Interim report

MEDIA24 HOLDINGS PROPRIETARY LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2006/021408/07)
(Media24)

Condensed consolidated interim results of the Media24 group for the six months ended 30 September 2019

WELKOM YIZANI

COMMENTARY

Media24 posted excellent results for the review period, boosted by strong growth in ecommerce revenue, higher school textbook orders and stringent cost management throughout the company. This offset the impact of a strained economy and continued structural challenges to print media. Our growth portfolio (detailed below) performed especially well by more than halving its trading loss year on year (YoY) as our investment in ecommerce (online retail) and streamlining our digital media operations started to deliver results. We continue our strategic journey to build a sustainable future for Media24 in an increasingly digital landscape.

FINANCIAL REVIEW

Media24's businesses comprise newspapers, magazines, book publishing and distribution (the mature portfolio), and digital media, ecommerce, ecommerce fulfilment, job classifieds and online services (the growth portfolio). Effective 1 October 2018, our online fashion business, Spree, merged with fellow Naspers online brand, Superbalist, to form South Africa's largest online fashion destination, Fashion United SA Proprietary Limited (FUSA) trading as Superbalist, in which Media24 owns 51%. The current period's results include consolidated FUSA results.

Media24's revenue increased by 6% YoY to R2.4bn, while the trading loss decreased by 84% to R28m. Core headline results improved from a loss of R111m to a profit of R63m over the period. These results were mainly due to FUSA, combined with ongoing cost management across the business and the non-recurrence of write-offs in the prior year.

Despite a revenue decline of 6% YoY in the mature portfolio, its trading profit grew by 3% YoY to R153m due to continued cost management across this portfolio. The 19% revenue growth from higher textbook orders partially offset the decline in advertising and circulation revenues (-12% and -7% respectively).

Trading losses from the growth portfolio reduced by 58% to R108m after closing the news aggregators, streamlining our digital operations and the non-recurrence of write-offs. Revenue from this portfolio grew by 50% YoY, as Media24 begins to reap the benefits of consolidating FUSA's results. The growth portfolio contributed 26% (2018: 19%) of total revenue.

Cash used in operating activities declined from R266m to R60m due to the reduced trading loss for the period and lower investment in working capital. In addition, higher investment and interest income as well as lower tax paid compared to the prior year contributed to the healthy cash balance of almost R1bn (2018: R1.1bn).

On 26 August 2019, ordinary dividends of R42m were declared to shareholders registered on this day.

OPERATIONS

Our **print media** division delivered strong results, with cost efficiencies at our newspapers, magazines and distribution divisions offsetting structural declines in circulation and advertising revenues. We maintained our leading position in newspaper and magazine circulation, as well as advertising market share – Media24 publishes four of the top 10 paid-for circulating newspapers and six of the top 10 magazines in the country. Our journalists and newspapers won seven Standard Bank Sikuvile awards, including three – SA story of the year, journalist of the year and the investigative journalism awards – for City Press journalists Sipho Masondo and Dewald van Rensburg for their breaking story and coverage of the dealings at VBS Mutual Bank. Beeld won the prestigious Frewin award and City Press shared the Joel Mervis trophy. Our newspaper and magazine advertising sales teams made a clean sweep at the advertising industry's MOST awards, and won the media owner of the year award in their respective categories, with Ads24 also winning the marketing services category. In the overall media owner category, Lifestyle was placed second and Ads24 third.

24.com, home to our digital media brands, continued to entrench itself as the premier news destination for South Africans. On the back of exceptional election coverage, which delivered record-breaking traffic for both News24 and Netwerk24, total average monthly unique browsers grew by 18% YoY to 18.2m and total average monthly pageviews by 17% to 506m. Almost 90% of this traffic came from mobile devices and apps. Netwerk24, offering access to breaking news in Afrikaans and the content of our Afrikaans newspapers and magazines, grew subscribers by 29% YoY to 53 377 and entrenched its position as the biggest paywall news site in South Africa. The News24 reporters who contributed to the multi-award-winning #GuptaLeaks series of exposés on state capture were named co-winners of the Global Shining Light award from the Global Investigative Journalism Network, considered the world's most prestigious investigative journalism award. The news and commercial teams also received two WAN-IFRA African Digital Media awards and were runners-up in four other categories.

