
Headline earnings		81 324	393 472

Condensed segmental analysis	Reviewed for the year ended 30 June 2020	%	Audited for the year ended 30 June 2019	%
Revenue				
Publishing, printing and distribution	3 350 063	60	3 898 163	62
Packaging and stationery	2 194 582	39	2 367 392	37
Other	27 714	1	55 340	1
	5 572 359	100	6 320 895	100
Profit from operating activities before depreciation and amortisation				
Publishing, printing and distribution	69 996	20	347 246	53
Packaging and stationery	231 921	66	257 607	39
Other	48 384	14	48 807	8
	350 301	100	653 660	100
Profit from operating activities after depreciation and amortisation				
Publishing, printing and distribution	(96 768)	(186)	184 309	50
Packaging and stationery	123 646	238	148 269	41
Other	25 024	48	32 522	9
	51 902	100	365 100	100

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Reviewed for the year ended 30 June 2020	Audited for the year ended 30 June 2019
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by operations	329 252	661 638
Changes in working capital	161 186	(183 981)
Cash generated by operating activities	490 438	477 657
Taxation paid	(78 044)	(124 091)
Cash inflow from operating activities	412 394	353 566
CASH FLOW FROM INVESTING ACTIVITIES		
Property, plant, equipment and intangibles		
– additions to maintain operations	(90 987)	(180 868)
– additions to expand operations	(60 321)	(6 478)
– proceeds from disposals	18 653	30 418
	(132 655)	(156 928)
Investments		
Acquisition of subsidiary	–	95 498
Associates, other investments and loans	(48 317)	(10 626)
Interest received	62 962	65 859
Interest paid	–	(1 338)
Loans to directors repaid	114 000	–
Dividends received	63 902	74 596
	192 547	223 989
Cash flow from investing activities	59 892	67 061
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(243 683)	(246 178)
Interest paid	(3 116)	–
Principal paid on lease liabilities	(6 553)	–
Acquisition of non-controlling interest	(47 155)	–
Own shares acquired	(126 148)	(20 732)
Cash flow from financing activities	(426 655)	(266 910)
Net increase in cash and cash equivalents	45 631	153 717
Cash and cash equivalents at beginning of year	1 697 650	1 543 933
Cash and cash equivalents at end of year	1 743 281	1 697 650

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Reviewed as at 30 June 2020	Audited as at 30 June 2019
Balance at beginning of year	5 844 125	5 744 974
Total comprehensive (loss)/income for the year	(160 562)	329 833
Own shares acquired	(126 148)	(20 732)
Non-controlling interest acquired	(47 155)	–
Dilution of interest in Private Property South Africa	–	(8 228)
Non-controlling interest arising on acquisition of Cognition Holdings	–	44 456
Dividends paid – ordinary and preference shareholders	(243 683)	(246 178)
Balance at end of year	5 266 577	5 844 125

Notes:

Significant accounting policies

Except as noted below, the significant accounting policies applied in preparation of the provisional condensed consolidated financial statements are consistent with those applied in the prior year.

The group adopted IFRS 16 Leases on 1 July 2019. IFRS 16 replaced IAS 17 Leases and IFRIC 4 Determining weather an arrangement contains a lease.

Included in profit or loss for the year are R7.8 million of amortization, and interest of R1.9 million. The lease expense in respect of short-term and low-value leases included in profit or loss for the year amounted to R7.2 million.

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 30 June 2020.

