

DIRECTORS' REPORT

FOR THE TWELVE MONTHS ENDED 31 MARCH 2018

NATURE OF BUSINESS

eMedia Holdings Limited is an investment holding company, incorporated in South Africa and listed on the JSE Limited under the Media Sector.

OPERATIONS AND BUSINESS

eMedia Holdings is a media investment company with media assets housed in eMedia Investments Proprietary Limited. These investments are constantly reviewed and new opportunities sought to complement them.

STATE OF AFFAIRS AND PROFIT FOR THE PERIOD

The Group ended the period with a loss for the year from continued operations of R1 599 million compared to a profit in the prior year of R112 million. Included in the loss for the current year is the impairment of goodwill of R1 501 million relating to the goodwill recognised upon the acquisition of eMedia Investments Proprietary Limited. Also included in the loss is the impairment of goodwill of subsidiary Coleske Artists of R31 million and an impairment of the investment in an associate company Da Vinci Media, of R64 million. EBITDA for the Group ended on R178 million compared to R405 million in the prior year, a 56% decrease year-on-year. Headline earnings for the Group amounted to a loss of R12.5 million compared to a profit of R98 million in the prior year.

The only asset of the Group is a 67.69% interest in eMedia Investments, the company that owns e.tv, eNCA and Openview.

Tough trading conditions continued for the free-to-air broadcasting industry with advertising revenue remaining flat. Despite this, the Group showed an increase of 5% in advertising revenue from R1 505 million to R1 573 million. The results were also impacted by the new MultiChoice agreement with eMedia Investments. In this regard, licence fee revenue was cut substantially in the current year. In addition, the Group continued to invest in the Openview platform which remains loss making.

The reduction in the movie slots, and a detailed analysis of the movie inventory, necessitated a once-off write-down of the movie inventory of R68.8 million. This is included in programming costs and other cost of sales which has shown an 11% increase year-on-year. A new revenue and content acquisition system was implemented to ensure better content acquisition in future.

Openview (inclusive of the e.tv multi-channel business) earned advertising revenue of R60 million and incurred content costs of R173 million. Operating costs, including retail subsidies of R74 million amounted to R255 million. The net operating loss of Openview amounted to R366.6 million (R394.5 million in 2017). Openview set-top box activations continue to grow at an average of 35 000 per month. At the end of the period, a total of 1 149 217 (778 493 in 2017) boxes were activated and a total of R74 million (R99 million in 2017) were spent on retail subsidies. The SES-5 satellite contract was terminated in December. Settlement and

usage costs of R100 million were paid in this financial year of which R55.4 million was expensed in this financial year and will not be recurring. The Group will increase its content investment in the Openview platform during 2019 and recently announced that it will launch a news channel on Openview during the last quarter of 2018. In addition an Afrikaans block of programming, including news and current affairs, will also be launched during this time. While these programmes and channels will be loss making in the beginning, they are part of the content that is required to promote set-top box uptake and viewership. Openview currently attracts about 3,5% of the television audience in South Africa and break-even is estimated to be in the region of 6%.

eNCA continues to be the most watched 24-hour news channel in the country with over 50% of the market share. As mentioned, the amount received from MultiChoice has reduced from this year, however costs are being well controlled in this entity.

Certain of the Group's other subsidiaries have performed satisfactorily for the year. These include Sasani Africa and Strika Entertainment, while other assets have underperformed but shown improvement towards the latter part of the financial year. Management continues to review non-core and peripheral business and will exit these businesses when opportunities present themselves.

DIVIDENDS

No dividend was declared by the Group.

SHARE CAPITAL

During the year under review, 444 481 N-ordinary shares (0.1%) were bought back by the company from employees who resigned and held shares on loan account. As at 31 March 2018, these shares are held as treasury shares by the company.

DIRECTORATE

The directors of the company appear on page 8. With effect from 14 November 2017, André van der Veen, chief executive officer was appointed to the board of eMedia Holdings as an executive director and former acting chief executive officer Kevin Govender, appointed a non-executive director. Yunis Shaik was appointed as a non-executive director on 3 July 2018.

The board of the company comprises John Copelyn (non-executive chairman); André van der Veen (chief executive officer), Antonio Lee (financial director), Kevin Govender (non-executive director), Yunis Shaik (non-executive director). Loganathan Govender (lead independent non-executive director, member of the audit and risk and social and ethics committees), Rachel Watson (independent non-executive director, member of the audit and risk, remuneration and social and ethics committees) and Velaphi Mphande (independent non-executive director, member of the audit and risk and remuneration committees).

