CAXTON&CTP publishers & printers LIMITED

REVIEWED RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

R'000	% change	Unaudited six months to 31 December 2021	Unaudited six months to 31 December 2020	Audited year ended 30 June 2021
Revenue	12.3	3 035 684	2 702 441	5 220 415
Other operating income		42 247	50 219	138 811
Total operating income		**3 077 931**	2 752 660	5 359 226
Changes in inventories of finished goods and work in progress		37 668	74 172	(81 194)
Raw materials and consumables used		(1 578 852)	(1 487 458)	(2 627 287)
Staff costs		(614 253)	(565 331)	(1 163 495)
Other operating expenses		(529 805)	(485 337)	(923 390)
Total operating expenses	9.0	**(2 685 242)**	(2 463 954)	(4 795 366)
Profit from operating activities before depreciation and amortisation	36.0	**392 689**	288 706	563 860
Depreciation and amortisation		(119 319)	(125 696)	(253 424)
Profit from operating activities after depreciation and amortisation	67.7	**273 370**	163 010	310 436
Impairment of goodwill		–	(1 097)	(9 720)
(Loss) on disposal of subsidiary		(3 273)	–	–
Profit on disposal of associate		–	399 312	399 692
Impairment of interest in associates		–	–	(3 159)
Loss on deemed disposal of associate on gain of control		–	–	(10 461)
Impairment of loans		–	(4 768)	(17 315)
Profit on disposal of investment		–	–	10 455
Impairment of intangible assets		(8 194)	–	–
Impairment of plant		(2 195)	(64 558)	(64 746)
Profit from operating activities		**259 708**	491 899	615 182
Net finance income		54 197	39 832	86 465
– dividends		40 342	22 885	45 181
– interest income		14 556	18 199	42 633
– interest expense		(701)	(1 252)	(4 977)
– loss on foreign exchange		–	–	3 628
Income from associates		8 132	21 069	37 676
Profit before taxation	(41.7)	**322 037**	552 800	739 324
Taxation		(81 651)	(138 035)	(173 399)
Profit for the period	(42.0)	**240 386**	414 765	565 925
Other comprehensive income:		**329 198**	(54 024)	636 647
Items that will be not be reclassified subsequently to profit or loss				
Fair value adjustment – properties		–	–	172 351
Fair value adjustment – investments		329 198	(54 024)	464 296
Total comprehensive income for the period		**569 584**	360 741	1 202 572
Total comprehensive income attributable to				
Non-controlling interests		4 508	4 871	15 170
Equity holders of the parent		565 076	355 870	1 187 402
		569 584	360 741	1 202 572
Profit attributable to				
Non-controlling interests		4 508	4 871	15 170
Equity holders of the parent		235 878	409 894	550 755
		240 386	414 765	565 925

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited as at 31 December 2021	Unaudited as at 31 December 2020	Audited as at 30 June 2021
ASSETS			
Non-current assets			
Property, plant and equipment	2 342 689	2 166 271	2 361 040
Right-of-use assets	19 343	9 367	20 647
Intangible assets	25 795	41 867	38 672
Goodwill	85 067	109 472	85 067
Interest in associates	145 127	135 058	142 278
Investments	1 850 236	697 750	1 417 345
– Listed ordinary shares	1 719 322	592 185	1 300 184
– Unlisted ordinary shares	68 543	58 088	68 543
– Listed preference shares	62 371	47 477	48 618
Deferred taxation	19 845	54 896	15 076
	4 488 102	3 214 681	4 080 125
Current assets			
Inventories	1 144 102	804 095	984 799
Trade and other receivables	1 298 528	1 238 017	999 982
Taxation	7 796	4 689	1 955
Cash	759 983	902 917	1 089 645
Cash equivalents	900 000	900 000	900 000
	4 110 409	3 849 718	3 976 381
TOTAL ASSETS	**8 598 511**	7 064 399	8 056 506
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent	6 688 423	5 587 000	6 359 894
Preference share capital	100	100	100
Non-controlling interest	91 504	69 875	77 189
Total equity	**6 780 027**	5 656 975	6 437 183
Non-current liabilities			
Lease liabilities	11 438	10 807	12 373
Deferred taxation	520 705	281 784	424 706
	532 143	292 591	437 079
Current liabilities			
Trade and other payables	919 636	775 495	839 743
Lease liabilities	8 739	3 519	9 133
Provisions	296 194	246 682	305 774
Taxation	61 772	89 137	27 594
	1 286 341	1 114 833	1 182 244
TOTAL EQUITY AND LIABILITIES	**8 598 511**	7 064 399	8 056 506
Net asset value per share (cents)	1 837	1 479	1 717
Capital expenditure	105 232	82 724	182 745
Capital expenditure committed	60 000	20 000	130 000