Fair value estimation

IFRS 13 requires disclosures of fair value measurements by level of the following fair value measurement 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

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

For the level 3 valuation a discounted cash flow model was 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 4%

– Pre-tax discount rate of 15%

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Reviewed as at 30 June 2020	Audited as at 30 June 2019
ASSETS		
Non-current assets		
Property, plant and equipment	2 253 612	2 494 612
Right-of-use assets	13 908	–
Intangible assets	37 454	13 325
Goodwill	85 067	148 753
Interest in associates	284 037	370 383
Investments	149 476	258 839
– Listed ordinary shares	44 208	100 947
– Unlisted ordinary shares	58 088	97 438
– Listed preference shares	47 180	60 454
Deferred taxation	66 062	16 427
Loans to directors	–	88 609
	2 889 616	3 390 948
Current assets		
Inventories	1 009 669	938 924
Trade and other receivables	849 591	1 217 109
Taxation	17 037	3 256
Cash	843 281	897 650
Cash equivalents – unlisted preference shares	900 000	800 000
	3 619 578	3 856 939
Total assets	6 509 194	7 247 887
EQUITY AND LIABILITIES		
Equity		
Equity attributable to owners of the parent	5 228 801	5 739 895
Preference share capital	100	100
Non-controlling interest	37 676	104 130
Total equity	5 266 577	5 844 125
Non-current liabilities		
Lease liabilities	15 116	–
Deferred taxation	330 588	360 716
	345 704	360 716
Current liabilities		
Trade and other payables	661 858	803 268
Provisions	207 923	222 110
Taxation	27 132	17 668
	896 913	1 043 046
Total equity and liabilities	6 509 194	7 247 886
Net asset value per share (cents)	1 384	1 484
Capital expenditure	(151 308)	(187 346)
Capital expenditure committed	15 993	70 000

Commentary

Basis of preparation

The provisional condensed consolidated financial statements for the year ended 30 June 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

Except as noted below, the significant accounting policies applied in preparing these provisional condensed consolidated financial statements are consistent with those applied in the prior year.

The group adopted IFRS 16 Leases on 1 July 2019. IFRS 16 replaced IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model requiring the recognition of assets and liabilities for all leases, with options to exclude leases where the lease term is 12 months or less, and where the underlying asset is of low value.

Transition method and practical expedients utilised

The transition method and practical expedients utilised in the adoption of IFRS 16 was communicated in the half-year SENS announcement dated 19 March 2020, and has not changed subsequently.

Earnings

The difficult economic headwinds experienced in the first half of the financial year (July to December 2019) intensified in the third quarter (January to March 2020) before the Covid-19 lockdown. It was, however, the Covid-19 lockdown in April to June 2020 (despite the gradual easing of restrictions towards year-end) that had an unprecedented negative impact on the full year group results. All operating units were affected to varying degrees, ranging from complete shutdowns to, at best, curtailed operations. The demand for our products and services was severely impaired and in some of our major lines (fast-food packaging, cigarette cartons and beer and alcohol labels) the sale of the end-consumer products was totally prohibited.

During this period, the first priority was to ensure the safety of our employees and strict hygiene protocols were implemented across all the operations in line with government guidelines. In response to the operational impact of the lockdown, various mitigating actions were implemented to soften the blow, but it was impossible to fully compensate for the decline in operating activity and ultimately the Group incurred very significant losses during the fourth quarter. The mitigating actions comprised of a group-wide reduction in salaries and wages for a three-month period, coupled with appropriate annual leave being taken by employees, a freeze on annual wage and salary increases as well as implementation of flexible working hours, on a no work no pay basis, to match the reduced demand. We owe a debt of gratitude to management and staff alike, who shared the pain of the deleterious effects of the lockdown with their employer, without complaint or demur.

In light of the uncertain current and future trading environment, the Group was also compelled to evaluate certain marginal operations in its portfolio. The Group acted decisively in making a strategic election to close certain businesses that have been in decline for a number of years pre-Covid-19. These businesses had no chance of surviving the post-Covid-19 trading conditions, and the lockdown simply exacerbated the situation. These decisions resulted in the complete closure of the magazine publishing and distribution divisions and the CD and DVD replication plant. In addition, there has been a Group-wide assessment of the likely impact of the difficult trading conditions that are expected to persist for the foreseeable future and many operations are undergoing some form of restructure in line with the reduced demand. These actions are both regrettable and unavoidable and will unfortunately lead to substantial job losses, estimated at up to 1 500 positions once completed, out of a pre-Covid-19 staff complement of some 6 000 persons. The retrenchments and closure costs associated with these decisions have been fully provided for in the reported results and further materially depressed earnings.