Via Afrika and Collegium benefited from excellent school textbook orders in Botswana and solid orders in South Africa. However, changes to the payout policy under the National Student Financial Aid Scheme (NSFAS) continued to hurt sales of academic textbooks. Although the trade publishing sector felt the strain of the sluggish economy, NB Publishers retained its market leadership and won several literary awards. These included the Association of American Publishers Freedom to Publish – Jeri Laber Award for Jacques Pauw's The President's Keepers. Jonathan Ball Publishers became the market leader in its sector with a strong run of bestsellers, including The Stellenbosch Mafia, by Pieter du Toit, which sold over 20 000 copies and topped local charts for more than 12 weeks.

Afrikaans lifestyle and entertainment television channel VIA remains the preferred lifestyle channel among DStv prime-time viewers, reaching 290 000 daily viewers in September. Advertising revenue more than doubled YoY.

Our investment in FUSA is delivering sterling revenue results. As the largest online fashion retailer in the country, FUSA is well positioned to capitalise on the considerable growth in ecommerce in South Africa. Contract Logistics, our full-service distributor of online sales, is also benefiting from this trend, and increased volumes from ecommerce fulfilment by 30% YoY despite losing the Spree account when it merged with Superbalist. Careers24, our online job classifieds portal, is feeling the impact of a strained economy and slowdown in hiring, particularly in the small to medium business sectors. However, this has been offset by strong renewals from existing clients.

On behalf of the board

Rachel Jafta
Chair

Ishmet Davidson
Chief executive

Cape Town
22 November 2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 September 2019 Reviewed R'm	2018 Reviewed R'm	Year ended 31 March 2019 Audited R'm
Revenue from contracts with customers	10	**2 351**	2 211	4 714
Cost of providing services and sale of goods		**(1 700)**	(1 668)	(3 518)
Selling, general and administration expenses		**(706)**	(727)	(1 572)
Other gains – net		**2**	20	9
Operating loss		**(53)**	(164)	(367)
Interest received		**40**	36	79
Interest paid		**(4)**	(2)	(5)
Other finance cost – net		**1**	1	2
Share of equity-accounted results (associates and joint ventures)		**9**	8	18
Impairment of equity-accounted investment		**–**	(10)	(16)
Profits on acquisition and disposal		**1**	3	4
Loss before taxation		**(6)**	(128)	(285)
Taxation		**(29)**	(10)	(21)
Loss for the period		**(35)**	(138)	(306)
Attributable to:				
Equity holders of the group		**1**	(142)	(255)
Non-controlling interest		**(36)**	4	(51)
		(35)	(138)	(306)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2019 Reviewed R'm	2018 Reviewed R'm	Year ended 31 March 2019 Audited R'm
Loss for the period	**(35)**	(138)	(306)
Total other comprehensive loss, net of tax, for the period	**(84)**	(25)	(5)
Actuarial remeasurement reserve	**–**	–	24
Fair value reserve	**(84)**	(26)	(22)
Movement in other reserves	**–**	1	(7)
Total comprehensive loss for the period	**(119)**	(163)	(311)
Attributable to:			
Equity holders of the group	**(83)**	(167)	(260)
Non-controlling interest	**(36)**	4	(51)
	(119)	(163)	(311)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Six months ended 30 September 2019 Reviewed R'm	2018 Reviewed R'm	Year ended 31 March 2019 Audited R'm
ASSETS				
Non-current assets		**968**	881	1 089
Property, plant and equipment		**365**	346	344
Goodwill	7	**235**	141	258
Intangible assets		**166**	73	171
Investments in associates		**–**	6	2
Investments in joint ventures		**17**	29	22
Loans and receivables		**174**	252	257
Deferred taxation		**11**	34	35
Current assets		**2 171**	2 331	2 236
Inventory	9	**486**	215	447
Trade receivables	8	**597**	554	495
Other receivables		**80**	125	85
Contract assets	10	**5**	6	3
Related party receivables	13	**8**	304	6
Derivatives		**1**	–	1
Loans and receivables		**828**	944	989
Cash and cash equivalents		**166**	183	210
Total assets		**3 139**	3 212	3 325
EQUITY				
Capital and reserves attributable to the group's equity holders		**827**	901	918
Share capital and premium		**4 867**	4 867	4 867
Other reserves		**(1 202)**	(1 257)	(1 138)
Accumulated loss		**(2 838)**	(2 709)	(2 811)
Non-controlling interest		**105**	49	191
Total equity		**932**	950	1 109
Non-current liabilities		**431**	414	398
Long-term liabilities		**42**	23	18
Deferred taxation		**30**	–	32
Post-employment medical liability		**304**	334	297
Cash-settled share-based payment liability		**4**	–	–
Provisions		**51**	57	51
Current liabilities		**1 776**	1 848	1 818
Trade payables		**271**	198	286
Accrued expenses and other current liabilities		**586**	647	630
Contract liabilities	10	**184**	156	143
Related party payables and loans	13	**31**	270	23
Post-employment medical liability		**24**	14	24
Current portion of long-term liabilities		**58**	5	4
Loans from group companies		**586**	536	666
Provisions		**36**	22	42
Total equity and liabilities		**3 139**	3 212	3 325