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited six months to 31 December 2021	Unaudited six months to 31 December 2020	Audited for the year ended 30 June 2021
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	385 035	312 362	619 079
Changes in working capital	(377 575)	(76 510)	53 619
Cash generated by operating activities	7 460	235 852	672 698
Taxation paid	(58 575)	(42 353)	(104 443)
Cash (outflow)/inflow from operating activities	**(51 115)**	193 499	568 255
CASH FLOW FROM INVESTING ACTIVITIES			
Property, plant, equipment and intangibles			
– additions to maintain operations	(74 109)	(34 338)	(98 866)
– additions to expand operations	(31 123)	(48 386)	(83 879)
– proceeds from disposals	3 346	32 435	81 285
	(101 886)	(50 289)	(101 460)
Investments	–	393 603	347 836
Proceeds on disposal of associate investment	–	435 603	442 240
Capital gains tax paid on disposal of associate investment	–	(42 000)	(94 404)
Associate loans	5 284	73 336	72 096
Other investments	(8 072)	(596 424)	(659 095)
Acquisition of businesses	–	8 946	10 832
Interest received	14 556	18 199	42 633
Dividends received	40 342	22 885	45 181
	52 110	(79 455)	(140 517)
Cash outflow from investing activities	**(49 776)**	(129 744)	(241 977)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	(183 637)	(1 273)	(6 669)
Non-controlling interest	9 999	–	–
Interest paid	(701)	(1 252)	(4 977)
Principal paid on lease liabilities	(1 329)	(1 593)	(11 956)
Own shares acquired	(53 103)	–	(56 310)
Cash outflow from financing activities	**(228 771)**	(4 119)	(79 912)
Net (decrease)/increase in cash and cash equivalents	**(329 662)**	59 637	246 365
Cash and cash equivalents at beginning of year	1 989 645	1 743 280	1 743 280
Cash and cash equivalents at end of period	**1 659 983**	1 802 917	1 989 645

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

CONDENSED SEGMENTAL ANALYSIS

	Unaudited six months to 31 December 2021	%	Unaudited six months to 31 December 2020	%	Audited For the year ended 30 June 2021	%
Revenue						
Publishing, printing and distribution	1 656 798	55	1 454 155	54	2 924 044	56
Packaging and stationery	1 378 886	45	1 248 286	46	2 296 371	44
Other	–	–	–	–	–	–
	3 035 684	100	2 702 441	100	5 220 415	100
Profit from operating activities before depreciation						
Publishing, printing and distribution	250 067	64	169 851	59	336 227	60
Packaging and stationery	197 534	50	156 437	54	275 286	48
Other	(54 912)	(14)	(37 582)	(13)	(47 653)	(8)
	392 689	100	288 706	100	563 860	100
Profit from operating activities after depreciation						
Publishing, printing and distribution	190 696	70	101 738	62	197 607	64
Packaging and stationery	146 957	54	106 777	66	176 041	56
Other	(64 283)	(24)	(45 505)	(28)	(63 212)	(20)
	273 370	100	163 010	100	310 436	100
Total assets						
Publishing, printing and distribution	2 147 026	25	2 099 751	30	2 106 541	26
Packaging and stationery	1 923 069	22	1 675 408	24	1 541 695	19
Other	4 528 416	53	3 289 240	46	4 408 270	55
	8 598 511	100	7 064 399	100	8 056 506	100
Total liabilities						
Publishing, printing and distribution	573 289	32	508 388	36	640 140	40
Packaging and stationery	514 108	28	405 017	29	411 964	25
Other	731 088	40	494 018	35	567 219	35
	1 818 484	100	1 407 424	100	1 619 323	100

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited as at 31 December 2021	Unaudited as at 31 December 2020	Audited as at 30 June 2021
Balance at beginning of year	**6 437 183**	5 266 577	5 266 577
Total comprehensive income for the period	569 584	360 741	1 202 572
Own shares acquired	(53 102)	–	(56 310)
Non-controlling interest	9 999	30 930	31 013
Increase in subsidiary shareholding	–	–	–
Dividends paid – ordinary and preference shareholders	(183 637)	(1 273)	(6 669)
Balance at end of period	**6 780 027**	5 656 975	6 437 183

Notes:
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 2021.