Revenues declined by R748.5 million or 11.8% to R5 572.4 million which has had a significant impact on profits. This decline can be attributed to the impact of the lockdown in the 4th quarter, given that from a turnover point of view, the Group was trading at similar levels to the prior year, pre-lockdown. The lockdown significantly impacted all our businesses, with the major impacts being felt in our newspaper business where advertising revenues dried up, the commercial printing operations were impacted by no publication or advertising insert printing work and the packaging divisions that service the fast food, cigarette and alcohol markets were also severely affected by the bans on trade in these sectors.

Raw material input prices were impacted in the second half of the financial year by the steep devaluation in the exchange rate. With the state of the current trading environment, it has been extremely difficult to pass these increases onto customers, and they have been largely absorbed internally. The Group has mitigated this through some strategic stock holdings, with the focus for the early part of the new financial year being to effect both operational savings and modest increases to recover this increased input cost.

Staff and other operating costs continue to be rigorously managed. Staff costs declined by 6.2%, notwithstanding approximately R58 million in one-off retrenchment costs having been accounted for, associated with closed operations and restructurings that have either been completed or are under way. In response to the pandemic, all staff also accepted a reduction in remuneration for the three-month period (May to July). Other operating costs ended 0.7% below the previous year, notwithstanding that these costs include approximately R50 million of additional bad debt write-offs and provisions, as the economic climate impacted a number of customers.

The reduction in turnover during the lockdown period meant profit from operating activities before depreciation and amortisation declined by R303.4 million to R350.3 million – a 46.4% reduction. The major constituents of this decline are losses directly attributable to the pandemic in the fourth quarter of R138.0 million and bad debts and retrenchment costs of R108.0 million. Depreciation and amortisation increased by R10 million over the previous year, to R298.4 million inclusive of the IFRS 16 impact resulting in profit after depreciation and amortisation of R51.9 million.

The current trading environment and outlook for the foreseeable future has deteriorated significantly which meant that the Group has had to re-assess the carrying values of goodwill, investments, loans and the cash-generating ability of certain plant and equipment. Because the Group has always maintained a disciplined and conservative approach to its historic acquisitions and investment in plant and equipment, its impairments have been relatively modest, when considered against the catastrophic effects of Covid-19 and the lockdown, on the economy. This has resulted in the following impairments:

- Impairment of goodwill of R47.7 million – mainly the goodwill that arose on the acquisition of our packaging label manufacturer Boland Printers. The remaining smaller impairments were on digital investments.
- Impairment of investments of R29.0 million and loans of R70.1 million – these relate to the Group's digital investments and loans made in developing these initiatives that, once assessed against the possible future cash flows, has meant that both the investment and loans recoverable needed to be impaired. The pandemic has had a significant impact on these businesses, especially those focused on the tourism industry. The focus has been on ensuring the necessary actions have been taken in each digital asset to ensure that there is no need for future funding from the Group. This has, in most cases been achieved and where there are still funding commitments, these are not material and there is some certainty that all the digital businesses will be self-funding in the short term.
- Impairment of plant of R84.0 million – the increased decline in the printing markets (newspaper and commercial) and the future outlook has meant that the carrying value of certain assets had to be impaired.

During the period, the Group disposed of 10% of its shareholding in an associate, Ince Proprietary Limited, in an empowerment transaction, resulting in our interest now being held as an investment and which in turn resulted in a loss on disposal of associate of R5.3 million being recognised.