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 September 2019 Reviewed R'm	2018 Reviewed R'm	Year ended 31 March 2019 Audited R'm
Balance at the beginning of the period	**1 109**	1 157	1 157
Total comprehensive loss for the period	**(83)**	(167)	(260)
Changes in other reserves	**(8)**	(38)	73
Movement in share-based compensation reserve	**4**	(7)	2
Movement in other reserves	**15**	(1)	90
Movement in retained earnings	**15**	12	23
Dividends paid to shareholders	**(42)**	(42)	(42)
Changes in non-controlling interest	**(86)**	(2)	139
Total comprehensive income for the period	**(36)**	4	(51)
Dividends paid to minorities	**(13)**	(6)	(6)
Movement in non-controlling interest in reserves	**(37)**	–	196
Balance at the end of the period	**932**	950	1 109
Comprising:			
Share capital and premium	**4 867**	4 867	4 867
Accumulated loss	**(2 838)**	(2 709)	(2 811)
Share-based compensation reserve	**15**	6	11
Existing control business combination reserve	**(3 418)**	(3 528)	(3 434)
Capital contribution	**2 517**	2 517	2 517
Actuarial remeasurement reserve	**(34)**	(59)	(34)
Fair value reserve	**(284)**	(203)	(200)
Foreign currency translation reserve	**2**	10	2
Non-controlling interest	**105**	49	191
Total	**932**	950	1 109

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 September 2019 Reviewed R'm	2018 Reviewed R'm	Year ended 31 March 2019 Audited R'm
Cash flow from operating activities				
Cash utilised in operations	17	**(141)**	(331)	(349)
Interest paid		**(5)**	(2)	(3)
Interest received		**41**	36	80
Dividends received from investments and equity-accounted companies		**51**	41	28
Taxation paid		**(6)**	(10)	(21)
Net cash utilised in operating activities		**(60)**	(266)	(265)
Cash flow from investing activities				
Investment activities				
Net disposals/(acquisitions) of tangible and intangible assets		**5**	(9)	(41)
Net (acquisitions)/disposals of subsidiaries		**(2)**	–	10
Net disposal of associate		**3**	–	–
Cash movements in other investments and loans		**–**	–	(2)
Net cash from/(utilised in) investing activities		**6**	(9)	(33)
Cash flow from financing activities				
Repayment of long-term loans		**–**	(1)	(7)
Repayment of capitalised lease liabilities		**(18)**	–	(1)
Intergroup and related party loans raised		**68**	195	271
Outflow from share-based compensation transaction		**(6)**	(5)	(11)
Additional investment in existing subsidiaries		**(15)**	(18)	(33)
Dividends paid by subsidiaries to non-controlling shareholders		**(13)**	(6)	(6)
External dividends paid		**(6)**	(6)	(6)
Net cash from financing activities		**10**	159	207
Net decrease in cash and cash equivalents		**(44)**	(116)	(91)
Translation adjustments on cash and cash equivalents		**–**	–	2
Cash and cash equivalents at the beginning of the period		**210**	299	299
Cash and cash equivalents at the end of the period		**166**	183	210

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 September 2019 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), IAS 34 *Interim Financial Reporting* and the Companies Act of South Africa. The condensed consolidated interim financial statements do not include all the disclosures required for complete annual financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies applied in preparing the condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements, except for the adoption of the following new accounting standards and amendments to IFRS that became effective and were adopted by the group during the current financial year being: IFRS 16 *Leases*.

2. Preparation

The preparation of the condensed consolidated interim financial statements was supervised by the chief financial officer, Mobasheer Patel CA(SA). Any reference to future financial performance included in this announcement, has not been reviewed or reported on by the company's auditor.

