

look for **potential**

At Kagiso Media we see potential. We look beyond the rough stone and see the piece of art inside. A blank page or empty slate is an opportunity, the chance for a person or an idea to soar. This kind of outlook defines Kagiso Media. We look for untapped potential in business opportunities, in the development of staff and, through the Kagiso Trust, in under-privileged people and communities.





The company had another good year, delivering a 15% increase in revenue to R604,8m, profits were up 16% to R110,0m, bringing the compounded annual growth rate in profits over the past five years to 25%. The group also declared a final dividend of 33 cents per share, bringing the total dividend to 73 cents per share for the year.

These results reflect pure organic growth in our companies. Despite the fact that this is a cyclical down year for the group due to biennial exhibitions, we have still increased both our revenue and profit.

I feel proud to be releasing our eighth set of results since becoming CEO of the company. This is relevant since I will be stepping aside as CEO to take up the role of non-executive chairman. In my first CEO statement I committed the company to deliver consistent growth and performance, and with a dynamic and committed team we were able to achieve this.

Kagiso Media's record of consistent growth is the outcome of a business strategy rooted on the following foundations:

- A conscientious driving of operational efficiencies which has achieved a high rate of organic growth across the organisation.
- A highly targeted and prudent acquisitive growth path which has boosted company profits and consolidated Kagiso Media's leadership in the media marketplace.
- A diligent scrutiny of, and anticipatory response to, environmental conditions which has led to product development and innovation.
- A steadfast dedication to honour the Kagiso Trust's business ethos and principles which are key to earning a commendable business reputation.

Indeed, Kagiso Media continues to be a solid investment proposition for investors. It would be fair to say that the company is well poised for further growth with our unique mix

of regional radio stations in core areas across SA, innovation and expansion in information services and solutions, and an expanded exhibitions and events foothold.

We have always prided ourselves on our strong operational focus, which once again, ensured that we maintained our consistent record of growth and performance. This remains a key pillar of our company strategy. However, in the year under review we also made some exciting acquisitions, achieving the dual strategic objectives set for broadcasting in 2005. These objectives were to (a) strengthen current radio assets and (b) secure a strategic stake or economic interest in iGagasi 99.5, Heart 104.9 and Kaya FM. With its new radio acquisitions, Kagiso Media can now offer advertisers access to over 6 million consumer prospects (compared to 4,6 million prospects in 2004).

Broadcasting continues to deliver the lion's share of operating profit at R174m which is up 21% on last year's figure of R144m. This represents 84% of the total operating profit of R206,3m. East Coast Radio and Jacaranda 94.2 delivered revenue growth of 14% and 13% respectively and both brands continue to be market leaders in terms of revenue share and brand recognition.

But of course, while investors are keen on hearing about strategy, it is the companies' financial performance that must speak for itself. We have always drawn attention to the high cash generation of our business. For the reporting period, our operations generated R236,8m, an attractive 24% increase on last year, and our consolidated EBITDA margin increased by one percentage point to 39%.

The dividend of 73 cents per share represents 88% of the earnings per share for the year (83,2 cents per share), a dividend cover of 0,9 times, reflecting Kagiso Media's policy of returning surplus cash to shareholders in the absence of investment opportunities. Our dividend yield also remains highly attractive.

LexisNexis Butterworths ("LexisNexis") has begun to venture into the rest of Africa and has secured prestigious, long-term contracts, providing Kagiso Media with a secure foothold for further expansion and growth throughout the continent.

With the continued and growing migration of LexisNexis's customers from print to online information solutions, the division has repositioned itself as an information services and solutions company. The company produced its 12th consecutive year of double-digit growth increasing operating profit by 38% to R39,0m (2005: R28,3m) off a revenue increase of 18%. It is very encouraging when a company can both respond to changes in its market and improve its operating margin at the same time.

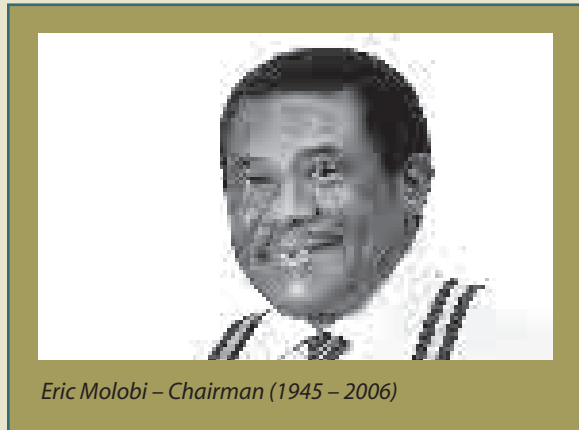
Our exhibitions business increased its revenue by 15% to R113,2m (2005: R98,2m) despite this being a year where it does not host its two biennial exhibitions, namely the Auto Africa and Aerospace and Defence shows. Stripping out the revenue contributed by its new subsidiary, and comparing

with 2004, the last year without these two shows, Exhibitions and Events increased revenue by 57%.

The Rand Show grew handsomely due to strategic partnerships. In addition this division has renewed a three-year contract with South African Tourism, won a number of new mandates and expanded its services to providing infrastructure, such as building stands, to exhibitions and events. This will broaden our offering, especially in Gauteng.

TRIBUTE TO ERIC MOLOBI

In June 2006 our beloved chairman, Eric Molobi, passed away. His loss to the company is immeasurable. Eric was a founder of the Kagiso group of companies and the strong institution that Kagiso is today was largely inspired by his vision and commitment to building an enduring black owned and controlled company. As chairman of Kagiso Media he always brought a unique insight to board-room debates and steered discussions to ensure that all opinions were heard. The greatest tribute to him must surely be a commitment by those who remain to take Kagiso Media from strength to strength.



Eric Molobi – Chairman (1945 – 2006)

A NEW MANAGEMENT TEAM

I will be stepping aside as CEO with effect from 1 November 2006 to take up the role of non-executive chairman of the company. As I said at the outset, it has been a profound experience to be at the helm of this great "little" company and to release eight sets of strong financial results during my tenure. Our earlier positioning of "strong people, strong assets, and strong markets" has paid off handsomely for our shareholders. For this I must thank amazing and committed teams and staff at all of our operations. It is through their efforts that we were able to deliver a compounded annual growth rate in profits of 25% over the past five years.

I also want to thank my fellow executives and staff at Kagiso Media for their support and dedication to the company. It has truly been a remarkable experience working with them. The board of Kagiso Media was also instrumental in providing sound stewardship and guidance. This undoubtedly will remain a big factor in the company's on-going success.

Murphy Morobe will be taking over as CEO. We were very fortunate to be able to attract someone of Murphy's calibre to the group and I know that he will take the company to even greater heights. I am looking forward to working with him as he takes the company forward.

PROSPECTS

The company's determination to grow revenues and profits, and to demonstrate innovation and creativity in the face of changing markets makes it possible for me to say that we will deliver strong growth in the coming year.

Our strategy was affirmed in the course of the year through several accolades that were given to us by industry bodies. Kagiso Media was ranked number 16 in The Sunday Times' 2005 top empowerment companies. In addition, we were also rated number one in the 2005 Finance Week's black chip ratings.

But this recognition is underpinned by the strong people and strong assets in the group. East Coast Radio and Jacaranda 94.2 featured in the top 10 radio brands in South Africa, the only private radio brands to do so. Our core operations in radio are consistently in the top three revenue earners in the industry. Jacaranda 94.2's market share growth in the key Gauteng market strengthens this position. In addition, with effect from 1 July 2006, Kagiso Media increased its stake in Jacaranda 94.2 to 80%.

Additionally, Kagiso Media is well positioned to benefit from an upward trend in interest rates. With the prospect of interest rate hikes, retail spending may slow down. Kagiso Media has not benefited significantly from the retail advertising boom as print and television are the main beneficiaries. Our stations, with their high LSM listener profile, are therefore in a much stronger position to absorb a changed interest rate environment should this become inevitable. The group remains confident that the stations in its portfolio will continue to deliver competitive results in the radio market.

LexisNexis has delivered 12 consecutive years of double-digit growth and is at present investigating a range of opportunities. The strategic change from being a research based organisation to one that provides a "total solution" to its customers will ensure continued strong sustainable growth into the future.

Kagiso Exhibitions and Events will stage its biennial shows in the first half of the new financial year, and is well positioned for growth going forward with the enhanced exhibition services division now having the capacity to deliver on the larger event and exhibition infrastructure projects across the country.

The group will continue to deliver good growth in the coming year.

A handwritten signature in dark ink, appearing to read "WR Jardine".

WR Jardine
Chief executive officer



WR (Roger) Jardine

(41), BSc, MSc ¹⁴

Chief executive officer

Director of several Kagiso group companies

Non-executive director of FirstRand Bank, Natal Sharks (Pty) Limited, Macsteel Service Centres SA 2005 (Pty) Limited

Appointed 1 June 1999, re-elected on 25 November 2002 and on 25 November 2005



MJN (Johnson) Njeke

(48), CA (SA) ²³⁴

Deputy chairman

Managing director of Kagiso Trust Investments (Pty) Limited

Board member of several Kagiso group companies, Mittal Steel Limited, Metropolitan Holdings Limited, NM Rothschild (SA) (Pty) Limited, Pareto Limited and Resilient Property Income Fund

Past chairman of SAICA and current chairman of its Education Committee

Appointed 24 October 1997, re-elected on 7 December 2001 and 15 November 2004



OC (Omar) Essack

(39), BA, H Dip Ed ¹⁴

Executive director: Broadcasting

Member of the University of the Witwatersrand Radio Journalism Advisory Board

Appointed 1 January 2004



S (Sandra) Pienaar

(41), CA (SA), MComm (Tax) ¹⁴

Finance director and company secretary

Appointed 1 October 2005



RM (Maud) Motanyane

(55), Diploma, Library Science ³

Director of Africa/Europe: Jikelele Media Group

Editorial director of Tribute Magazine, Penta Publishing

Appointed 1 September 2005



HI (Hylton) Appelbaum

(52), LLB

Non-executive director of Liberty Group Limited, Kagiso Trust Investments (Pty) Limited, The Synergos Institute Incorporated and Education Interactive Incorporated

Appointed 24 October 1997, re-elected on 25 November 2003, retires by rotation and is available for re-election at the annual general meeting on 24 November 2006



RL (Tak) Hiemstra

(50), CA (SA) ^{234#}

Executive director of Imperial Holdings Limited, deputy chairman of Tourvest Limited and non-executive director of Distribution and Warehousing Network Limited

Appointed 11 February 1998, re-elected on 25 November 2002 and on 25 November 2005



YI (Yunus) Mahomed

(56), BProc, MBA ²

Chairman of Kagiso Trust, deputy chairman of Kagiso Trust Investments (Pty) Limited

Chairman of CBF Holdings Limited

Director of FirstRand Limited, the Johannesburg Housing Company and several private companies

Appointed 24 October 1997, re-elected on 25 November 2003, retires by rotation and is available for re-election at the annual general meeting on 24 November 2006

Kagiso Trust Investments (Proprietary) Limited during the year increased its stake in Kagiso Media Limited to 48,1%

OVERALL EMPOWERMENT SHAREHOLDING

In 1996 Kagiso Trust Investments (Proprietary) Limited ("KTI") and VideoVision Investments (Proprietary) Limited ("VideoVision"), a producer and distributor of films (also controlled by previously disadvantaged individuals), bid together for two of the regional radio broadcasting licences that were privatised by the SABC. In the latter part of 1997 they listed these radio assets and their interest in specialist publishing as Kagiso Media Limited. During the current financial period VideoVision sold all of its shares in the company. KTI acquired 4,99% in Kagiso Media at the same time. This transaction resulted in KTI being the major shareholder owning a total of 48,1% in the company.

The company's shares are quoted on the JSE Limited ("JSE"). These shares are often owned through nominee companies, life funds and unit trusts, and as such it is not possible to ascertain the total number of individual black shareholders.

THE KAGISO EMPOWERMENT MODEL

The Kagiso Trust owns 50,3% of the shares in KTI, Industrial Partnership Investment Limited ("Remgro") owns 37,2% and the staff share trust and others own 12,5%. Kagiso Media has been returning a substantial proportion of its profits to its shareholders through dividends. Of the total dividends paid since listing, almost R254m was paid to KTI. This cash, together with dividends from other KTI investee companies, is used to fund the development activities of the Trust and further growth in KTI's investment activities.