The above impairments have resulted in a loss from operating activities of R184.2million that was to some extent compensated for by net finance income of R147.1 million, which increased by some R14 million over the prior year. In this regard, both dividends and interest received have declined over the previous year, mainly as a result of reduced dividends from our investment in Novus Holdings Limited and from the unlisted preference shares, while the reduced interest is as a result of the declining interest rate environment. This decline was more than compensated for by the deemed interest received of R25.4 million on the cancellation of the incentive share scheme for executive directors.

Net income from associates declined from R20.2 million to a loss of R9.7 million. Our associates have similarly had to deal with the same value-destructive economic circumstances and implement similar mitigation measures, to those undertaken by the Group. The Group incurred a loss before taxation of R46.8 million and with taxation of R17.3 million, this resulted in a loss after taxation of R64.1 million – representing a loss per ordinary share of 14.8 cents, but a positive headline earnings per share of 21.2 cents, reflecting a decline of 117.1% and 79.1% over the corresponding prior period.

Cash flow

The Group's cash and cash equivalents increased by R45.6 million to R1 743.3 million which is a remarkable achievement, taking into account the impact of the 4th quarter trading. Having said this, it is important to note that the closure costs and costs of restructure, although fully provided for in the current results, will only have a negative impact on cash in the new financial year.

Cash generated by operations declined materially in line with the reduction in profits, to R329.2 million – a decline of R332.4 million over the corresponding prior period. This decline was offset through positive management of working capital as the group focused on reducing working capital in response to the impact of the pandemic. This meant, after taxation paid of R78.0 million, substantially down on the prior year, that cash inflow from operating activities grew year on year by R58.8 million to R412.3 million.

The net investment in property, plant and equipment continues to decline and absorbed only R132.6 million as opposed to R156.9 million in the prior year. In the current environment, all requests for equipment will be critically evaluated and investment is expected to be reasonably modest for the next financial year.

The Group increased its investment and loans to associates by R48.3 million, which included an increased investment in our newspaper associate, Capital Media, our printing associate in Cape Town and in Novus Holdings Limited and Mpact Limited. In addition, the group advanced loans to some of the digital assets, which advances will decline significantly in the future. Cash generated from interest and dividends declined marginally over the prior year as interest rates declined and certain investments declared reduced dividends.

The Group increased its investment in subsidiaries by R47.2 million, mainly in Cognition Holdings Limited (through a share buyback of R23.5 million) and the buyout of a minority in our local newspaper in KwaZulu-Natal for R21.3 million.

During the period, the Group paid a dividend of R243.7 million and acquired its own shares for R126.1 million, including the purchase of 8 million shares pursuant to the cancellation of the executive share scheme, which also resulted in the repayment of the directors' loans of R114 million.

General

PERFORMANCE REVIEW

Publishing, printing and distribution

Newspaper publishing and printing

As foreshadowed in the half-year results, the Group's local newspaper business continued to trade below the prior year's profitability, up to and including the third quarter. This trading environment reflects the stress in local markets which impacted classified and run of print advertising volumes. It is fortunate that the national advertising volumes were steady for the first three quarters. The above scenario was further compromised by the Covid-19 pandemic, where, although newspapers were classified as an essential service, most businesses and all consumers were in lockdown and thus the need to advertise was seriously affected. Various mitigating actions were implemented but with the fixed cost nature of our operations, these could not avoid major losses for the last quarter.

The above environment caused us to accelerate our review of all publications, which led to the decision to close several that showed no prospect of weathering the current trading environment. In addition, we consolidated distribution footprints and extended the remaining publications to ensure these quality markets can still be serviced. The remaining publications also underwent restructuring in an attempt to align cost structures to an anticipated subdued demand for the medium term. Two regional newspaper printing operations were closed (Newcastle and Middleburg) and these print volumes consolidated into the remaining printing operations.

