

OVERVIEW

Media24 posted excellent results for the financial year, growing revenue 2% to R4.8bn and reducing the trading loss by 54% to R152m – both year on year (YoY). This performance was underpinned by growth in ecommerce revenue, exceptional school textbook orders and stringent cost management throughout the company. This offset the impact of a strained economy and continued structural declines in print media. Our growth portfolio (detailed below) performed especially well by more than halving its trading loss YoY as our investment in ecommerce (online retail) and streamlining our digital media operations started to deliver results.

The national lockdown to counter the Covid-19 pandemic began on 26 March, just before financial year-end. As a result, this had a minimal impact on the full-year financial results for the year ended 31 March 2020. However, the pandemic is having a devastating effect on our already fragile print media operations with significant declines in both circulation and advertising.

Facing a grim outlook for print media, we have introduced interventions to mitigate losses as we continue our strategic journey to build a sustainable future for Media24 in an increasingly digital landscape and will align our plans and strategies to the post-pandemic business realities as they emerge.

OPERATIONAL REVIEW

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 newspapers (as measured by paid-for circulation) and six of the top 10 magazines in the country. Our journalists and newspapers won seven Standard Bank Sikuvile Journalism Awards, including SA story of the year, journalist of the year and investigative journalism to City Press journalists, Siphon Masondo and Dewald van Rensburg, for their breaking story and coverage of 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 dominated the advertising industry's MOST Awards, winning the media owner of the year award in their respective categories, with Ads24 also winning the marketing services category.

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 and Covid-19 pandemic coverage, which delivered record traffic for News24 and Netwerk24, total average monthly unique browsers have grown 29% since April 2019 to 19.5m and average monthly pageviews by 14% to 508m. Almost 90% of this traffic came from mobile devices and apps.

News24 turned in an excellent performance, boosted further by the Reuters Institute naming it the most trusted digital news brand in South Africa. Netwerk24, offering access to breaking news in Afrikaans and the content of our Afrikaans newspapers and magazines, grew subscribers by 32% YoY to 59 912 and remained the biggest payroll news site in South Africa. The News24 reporters who contributed to the multi-award-winning series of #Guptal.leaks exposés on state capture were co-winners of the Global Shining Light Award from the Global Investigative Journalism Network, considered the world's most prestigious award in this field. For the fourth consecutive year, 24.com was named joint winner of the Black Pixel as best digital publisher at the annual IAB Bookmarks Awards. The news and commercial teams also received two WAN-IFRA African Digital Media Awards and were runners-up in four other categories.

Collegium and Via Afrika 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 a 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 most popular lifestyle channel among DSTV prime-time viewers, reaching 295 000 daily viewers in January 2020. Advertising revenue more than doubled YoY and contributed to a fivefold improvement in its profit performance versus the prior year.

As the largest online fashion retailer in the country, Fashion United SA Proprietary Limited (FUSA/Superbalist) is well positioned to capitalise on the considerable ecommerce growth in the country.

Contract Logistics, our full-service distributor of online sales, is also benefiting from this trend, with a 25% increase in volumes YoY from ecommerce fulfillment despite losing the Spree account in the prior year when the latter 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 and medium business sectors. However, this has been offset by strong renewals from existing clients.

FINANCIAL REVIEW

Media24's businesses are segmented into the mature portfolio (newspapers, magazines, book publishing and distribution) and the growth portfolio (digital media, ecommerce, ecommerce fulfillment, job classifieds and online services). From October 2018, our online fashion business Spree merged with fellow Naspers online brand Superbalist to form South Africa's largest online fashion destination, FUSA (trading as Superbalist), in which Media24 owns 51%. The current period therefore includes consolidated FUSA results.

Media24's revenue increased by 2% YoY to R4.8bn, while the trading loss decreased by 54% to R152m. Core headline results improved from a loss of R190m to a profit of R25m 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 the mature portfolio following global trends with a YoY revenue decline of R312m (-7%) and a trading profit decrease of R61m (-19%) to R262m, it still outperformed expectations. This reflected ongoing cost management across the portfolio and 7% revenue growth from higher textbook orders, partially offsetting the decline in advertising and circulation revenues (-11% and -9% respectively).