In contrast to many existing empowerment funding models, the activities of the Kagiso Trust do not benefit only a small number of individuals, but the community at large. This model aims to assist in the reconstruction and development of the country to overcome the legacies of apartheid.

THE KAGISO TRUST

Kagiso Trust is one of South Africa's most respected, leading-edge non-governmental development finance organisations. It is non-partisan in character and promotes non-racialism, reconstruction and development in South Africa. Kagiso Trust seeks to improve the quality of life of the poor and marginalised and regards development as an integral part of transformation and social change, especially in the context of the history of deprivation and poverty faced by millions of South Africans.

HISTORY

Kagiso Trust was established in May 1985 with funds from the European Union's Special Programme for the Support of Victims of Apartheid. It grew from a small unit managed by two people to a national operation of close to 100 people by the early 1990s, while its annual budget grew from R15m to R250m over this period.

During this time Kagiso Trust accountably and transparently managed more than 700 funding contracts in various European community prioritised development sectors. In addition, it managed a bursary fund which supported more than 20 000 students at universities, technikons and teacher-training institutions. The Trust is governed by a board of trustees that serves as custodian of the policies and direction of the Trust. The current trustees are Mr Yunus Mahomed (chairperson), Ms Nthobakae Angel, Rev Mazwi Tisani, Dean Zwo Nevhutalu, Ms Bongzi Njobe and Mr Hylton Appelbaum – all personalities with strong community links and personal commitment to social upliftment.

The Trust is also supported by a number of patrons that include Archbishop Desmond Tutu, Rev Dr Frank Chikane, Fr Smangalis Mkhathshwa, Dr Abe Nkomo, Prof Jakes Gerwel, Mr Goolam Aboobaker, Ms Zanele Mbeki and Dr Max Coleman. Rev Dr Beyers Naude, a founding patron of the Trust, passed away during 2004.

DEVELOPMENT OBJECTIVES

Throughout Kagiso Trust's 21-year history, its development objectives have adapted to the changing circumstances. Currently these are to:

- Promote and facilitate innovative and alternative development models;
- Build integrated development programmes at grassroots level that can be sustained and repeated elsewhere;
- Help create and maintain a vibrant non-governmental sector, working constructively with government and the private sector;
- Provide those disadvantaged by apartheid with access to skills and resources;
- Articulate the needs of the poor and marginalised;

- Contribute to the planning and successful implementation of national development objectives; and
- Fight poverty through education.

FUNDING OF THE TRUST

From 1985 to 1994 the Trust had a readily accessible source of donor funding, predominantly from the European Union. After the normalisation of the political environment in 1994, these sources became increasingly difficult to access as this funding was being channelled directly through the democratic government of South Africa.

In order to secure a sustainable source of funding and to leverage existing investments, the Kagiso Trust formed KTI as an investment arm, which it capitalised with the modest reserves it had built up at the time and with a \$5m loan from JP Morgan. KTI used these funds to acquire the radio and publishing assets which gave rise to Kagiso Media. KTI has since diversified its investment portfolio with the aim of becoming this country’s pre-eminent empowerment investment banking services and media group. Currently it is involved in a diverse range of industrial and financial activities.

Apart from its 48,1% investment in Kagiso Media, it currently has interests in corporate finance, advisory and other financial services, securities trading, foreign exchange and derivatives trading, property investments and facilities management, fleet management services, a private equity fund, asset management, mining, banking, insurance and treasury services.

INVESTMENT PHILOSOPHY

The Trust and KTI observe the philosophy not to invest in any asset or industry that is harmful to man or nature, such as the armaments industry, gambling, tobacco or alcohol. The investment philosophy of the Kagiso group is simple: to invest in those assets that it can grow through its own interventions by taking an active part in the management and control of these companies. It also seeks to transfer skills and economic means to previously disadvantaged individuals through these investments and build businesses that can perform in a sustainable manner.

THE BEYERS NAUDE SCHOOLS DEVELOPMENT PROGRAMME

Kagiso Trust has decided to focus its attention on education. Poverty and a shortage of facilities and resources continue to plague schools in poorer areas. The Beyers Naude Schools Development Programme is specifically targeted at rural schools with the aim of developing vibrant, healthy, accountable and sustainable school communities.

The objectives of the programme include building leadership capacity and value-adding relationships as well as instituting training interventions.

SUMMARY

Kagiso Media is undeniably proud of its empowerment pedigree. The Kagiso Trust, through KTI, represents a credible, broad-based empowerment shareholding structure that is built on trust and integrity. It is both equitable and sustainable.

Transformation

In prior years, Kagiso Media was using the narrow based black economic empowerment scorecard and the Information, Communication and Technology Charter (“ICT Charter”) to measure its transformation progress.

In the current financial period, the Department of Trade and Industry (“the dti”) released the Codes of Good Practice which give guidance on measurement of the broad based black economic empowerment (“BBBEE”) and the application of the related scorecard. The new scorecard has the following seven elements:

- ownership;
- management;
- employment equity;
- skills development;
- preferential procurement;
- enterprise development; and
- residual.

These elements are weighted out of 100, which will be used to measure the company’s contribution to BBBEE.

As a result of the abovementioned changes the company decided upon a revised approach in order to comply with the new requirements. At the time of reporting, the company has drafted an amended strategy and determined short, medium and long term targets in order to meet the requirements of the scorecard.

Broad consultation between the company and its subsidiaries, joint ventures and associates assisted in developing a consolidated strategy outlining the manner in which the group will meet the targets over the ten year period, as determined by the codes.

Kagiso Media has ensured that a strong social developmental agenda has become part of the business fabric of its operations

KAGISO TRUST DEVELOPMENT FOCUS

The Kagiso Trust – a leading development organisation

The Kagiso Trust, Kagiso Media's ultimate controlling shareholder, has earned its reputation as one of South Africa's leading development NGOs through its dedication to development over the past two decades. The Kagiso Trust finances and manages community-based projects aimed at assisting those in need, specifically focusing on women, young people and the disabled. The Trust works closely with community-based organisations to provide sustainable, educational and developmental services to the poorest and most under-resourced sectors of South African society.

CORPORATE SOCIAL INVESTMENT ("CSI")

Kagiso Media has encouraged the effective utilisation of its prominent and influential media assets in furthering South Africa's social developmental agenda. Its operations have embraced this challenge with enthusiasm and become actively involved in the communities they serve. Our operations view CSI as an opportunity to 'live' the Kagiso values and ethos.

All operations were actively engaged in benefiting the communities that they serve. A list of flagship projects per operation is illustrated in the table on the following page.

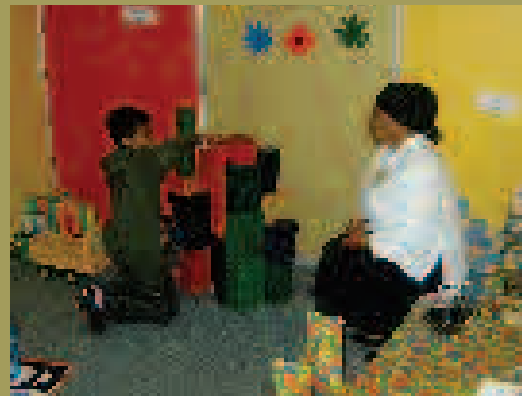
SOME CSI HIGHLIGHTS

LexisNexis Butterworths has provided financial support for 10 TREE Early Childhood Development sites in the Umbumbulu region near Durban for the past three years. In addition to financial assistance, staff volunteered time and skills to physically develop these schools. Directors, sales staff, editors and information technology teams became involved in bricklaying, plastering, painting and even welding. Such was the enthusiasm for the project that staff personally raised over R20 000 for building and development materials – and a party at one crèche – over and above the company's financial support.

Jacaranda 94.2 together with Montecasino assisted the Early Childhood and Women Development Centre's crèche in Reigerpark.



Kieno Kammies hands over a cheque to Reigerpark crèche kids at Montecasino



Happy play at a vibrant Early Childhood Development site

Corporate social investment (continued)

FLAGSHIP PROJECTS PER OPERATION		CONTRIBUTION IN CASH OR AIRTIME
EAST COAST RADIO		
Toy Story 2005	8 500 food parcels and 70 000 new Christmas gifts were distributed in KwaZulu-Natal. 15 000 soft toys were distributed to 90 government hospitals in KwaZulu-Natal.	R2,3m
The Big Favour	48 on-air features per year which benefit a needy person/persons.	R2,2m
JACARANDA 94.2		
Assisted the Let's Play project – national drive to get children playing sport	Arranged a challenge by the Breakfast Team to the Australian Ambassador delegation while the Australian cricket team toured South Africa to raise funds for this project.	R150 000
Good Morning Angels	Programming promotion to supply help to needy causes with the aid of other sponsors.	R315 900
OFM		
Chip for Charity	A fund raiser for Child Welfare.	R125 000
Ofm Dagboek	Ongoing feature that benefits a broad range of charities in the province.	R300 000
HEART 104.9		
Winter Warmth soup kitchens	Soup kitchens set up in over 40 areas across Cape Town to feed needy children	R600 000
RADMARK		
Christmas collection drive	Collection for various charities including Olivers House for the Homeless and Wet Nose Animal Rescue.	R10 000
LEXISNEXIS BUTTERWORTHS		
Support for TREE Early Childhood Development sites	10 TREE Early Childhood Development sites in the Umbumbulu region near Durban have been supported by LexisNexis for the past three years.	R215 000
Sponsorship of post-graduate law students	Sponsorship done in conjunction with the legal publication De Rebus.	R10 000
KAGISO EXHIBITIONS AND EVENTS		
Eric Molobi Educational Fund	Donation given to this educational fund set up to honour the late chairman of Kagiso Media.	R10 000
WITS FOUNDATION	Participation in WITS FOUNDATION education project.	R200 000

Five-year financial review

(R'000)	2006	2005	2004	2003	2002
Results of operations					
Revenue	604 795	527 081	297 503	261 878	222 405
EBITDA ¹	237 111	201 669	103 251	88 904	70 664
See-through EBITDA	244 767	207 731	143 410	121 865	97 209
Depreciation and amortisation	(30 827)	(28 014)	(16 817)	(15 833)	(16 540)
Profit from operations	206 284	173 655	86 434	73 071	54 124
Finance costs (net)	5 075	6 777	5 723	10 851	4 085
Preference dividend	(6 370)	(4 399)	–	–	–
Share of results of associates	6 865	5 920	37 399	27 400	20 630
Tax	(82 058)	(71 520)	(48 237)	(43 833)	(26 581)
Minority interest	19 769	15 219	18	38	(3 067)
Profit for the year	110 027	95 214	81 337	67 527	49 191
Headline earnings	110 189	95 019	82 192	70 408	46 053
Financial position					
Property, plant and equipment	19 948	16 121	13 509	12 940	14 134
Intangible assets ²	361 662	382 977	73 376	73 307	83 545
Investment in associates	44 708	39 248	24 640	28 641	29 291
Deferred income tax assets	17 993	11 615	18 925	16 775	19 285
Loans and receivables	19 115	8 403	–	–	2 606
Current income tax assets	–	2 103	–	–	–
Inventories	21 140	16 236	17 865	12 279	15 088
Trade and other receivables	129 885	105 998	100 973	64 231	62 271
Cash and cash equivalents	85 336	81 422	88 312	73 644	73 063
Total assets	699 787	664 123	337 600	281 817	299 283
Ordinary shareholders' equity	271 646	270 273	191 908	189 651	197 611
Minority interest	94 089	96 320	37	144	3 127
Borrowings – other	1 291	–	–	–	–
– preference shares	100 000	82 500	4 096	–	–
Deferred income tax liabilities	97 371	96 585	15 673	18 991	22 310
Trade and other payables	124 654	95 780	110 199	65 550	64 769
Current income tax liabilities	10 736	22 665	15 687	7 481	11 466
Total equity and liabilities	699 787	664 123	337 600	281 817	299 283

Five-year financial review (continued)