The large Gauteng newspaper printing business was trading in line with expectations to the end of March 2020, although at levels below the prior year, with a 15% decline in page impressions (print orders and paginations). Daily and weekly newspaper printing was the major contributor to this decline but this was offset to a certain extent by increased commercial printing work and tight control of costs. The lockdown resulted in customers drastically cutting print orders and paginations even further, which led to this operation posting significant losses over this period. This also resulted in some customers entering business rescue, with a concomitant, increase in bad debts. In line with trading expectations the number of employees in this operation was reduced substantially and a flexible shift structure implemented that will further reduce costs in low throughput weeks and also reduce overtime. On a positive note, the operation has managed to secure an extension of a major printing contract.

Magazine publishing and distribution

As is well known, the magazine publishing market has been in severe decline for a number of years, whilst battling to generate sufficient alternative revenues to offset the reduced traditional advertising and copy sale revenues. The onset of the pandemic was the final straw for much of this industry and has led to some publishers closing down and others reducing the number of titles they publish. Our publishing operation was similarly affected and the board ultimately made the decision to close the operation. This decision was not taken lightly but after careful consideration of the likely trading environment post-Covid-19. The Group has decided to keep the Farmers Weekly title and integrate this with our local newspaper business, where there are synergies with an already published agriculture supplement called Agri-Pulse. In addition, the digital format of Living & Loving has been moved to our daily publication *The Citizen* where it will be integrated into a parenting portal.

The knock-on effect of the irreversible weakness in the magazine market and the closure of our operation has meant that the Group had no alternative but to close its magazine distribution business as well.

The migration of both advertising and readers to online formats has inevitably resulted in the curtailment and consolidation, worldwide, of the glossy magazine format. We continue to provide competitive printing services for clients that have remained in the market and who will be in a better position to exploit what remains of the magazine publishing industry.

The costs of closure and retrenchment have been fully provided for in the reported results.

Digital assets

The Group's largest digital asset is its subsidiary, Cognition Holdings, which houses the Group's investment in Private Property. Cognition continues to face difficult trading conditions in its traditional business and experienced declines in direct marketing campaigns as well as channel incentive programme volumes. This was further exacerbated by the Covid-19 impact in the fourth quarter.

Private Property experienced a solid year until the Covid-19 pandemic hit, with continued growth in users and lead generation to real estate agents. When the lockdown measures were gazetted, the business took swift action on cost reduction and also offered relief to estate agents to assist through the period and maintain market share. This obviously had a negative impact on profitability in the fourth quarter.

The other digital assets made losses for the year and have been significantly impeded by Covid-19 in achieving their expected progress towards the generation of positive revenues. With the impact of the pandemic, the Group reviewed its investments and loans made and the likely future growth, which led to significant impairments. The focus now is to limit the Group's exposure for future funding, without impacting on committed funding, until the business environment justifies further investment. In line with this, all of the start-up operations have taken corrective action to ensure that they are, or will soon, achieve at least cash-flow breakeven.

The portfolio of digital assets is tightly managed and operates within well-defined parameters. The Group will continue to devote significant management time and assistance in ensuring that post-Covid-19, these businesses achieve sustainability.

Web and gravure printing

The commercial printing environment remained extremely competitive and with the increase in raw material pricing, margins were under pressure. Owing to the fixed cost nature of these operations, profitability was impacted significantly. The pandemic and resultant lockdown further exacerbated an already difficult trading environment and large losses were incurred in the last three months of the financial year.

As with other divisions, management has finalised a restructure with some loss of employment, but also a flexible shift structure to align costs to throughput. This should also lead to a reduction in overtime. The success of this strategy will be continually reviewed as levels of demand become clearer and, if need be, further restructuring will have to take place.

The reduced demand, which is likely to continue for the medium term, has also meant a review of the installed asset base and resulted in impairment of presses that will have no future use.

Book and magazine printing

The magazine publishing market has already been in a state of decline for a number of years pre-Covid-19 and once the pandemic hit; this led to the inevitable closure of publishers and restructuring of magazine portfolios. In turn, this will mean a drastic decline in future publication printing. Combined with uncertainty in the local educational text book market, this means that this operation has had to take a drastic review of its capacity and ultimately has meant a significant number of jobs have been lost, as we right size this operation to the market demand.