Trading losses from the growth portfolio reduced 52% to R250m after closing the news aggregators, streamlining our digital operations and the non-recurrence of prior-year write-offs. Revenue from this portfolio grew 30% YoY, as Media24 begins to reap the benefits of consolidating FUSA's results. The growth portfolio contributed 28% (2019: 21%) of total revenue.

Cash from operating activities improved by R397m due to the reduced trading loss for the period and lower investment in working capital. Media24 has a well-capitalised balance sheet, with R1.1bn of cash resources available to continue funding our operations as the Covid-19 crisis continues.

DIVIDEND

The board recommends that, subject to the approval of shareholders at the annual general meeting on 27 August 2020, a dividend of R42m (2019: R42m) be declared and paid to shareholders.

WELKOM YIZANI

Welkom Yizani, Media24's broad-based black economic empowerment (BBBEE) scheme, began trading its shares on the Equity Express Securities Exchange in November 2018. Naspers Limited, preference shareholder in Welkom Yizani, has waived R434m in preference share debt and accrued interest owed by Welkom Yizani under the scheme rules since 2016. Accordingly, around 87 460 shareholders in the scheme could derive immediate economic benefit from their shares since 2017. To date, R283m in dividends has been paid to investors.

The Welkom Yizani annual general meeting will be held on 27 August 2020. Its board recommends that an ordinary dividend of R6.2m (2019: R6.2m) be declared to ordinary shareholders. This will result in a dividend of 42.5 cents per ordinary share (2019: 42.5 cents per ordinary share) before dividend tax. After deducting dividend tax, Welkom Yizani ordinary shareholders will receive a net dividend of 34 cents per ordinary share (2019: 34 cents per ordinary share). The declaration of dividends is subject to approval by shareholders at the annual general meeting.

BASIS OF PRESENTATION

The summary consolidated annual results are prepared in line with the requirements of the Companies Act for summary financial statements. These results have also been prepared as per the framework concepts, and measurements and recognition requirements of International Financial Reporting Standards (IFRS). They should be read in conjunction with the full audited consolidated annual financial statements. These accounting policies have been applied consistently to all the years presented, unless otherwise stated.

Trading profit excludes amortisation of intangible assets (other than software), other gains or losses and equity-settled share-based compensation charges, but 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, it is not a defined term under IFRS and may not be comparable with similarly titled measures reported by other companies.

The financial results have been prepared under the supervision of Mobasheer Patel, CA(SA), chief financial officer of the Media24 Holdings group.

The complete annual financial statements are available on the Media24 website at www.media24.com.

REPORT OF THE INDEPENDENT AUDITOR

This annual results announcement has been extracted from audited information, but is not in itself audited. The consolidated annual financial statements were audited by PricewaterhouseCoopers Inc. (PwC). PwC's unmodified audit opinion is available on request at the company's registered office during normal office hours (contact: Mobasheer Patel). Any reference to future financial performance in this announcement has not been reviewed or reported on by PwC.

EVENTS AFTER THE REPORTING DATE

On 23 March 2020, President Cyril Ramaphosa announced a 21-day national lockdown from 26 March 2020 in response to the Covid-19 outbreak in South Africa. An extension to 30 April 2020 was announced on 9 April 2020. While the national lockdown and resultant economic slowdown will impact sales and profitability, the board is of the opinion that the group will remain a going concern in the next financial year.

Effective 1 April 2020, Media24 Proprietary Limited acquired 100% shareholding in London-based book publisher, Icon Books Limited, for R33m. Payment was made before 31 March 2020 and is included as prepayment in "other receivables".

From 1 April 2020, Media24 Proprietary Limited entered into a two-year lease agreement with Naspers Properties Proprietary Limited for the rental of Media24 Centre in Cape Town. This resulted in a right-of-use asset and corresponding finance lease liability of R66m.

On 1 June 2020, Media24 Proprietary Limited acquired 100% of the shareholding in a digital agency, Swipe Interactive Proprietary Limited, for R23m.

The directors are not aware of any other event between the reporting date and date of this report that would have a material impact on the annual financial statements.