(R'000)	2006	2005	2004	2003	2002
Results of operations (continued)					
Cash flow					
Cash generated from operations	236 843	190 340	103 002	88 452	67 666
Net cash generated from operating activities	6 972	47	25 911	4 258	60 797
Cash flows from investing activities	(13 972)	(83 313)	(13 317)	(2 583)	10 103
Capital expenditure	(13 501)	(6 115)	(4 749)	(2 832)	(14 091)
Net cash generated from/(used in) financing activities	10 914	76 375	2 074	(1 096)	5 002
Distribution from share capital	–	–	–	–	(28 065)
Dividends paid to ordinary shareholders	(111 299)	(110 277)	(75 341)	(77 547)	(29 445)
Cash and cash equivalents	85 336	81 422	88 312	73 644	73 063
Performance per share					
Weighted average number of shares	1 323	1 310	1 296	1 288	1 279
Weighted average share price (cents)	1 232	861	662	294	270
Headline earnings (cents)	83,3	72,5	63,4	54,7	36,0
Increase in headline earnings (%)	14,8	14,3	16,0	51,9	20,6
Earnings (cents)	83,2	72,7	62,8	52,4	38,4
Cash flow (cents) ³	87,1	78,9	54,0	45,1	10,7
Dividends (cents)	84,0	84,0	58,0	60,0	42,0
Net asset value (cents) ⁴	205	206	147	147	154
Returns and profitability ratios					
EBITDA margin (%)	39	38	35	34	32
Operating profit margin (%)	34	33	29	28	24
Effective tax rate (%)	39	39	37	39	34
Return on assets (%) ⁵	16	19	26	23	17
Return on equity (%) ⁶	41	41	43	36	23
Price earnings ratio (times)	14,8	11,8	10,5	5,6	7,0
Dividend yield at closing price (%)	7,4	7,3	7,7	14,6	16,0
Solvency and liquidity ratios					
Gearing (%) ⁷	37	31	2	0	0
Current ratio (%) ⁸	175	172	165	206	197
Nominal cash conversion ratio (%) ⁹	105	109	85	83	30

Notes

- 1 Earnings before interest, tax, depreciation, amortisation and share of earnings from associates
- 2 Intangible assets and goodwill
- 3 Cash generated during the year being the net increase/(decrease) in cash and cash equivalents, plus dividends paid divided by the weighted average number of shares in issue during the year
- 4 Ordinary shareholders' interest divided by the number of shares in issue at year end
- 5 Attributable earnings divided by the average of the opening and closing balances of total assets
- 6 Profit for the year as a percentage of the average of the opening and closing balances of ordinary shareholders' interest
- 7 Long term borrowings as a percentage of shareholders' equity
- 8 Current assets divided by current liabilities
- 9 Cash flow per share (as defined in 1 above) divided by headline earnings per share
- 10 Comparative figures for 2005 were restated to reflect the effect of the transition to International Financial Reporting Standards ("IFRS"), and audited. The years previous to 2005 have been restated but not audited to reflect the effect of the transition to IFRS, specifically referring to paragraph 4.5 (ii) and 4.5 (iii) as explained in the accounting policies

Segmental reporting

Revenue	2006		2005	
	R'm	%	R'm	%
Central services	2,2	0%	–	0%
Broadcasting	353,9	59%	318,0	60%
Information services and solutions	135,5	22%	110,9	21%
Exhibitions and events	113,2	19%	98,2	19%
Total	604,8	100%	527,1	100%
Operating profit				
Central services	(12,8)	(6%)	(10,3)	(6%)
Broadcasting	173,9	84%	143,9	83%
Information services and solutions	39,0	19%	28,3	16%
Exhibitions and events	6,2	3%	11,8	7%
Total	206,3	100%	173,7	100%
Profit/(loss) for the year				
Central services*	(34,5)	(31%)	(27,2)	(29%)
Broadcasting	110,7	101%	92,6	97%
Information services and solutions	28,5	26%	19,6	21%
Exhibitions and events	5,3	5%	10,2	11%
Total	110,0	100%	95,2	100%
* All Secondary Tax on Companies ("STC") incurred by Kagiso Media Limited and its subsidiaries, its share of STC in the results of the joint ventures and associates and any preference dividends paid are allocated to the central services.				
Net assets				
Central services	63,1	17%	66,0	(25%)
Broadcasting	226,0	62%	248,3	96%
Information services and solutions	50,3	14%	24,0	19%
Exhibitions and events	26,3	7%	28,3	10%
Total	365,7	100%	366,6	100%
Source of revenue				
Conventional advertising spend	356,9	59%	318,8	60%
Subscription revenues	79,3	13%	67,9	13%
Sales of publications and services	55,3	9%	42,1	8%
Exhibitions stand rental	58,6	10%	58,6	11%
Entrance fees, commission, other	54,7	9%	39,7	8%
Total	604,8	100%	527,1	100%
This analysis should be read in conjunction with the segment information, note 18 to the annual financial statements.				

INTRODUCTION

The segmental analysis on page 12 and the annual financial statements set out on pages 40 to 104 should be read in conjunction with this review.

RESULTS

The results for the year can be summarised as follows:

Summarised income statement	2006 R'000	2005 R'000	% change
Revenue	604 795	527 081	14,7
Operating profit	206 284	173 655	18,8
Earnings	110 027	95 214	15,6

REVENUE

Revenue increased by 14,7% to R604,8m for the year to 30 June 2006. The operations contributed as follows to the group revenue:

Revenue	2006 R'000	2005 R'000	% change
Central services	2 216	37	–
East Coast Radio	167 272	147 295	13,6
Jacaranda 94.2*	182 422	161 722	12,8
RadMark	4 165	8 993	(53,7)
LexisNexis Butterworths	135 527	110 831	22,3
Kagiso Exhibitions and Events	113 193	98 203	15,3
Total	604 795	527 081	14,7

Revenue at Ofm, an associate of the group, increased by 17,1% to R48,4m in the year under review. The revenue for the other three associates was as follows:

Revenue	2006 R'000	Date interest acquired
Kaya FM	52 092	1 December 2005
Heart 104.9	20 238	1 June 2005
iGagasi 99.5	10 176	1 June 2005

OPERATING PROFIT AND OPERATING PROFIT MARGINS

In the period under review the group recorded operating profit of R206,3m, which represents an increase of 18,8% over R173,7m of 2005 at an operating profit margin of 34,1% (2005 – 33,0%).

The consolidated operations contributed as follows to the group operating profit:

Operating profit/(loss)	2006 R'000	2005 R'000	% change
Central services	(12 868)	(10 325)	24,6
East Coast Radio	92 145	77 534	18,8
Jacaranda 94.2*	89 582	72 415	23,7
RadMark	(7 786)	(6 077)	28,1
LexisNexis Butterworths	39 030	28 278	38,0
Kagiso Exhibitions and Events	6 181	11 830	(47,8)
Total	206 284	173 655	18,8

* Consolidated since 1 August 2004

OPERATING PROFIT MARGINS

The operating profit margins of the stand-alone subsidiaries, joint ventures and associated companies, as well as the consolidated operating margins were as follows:

Operating profit margins	2006 %	2005 %
Central services	–	–
East Coast Radio	50,8	48,3
Jacaranda 94.2	43,4	41,2
Ofm	23,8	23,8
Kaya FM	23,6	24,6
Heart 104.9*	11,0	–
iGagasi 99.5*	4,4	–
RadMark	44,8	43,6
LexisNexis Butterworths	28,8	25,5
Kagiso Exhibitions and Events	5,5	12,0
Total	34,1	33,0

*Effective date of the transaction was 1 June 2005

The operating profit at East Coast Radio (Proprietary) Limited increased from 48,3% to 50,8% on the back of a 13,6% increase in revenue. Jacaranda 94.2's margins improved from 41,2% to 43,4% also as a result of an increase in revenue of 12,8%. The margins at Jacaranda 94.2 are suppressed with the amortisation charge on the intangible assets, accounted for in terms of the purchase price allocation made as per IFRS 3 – Business Combinations. The operating profit margin at Jacaranda 94.2, excluding this charge, is 49,1% for 2006. The operating profit margins are considered optimal for these stations.

At LexisNexis Butterworths (Proprietary) Limited, revenue grew by 22,3%. The operating profit margin improved from 25,5% to 28,8%, largely as a result of the product mix changes in favour of the electronic products which contribute higher margins.

SEE-THROUGH OPERATING PROFIT

The see-through operating profit being the group's effective share of the operating profit of its subsidiaries, joint ventures and associates increases by 20,3% to R213,1m in the year to 30 June 2006.

Financial review (continued)

FINANCE INCOME AND EXPENSES

In the period under review the group earned R5,6m (2005 – R7,1m) in interest on its surplus cash. A dividend of R6,4m was paid on the preference shares in issue during the year, an increase of R2,0m, reflecting the 44,8% increase in average borrowings throughout the year.

TAXATION

The consolidated effective tax rate during the period under review was 38,7% (2005 – 39,3%), reflecting the high rate of return of earnings to both ordinary and preference shareholders. The tax charge for the year included a charge for STC of R17,5m (2005 – R14,3m). Excluding the impact of the STC charge, the effective tax rate for the year is 30,5% vs the 31,4% in 2005.

EARNINGS

For the year under review the individual operations contributed as follows to the profit/earnings:

Earnings	2006	2005	%
Central services	(34 555)	(27 210)	27,0
– Operating cost, net of interest received after tax	(10 727)	(8 476)	26,6
– Preference dividend	(6 370)	(4 399)	44,8
– STC	(17 458)	(14 335)	21,8
Broadcasting division	110 745	92 529	19,7
– East Coast Radio	68 442	58 135	17,7
– Jacaranda 94.2	47 157	40 697	15,9
– Ofm	2 162	1 583	36,6
– Kaya FM	2 338	588	297,6
– Heart 104.9	732	100	632,0
– iGagasi 99.5	(115)	(8)	–
– RadMark	(9 971)	(8 566)	16,4
LexisNexis Butterworths	28 565	19 648	45,4
Kagiso Exhibitions and Events	5 272	10 247	(48,6)
Total	110 027	95 214	15,6

All STC in Kagiso Media Limited and its subsidiaries, as well as the group's share of the STC in joint ventures and associates is allocated to the central service segment.

BALANCE SHEET

Cash reserves and debt position

At 30 June 2006, the group had cash reserves of R85,3m (2005 – R81,4m) and net debt of R81,3m (2005 – R74,1m). The net debt is the preference shares less the amount accumulated in the sinking fund. The preference shareholders have a put option against Kagiso Media Limited should the wholly owned subsidiary, in which the preference shares were issued, default on any of the terms and conditions of the shares. These conditions include *inter alia* the timeous payment of the dividends and regular deposits into the sinking fund. The group still guarantees the debts of System

Publishers (Proprietary) Limited, previously a subsidiary of the company, to a maximum of R3,0m (2005 – R4,0m).

CASH FLOW

Operating cash flow

Cash flow from operating activities increased by R46,5m from R190,3m in 2005 to R236,8m in the year under review. This was in line with the growth in revenue and operating profit. The net working capital position (current assets, excluding cash less current liabilities) improved by R9,2m in the year under review, mainly due to increased operating activities.

DIVIDEND

It is the company's official policy to distribute at least 50% of profits to shareholders by way of dividend. However, the company treats all surplus cash as a shareholders' resource in the absence of clear acquisition opportunities.

During October 2005, the company paid a final dividend of R58,2m (44 cents per share) in respect of the year to June 2005, and in March 2006 it paid an interim dividend of R53,0m (40 cents per share). A final dividend in respect of the year to 30 June 2006 of 33 cents per share, totalling some R43,7m, has been declared by the board, payable on 23 October 2006.

QUALITY OF EARNINGS

The group measures the quality of its earnings by comparing the earnings per share to cash flow per share ("the nominal cash conversion ratio"). The nominal cash conversion ratio decreased from 109% in 2005 to 105% in 2006. The basis of the calculation of the nominal cash conversion ratio is set out in the "Five year financial review" on pages 10 and 11.

CAPITAL EXPENDITURE

In the period under review the group incurred capital expenditure of R13,5m (2005 – R5,6m), mainly in respect of normal replacements and upgrades of its information technology facilities across the group and on equipment for the services division of Kagiso Exhibitions and Events (Proprietary) Limited and acquired copyright of R1,6m (2005 – R1,5m).

No major capital expenditure, other than normal maintenance expenditure, is anticipated for the ensuing financial year.