3. Report of the independent auditor

These condensed consolidated interim financial statements for the six months ended 30 September 2019 have been reviewed by the company's auditor, PricewaterhouseCoopers Inc., who expressed an unmodified conclusion thereon. The review conclusion does not necessarily cover all the information contained in this interim report. A copy of the auditor's report on the condensed consolidated interim financial statements is available for inspection at the company's registered office.

4. Use of estimates and assumptions

In preparing these condensed consolidated interim financial statements, the significant judgement made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019, as well as those for the prior year.

5. Seasonality of operations

Due to the seasonal nature of the operating segments within the group, revenue and operating profit in the second half of the year will not necessarily be in line with the figures of the first six months.

6. Adoption of new and amended accounting pronouncements

The group has adopted all new and amended accounting pronouncements that are relevant to its operations and that are effective for financial years commencing 1 April 2019. The impact of adopting new accounting pronouncements is outlined below and includes, significantly, the first-time application of IFRS 16 *Leases* with effect from 1 April 2019. A number of other pronouncements were also effective from 1 April 2019 but did not have a significant effect on the group's condensed consolidated interim financial statements.

IFRS 16 *Leases*

IFRS 16 *Leases* (IFRS 16) replaces IAS 17 *Leases* (IAS 17) and IFRIC 4 *Determining whether an Arrangement Contains a Lease* (IFRIC 4) and outlines the principles for the recognition, measurement, presentation and disclosure of leases. In terms of IFRS 16, the group now recognises all leases (with limited exceptions) as right-of-use assets and obligations to make lease payments (lease obligations) in the statement of financial position whereas previously lease payments relating to arrangements classified as operating leases in terms of IAS 17 were expensed on a straight-line basis.

In accordance with IFRS 16, lease payments are allocated between lease obligations and finance costs. The corresponding lease obligations, net of finance costs, are included in long-term liabilities or current portion of long-term debt. The interest element of lease payments is charged to the income statement over the relevant lease term. Right-of-use assets are depreciated over the shorter of the relevant right-of-use asset's estimated useful life and the lease term, on a straight-line basis.

The group has applied IFRS 16 on a prospective basis with effect from 1 April 2019 and has therefore not restated the comparative information contained in these condensed consolidated interim financial statements. On transition to IFRS 16, lease liabilities were measured at the present value of remaining lease payments discounted at the incremental borrowing rate as at 1 April 2019. The right-of-use assets recognised on 1 April 2019 were measured at an amount equal to the lease liability adjusted by any prepaid or accrued lease payments and onerous contracts. There was no adjustment to the group's opening retained earnings on 1 April 2019.

The group has applied the following practical expedients, as permitted by IFRS 16's transitional provisions:

- The group did not reassess whether contracts contained leases and accordingly the previous classifications applied to these contracts in terms of IAS 17 and IFRIC 4 were retained (accordingly, the accounting for contracts not previously identified as leases was sustained).
- Operating leases of which the underlying assets were of low value were not recognised as right-of-use assets and obligations to make lease payments in the statement of financial position – the existing accounting for these leases was sustained (ie lease payments continue to be expensed on a straight-line basis for these leases).
- Where appropriate, the group applied a single incremental borrowing rate to a portfolio of leases with reasonably similar characteristics.
- The group relied on its existing onerous lease contract assessments as an alternative to performing impairment reviews on right-of-use assets as at 1 April 2019 and recognised all existing provisions for onerous leases as adjustments to the relevant right-of-use assets as at 1 April 2019.

- Operating leases under which the lease terms end within 12 months (short-term leases) of 1 April 2019 are accounted for in terms of IAS 17 until the end of their lease terms (ie lease payments continue to be expensed on a straight-line basis for these leases).
- The carrying amounts of leased assets and lease obligations relating to leases that were classified as finance leases in terms of IAS 17 were treated as the carrying amounts of the right-of-use assets and lease obligations for purposes of IFRS 16 immediately before the date of transition (ie as at 31 March 2019).
- The group applied hindsight in determining the lease terms for contracts that contain extension and termination options.

On transition to IFRS 16, the group recognised right-of-use assets of R60m and lease obligations of R64m. The difference related primarily to pre-existing onerous lease provisions and prepaid or accrued lease payments that were adjusted to the carrying value of the relevant underlying right-of-use assets. Apart from leases of assets of low value and short-term leases, lease obligations and right-of-use assets have been measured by discounting lease payments (including those arising under extension options, where relevant) using the relevant lease's incremental borrowing rate as at 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 9.8%.