On behalf of the board

<p>Rachel Jaffa <i>Chair</i></p> <p>Cape Town 29 June 2020</p>	<p>Ishmet Davidson <i>Chief executive</i></p>
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SUMMARISED CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 March	
		2020	2019
		R'000	R'000
Revenue from contracts with customers	9	4 788 937	4 713 829
Cost of providing services and sale of goods		(3 475 769)	(3 517 931)
Selling, general and administration expenses		(1 506 507)	(1 571 718)
Other gains – net	10	(28 477)	8 492
Operating loss		(221 816)	(367 328)
Interest received		78 423	79 480
Interest paid		(8 424)	(4 469)
Other finance costs – net		(4 591)	1 860
Share of equity-accounted results – associated companies		–	(1 815)
Share of equity-accounted results – joint ventures		19 984	19 719
Impairment of equity-accounted investment		–	(15 804)
Profits on acquisitions and disposals	11	30 334	3 592
Loss before taxation		(106 090)	(284 765)
Taxation		(34 946)	(20 768)
Loss for the year		(141 036)	(305 533)
Attributable to:			
Equity holders of the group		(48 216)	(254 625)
Non-controlling interests		(92 820)	(50 908)
		(141 036)	(305 533)

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2020	2019
		R'000	R'000
Loss for the year		(141 036)	(305 533)
Total other comprehensive loss, net of tax, for the year		(125 992)	(4 956)
Foreign currency translation reserve		3 430	(6 881)
Actuarial remeasurement reserve		10 526	24 390
Fair value reserve	5	(139 948)	(22 465)
Total comprehensive loss for the year		(267 028)	(310 489)
Attributable to:			
Equity holders of the group		(174 237)	(259 493)
Non-controlling interests		(92 791)	(50 996)
		(267 028)	(310 489)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Year ended 31 March	
		2020	2019
		R'000	R'000
Balance at the beginning of the year		1 108 698	1 156 882
Total comprehensive loss for the year		(174 237)	(259 493)
Changes in other reserves		561 023	72 171
Movement in share-based compensation reserve		11 107	(1 267)
Movement in other reserves	14	572 056	93 526
Movement in retained earnings		19 827	21 879
Dividends paid to shareholders		(41 967)	(41 967)
Changes in non-controlling interest		(147 824)	139 138
Total comprehensive income for the year		(92 791)	(50 996)
Dividends paid to minorities		(17 961)	(6 210)
Movement in non-controlling interest in reserves	15	(37 072)	196 344
Balance at the end of the year		1 347 660	1 108 698

	Notes	As at 31 March	
		2020	2019
		R'000	R'000
Assets			
Non-current assets		756 241	1 088 550
Property, plant and equipment	3	240 983	343 353
Goodwill	4	229 101	258 464
Intangible assets		122 271	169 979
Investments in associates		–	2 239
Investments in joint ventures		31 967	22 149
Investments and loans	5	118 904	257 253
Deferred taxation		13 015	35 113
Current assets		2 163 734	2 236 471
Inventory	7	359 951	447 139
Trade receivables	6	452 061	495 083
Other receivables		114 458	84 908
Contract assets		5 299	2 916
Related party receivables		3 220	5 696
Loans and receivables	14	908 869	989 591
Derivative financial instruments		2 807	656
Cash and cash equivalents		219 391	210 482
Assets classified as held for sale	8	97 678	–
Total assets		2 919 975	3 325 021
Equity			
Capital and reserves attributable to the group's equity holders		1 304 954	918 168
Share capital and premium		4 866 667	4 866 667
Other reserves		(680 478)	(1 137 620)
Accumulated loss		(2 881 235)	(2 810 879)
Non-controlling interests		42 706	190 530
Total equity		1 347 660	1 108 698

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March	
		2020	2019
		R'000	R'000
Liabilities			
Non-current liabilities		385 025	398 227
Long-term liabilities	2	20 871	17 607
Deferred taxation		25 728	31 580
Post-employment medical liability		294 048	297 182
Cash-settled share-based payment liability		2 822	1 145
Provisions		41 556	50 713
Current liabilities		1 187 290	1 818 096
Trade payables		233 620	286 334
Accrued expenses and other current liabilities		641 853	629 656
Contract liabilities	9	131 271	142 842
Related party payables and loans		6 143	23 476
Post-employment medical liability		28 670	23 992
Taxation		–	99
Current portion of long-term liabilities	2	25 679	3 931
Loans from group companies	14	96 715	666 040
Provisions		23 339	41 726
Total equity and liabilities		2 919 975	3 325 021