GOING CONCERN

The company presents its and the group's accounts on the basis that it and the group will continue as going concerns for the foreseeable future. In arriving at this conclusion, it considered the financial position of the company and the group and the sustainability of the group's business model, available cash and debt resources at 30 June 2006, as well as the current regulatory environment and potential changes thereto.



Sandra Pienaar
Finance director

Divisional review: Broadcasting (continued)

BROADCASTING			
Contribution (R'000)	2006	2005	% change
Revenue	353 859	318 010	11,3
Operating profit	173 941	143 872	20,9
Earnings	110 745	92 529	19,7

OVERVIEW

Kagiso Media's broadcasting assets delivered strong revenue growth in the latter six months of our financial year after a difficult first half. This was mainly as a result of a restructure at our sales house resulting in a renewed focus on client service and the ongoing development of new radio products and innovation in sales packages.

Radio businesses generally record their best revenue performances in the first six months of the financial year, driven by the seasonal peak period between October and early December. East Coast Radio and Jacaranda 94.2 grew net revenue by 9% and 8% respectively when compared with the same period in 2005. This relatively muted performance was turned around in radio's historically softer period, with our stations posting notable growth in the six months between January and June 2006. Jacaranda 94.2 increased net revenue by 11% in this period and East Coast Radio grew by 14%.

According to AC Nielsen's Advertising revenue measurement tool, AdEx, East Coast Radio and Jacaranda 94.2, remain in the top three radio stations in South Africa in terms of revenue share.

Overall advertising expenditure from January 2005 has grown almost 20% year-on-year and many advertising clients used the increase in the profitability of their businesses, to invest their marketing revenue in television, which appears to be the biggest beneficiary of the current boom. Propelling the attractiveness of the medium has been the aggressive discounting by the various channels, a trend that began with eTV 24 months ago and has led to a price war.

In an increasingly cluttered advertising environment, our radio businesses continue to explore opportunities to engage listeners/customers, through an immersive experience via multiple platforms, to ensure effective communication for advertisers. We believe that this strategy explored to its fullest capability will recession proof our radio businesses.

STRATEGY

This year is the 25th anniversary of MTV. When they launched, the first music video aired was 'Video killed the radio star'. The death of radio has been forecast for half a century, with the arrival of television and then with every new platform. It has been so again with the arrival of the iPod and MP3 players and the ubiquitous mobile phone touted as the device for all applications.

Radio owners often see technology as a threat. At Kagiso Media, we look for opportunities to integrate new technologies with our traditional media platforms, to improve the way in which we connect advertisers to consumers. At some of our stations we are already engaging our audiences with our advertisers' messages through campaigns that involve our radio station as a primary medium, guiding our listeners to events at a venue where they can interact with the brand, through to an online web based experience and feedback through mobile telephone. Essentially we have bought into the brand managers' and marketers' desire to engage with their customer at various 'touch points'. We also believe that we can provide a complete solution through the platforms that we have access to, obviating the need for advertisers having to buy each of these solutions in a piecemeal way.

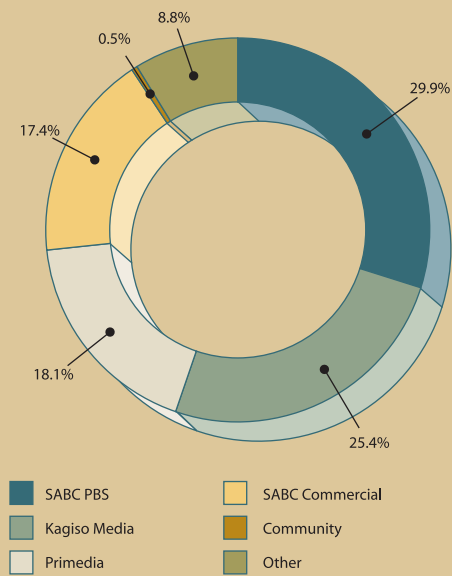
In terms of our vision, we expect to target new media as platforms for our content offering, launching new products to meet changing customer needs, while observing the various new ways in which communities of consumers are congregating to share in an experience and we intend investing in the technologies and content that are attractive to these markets.

We also continue to examine new opportunities to procure radio licences in primary markets across South Africa when current regulatory constraints are amended.

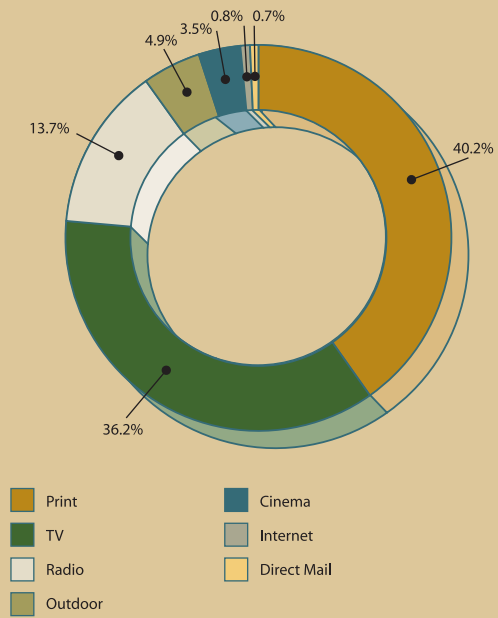
AUDIENCE FIGURES

The Radio Audience Measurement Survey (RAMS) for June 2006 shows that Kagiso Media's portfolio of radio stations provides advertisers with access to 6,6 million listeners a week across the country. This is on par with the SABC's commercial radio stations and is the largest reach of private radio groups in the country.

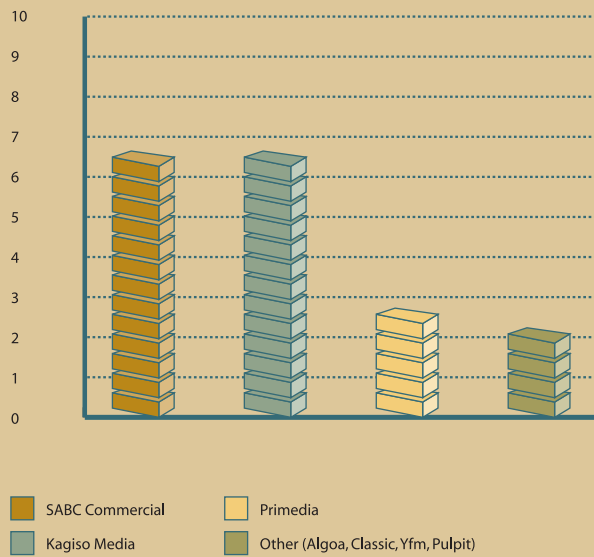
SHARE OF REVENUE (%)



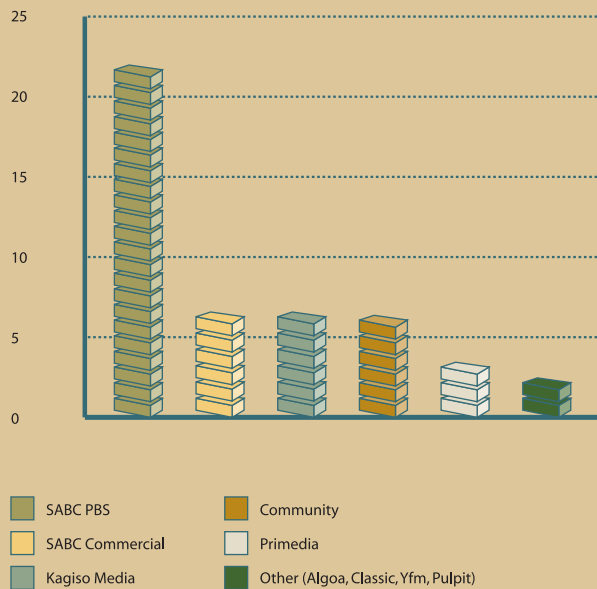
RADIO'S SHARE OF ADVERTISING REVENUE vs OTHER MEDIA (%)




COMMERCIAL RADIO GROUPS REACH (m)



RADIO GROUPS REACH (m)

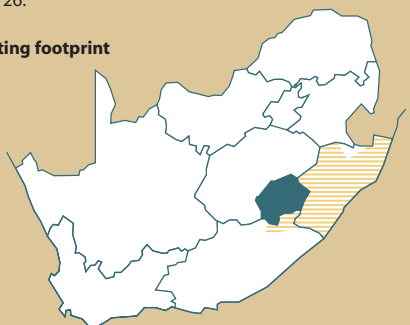




EAST COAST RADIO

Aptly dubbed the creative hotspot of South African radio, East Coast Radio continues its dominance in the affluent, LSM 6 – 10 market in urban KwaZulu-Natal, attracting a weekly audience of more than 1,9 million listeners. The station is innovative, irreverent and alternative and there is nothing that they won't try on air or off. Set in a coastal tropical paradise, the station has defined its own sense of East Coast style. With superior programming content and some of the most innovative and biggest radio promotions and events to date, it's no wonder East Coast Radio offers advertisers unparalleled access to KwaZulu-Natal's lucrative, LSM 6 – 10, age 25 – 49 market. The station can also be heard via Digital Worldspace – Channel 26.

Broadcasting footprint



EAST COAST RADIO			
(R'000)	2006	2005	% change
Operational performance			
– Revenue	167 272	147 295	13,6
– Operating profit	85 051	71 152	19,5
Earnings contributions	68 442	58 135	17,7
Operating profit margin (%)	50,8	48,3	

East Coast Radio – “Durban’s Number One” dominates the media landscape in KwaZulu-Natal being the largest regional radio station in the province, recording a weekly listenership of over 1,9 million people.

The radio station entered its 10th year of operation in the hands of Kagiso Media, and the listenership and commercial success of the station, over the decade, has been nothing short of remarkable.

The stability of the management team, constant innovation, an acute commercial focus and sound strategic processes have been key ingredients in the sustained success of East Coast Radio.

The reputation of the East Coast Radio brand is another major strength that raises the bar for current competitors and will prove to be a formidable barrier for future media players in the region. This reputation is fuelled by monthly editorial PR in print, which is in excess of R1m every month, and the various awards that the station has won during the period July 2005 – June 2006. These awards include:

- **The Reader’s 1st Choice award** (in the radio category) Independent Newspapers reader’s survey
- The Winner of the **Vodacom Regional Journalism Award 2005** was awarded to East Coast Radio’s Cebo Msomi
- The Winner of **The National Trade and Industry Consumer Journalist of the Year** award went to East Coast Radio’s Wendy Knowler, who has been recognised through this award as the leading consumer journalist in South Africa
- **The Best Regional Content provider** in the radio category – voted by national media and marketing magazine – MARKETING MIX
- Top 10 finish in the **Sunday Times Markinor BIG BRANDS** survey. Apart from sister station, Jacaranda 94.2, the only privately owned radio brands to make the TOP 10
- **International Rotary Award** – recognising East Coast Radio for their continued service to the community and their ongoing commitment to international peace and goodwill in the world
- NAB: USA – Distinguished Nominee of the 2006 **NAB International Broadcasting Excellence Award** – for extraordinary contributions in service to communities and the broadcasting industry
- Trish Taylor – the radio station’s CEO, won the **Nedbank Business Woman of the Year 2006 (KwaZulu-Natal)**


Commercially, the station has had another phenomenal year. The strength of a radio station in this arena is always highlighted by the support of local businesses. East Coast Radio’s local sales performance once again experienced outstanding results, exceeding their annual budget by 22%, and increasing year on year revenue by 38%.

KwaZulu-Natal is the leading domestic tourism market in South Africa, and East Coast Radio decided this year to take full advantage of this lucrative audience that spends in the region of R6 billion annually in KwaZulu-Natal. With endorsement and assistance from local tourism bodies, the radio station embarked on an intensive national roadshow, highlighting to marketers the current tourism boom in KwaZulu-Natal. Simultaneously East Coast Radio launched a series of highly innovative multi-media platforms, which allows regional and national marketers easy access to this valuable market. The first of its kind in South Africa, these multi-media platforms, designed by the station, are priced at a premium and have been sold out since being launched.

East Coast Radio is an active servant of the KwaZulu-Natal community, and the station's outreach programmes are having a major impact on the poor and impoverished of the province. This year, programmes such as Toy Story and Winter Warmth generated R3,2m in cash donations, 70 000 brand new toys and 10 000 blankets.