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 is made using 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 3.9% and a discount rate of 17.76%

R'000	% change	Unaudited six months to 31 December 2021	Unaudited six months to 31 December 2020	Audited for the year ended 30 June 2021
Earnings and diluted earnings per ordinary share (cents)	(41.1)	**63.9**	108.5	148.1
Headline earnings and diluted headline earnings per ordinary share (cents)	80.8	**66.5**	36.8	75.4
Preference dividend paid per share in respect of the previous year (cents)		**410**	–	–
Ordinary dividend paid per share in respect of the previous year (cents)		**50**	–	–
Shares in issue (weighted average shares in issue)		**369 253 865**	377 861 111	371 786 576
Reconciliation between earnings and headline earnings				
Earnings attributable to equity holders of the parent		**235 878**	409 894	550 755
Adjusted for excluded remeasurements		**9 700**	(270 928)	(270 375)
Impairment of goodwill		–	1 097	9 720
Profit on disposal of associate		–	(399 312)	(399 692)
Loss on disposal of subsidiary		**3 273**	–	–
(Profit) on disposal of investment		–	–	(10 455)
Loss on deemed disposal of associate on gain of control		–	–	10 461
Impairment of interest in associates		–	–	3 159
Impairment of intangible assets		**8 194**	–	–
Impairment of plant		**2 195**	64 558	64 746
Loss/(profit) on disposal of property, plant and equipment		**1 135**	(17 799)	(34 153)
Non-controlling interest share of adjustments		**(3 798)**	–	–
Tax effect on above adjustments		**(1 299)**	80 528	85 840
Headline earnings		**245 578**	138 966	280 380

COMMENTARY
Basis of preparation

The unaudited interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), 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 2021. These interim financial statements have not been reviewed or reported on by the Caxton Group auditors, BDO South Africa Inc.

FINANCIAL PERFORMANCE
Earnings

The Caxton group has produced an excellent set of results that has built upon the recovery evident during the last reporting period. All operations, performed well on the back of robust customer demand and a well-controlled cost base, notwithstanding the inflationary environment that is intensifying. This excellent performance resulted in profit from operating activities after depreciation in the six-month period to December 2021 increasing by 67.7% to R273.3 million from the prior year's R163.0 million.

This set of results marks a full recovery from the impact of the pandemic and is the result of the immense efforts of our employees over the past two years, as well as some well-timed strategic decisions in closing underperforming operations, and more recently, the decision to accumulate excess stock levels, taken early in the tightening global supply chain.

Revenues grew by R333.2 million (12.3%), topping R3 billion in the six-month period, as most operations experienced improved demand. On the back of the recovery in advertising spend from most retailers, our local newspaper business experienced increased media demand with the corresponding increase in the printing throughputs in our large commercial printing factories. It is also encouraging that we managed to increase market share in certain segments where our access to increased paper stocks played an important role in responding to supply issues experienced by our competitors. The access to paper and security of supply are key features to maintain our market position. The packaging operations also experienced improved demand where the alcohol and quick service restaurant markets showed robust offtake.

Over the reporting period, the lack of paper and packaging board raw material across different grades intensified. Local and international mills began imposing restrictions on offtake and also instituted substantial price increases relating to energy surcharges and the cost of logistics. This scenario is unprecedented and is expected to be with us for the foreseeable future. The group was in the fortunate position that we had decided, from the beginning of the calendar year, to hold excess stocks across all our operations and also to ensure that tightness of supply was mitigated through finding alternative sources of raw materials across a broad base of suppliers. In addition, our historically solid relationship with our regular mills meant we could access tonnage from a variety of suppliers, even as they placed restrictions on orders and were only prepared to transact with their historical customer base. This stocking up decision also cushioned the substantial price increases that were evident towards the end of the reporting period. The full impact of these increases will however be felt in the second half of the financial year and will require close management with our customer base.