Having said this, the operation posted similar results to the prior year mainly driven by an educational printing contract into Africa, which offset the decline in magazine and local education textbook demand.

Packaging and stationery

Packaging

The packaging operations in the pre-Covid-19 lockdown period (nine months to end March 2020) improved profitability compared to the prior year, driven by the turnaround in our Western Cape folding carton operation, market share growth at the Western Cape flexible operation, and growth in the fast food packaging units. This combined with further efficiency gains resulted in a pleasing nine-month performance.

As expected, the 4th quarter lockdown period wreaked havoc with our operations, especially those that are predominantly focused on the alcohol, cigarette and fast food markets. These products were initially banned in totality. However, with the easing of restrictions the fast food sector has shown some signs of life, but cigarettes and alcohol continued to be materially affected, well into August 2020. Only once these restrictions are entirely removed will we have an opportunity of returning to something approaching normal levels, subject always to anticipated depressed consumer demand. Despite this, the most concerning is the cigarette market, where the ban has resulted in an increase in the unregulated environment which has been exploited by illegal operators. As a result, there is a strong likelihood that the regulated market (including the levying of excise duties that increase the cost of the end-product and contribute materially to the fiscus), may take years to displace illegal cigarette sales.

Stationery

As with the other operations, this small operation was impacted significantly in the last quarter but, to its credit, managed to limit the impact on profitability through excellent control of costs and thus ended the reporting year, only marginally down on the prior corresponding period.

Prospects

There is no doubt that the impact of the Covid-19 pandemic on an already precarious economy has added another layer of uncertainty, which means the outlook is extremely difficult to predict. South Africa faces tremendous social, political and economic turmoil, with a majority of our population facing increased poverty and deprivation. Even at the time of writing, there is no clear indication of the level at which stable demand will settle, and nor do we know how the Covid-19 pandemic will play itself out. It is, however, gratifying and commendable to note the manner in which the Group's employees have tackled the challenges and implemented all the difficult measures to ensure the Group can weather the storm. The Group is fortunate that it has a strong balance sheet coupled with loyal staff and long-standing customers, which will enable it to endure these unprecedented times of great uncertainty. Our focus will continue to be on disciplined and conservative management, hard work, customer-centric service, cost controls and cash preservation in these difficult times. At the same time, the Group remains attentive to opportunities for further industry consolidation and acquisitions, where these will enhance our ability to emerge at an uncertain future point, in a profitable position, to the benefit of all our stakeholders.

Condolences and recognition

The board would like once again to take this opportunity to formally recognise the loyalty and enduring contribution of our dear friend and fellow director, Piet Greyling, who passed away in April this year. Piet was a doyen of the industry, is irreplaceable and sorely missed. The board wishes to extend its sincere condolences to Piet's wife, Martie, their two sons, Righardt and Armand, and their families.

It would also be remiss not to recognise all our management that have contributed to filling the huge gap that Piet has left, and to dealing with the uncertain environment that the pandemic has created, often with significant personal sacrifice. At the same time, at every level in our organisation, our employees have gone the extra mile, and have endured a time of uncertainty and sacrifice with great fortitude. It is extremely heart-warming to see all of our people at every level of our Group pulling together in the interests of Caxton and its customers, and the board would like to extend its sincere gratitude for the loyalty and commitment that our employees in particular have shown and continue to show.

Statement of responsibility

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

Subsequent events

Dividends

In line with the current uncertain trading future, the need to monitor the impact of the corrective action taken to stabilise operations, and the amount of one-off cash costs to realign the Group to the environment, the board has not yet made a decision regarding the declaration of an ordinary dividend for the 2020 financial year. This will be reviewed as and when circumstances may permit.

Executive Directors: TD Moolman, TJW Holden, LR Witbooi
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