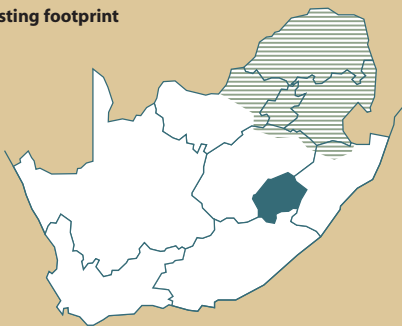
East Coast Radio's events have established themselves as annual highlights on the KwaZulu-Natal entertainment calendar. The East Coast Radio House and Garden Show is now one of the biggest lifestyle shows in South Africa. The East Coast Radio Big Walk sees thousands of people take part in a 10km family walk, and the East Coast Radio "Coast to Coast" New Year's party, is the city of Durban's official New Year's Eve celebration.

East Coast Radio's success is summed up neatly in the station's pay off line – "Durban's Number One".


JACARANDA 94.2

Adult contemporary, entertaining, innovative and informative, Jacaranda 94.2 remains South Africa's largest private regional radio station, amassing a weekly audience of more than 2,4 million. The station's coverage spans four provinces, namely Gauteng, Limpopo, Mpumalanga and the North-West. Playing Life's Greatest Hits, the station's adult contemporary format continues to attract a desirable, affluent audience in Johannesburg and Pretoria and remains the only truly commercial station in Limpopo, Mpumalanga and the North-West province. Innovative regional ad splits on Jacaranda 94.2 offer advertisers the opportunity to be regionally selective, thereby ensuring minimal wastage. Jacaranda 94.2 can also be heard via DSTV Channel 59 and Digital Worldspace Channel 25.

Broadcasting footprint



JACARANDA 94.2			
(R'000)	2006	2005	% change
Operational performance			
– Revenue	182 422	161 722	12,8
– Operating profit	79 161	66 575	18,9
Earnings contributions	47 157	40 697	15,9
Operating profit margin (%)	43,4	41,2	

In the year since July 2005 Jacaranda 94.2 succeeded in entrenching itself as Gauteng's AC gold station, focusing on music from the 80s and 90s. The station is positioned to appeal to women over 30, who fall into LSM 6 – 10.

Since the repositioning in early 2005, the station has seen a steady growth in its core audiences and has increased its share of this audience in Gauteng.

As part of its strategy of growing top-line audience in Gauteng, Jacaranda 94.2 entered into a partnership with the region's premier entertainment venue, Montecasino, in November 2005. The new satellite studio enables the station to broadcast from the entertainment and gaming complex on selected days. The strategy allows Jacaranda 94.2 to entrench its presence in the lucrative Johannesburg north area.

Further evidence of the station's successful repositioning is evidenced in the brand featuring in the TOP 10 radio stations in South Africa in the Sunday Times Markinor Big Brands survey. Both Kagiso Media's wholly owned radio stations finished in the TOP 10 and were the only privately owned radio stations in the country to do so.

Jacaranda 94.2 also consolidated its position as a leading radio revenue earner in South Africa, finishing top of the pile for successive quarters according to AdEX revenue research data.

This achievement is notable because it has been achieved in South Africa's most competitive media market, Gauteng.

Market leading revenues were achieved through innovative opportunities offered by the station to its client base.

These included 'Cash Countdown' and 'Bid Wars'. Such contests generated further revenue through SMS entries, over and above what was spent by advertisers.

As a means of countering the influence of national platforms such as television in attracting advertising spend, Jacaranda 94.2 has established synergistic partnerships with other stations in the Kagiso Media group in Durban and Cape Town. These partnerships have enabled Jacaranda 94.2 to offer advertisers a platform that reaches all three key economic hubs of Gauteng, Durban and Cape Town.


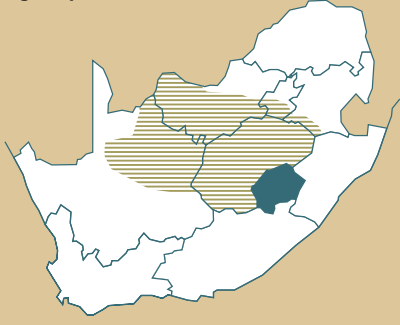
In addition, the station has focused on stimulating the direct advertising market in Gauteng, which management sees as a crucial hedge against fluctuations in the national advertising market.

Going forward, management expects online sales to make a greater contribution to the growth of Jacaranda 94.2 revenues due to the anticipated emergence of web advertising as an important revenue generator.

Divisional review: Broadcasting (continued)

In the new year, ICASA is expected to issue the new secondary town licences in Limpopo and Mpumalanga, which form part of the Jacaranda 94.2 footprint. Because of the expected positioning of the proposed stations, we do not anticipate they will significantly impact Jacaranda 94.2's revenue or audience share.

The new Jacaranda 94.2 website has also developed a substantial revenue stream of its own and allows the station to supplement broadcast revenues with new media revenues. The website has become an 'always on' way for listeners to communicate with the station and allows a degree of input previously unavailable in the commercial radio space.

	Ofm
<p>Ofm is number one in central South Africa. The station serves one of the wealthiest and most loyal audiences in the country. Run by an enthusiastic and experienced team with a passion for radio, Ofm is in tune with its listeners' lifestyle. This lifestyle is reflected in a menu of only the best of adult contemporary, golden oldie and easy FM sounds designed to deliver an upscale audience between the ages of 25 and 49.</p> <p>Ofm reaches 460 000 (RAMS 2006-3) of the most affluent listeners in South Africa's breadbasket and mining powerhouse. Ofm enjoys unrivalled affinity and influence with its listeners who listen for over 18 hours each week.</p> <p>Broadcasting footprint</p> 	

Ofm			
(R'000)	2006	2005	% change
Operational performance			
– Revenue	48 364	41 296	17,1
– Operating profit	11 529	9 839	17,2
Earnings contributions	2 162	1 583	36,6
Operating profit margin (%)	23,8	23,8	


Ofm, central South Africa's number one radio station, took advantage of its strong market position in 2005 and launched into 2006 with a whole new look, sound and feel – in short, a total brand overhaul.

The result of much planning and consultation, both internally and externally, the refreshing of Ofm's brand has more than succeeded in continuing the momentum built up over the past few years. Strategically successful sport sponsorships saw Ofm leveraging its brand across a number of areas – attaining a greater level of national and international television and print coverage than ever before. And the rationale behind the bold new logo design was justified when it was clearly seen on television screens across the southern hemisphere during the Super 14.

On the core business front, Ofm presenters have reached into audiences well outside the station's footprint, with representation on Kyk-Net, MNet, SABC 3 and eTV. In tandem with its position as the first choice for listeners in central South Africa, Ofm is also geared toward consolidating its market dominance on the business front. Last year's implementation of the Image Plus programme, geared towards effectively selling unsold inventory, has delivered beyond expectations.

	KAYA FM
<p>Known as "Jozi's Life Lounge", Kaya FM 95.9 is the place where good music and good friends meet. This is the place where Jo'burg's affluent black trend setters and business minds alike are happy to call home.</p> <p>Situated in the heart of Newtown, the station is Afro-politan, fun-loving yet responsible. It is the only station in South Africa that offers a dual, energetic music and talk format and addresses real South African issues on a daily basis.</p> <p>Kaya FM 95.9 can also be heard nationally on DSTV Audio Channel 62.</p> <p>Broadcasting footprint</p> 	

Kagiso Media has a 25,1% economic interest in this Gauteng based radio station.




HEART 104.9

Real, sincere and approachable, Heart 104.9 has found considerable appeal in the affluent coloured age 25 – 49 market in Cape Town where it currently enjoys a leadership position. The station truly cares about and continues to show its heart for the people of Cape Town as it actively engages in the lives of the community through various innovative initiatives.

Heart 104.9 is a premium, energetic, 'Proudly Capetonian' station that epitomises an urban adult contemporary lifestyle, with its main focus being to provide listeners with compelling programming and their favourite music.

Broadcasting footprint



HEART 104.9		
(R'000)	2006	2005
Operational performance		
– Revenue	20 238	–
– Operating profit	2 228	–
Earnings contributions*	732	100
Operating profit margin (%)	11,0	

* 2005 included from 1 June 2005

Kagiso Media also acquired a 33,3% economic interest in P4 Radio Cape Town in June 2005. In February 2006, the station was re-launched as Heart 104.9.

The station set itself a target to grow the market share of the target audience (coloured 25 to 49, LSM 6 – 10) from 27% to 35%* of the available audience.


By May 2006 Heart 104.9 had captured a 34% market share of its core audience, overwhelmingly the leading station in the Cape Town metropole.

In a short period since the re-launch, Heart 104.9 has established itself as Cape Town's most caring station with community projects like a feeding programme for school children during winter (Heart Warming Campaign) and raising money for the Red Cross Children's Home.

Heart 104.9 has grown its average per day listening by 17% year on year in a market that has not shown any growth at all. Another huge improvement at Heart is listener loyalty. The core market listens to the station for an average of 16 hours per week compared to 11 hours for KFM and eight hours for Good Hope FM. This statistic is important to advertisers as it allows their message to have greater impact on Heart because of listening durations offering brands more impact from greater exposure.

While Heart is only expected to make an impact on the national advertising market in 2007, local advertisers have warmed to the new product and the station continues to gain significant support in Cape Town.

*RAMS (May 2006)

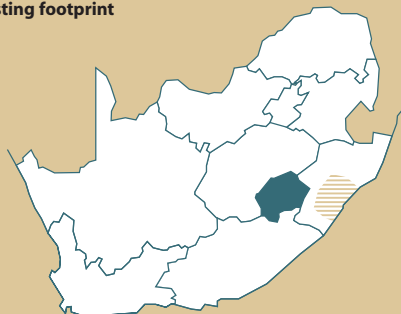


iGAGASi 99.5

If it's the funky young black adults of urban KwaZulu-Natal you're after, iGagasi 99.5 is the station for you. Currently attracting more than 600 000 listeners every week, iGagasi 99.5 continues to provide advertisers with unmatched levels of brand activation in the black, LSM 5 – 8 market in KwaZulu-Natal, a province that boasts the biggest tourism market in South Africa.

The station also boasts a state-of-the-art satellite studio at Umlazi's Mega City shopping complex, offering advertisers superbly targeted promotional opportunities.

Broadcasting footprint



iGAGASi 99.5		
(R'000)	2006	2005
Operational performance		
– Revenue	10,176	–
– Operating profit	446	–
Earnings contributions	(115)	(8)
Operating profit margin (%)	4,4	

* 2005 included from 1 June 2005

Divisional review: Broadcasting (continued)

Kagiso Media acquired a 33.3% economic interest in P4 Durban effective on 1 June 2005.

A new CEO was appointed by September 2005 and a management restructure took place over the next quarter resulting in new appointees in finance, programming and sales management.

In late March 2006, the station was re-launched to its target market as iGagasi 99.5. The name is an isiZulu word that translates roughly into 'wave' and takes advantage of the station's coastal location.

iGagasi 99.5 targets listeners that live in the major metros of KwaZulu-Natal, are English and isiZulu speakers and in the 18 – 34 age group within LSMs 5 – 8. We refer to this market as the engine room of KwaZulu-Natal's economy.

Over the past year the station grew its core market (black LSM 5 – 8) by 45%*, while the listening universe in that market category grew by 20%. This implies that the station has started to attract listeners from its competitors in the marketplace.

A new sales strategy has also seen the station grow its customer base significantly. While previously some 80% of the station's revenue came from government clients, this has shifted to reflect a broader client base that leaves the station less vulnerable to a single customer. Innovative web based training interventions for newly recruited sales people along with a focused local sales strategy is expected to improve the stations' revenues by calendar year end.

*RAMS (May 2006)

RADMARK			
(R'000)	2006	2005	% change
Operational performance			
– Revenue	45 582	56 450	(19,3)
– Operating profit	20 409	24 619	(17,1)
Earnings contributions	(9 971)	(8 566)	16,4
Operating profit margin (%)	44,8	43,6	

Kagiso Media has a 47% stake in this national radio sales house. The business is the national sales representative for Kagiso Media's East Coast Radio and Jacaranda 94.2 stations as well as Kaya FM, Heart 104.9 in Cape Town, iGagasi 99.5 in Durban and Classic FM.