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 31 March	
		2020	2019
		R'000	R'000
Liabilities			
Non-current liabilities		385 025	398 227
Long-term liabilities	2	20 871	17 607
Deferred taxation		25 728	31 580
Post-employment medical liability		294 048	297 182
Cash-settled share-based payment liability		2 822	1 145
Provisions		41 556	50 713
Current liabilities		1 187 290	1 818 096
Trade payables		233 620	286 334
Accrued expenses and other current liabilities		641 853	629 656
Contract liabilities	9	131 271	142 842
Related party payables and loans		6 143	23 476
Post-employment medical liability		28 670	23 992
Taxation		–	99
Current portion of long-term liabilities	2	25 679	3 931
Loans from group companies	14	96 715	666 040
Provisions		23 339	41 726
Total equity and liabilities		2 919 975	3 325 021

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 31 March	
		2020	2019
		R'000	R'000
Cash flows from operating activities			
Cash generated from/(used in) operations	17	48 743	(348 732)
Interest costs paid		(8 933)	(3 093)
Interest income received		79 147	79 480
Dividends received from investments and equity-accounted companies		34 719	28 429
Taxation paid		(21 279)	(21 067)
Net cash generated from/(utilised in) operating activities		132 397	(264 983)
Cash flows from investment activities			
Property, plant and equipment acquired		(16 553)	(38 757)
Proceeds from sale of property, plant and equipment		2 894	2 436
Intangible assets acquired		(1 013)	(3 896)
Proceeds from sale of intangible assets		9 000	–
Acquisition of subsidiaries/business	15	(13 216)	10 330
Disposal of subsidiaries		(1 751)	–
Acquisition of associates		–	(500)
Disposal of associates		3 142	–
Additional investment in existing joint venture		(5 667)	–
Cash movement in other investments and loans		(43 742)	(2 025)
Net cash utilised in investing activities		(66 906)	(32 412)
Cash flows from financing activities			
Repayments of long-term loans		(7 725)	(7 006)
Repayments of capitalised finance lease liabilities		(38 151)	(950)
Intergroup and related party loans raised		32 920	271 699
Outflow from share-based compensation transactions		(8 320)	(11 466)
Additional investment in existing subsidiaries		(15 000)	(32 882)
Dividends paid by subsidiaries to non-controlling shareholders		(17 961)	(6 210)
External dividends paid		(6 295)	(6

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

	31 April	
	2019	2019
	Restated	R'000
Operating lease commitments under IAS 17		
Operating lease commitment at 31 March as disclosed ⁽¹⁾		145 727
Discounted using the incremental borrowing rate as at 1 April 2019		103 103
Recognition exemptions		
Short-term leases		(39 542)
Lease liabilities recognised as at 1 April 2019		63 561
Less: Current portion of lease liabilities		(35 511)
Non-current portion of lease liabilities		28 050

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

3. Property, plant and equipment

The movement in property, plant and equipment, except for the adoption of IFRS 16 (+R59m) and transfer to held for sale (-R98m) as disclosed in notes 2 and 8, is mainly due to depreciation for the period (-R84m) and operational acquisitions and disposals (+R21m).

4. Goodwill

	31 March	
	2020	2019
	R'000	R'000
Cost		
Opening balance	299 074	176 596
Acquisition of subsidiaries/business	—	117 889
Disposal of subsidiaries/business	(26 165)	—
Reclassifications	(29 190)	4 589
Closing balance	243 719	299 074

Accumulated impairment

Opening balance	40 610	40 610
Disposal of subsidiaries/business	(26 165)	—
Impairment	29 363	—
Reclassifications	(29 190)	—
Closing balance	14 618	40 610

Net book value

	229 101	258 464
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Goodwill is subject to annual impairment assessment. The recoverable amounts have been determined based on a value-in-use calculation. A discount rate of 16% and growth rate of 1.6% were used. The 2020 impairment charge relates to our travel business, Red Carpet Travel (R26m) and certain printed magazines in Infinox Media (R3m).

5. Investments and loans

	31 March	
	2020	2019
	R'000	R'000
Originating loans	2 200	2 200
At fair value through other comprehensive income investments ⁽¹⁾	115 104	255 053
At fair value through profit or loss investments	1 600	—
Total	118 904	257 253

⁽¹⁾ The group retained 19% in Novus Holdings Limited after the distribution of 47.5% to Naspers on 1 October 2017. The YoY movement in share price from R4.21 to R1.90 was booked to the fair value reserve.