Inflationary pressures began to exert themselves during this reporting period and intensified towards the end. Staff costs of R614.3 million increased by 8.7% (R48.9 million) over the prior period. This higher increase resulted from the comparison with the lower prior period, in which once-off staff cost reductions were instituted as part of the Covid pandemic mitigation actions. Without these reductions, and on a normalised basis, staff costs would have increased in line with inflation of approximately 5%. Other operating expenses increased from R485.3 million to R529.8 million an increase of 9.2% (R44.5 million) in response to higher demand and also acute increases in energy costs. The group has embarked on a solar project with our large Gauteng packaging operation, being the next site for implementation, with the aim of mitigating further energy increases and reducing the group's carbon footprint.

After depreciation of R119,3 million, profit from operating activities increased by R110.4 million (67.7%) to R273.4 million.

A loss on disposal of a subsidiary (R3.3 million) and impairments in intangible assets (R8.2 million) arose on the rationalisation of our subsidiary, Cognition Holdings. This group entity is now involved in a strategic refocus of the business, concentrating on sustainable solutions that can generate sustainable returns.

Net finance income increased by R14.4 million from R39.8 million to R54.2 million mainly due to an increased dividend flow from our investment in Novus Holdings Limited, which has benefitted from a new controlling shareholder that appears to have brought greater focus to the business.

The group's profit before taxation is R322.0 million that, after a taxation charge of R81.7 million, resulted in profit after taxation of R240.4 million – with 369 253 865 weighted average shares in issue (a decline of 2.3 % over the prior year) representing headline earnings per share of 66.5 cents (prior year 36.8 cents). This represents an increase of 80.8 %. Earnings per share were 63.9 cents (prior year 108.5 cents – which included the non-recurring profit after tax on the sale of an associate of R399.3 million).

The net asset value per share has increased from R17.17 per share (June 2021) to R18.37 per share as at the end of the reporting period, an increase of 7%. It is noteworthy that the fair value of our cash, properties and investments in Mpact Limited and Novus (i.e., excluding our operating assets, plant and equipment) represents R12.77 per share (70%) of the current net asset value. This alone is in excess of our current share price by some 30%.

Cash Flow

Cash and cash equivalents were R1 660 million, a decline of R142.9 million over the corresponding prior period (R1 802.9 million) and a R329.6 million decline over the year end reporting period (R1 989.6 million). This is mainly as a result of the excess stockholdings.

Cash generated by operations of R385.0 million approximates operating profits before depreciation and amortisation and reflects a 23.3% increase over the prior period as operations fully recovered and experienced robust demand.

Working capital has absorbed R377.6 million since the year end; a combination of the decision to hold significant stocks across all operations and higher trade debtor balances in support of the increased demand. The current levels of stocks show an increase of R 340 million over the comparable prior year period and this decision has been instrumental in mitigating the risks of the global supply chain and to a certain extent, significant price increases. It is our intention to maintain our stock levels at as high a level as possible, despite all suppliers having restricted offtake, until there is some clarity on a more normalised supply chain.

After taxation paid of R58.6 million, the cash from operating activities was an outflow of R51.1 million – a reversal of the corresponding prior period inflow of R193.5 million, as a result of the investment in working capital explained above.

The net investment in property, plant and equipment amounted to R101.8 million. The major capital investments included further purchases of solar panels for the extension of the solar project and deposits that were paid on two key investments in the Western Cape to replace a sheet fed printing machine at our magazine and book operation and a state-of-the-art large format packaging printing press to support the growth in the alcohol sector.

The group resumed payment of a dividend of R183.6 million and also repurchased 6 454 024 of its own shares at an average price of R8.23.

Overall, the Caxton group continues to operate as a well-managed and operated entity, with a singular purpose of improving its key metrics and seeking growth opportunities. The investment in Mpact will enjoy ongoing management and board attention, as we contemplate our future steps towards greater control of this business.

PERFORMANCE REVIEW
PUBLISHING, PRINTING AND DISTRIBUTION
Newspaper publishing and printing

It is immensely gratifying to report that the group's important local newspaper business has recovered, more than doubling profits over the prior year and more importantly, approximating pre Covid levels of profitability. This is testament to the strength and importance of this advertising distribution channel to national and local advertisers, as well as the actions taken by management to refocus the business and realign the cost structures.

National and local advertising revenues that grew by 17% and the reduced cost base, contributed significantly to this excellent recovery. The growth in national advertising was driven by strong support from the food retailers as well as other retail categories starting to show recovery. Pleasingly there was a return of advertising from the banking and telecommunication sector, which provides a base for further growth. In the case of local advertising the restructure into a centralised sales structure in the metropolitan areas has reaped benefits with a more focused approach. In turn, this has managed to secure a number of first-time advertisers as well as regaining advertisers that were lost.