RadMark's share of the radio advertising market is 25,5%* after the loss of Kfm to Primedia. The sales house remains the largest private radio sales house in the country.

The earnings contributions are stated after considering the elimination of inter-company transactions. RadMark is therefore being reflected as a cost centre in the Kagiso group.

*AdEx

THE REGULATORY ENVIRONMENT

Dr Ivy Matsepe-Casaburri, Minister of Communications, in her budget speech of 25 May 2006, told the National Assembly that "we have prioritised the roll out of broadband infrastructure in the country. In this regard there are three focus areas, namely, the information superhighway, wireless broadband and international communication network access".

The minister went on to state that the policy framework would be strengthened in order to encourage more players to consider investing in wireless broadband.

The department is currently working with 22 countries in southern and eastern Africa to build a terrestrial and submarine broadband network for the region.

In addition, in accordance with the spirit of Section 3(2) of the Electronic Communications Act ("ECA"), and to ensure affordable open access, lower prices and wider choice of access to international Information Communication Technology ("ICT") infrastructure, the minister will be consulting shortly with ICASA in order to issue a policy directive to the authority regarding the time-frame within which it will enable all licensees of electronic communications networks to interconnect with Telkom's last mile network.

The minister will be issuing a policy directive to ICASA to facilitate the deployment of W-CDMA (Wideband – Code Division Multiple Access) and other cost-effective technologies, taking into account, but not being limited by, the frequency spectrum requirements for broadcasting. In this regard priority will be accorded to the needs of the Under-Serviced Area Licensees (USALs).

The ICASA Amendment Act

This Act was finally approved in July 2006. Earlier this year, President Thabo Mbeki returned the ICASA Amendment Bill to Parliament because of concerns that it could be unconstitutional and that the Bill (in its original form) would substantially strip the communications regulator of its independence.

The Electronic Communications Act

The Electronic Communications Act will impact sharply on both telecoms and broadcasting as it alters the way these sectors are structured and governed. The Electronic Communications Act aims to promote convergence in broadcasting, broadcasting signal distribution and telecommunications sectors, and provides a legal framework for the convergence of these sectors.

The issuing of primary and secondary town licences

The secondary town licence applications were heard in August 2006. A decision is only expected in late 2006 or early 2007.

The invitation to apply for primary town licences is expected in the next 12 months.

INDIA

Kagiso Media launched its joint venture radio services business, Radio Minds, in India in the period under review. The launch coincided with phase II of the long-delayed opening up of private FM in India. Around 338 new frequencies were on offer and of these, about 237 were sold between January and March 2006. The government is expected to ask for re-bidding for unsold frequencies before the end of 2006. Most of the newly licensed stations are expected to be on air by the first quarter of 2007.

A phase III of FM licensing, in smaller towns and cities is also expected to open for bidding before the end of 2007.

By way of context, the Indian advertising market is worth an estimated ZAR18 billion against South Africa's ZAR16 billion. India is home to a rapidly growing middle class population of upwards of 300 million consumers and radio commands a paltry 2% of the advertising pie.

Kagiso Media's new business is a 50/50 joint venture with advertising sales company Primetime, which has offices in Mumbai, Delhi, Bangalore and Chennai.

There are three key areas in which this business will provide services. These are radio sales, strategic research and training.

PROSPECTS

We remain confident that our people and innovative management of our radio platforms with new media will deliver strong growth in the coming year. We have appointed a sales champion to oversee local sales at the radio stations. This person will drive co-ordinated promotions across our radio stations while incorporating other media platforms in the sell, to deliver an attractive proposition to client brands. Apart from being responsive to the way advertisers will soon be doing business, this proposition also allows measurable ROI for marketers. Suddenly, the legendary quote attributed to retail tycoon, John Wannamaker, "I know that half my advertising budget is wasted, I just don't know which half," no longer holds true for those that choose to do business with Kagiso Media radio stations.

Expansion of products and markets



- Specialist division established to assist countries on the African subcontinent to improve effectiveness of their legal, tax, regulatory, risk management, business information and other systems.
- The Nigerian business is now supported by a local infrastructure provided by LNBW's partner in the region. Revenue from Africa is 5% of LNBW's revenue.

LEXISNEXIS BUTTERWORTHS			
(R'000)	2006	2005	% change
Operational performance			
– Revenue	271 054	221 662	22,3
– Operating profit	78 059	56 556	38,0
Earnings contributions	28 565	19 648	45,4
Operating profit margin (%)	28,8	28,4	

INTRODUCTION

LexisNexis Butterworths (“LNBW”) serves professional, business, student and government customers with online, intranet, CD and printed, legal, tax, regulatory, risk management and business information. LNBW also provides services in the area of seminars, training, legal compliance and library services.

LNBW’s business covers Africa. Its South African business has its head office in Durban and two regional offices in Johannesburg and Cape Town. It has 360 employees. The rest of Africa has an established commissioning, sales and distribution presence in Nigeria, Kenya and Ghana.

LNBW is a member of the LexisNexis group (“LNG”), a division of Reed Elsevier plc. LNG operates in 100 countries and has over 13 000 employees worldwide.

THE YEAR UNDER REVIEW

LNBW delivered another strong performance, with revenue up 22,3% to R271m and operating profit up 38,0% to R78,1m. Kagiso Media accounts for 50% of these results on a line-by-line basis. LNBW’s contribution to group earnings increased by 45,4 % to R28,6m in the year to 30 June 2006.

The business is experiencing an accelerated migration by customers from print to online information solutions, driven by the reduction in price and availability of broad-band internet solutions.

REVENUE FROM ONLINE INFORMATION SOLUTIONS JUMPS 53% ON LAST YEAR

Revenue from online information solutions jumped 53% on last year and combined with the CD offering now accounts for 17% of total revenue. In addition LNBW has invested heavily in furthering content development, including the highly innovative “Current Awareness” service which delivers specific customer content requirements to the customer’s desk-top on a daily basis.

Printed publications from a South African source continue to be the cornerstone for the business at 58% of total revenue. The continued focus on meeting the information needs of customers ensured that although the migration to online has impacted on the print subscription base, LNBW was still able to post double-digit growth from this section of the business.

LNBW is a leading provider of academic textbooks and materials to the legal and commercial markets and again experienced excellent growth. The excellent author base combined with a highly focused execution strategy has enabled us to secure additional market share in this sector.

The business further cemented its position as the leading publisher of legal information in English speaking African countries with the publication of the Laws of Kenya and Ghana taking place during the year under review. The Africa business now has all the primary legal material in place, these being the laws and the law reports for Nigeria, Kenya and Ghana.

The online risk management solutions business continued to deliver excellent growth. This division has been highly creative in developing new methods of content delivery and information analysis.

The legal compliance and training division had another successful year, with the legal compliance division in particular significantly increasing its market share in the year under review. The seminar market remains highly competitive, but our strategy of focused topics combined with quality presenters is paying dividends.

LOOKING FORWARD

LNBW has delivered 12 consecutive years of double digit growth and is at present investigating a range of opportunities. The global LNG is currently transforming from a research-based organisation to one that provides a total solution to its customers. In addition to the opportunities we are pursuing locally, the LNG global strategy is unlocking a number of opportunities for the business, from e-filing and e-discovery software solutions to client development services. In addition to the new opportunities, we continue to invest heavily in the core business, particularly in the areas of information content and business support solutions.

Strong growth is anticipated from online solutions in the next year. The business is now extremely well positioned to take West and East African business to the next level of content delivery and anticipate good growth from this sector of the business. The risk management, compliance, seminar and training operations all offer good growth prospects. LNBW will continue to add value to the print business. The key to ongoing success is to work very closely with customers to ensure their needs are met via the range of content and service solutions we offer.

Kagiso Media is confident that 2007 will again see double digit growth on this year’s revenue and profit in this segment.

National footprint increased with new exhibitions in KwaZulu-Natal and Cape Town



Kagiso Exhibitions and Events (“KEE”) is the only exhibitions company in South Africa offering the full spectrum of exhibition and event management services, from the creative conceptualisation of exhibitions and events, through to exhibition infrastructure hire and implementation, to the management of some of the country’s most prestigious exhibition and event assets for clients.

KAGISO EXHIBITIONS AND EVENTS			
(R'000)	2006	2005	% change
Operational performance			
– Revenue	113 193	98 203	15,3
– Operating profit	6 181	11 830	(47,8)
Earnings contributions	5 272	10 247	(48,6)
Operating profit margin (%)	5,5	12,0	

INTRODUCTION

Kagiso Exhibitions and Events (“KEE”) is the only exhibitions company in South Africa offering the full spectrum of exhibition and event management services, from the creative conceptualisation of exhibitions and events, through to exhibition infrastructure hire and implementation, to the management of some of the country’s most prestigious exhibition and event assets for clients.

The core of the business is the staging of major events and exhibitions, both locally and internationally. These events are either owned by the company or managed by KEE on behalf of clients. The business-to-business events include the Aerospace and Defence Show, the Auto Africa Expo, and the South African International Trade Expo. The Rand Show and East Coast Radio House and Garden Show are part of the business-to-consumer show portfolio, which was enhanced this year by the inclusion of the annual Design for Living Expo in Cape Town. KEE now own or manage the three largest consumer exhibition events, in the three largest metropolitan centres, in the country.

With regard to the managed exhibitions and events portfolio, KEE was re-awarded the three-year contract to manage the South African Tourism exhibition account, including the annual Tourism Indaba, after a highly competitive open tender process. A new element of the contract will see the launch of a domestic consumer tourism showcase, which will be staged within the KEE existing business-to-consumer shows. The company was also awarded the management of the prestigious International Science, Innovation & Technology Expo (INSITE) by the Department of Science & Technology. KEE also successfully implemented the National Craft Exhibition Imbizo Exhibition for the Department of Arts and Culture, and provided the infrastructure, logistics and management services for the Local Government Elections National Command Centre for the Independent Electoral Commission (IEC).

THE YEAR UNDER REVIEW

The business model

The company has recently completed a business realignment process to facilitate growth. This will result in the further enhancement of the KEE offering across the key operational centres of Johannesburg, Durban and Cape Town, and the ability to take full advantage of the growing event related business in South Africa leading up to 2010. Part of the realignment process included the re-branding of the company to Kagiso Exhibitions and Events and the introduction of the Kagiso Brand Conversion so as to leverage synergies that exist between different media

types within and outside the group in order to deliver a truly long-lasting and meaningful solution for clients. The company also acquired high-end exhibition management software to enable better streamlining of the business processes and for better management of client relationships.

The market

The exhibitions and events market in South Africa remains robust. Increased activity in the sector is expected with the preparations for 2010 underway and the intensification of efforts to promote South Africa as an attractive tourism and investment destination internationally. With the imperative that 2010 should have a positive impact and benefit across the country, the sub-region, as well as the continent, KEE is expanding its business networks so as to deliver exhibition and event management services across all of South Africa’s provinces, the sub-continent, and in key areas of Africa.

While KEE will continue to extract increased value from existing exhibition assets, a process is underway to identify and introduce new exhibitions and events into the market place.