COMPANY SECRETARY

The secretary of the company for the twelve months ended 31 March 2018 was Junadi Van der Merwe. The secretary has an arm's-length relationship with the board of directors. The name, business and postal address of the company secretary are set out on page 60. The company secretary resigned on 31 March 2018 and has been replaced by HCI Managerial Services Proprietary Limited.

The board has assessed the competence, qualifications and experience of the company secretary and has satisfied itself that these are met.

AUDITORS

Grant Thornton Johannesburg Partnership will continue in office in accordance with section 90 of the South African Companies Act, with Garron Chaitowitz as the designated auditor.

SIGNIFICANT SHAREHOLDERS

The company's significant ordinary shareholder is Fulela Trade and Invest 81 Proprietary Limited and significant N-ordinary shareholder is HCI Invest 6 Holdco Proprietary Limited.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the company's shareholders at the annual general meeting held on 1 November 2017:

- Approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the period 1 November 2017 until the date of the next annual general meeting.
- Granting the company and the subsidiaries of the company a general authority in terms of the Listings Requirements of the JSE Limited for the acquisition by the company, or a subsidiary of the company, of ordinary issued shares issued by the company.

SPECIAL RESOLUTIONS OF SUBSIDIARIES

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the company.

AUDITOR'S REPORT

The consolidated annual financial statements have been audited by Grant Thornton Johannesburg Partnership and their unqualified audit report on the annual financial statements are available for inspection at the registered office of the company. These summarised financial statements are extracted from audited information, but is not itself audited.

SHAREHOLDING OF DIRECTORS

The shareholding of directors of the company and their participation in the share incentive scheme and in the issued share capital of the company as at 31 March 2018, are set out on page 16.

DIRECTORS' EMOLUMENTS

Directors' emoluments incurred by the company and its subsidiaries for the year ended 31 March 2018 are set out in the remuneration report on page 27 and in the notes to the annual financial statements on www.emediaholdings.co.za.

ASSOCIATES, JOINT VENTURES AND SUBSIDIARIES

Details of the company's subsidiaries are set out in annexure A in the annual financial statements available on the company website www.emediaholdings.co.za.

BORROWING POWERS

There are no limits placed on borrowing in terms of the memorandum of incorporation. Certain companies in the Group have entered into various loan agreements with providers of loan finance. These loan agreements include various covenants and undertakings by companies in the Group, which may restrict the Group's borrowing powers. Details of these covenants and undertakings are available from the registered office of the company.

LITIGATION STATEMENT

There are no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the directors of HCI are aware), which may have or have had, during the 12-month period preceding the last practicable date, a material effect on the financial position of eMedia Holdings.

MATERIAL CHANGE

There has been no material change in the financial or trading position of the eMedia Holdings Group since the publication of its provisional results for the year ended 31 March 2018.

SUBSEQUENT EVENTS

Other than as previously detailed in this report, the directors are not aware of any event or circumstance occurring between the reporting date and the date of this report that materially affects the results of the Group or company for the year ended 31 March 2018 or the financial position at that date.

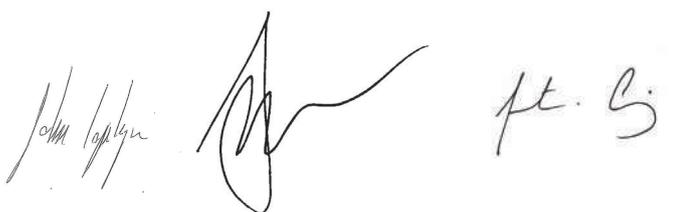
APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of eMedia Holdings Limited are responsible for the preparation, integrity and fair presentation of the financial statements of the company and of the Group and for other information contained in this Integrated Annual Report. The summarised audited financial statements set out on pages 44 to 52 and the annual financial statements for the year ended 31 March 2018, available on the company website www.emediaholdings.co.za, have been prepared in accordance with International Financial Reporting Standards and include amounts based on prudent judgments and estimates by management.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group or any company within the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the Group. The financial statements have been audited by the independent auditing firm, Grant Thornton Johannesburg Partnership, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board.

The directors believe that all representations made to the independent auditors during the audit were valid and appropriate.

The annual financial statements for the year ended 31 March 2018, which are available on the company website, were approved by the board of directors on 25 July 2018 and are signed on its behalf by:



JA Copelyn
Chairman

A van der Veen
Chief executive officer

AS Lee
Financial director

25 July 2018,
Cape Town