The group presents right-of-use assets in "Property, plant and equipment" and lease liabilities in "Long-term liabilities" in the statement of financial position. Interest on lease liabilities is included in "Interest paid" in the income statement and included in the "Cash flows from operating activities" in the statement of cash flows.

The group's leasing arrangements relate primarily to buildings and motor vehicles. Lease agreements are generally entered into for fixed periods of between two and 10 years, depending on the nature of the underlying asset being leased. Leasing arrangements may contain extension and/or termination options that are exercisable by the group. In determining the lease term for arrangements that contain extension and/or termination options the group considers all facts and circumstances that may create an economic incentive to exercise an extension and/or not exercise a termination option. The leases do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

In the consolidated annual financial statements for the year ended 31 March 2019, the group disclosed the operating lease commitments in terms of IAS 17 on an undiscounted basis. The impact on transition to IFRS 16 provides a reconciliation of the lease commitments disclosed under IAS 17 as at 31 March 2019 to the lease liability recognised on a discounted basis using the weighted average incremental borrowing rate as at 1 April 2019. The impact on the financial statements on transition to IFRS 16 is detailed below:

Lease liabilities recognised

	1 April 2019 Restated R'm
Operating lease commitments under IAS 17	
Operating lease commitment at 31 March as disclosed[1]	**146**
Discounted using the incremental borrowing rate as at 1 April 2019	**104**
Recognition exemptions	
Short-term leases	**(40)**
Lease liabilities recognised as at 1 April 2019	**64**
Less: Current portion of lease liabilities	**(36)**
Non-current portion of lease liabilities	**28**

[1] *The group disclosed these lease commitments on an undiscounted basis in the consolidated annual financial statements for the year ended 31 March 2019.*

	Six months ended 30 September		Year ended 31 March
	2019 Reviewed R'm	2018 Reviewed R'm	2019 Audited R'm
7. Goodwill			
Cost			
Opening balance	**299**	177	176
Acquisition of subsidiaries/business	**3**	–	118
Reclassifications	**–**	5	5
Closing balance	**302**	182	299
Accumulated impairment			
Opening balance	**41**	41	41
Impairment	**26**	–	–
Closing balance	**67**	41	41
Net book value	**235**	141	258

The group recognised an impairment loss of R26m due to the fact that the recoverable amount of its travel business was less than its carrying value. The impairment charge has been included in "Other gains – net" in the income statement.

	Six months ended 30 September		Year ended 31 March
	2019 Reviewed R'm	2018 Reviewed R'm	2019 Audited R'm
8. Trade receivables			
Carrying value			
Trade accounts receivable – gross	**634**	590	537
Less: Loss allowance	**(37)**	(36)	(42)
	597	554	495
9. Inventory			
Carrying value			
Finished products, trading inventory and consumables	**549**	318	511
Work in progress	**21**	23	15
Gross inventory	**570**	341	526
Less: Provision for slow-moving and obsolete inventories	**(84)**	(126)	(79)
Net inventory	**486**	215	447
10. Revenue from contracts with customers			
Revenue			
Subscription revenue	**102**	99	198
Circulation revenue	**414**	444	901
Advertising revenue	**842**	913	1 788
Distribution revenue	**191**	194	395
Book publishing and book sales revenue	**256**	214	508
Ecommerce revenue	**395**	164	556
Contract publishing revenue	**57**	78	160
Other revenue	**94**	105	208
	2 351	2 211	4 714

The group has recognised the following assets and liabilities in the condensed consolidated statement of financial position that relate to revenue from contracts with customers:

Contract assets	**5**	6	3
Contract liabilities	**184**	156	143

11. Fair value of financial instruments

30 September 2019	**Level 1 R'm**	**Level 2 R'm**	**Level 3 R'm**	**Total R'm**
Assets				
Foreign exchange contracts	**–**	**1**	**–**	**1**
At fair value through other comprehensive income investments*	**171**	**–**	**–**	**171**
Total	**171**	**1**	**–**	**172**
Liabilities				
Business combination obligations	**–**	**–**	**51**	**51**
Total	**–**	**–**	**51**	**51**
30 September 2018				
Assets				
Available-for-sale investments	252	–	–	252
Total	252	–	–	252

31 March 2019	**Level 1 R'm**	**Level 2 R'm**	**Level 3 R'm**	**Total R'm**
Assets				
Foreign exchange contracts	–	1	–	1
At fair value through other comprehensive income investments*	255	–	–	255
Total	255	1	–	256
Liabilities				
Business combination obligations	–	–	19	19
Total	–	–	19	19