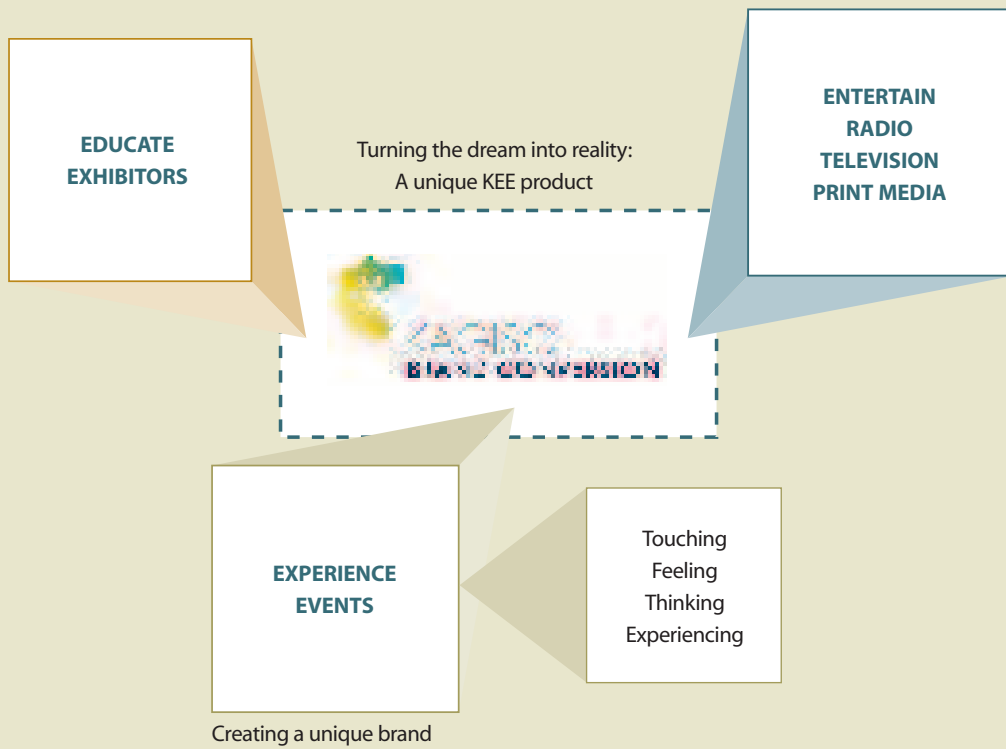
Performance

Even though the year under review presents a down year for KEE (the biennial Auto Africa takes place in 2007), the revenue generated over the period is exceptional. This is due to a number of factors. The acquisition by KEE of the exhibitions infrastructure company, Eyethu JV has made a contribution of R11,1m to revenue. While the impact on operating profit was marginal, going forward the contribution is expected to increase with the efficiencies that will be extracted once Eyethu JV is fully integrated into the company structures. The international exhibitions that KEE implemented at risk on behalf of South African Tourism and the tourism industry have also impacted positively on revenue as did the completion of the World Expo 2005 contract in Japan, which saw over five million people visit the South African Pavilion exhibition, for which Kagiso Exhibitions and Events and the South African government received a prestigious Silver Award in the medium size pavilion category.

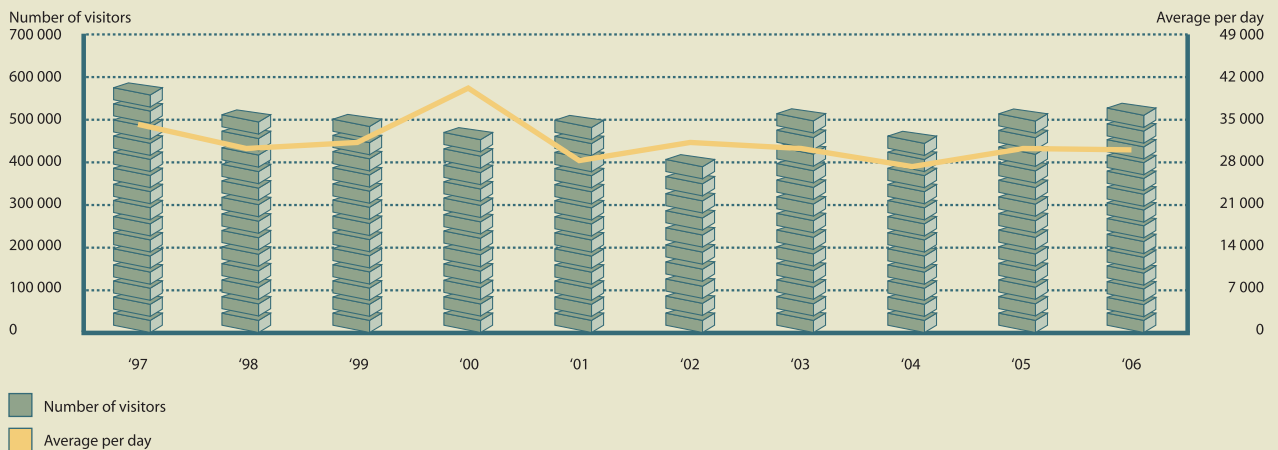
Prospects

KEE is well positioned for growth going forward. In the coming financial year, the streamlined and integrated company structure will be bedded down across Johannesburg, Durban and Cape Town. Auto Africa 2006 which takes place in October will host the largest number of exhibitors and visitors to date. The award of the South African Tourism exhibition contract for a further three years means that KEE is well placed to extract further value from the growing events and exhibition business leading up to 2010. The new Domestic Tourism Exhibition initiative will also give the company an opportunity to consolidate its position as the key provider to the tourism industry in South Africa. At the same time, the enhanced exhibitions services division now has the capacity to deliver on the larger event and exhibition infrastructure projects across the country.

EVENTS



RAND SHOW TOTAL ATTENDANCE

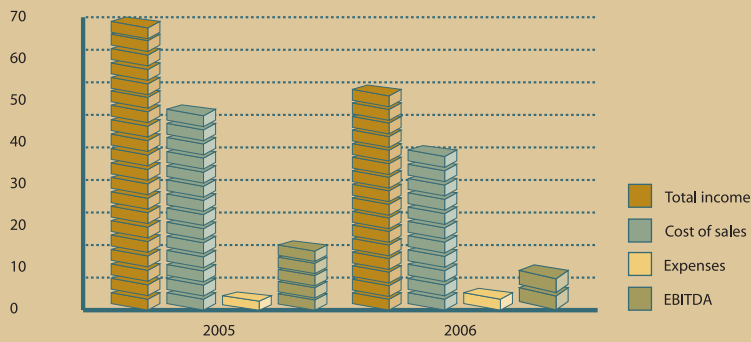


Divisional review: Exhibitions and Events
(continued)

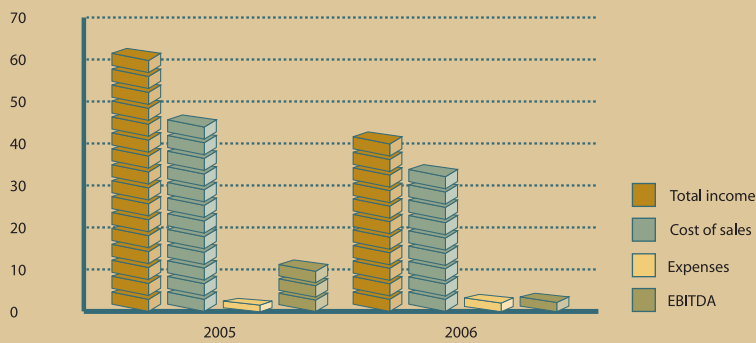
MANAGED SHOWS (R'000)



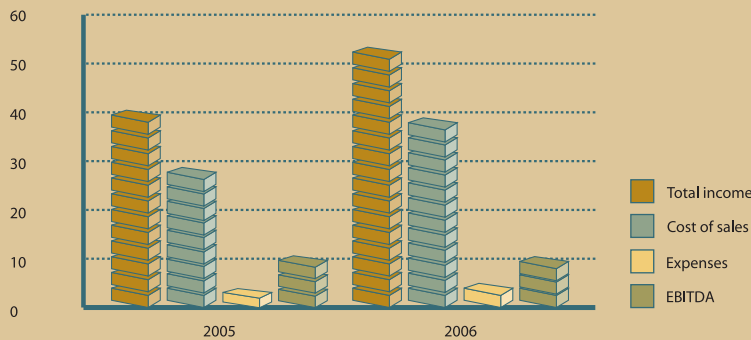
OWNED SHOWS (R'000)



TRADE SHOWS (R'000)



CONSUMER SHOWS (R'000)



Kagiso Media is committed to the principles of openness, integrity and accountability in its dealings with all stakeholders

It endorses the Code of Corporate Practices and Conduct as set out in the King II Report. The company believes that the primary objective of the system of corporate governance is to ensure that directors and managers carry out their responsibilities faithfully and effectively.

BOARD OF DIRECTORS

Formal charter

Aim and objectives

The board is a focal point of the company's corporate governance system and is ultimately accountable and responsible for the performance and affairs of the company. Delegating authority to board committees or management does not in any way mitigate or dissipate the discharge by the board and its directors of their duties and responsibilities.

In accordance with a formal charter implemented during 2006, the board has reserved to itself the following specific responsibilities, among other more general matters:

■ **Financial**

- Approval of the business plans, annual budget and material deviations in business plans.
- Adoption of any significant change or departure in accounting policies and practices of the company.
- Raising of incremental borrowing facilities involving amounts in excess of R5m.

■ **Statutory and administrative**

- Recommendation of amendments to the memorandum and articles of association of the company.
- Appointment, removal or replacement of the external auditors of the company.
- Prosecution, defence or settlement of legal or arbitration proceedings where material, except when in the ordinary course of business.

■ **Regulatory**

- Variation of the rights attaching to shares where such powers are vested in the directors.
- Approval and authority to issue circulars to shareowners of the company.

- Recommendation to shareowners that they approve any ordinary or special resolutions in respect of the company.

■ **Human resources**

- Appointments to and removals from the board.
- Appointment of, terms of reference and changes in composition of the executive, audit and remuneration committee.
- Approval of any share or other incentive scheme, rules applicable to any such scheme and any amendment to such rules as recommended by the remuneration committee, for submission to shareowners, if applicable.
- Formulation of recommended policies with regard to equal opportunity employment.

The charter expresses the board's philosophy in regard to customer satisfaction; quality of services; optimising the use of assets and allowing its employees to deliver to their maximum potential; respect for human dignity and observance of human rights; national and international corporate citizenship, including sound relationships with regulatory authorities.

While retaining overall accountability and subject to matters reserved to itself, the board has delegated to the chief executive officer and other executive directors authority to run the day-to-day affairs of the company.

STATEMENT OF RESPONSIBILITY

The directors acknowledge the board's responsibility for the affairs of the group in this report and in the statement of responsibility as set out on page 38 of this annual report.

BOARD COMPOSITION

The board of the company comprises five (2005 – seven) non-executive directors and three (2005 – three) executive directors. All directors are subject to retirement by rotation and re-election by shareholders at least every three years in accordance with the company's articles of association. The non-executive directors are chosen for their business acumen and skills and bring individual judgment to board decisions. The capacity of each director, either being executive, non-executive or independent, is indicated on page 4 of this annual report.

NOMINATIONS

Appointments to the board are done in a formal and transparent manner and are matters for deliberation by the whole board.

SHAREHOLDER REPRESENTATION

Messrs MJN Njeke, HI Appelbaum and YI Mahomed represent Kagiso Trust Investments (Proprietary) Limited which accounts for 48,1% of the issued shares.

BALANCE OF POWER

The boards of directors of the company and of all its subsidiaries, joint ventures and associated undertakings, comprise executive and non-executive directors. In every instance the board of directors is chaired by a non-executive director, the roles of the chairman and chief executive officer do not vest in the same individual and a clear framework exists so that no one individual has unfettered powers of decision making.

ACCESS TO INFORMATION

The board has unrestricted access to all records, documents, company information and property of the company. The non-executive directors have access to and are able to discuss matters of strategic importance to the board directly with operational management.

BOARD MEETINGS

The board meets as often as circumstances dictate, but at least quarterly, to review the operational performance against budget and to address various issues of strategic importance to the group.

The attendance by directors at meetings of the board and board sub-committees during the year to 30 June 2006 was as follows:

Director	Number of meetings attended				
	Board	Audit committee		Remuneration	
		Member	By invitation	Member	By invitation
E Molobi ⁵	1	1		1	
HI Appelbaum	4				
RM Motanyane ³	4				1
MJN Njeke	6	3		2	
OC Essack	6				
PHP Jacobs ¹	2		1		1
RL Hiemstra	4	3		1	
S Pienaar ⁴	4		2		
SN Pragjee ²	4	1		1	
WR Jardine	6		3		2
YI Mahomed	5			2	
Total number of meetings	6	3	3	2	2

¹ Resigned 30 September 2005; ² Resigned 28 February 2006;

³ Appointed 1 September 2005; ⁴ Appointed 1 October 2005;

⁵ Passed away 4 June 2006

BOARD COMMITTEES

The board has appointed a strategy committee, audit committee and remuneration committee to assist it in discharging its duties and responsibilities in the matters reported hereunder. These sub-committees make full disclosure to the board of their activities and decisions.