Although the year-on-year growth in advertising revenues is encouraging, both national and local sources of revenue are still trading below pre Covid levels with national advertising trailing by 6% and local advertising by 20%. This is an opportunity to further strengthen sales and achieve a full recovery, but this will be dependant to some extent on growth in the local economy, which is expected to remain tepid and a full recovery will take some time.

Bearing this in mind, it is equally important that the division continues to review all areas in search of further cost and operating improvements. In the period under review, it completed an overhaul of the Johannesburg metropolitan area distribution network as well as some minor branch mergers which have assisted in containing costs. Plans are in place to roll this distribution model out to the KwaZulu-Natal business as well as looking at a more cost-effective operational structure both in Johannesburg and KwaZulu-Natal.

These initiatives become even more important when considered against the backdrop of the large increase in newspaper printing costs that the business will be faced with in the second half of the financial year. This has been driven by the world demand on paper mills and consequent constrained supply and increased energy costs. These increases need to be managed to ensure the sustainability of the business and will require a commensurate increase in media rates.

The group's daily newspaper, The Citizen, has delivered a satisfying performance with profitability approximating that of the prior year. Although circulations have declined, this has been contained through excellent cost control and a recovery in digital revenues.

The group's newspaper printing plants have recovered to pre-pandemic profitability levels, driven by gains in market share in the commercial market and recovery of the local newspaper volumes that more than offset the continued decline in daily and weekly volumes. This recovery in throughputs combined with a reduced cost structure led to the recovery in profits.

As with all grades of paper, the newsprint market is faced with global supply constraints and impending substantial price increases. It is fortunate that the group has for many years supported Sappi, the last remaining South African newsprint mill, and thus we are confident that we have secured enough paper to meet our customers' demands as well as the possible projected growth in the commercial market, where some customers might prefer cheaper alternatives to the more expensive grades.

Digital assets

The group's major digital asset is Private Property, which is held through the group's subsidiary, Cognition Holdings. Although Private Property increased revenues, this improvement was more than offset by increased marketing and system development costs which has seen profitability decline over the prior comparable period. The reinvestment strategy of increasing brand awareness and improving the user experience is seen as crucial for the future growth of the business. This in turn has a short-term effect on profitability, but will enhance the business and the user metrics in the medium to longer term.

Cognition Holdings' core operations (excluding Private Property) faced a difficult period and reported a substantial decline in profitability. Revenues were under pressure as a number of clients were lost to the business while operational costs increased. Under a new CEO, the focus is to right-size the operation and pursue a new invigorated approach to drive revenues.

The group's travel investments (Safari.com and Afristay.com) have weathered the pandemic storm and its restricted travel environment and can look forward to an upward trajectory in revenues as the travel business opens up. We are confident that, in time, recovery should approximate pre pandemic levels.

Web and gravure printing

The recovery in throughputs evidenced in the last half of the previous financial year continued into the current reporting period. Tonnage throughputs increased by 15% over the prior year, but are still some 10% off pre pandemic levels, which leaves room for further growth. The growth in turnover was driven by a full recovery in print requirements from food retailers including their liquor offering, and especially over the festive season, and also a recovery in the electronic and hardware retailer segments.

This growth was supported by the decision to hold higher than normal paper stocks as we saw the global supply chain tighten. This decision meant we were able to increase our market share and gain new customers where our competitors were unable to supply.

The combination of this revenue growth and the lower costs structures, as a result of prior reorganisation, has delivered a pleasing increase in profitability.

The print industry is faced with unprecedented challenges with respect to sourcing of paper. There is a global paper shortage as the combination of increased global demand and earlier mill closures is impacting supply and pricing. The paper mills have implemented an allocation model in which they limit customers supply based on your prior offtake and thus it is extremely difficult to secure increased tons even at these high pricing levels.

The group is in the extremely fortunate position that we have built up solid relationships in the past with most paper mills and have thus managed to secure the required tonnages but obviously at significantly higher pricing levels than in the current reporting period. Management is focused on working closely with our customers to offer various alternatives to control some of these increases, to the extent possible. We do foresee some customers looking for cheaper paper grades but remain confident that print will remain an important part of each customers advertising medium.

Book and magazine printing

This operation in the Western Cape delivered similar profits to the prior year and is not experiencing the same buoyancy in demand to enable a full recovery to pre pandemic levels. This is mainly as a result of the unpredictable demand from government in the educational text book market and the overall decline in the magazine market.