* *Previously referred to as available-for-sale investments in terms of IAS 39* Financial Instruments: Recognition and Measurements.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

12. Commitments and contingencies

	Six months ended 30 September		Year ended 31 March
	2019 Reviewed R'm	2018 Reviewed R'm	2019 Audited R'm
Capital expenditure	**–**	–	15
Operating lease commitments	**27**	187	146
	27	187	161

13. Related party transactions

The group entered into various related party transactions in the ordinary course of business. There were changes to the related parties which existed at September 2018 as Naspers listed its Video Entertainment business (MultiChoice Group) on the JSE Limited. Other than the noted change, there have been no significant changes in related party transactions and balances since the previous reporting period.

14. Significant business combinations

Effective 26 April 2019, Media24 Boeke Proprietary Limited acquired the remaining 30% shareholding in Nasou Via Afrika Proprietary Limited from Biprops 6 Proprietary Limited for R15m, thereby increasing its ownership to 100%.

Fashion United SA Proprietary Limited completed a transaction on 5 September 2019 to purchase the business assets and liabilities of Design Liaison Proprietary Limited, a clothing design centre, for R37m. This resulted in the recognition of an intangible asset of R15m and goodwill of R3m.

15. Going concern

The condensed consolidated interim financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

16. Subsequent events

There are no events that occurred between the balance sheet date and the date of approval of the condensed consolidated financial statement that are material to the financial affairs of the group.

17. Cash utilised in operations

	Six months ended 30 September		Year ended 31 March
	2019 Reviewed R'm	2018 Reviewed R'm	2019 Audited R'm
Operating loss per income statement	**(53)**	(164)	(367)
Adjustments: Non-cash and other movements	**94**	77	152
Working capital movements	**(182)**	(244)	(134)
Cash utilised in operations	**(141)**	(331)	(349)

OTHER INFORMATION

RECONCILIATION OF OPERATING LOSS TO TRADING LOSS

	Six months ended 30 September		Year ended 31 March
	2019 Reviewed R'm	2018 Reviewed R'm	2019 Audited R'm
Operating loss	**(53)**	(164)	(367)
Amortisation of intangible assets (excluding software)	**11**	2	14
Other gains – net	**(2)**	(20)	(8)
Equity-settled share-based payment charges	**19**	12	28
Interest on finance leases	**(3)**	–	–
Trading loss	**(28)**	(170)	(334)
CALCULATION OF HEADLINE AND CORE HEADLINE LOSS			
Net profit/(loss) attributable to shareholders	**1**	(142)	(255)
Adjusted for:			
– Impairment of goodwill/other assets	**26**	12	20
– Profit/(loss) on sale of property, plant and equipment and intangibles	**(10)**	–	3
– Impairment of associates	**–**	10	16
– Profit on sale of investments	**(1)**	–	–
Headline profit/(loss)	**16**	(120)	(216)
Adjusted for:			
– Amortisation of intangible assets (excluding software)	**8**	1	8
– Foreign exchange gains	**(2)**	(1)	(3)
– Derecognition/(recognition) of deferred tax assets relating to prior-year losses	**22**	–	(4)
– Remeasurement of contingent liabilities	**–**	(3)	(3)
– Equity-settled share-based payment charges	**19**	12	28
Core headline profit/(loss)	**63**	(111)	(190)

Trading loss excludes amortisation of intangible assets (excluding software), other gains or losses and equity-settled share-based compensation charges and includes interest on finance leases. Core headline earnings exclude non-recurring and non-operating items. We believe this is a useful measure of the group's sustainable operating performance. However, these are not defined terms under IFRS and may not be comparable with similarly titled measures reported on by other companies.

Directors

R C C Jafta (chair), M I Davidson (chief executive), T D Petersen, J P Bekker, K R Mthimunye, J C Held, E Weideman, M Patel

Group company secretary

L J Jacquet

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Transfer secretaries

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the shareholders of Media24 Holdings Proprietary Limited

We have reviewed the condensed consolidated interim financial statements of Media24 Holdings Proprietary Limited in the accompanying interim report, which comprises the condensed consolidated statement of financial position as at 30 September 2019 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Media24 Holdings Proprietary Limited for the six months ended 30 September 2019 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa.

Other Matter

We have not reviewed future financial performance and expectations expressed by the directors included in the commentary in the accompanying interim financial statements and accordingly do not express a conclusion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Viresh Harri
Registered auditor

Cape Town
22 November 2019

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