6. Trade receivables

	31 March	
	2020	2019
	R'000	R'000
Carrying value		
Trade accounts receivable, gross	496 744	536 604
Less: Loss allowance	(44 683)	(41 521)
Total	452 061	495 083

The ageing of trade receivables as well as the amount of loss allowance per age class is presented below:

	31 March 2020					
	Not past due	30 days and older	60 days and older	90 days and older	120 days and older	Total
Gross trade receivables	348 224	96 515	18 914	6 757	26 334	496 744
Loss allowance	(13 867)	(4 789)	(4 010)	(1 685)	(20 332)	(44 683)
Total	334 357	91 726	14 904	5 072	6 002	452 061

Expected loss rate (4%) (5%) (21%) (25%) (77%) (9%)

	31 March 2019					
	Not past due	30 days and older	60 days and older	90 days and older	120 days and older	Total
Gross trade receivables	367 270	113 321	11 358	7 287	37 368	536 604
Loss allowance	(66)	(17 454)	(1 317)	(1 990)	(20 694)	(41 521)
Total	367 204	95 867	10 041	5 297	16 674	495 083

Expected loss rate 0% (15%) (12%) (27%) (55%) (8%)

7. Inventory

	31 March	
	2020	2019
	R'000	R'000
Carrying value		
Finished products, trading inventory and consumables	472 828	511 019
Work in progress	19 231	15 102
Gross inventory	492 059	526 121
Less: Provision for slow-moving and obsolete inventories ⁽¹⁾	(132 108)	(78 982)
Net inventory	359 951	447 139

⁽¹⁾ In 2020 a provision of R55m was raised in Superbalist, our efashion business.

8. Assets classified as held for sale

	31 March	
	2020	2019
	R'm	R'm
Non-current assets held for sale		
– Property, plant and equipment	97 678	—

As at 31 March 2020, held-for-sale assets of R97.7m comprise office buildings in Auckland Park (R90.4m), Bloemfontein (R7m) and two smaller buildings in Klerksdorp and Newcastle (R0.3m) which management has decided to sell.

The consolidation of our portfolio of owned and rented properties to better suit business requirements is an important part of Media24's initiatives to reduce our overall cost base while maximising the return on our assets. The transfer of the properties will be delayed due to the lockdown, but it is envisaged that all will be concluded by end-September 2020.

9. Revenue from contracts with customers

	31 March	
	2020	2019
	R'000	R'000
Revenues		
Subscription revenue	201 137	198 206
Circulation revenue	819 953	901 346
Advertising revenue	1 645 012	1 787 537
Distribution revenue	398 019	395 034
Book publishing and book sales revenue	545 548	507 822
Ecommerce revenue	867 395	556 327
Contract publishing revenue	105 222	159 819
Other revenue	206 651	207 738
Total	4 788 937	4 713 829

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

	31 March	
	2020	2019
	R'm	R'm
Contract assets	5 299	2 916
Contract liabilities	131 271	142 842

10. Other gains – net

	31 March	
	2020	2019
	R'000	R'000
Loss on property, plant and equipment	(748)	(3 118)
Profit/(Loss) on intangible assets	8 670	(9)
Impairment of goodwill	(29 363)	—
Impairment of other intangible assets with definite lives	(19 799)	(8 225)
Impairment of property, plant and equipment	(1 585)	(11 902)
Impairment of other assets	(3 827)	—
Reversal of impairment of other investments and loans	—	175
Dividends from investments	18 175	31 571
Total	(28 477)	8 492

11. Profits on acquisitions and disposals

	31 March	
	2020	2019
	R'000	R'000
Profit on sale of investments/businesses	3 955	—
Intergroup loan waiver	17 462	—
Remeasurement of contingent consideration	3 046	3 592
Acquisition-related costs	(439)	—
Gain on bargain purchase	6 310	—
Total	30 334	3 592

12. Fair value of financial instruments

	31 March 2020			
	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Assets				
Foreign exchange contracts	—	2 807	—	2 807
At fair value through profit or loss investments	—	—	1 600	1 600
At fair value through other comprehensive income investments	115 104	—	—	115 104
Total	115 104	2 807	1 600	119 511
Liabilities				
Contingent considerations	—	—	8 391	8 391
Total	—	—	8 391	8 391

	31 March 2019			
	Level 1	Level 2	Level 3	Total
	R'000	R'000	R'000	R'000
Assets				
Foreign exchange contracts	—	656	—	656
At fair value through other comprehensive income investments	255 053	—	—	255 053
Total	255 053	656	—	255 709

Liabilities				
Contingent considerations	—	—	19 162	19 162
Total	—	—	19 162	19 162

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).