Educational book production declined and, against the background of reduced demand, there was aggressive competitor pricing that put pressure on margins. The profitability of this segment relies upon whether there will be a curriculum rewrite by government, although there is no certainty that this will take place soon.

Although magazine production will never recover to pre pandemic levels, due to the closure of publishers and titles, the operation has managed to increase its market share due to the availability of paper stocks.

As with all of our operations, paper supply will remain a challenge and the impending price increases in the second half of the financial year could have a profound impact on demand as some publishers of magazines might not be in a position to absorb the required level of increases.

PACKAGING AND STATIONERY
Packaging

The group's packaging operations continue to deliver excellent results fuelled by continued customer demand, in the sectors we serve, and also gains in market share.

The quick service restaurant (QSR) market continues to show real volume growth as consumers show a preference for quick, convenient, value and quality food offerings, and has also been driven by home delivery options which have proved successful. This growth has been particularly felt in the chicken segment and as the group is the prime supplier to those chains, this has increased throughputs in our operations. In addition, we have continued to offer innovative packaging options to customers that have resulted in additional customers and volumes. We continue to expand our range of packaging offerings and now have a significant investment in bucket and cup forming machinery that has led to increased revenues.

The supply of folding cartons to the frozen food and fast-moving consumer goods market showed similar demand as in the prior year, as these markets were not impacted by the pandemic restrictions.

At the previous reporting period we noted the significant volume increase in the bag-in-a- box wine category and commented that we were unsure of the sustainability of this demand. In the current period demand has shown no signs of abating as producers are looking at shifting more brands and formats to this packaging format as they battle the global shortage of glass. This has led to the proliferation of the new 2 L pack size for premium wines which is attracting a broader consumer base. Our operation is well placed to meet this increased demand as we have invested in a state-of-the-art laminator corrugator which is yielding significant operational efficiencies. To further differentiate ourselves, we have purchased a new printing press that will further improve efficiencies and more importantly, offer options in brand enhancing aesthetics to the expanding customer base.

Our label operations in the Western Cape and Gauteng performed admirably as the alcohol and beverage markets proved to be resilient. Our short to medium-run label operation, in the Western Cape, gained market share in the beer and soft drink label category as competitors were unable to supply due to raw material shortages.

Our large-scale beer label operation in Gauteng benefitted from the decision by our major competitor to exit its supply agreement with the country's largest brewer that it had won at the last tender. It is a testament to the commitment of our management and employees that our operation was able to immediately gear up to absorb these increased volumes and assist the brewer in securing a consistent supply of labels over the peak period. Our operation has secured a two-year contract with the brewer.

Our cigarette packaging operation has finalised a multi-year supply agreement with its major South African customer that still forms an important foundation for the operation, even though volumes are significantly down year on year. This decline has been mitigated by the conclusion of a multi-year agreement for a new large customer in Africa, which started in the period under review and is expected to grow as the various brands are migrated to our operation.

Stationery

Our stationery division returned substantially the same level of profitability as in the prior comparative period. This was a good performance in the face of our dominant customer finding itself in an overstocked position on the back of the prior year's constrained back-to-school season. This meant far lower levels of orders were received for the current period, but the impact was reduced by a substantial market share growth in the diary market, where competitors where slow to come to market due to supply constraints.

Prospects

The group's results confirm its recovery, has shown ability to navigate the various challenges posed by the environment, locally and globally and has significant positions in the markets that we serve. It is against this stable background that we are confident that should consumer demand remain resilient, we should continue to show improved profitability, albeit not at the same growth levels as currently experienced. Having said this, there are obvious headwinds to be overcome, in respect of the current financial year, notably the continued resilience of an already highly indebted consumer, access to raw material and the inflationary impact on operating costs. Managing these factors will be our focus for the remainder of the financial year.

The group has a strong balance sheet and adequate cash resources that are strategic in making the right choices to secure other growth opportunities.

Subsequent events

The directors are not aware of any material event which occurred after the reporting date.

Acquisitions and disposals

No material acquisitions/disposals took place under the period of review.

Related party transactions

There were no related party transactions during the six months ended 31 December 2021 save for various inter-company transactions in the ordinary course of business.

Statement of responsibility

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

10 March 2022

Sponsor
AcaciaCap Advisors Proprietary Limited