13. Commitments and contingencies

	31 March	
	2020	2019
	R'm	R'm
Capital expenditure	1 647	15 045
Operating lease commitments ⁽¹⁾	2 942	145 728
Other obligations ⁽²⁾	50 909	—
Total	55 498	160 773

⁽¹⁾ The group implemented IFRS 16 Leases on 1 April 2019. Refer to note 2 for detail.

⁽²⁾ Open purchase-order commitments not yet fulfilled at Superbalist.

14. Related party transactions

The group entered into various related party transactions in the ordinary course of business. On 23 March 2020, Naspers Limited donated and ceded its loan claim of R558m against Media24 Holdings Proprietary Limited to Media24 Proprietary Limited for no consideration. Other than the noted change, there have been no significant changes in related party transactions and balances since the previous reporting period.

The group participates in a Naspers group cash pool arrangement. Included in "loans and receivables" is R897m (2019: R990m) cash invested with Naspers Treasury.

15. 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%. A business combination reserve of R22m and non-controlling interest of R37m were booked.

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 R18m. This resulted in the recognition of an intangible asset of R10m and a bargain purchase of R6m through the income statement.

16. Going concern

The annual financial statements are prepared on the going-concern basis. Based on forecasts and available cash resources, the group has adequate resources to continue operations as a going concern in the foreseeable future. As at 31 March 2020, the group recorded R219m of cash and cash equivalents and R897m cash invested with Naspers Treasury.

The national lockdown came into effect a few days before the end of the 2020 financial year and has had minimum impact on our full-year results for this period. Due to trade being limited to the delivery of essential items for the initial period of the national lockdown, book sales were significantly impacted as it was classified as non-essential goods. Furthermore, our ecommerce business was also not allowed to trade in the hard lockdown, with this being lifted partially on 1 May 2020 and fully on 15 May 2020.

In assessing going concern, the impact of the Covid-19 pandemic on the group's operations and liquidity was considered in preparing the forecasts. The board is of the opinion that the group has sufficient financial flexibility given its liquidity position at 31 March 2020 to negate the expected negative effects that could result from the Covid-19 impact on the group's businesses in the next financial year.

17. Cash generated from/(used in) operations

	31 March	
	2020	2019
	R'm	R'm
Operating loss as per income statement	(221 816)	(367 328)
Adjustments: Non-cash and other	275 170	152 211
Working capital movement	(4 611)	(133 615)
Cash generated from/(used in) operations	48 743	(348 732)

Summarised reconciliation of operating loss to trading loss

	31 March	
	2020	2019
	R'000	R'000
Operating loss	(221 816)	(367 328)
Amortisation of intangible assets (excluding software)	22 656	14 484
Other gains – net	28 477	(8 492)
Share-based expense – equity (excluding restricted stock units)	24 971	27 719
Interest on finance leases	(6 511)	—
Trading loss	(152 223)	(333 617)

Calculation of headline and core headline profit/(loss)

	31 March	
	2020	2019
	R'000	R'000
Net loss attributable to shareholders	(48 216)	(254 625)
Adjusted for:		
– Impairment of goodwill/other assets	54 574	19 952
– Profit/(Loss) on sale of property, plant and equipment and intangibles	(7 922)	3 128
– Impairment of associates	—	16 004
– Gain from bargain purchase recognised on acquisition	(6 310)	—
– Profit on sale of investments	(21 417)	—
Total tax effects of adjustments	34	49
Total adjustment for non-controlling interest	3 092	38
Headline loss	(26 165)	(215 454)
Adjusted for:		
– Amortisation of intangible assets (excluding software)	8 851	8 286
– Foreign exchange losses/(gains)	672	(3 158)
– Derecognition/(Recognition) of deferred tax assets relating to prior-year losses	19 567	(3 877)
– Remeasurement of contingent considerations	(3 046)	(3 592)
– Acquisition-related costs	439	—
– Equity-settled share-based payment charges	24 760	27 719
Core headline profit/(loss)	25 078	(190 076)

Directors

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Group company secretary

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