■ Strategy committee

The strategy committee is chaired by the chairman of the board and comprises representatives from Kagiso Trust Investments (Proprietary) Limited, the independent director and the executive directors. The committee has no formal charter, but meets as often as required to discuss matters such as investments and corporate activity, whereafter these matters are submitted to the board for its consideration.

■ Audit committee

The audit committee aims to assist the board in fulfilling its responsibilities for the presentation of the company's financial position in its published financial statements. It also ensures that appropriate accounting policies, internal controls and compliance are in place within the company and group. The committee comprises three non-executive directors; two were nominated by the board for their financial literacy; and is chaired by the independent director. The executive directors and external auditors have unrestricted access to the committee and its chairman and attend meetings, but are not members of the committee. The committee meets three times per year: to plan the year-end audit, review the audit findings after the conclusion of the year-end audit and to approve the annual financial statements and to approve the unaudited interim results announcement.

In terms of its formal charter, the audit committee has the following main responsibilities:

- to oversee the internal and external audit functions;
- to ensure adequate and fair reporting on the financial affairs of the company and group, both in the audited annual financial statements and unaudited interim profit announcement;
- to oversee the risk management process and monitor the quality of internal control systems; and
- to advocate high standards of ethical behaviour and compliance with the King II Code and the company's own code of ethics.

The committee is satisfied that it has fulfilled these responsibilities during the year under review.

Risk management and internal audit functions were established during 2006. Risk assessment on the company's subsidiaries, certain joint ventures and agreed upon associates is in progress. A review of the adequacy of risk management processes and internal controls will be performed in the coming year.

Corporate governance (continued)

The internal audit function operates in terms of an internal audit charter which has been approved by the audit committee and the board.

The internal and external auditors are given unrestricted access to the board audit committee and all financial records and related data, including minutes of all meetings of shareholders, the board of directors and sub-committees of the board.

The audit committee has sanctioned the rendering by the accounting firm of the external auditors of secretarial compliance services to the company, but has adopted a formal policy not to utilise the external auditors for any significant non-audit and advisory services.

The committee further considers the annual financial statements of the company and group to be a fair presentation of their financial position at 30 June 2006 and the results of operations, changes in equity and cash flows for the year then ended, in terms of International Financial Reporting Standards and the South African Companies Act, 1973 and has approved the financial statements for submission to the board and shareholders.

■ Remuneration committee

The remuneration committee assists the board and makes recommendations to it on the remuneration of non-executive directors and terms of employment of executive directors of the company and senior employees of the company and group. The committee regularly obtains independent advice from professional advisors on benchmarks and latest best practice regarding the remuneration packages of executive directors and senior employees. The committee is made up of three non-executive directors and is chaired by the chairperson of the board. The executive directors attend meetings of the committee by invitation and make submissions to the committee. The committee meets twice per year.

The committee is satisfied that it has fulfilled its formal charter, as is borne out by its detailed report on page 35 of this annual report.

DEALINGS IN SHARES

The company observes a closed period in any period considered sensitive to trade in the company's shares, but particularly prior to the announcement of its interim and final results, during which directors of the company and of major subsidiaries and employees who may possess inside information concerning the company, may not deal in the company's shares.

The directors of the company and of major subsidiaries may only trade in the company's shares once approval for such a transaction has been obtained from the chairman, or failing him, the deputy chairman. Directors are obliged to notify the company secretary as soon as they have traded in the company's shares, in order for the requisite public announcements regarding such trades to be made.

COMPANY SECRETARY

The company secretary, through the board, plays a pivotal role in the corporate governance of the company and provides the board with detailed guidance as to how their responsibilities should be properly discharged. The company secretary is also responsible to the board to ensure that board procedures are followed. The annual certificate by the company secretary is reflected on page 39 of this annual report.

RISK MANAGEMENT

The board is responsible for the process of risk management and the regular review thereof, that appropriate policies are established and that significant risks are identified, evaluated and managed on an ongoing basis. The board has appointed the board audit committee to assist it in reviewing the risk management process. Management is accountable to the board for designing, implementing and monitoring the process of risk management.

DIRECTORS' AND OFFICERS' LIABILITY

The company has taken out cover in respect of directors' and officers' liability. The company considers the cover under this policy as adequate under the circumstances. The group considers the following risks as significant to its business:

■ Credit risk

Although bad debts have historically been very low, the group still considers the risk of non-payment by a customer as a major threat to its business. The group's exposure to credit risk is mitigated by the fact that its customers are dispersed over different geographical areas and industries (such as the advertising industry and individual subscribers to its professional publications) and comprises many thousands of individual customers. In addition the companies in the group take various preventative measures to minimise credit risk in their respective operations.

■ Operational risk

Physical and operational risks

Standard precautions are in place to protect the group's operations and its assets, including its electronic information and computer facilities, to limit access to these assets and the unauthorised use thereof.

Internal control

The company maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of its and the group's financial statements and to safeguard, verify and maintain the accountability of assets. It is considered that these systems can provide reasonable, but not absolute, assurance against loss and misstatement.

The effectiveness of the system of internal control is monitored through the work of the external auditors who report to the audit committee on matters identified in the course of their work, through the active involvement of the executive directors in the group's operations and the quality of management reporting at these operations. However, this will be performed by the internal audit function in the coming financial year. Nothing has come to the attention of the directors to indicate that a material breakdown in the functioning of the group's key internal controls and systems has occurred during the period under review.

Human resource risks

As a media group, the group recognises its people as its single most important asset. In this regard it offers its employees competitive remuneration packages, a safe working environment and career advancement opportunities in the greater group.

Technology risks

The group is highly dependent on technology in its broadcasting and information services and solutions. To this end, the group ensures that it uses the latest available technology and that it has spares and back-up facilities available in case of major breakdowns.

LexisNexis Butterworths (Proprietary) Limited is operating the latest publishing and business management software in use by the international LexisNexis group and has access to international technological best practice.

Business continuity and disaster recovery

It is considered of utmost importance to the group that all its operations be able to resume normal business activities within a reasonable period of time if any one of these businesses should be affected by a substantial or sustained business interruption. Detailed business continuity plans for the various group companies are in various stages of development, while LexisNexis Butterworths (Proprietary) Limited has already implemented such a plan.

Compliance risks

The group's radio stations are subject to regulatory obligations and "promises of performance" in terms of their broadcast licence allocations and the Electronic Communications Act. The degree of compliance with these obligations is regularly monitored by the boards of the individual radio station companies and regularly reported to the Independent Communications Authority of South Africa. Compliance to other relevant legislation is also regularly monitored.

Broadcast risk

While the group considers freedom of speech an important cornerstone of our young democracy, it is acutely aware of the reach and influence comment and opinion expressed on its radio stations may have. As such the group is vigilant that on-air talent and content uphold the code of conduct issued by the Broadcasting Complaints Commission of South Africa, to which the individual radio stations are signatories. In terms of the code, the stations shall not incite hate or discriminatory speech, and shall provide news that is balanced and objective and programming that is not obscene.

The group is mindful of the following risks, but considers them not to pose a significant threat to its business at this stage:

- **Interest rate risks**

The group is exposed to limited interest rate risk, as it has a net operational cash position (cash less interest-bearing debt). Management monitors and negotiates available interest rates on an ongoing basis. The preference shares are issued at a coupon rate linked to prime (see note 15), and the sinking funds (note 7) are placed with reputable financial institutions in short-term investments.

- **Foreign currency risk**

Derivative financial instruments, comprising forward exchange contracts, are used by the group for hedging purposes to mitigate substantial foreign exchange risks. The group does not speculate or engage in trading of financial instruments.

- **Liquidity risk**

Although all the group's operations are cash generative, the board remains mindful of the risks of having either too much or too little in cash reserves. Liquidity risk is proactively managed by regularly assessing working capital requirements and monitoring cash flows.

SUSTAINABILITY

The company and group try to achieve a balanced and integrated economic, social and environmental performance that not only meets stakeholders' short-term expectations, but is also sustainable over the longer term.

ETHICAL BEHAVIOUR

The board of directors strives to ensure the group conducts its business with the utmost integrity towards all stakeholders and as such is committed to the highest standards of ethical and professional behaviour.

The group has adopted an internal code of ethics, which deals in the main with corporate values, conflicts of interest, equality, safety in the workplace, use of company assets, confidentiality and a secure whistle-blowing process in case of a contravention of the code.

Nothing has come to the board's attention to indicate that any material non-compliance with the code of ethics by the group, its directors and employees has occurred in the period under review.

OCCUPATIONAL HEALTH AND SAFETY

The group considers the occupational health and safety of its employees to be of primary importance and is committed to taking every reasonable precaution to ensure a safe and productive working environment for all employees.

ENVIRONMENTAL IMPACT

Although the group's major activities do not pose a significant threat to the environment, the group continues to focus on compliance with existing environmental, health and safety legislation.

SOCIETY AND TRANSFORMATION

The fact that the company is controlled by the Kagiso Trust, roots it firmly in philanthropy and social transformation. The company recognises that corporate citizens of our country have a duty to play an active role in empowering previously disenfranchised people through employment equity and management diversity, training and social investment programmes, human capital management and affirmative procurement policies.

RELATIONS AND COMMUNICATIONS WITH SHAREOWNERS

The executive directors regularly, but at least at the time of the announcement of the interim and final results of the company, engage institutional shareholders on matters in the public domain that require clarification or update. All profit announcements contain an explanation of the major events that influenced a particular performance, a segmental analysis and a section on the prospects for the group in the foreseeable future.

In a manner that is consistent with this transparent approach, the company provides a full explanation in the notice of the annual general meeting for all matters classified as "special business".

CONCLUSION AND ACTION PLAN

In the board's view, the company and group complied with the Code of Corporate Practices and Conduct contained within the King II report, its own code of ethics and relevant legislation in the year under review.

INTRODUCTION

The remuneration committee has been established as a sub-committee of the board of directors of the company to develop a policy on the remuneration of executive and non-executive directors, within agreed terms of reference, and to make recommendations to the board in this regard.

This report sets out the particulars on the remuneration of the directors of the company.

REMUNERATION POLICY

It is the company's policy to set market related remuneration packages to attract, retain and motivate executives and senior members of management. To this end it offers competitive salaries, cash bonuses and share incentives as the components to the total remuneration package. The committee also recognises that it is important to reward good performance and that executives should be sufficiently incentivised to continually strive for excellence.

The committee commissions such third party investigations and studies as it deems necessary from time to time to provide it with guidance and benchmarks in setting the remuneration of individual directors.

REMUNERATION OF EXECUTIVE DIRECTORS

Summary

The executive directors were paid the following amounts in cash and realised the following gains in terms of the share option scheme in the year to 30 June:

2006	Salary (R'000)	Bonus (R'000)	Gains made on shares**	
			(R'000)	Total
WR Jardine	1 500	1 089	6 287	8 876
PHP Jacobs*	432	–	–	432
OC Essack	1 130	479	–	1 609
S Pienaar	775	327	–	1 102
Total	3 837	1 895	6 287	12 019
Average increase (%)***	14	47	(12)	

2005	Salary (R'000)	Bonus (R'000)	Gains made on shares**	
			(R'000)	Total
WR Jardine	1 212	685	3 635	5 532
PHP Jacobs	1 041	353	3 479	4 873
OC Essack	880	298	–	1 178
Total	3 133	1 336	7 114	11 583
Average increase (%)****	6	(11)	37	

* Resigned 30 September 2005

** The gain made by directors on shares acquired in terms of the Kagiso Media Limited share option scheme is calculated on the day on which the directors acquired the shares in terms of the scheme.

*** The average increase in salary and bonus was calculated with reference to Ms Pienaar's annualised salary and bonus for 2006, and excluding that of Mr Jacobs.

**** The average increase in salary and bonus was calculated with reference to Mr Essack's annualised salary and bonus for 2004.

Salaries

The salaries of the executive directors represent their total cost to company package. The directors are responsible for their own pension, other retirement benefits and medical aid funding.

Bonuses

In determining the annual bonus for the year under review, the remuneration committee considered the overall financial performance of the group against targets set by the board. On achievement of agreed targets, Mr Jardine qualifies for a bonus equal to 60% of his remuneration package and Mr Essack and Ms Pienaar, 35%. The committee considers the above-mentioned bonuses to be appropriate, given that 107% (2005 – 105%) of target was achieved during the year under review. The committee is satisfied that the performance-related element of the remuneration constitutes a substantial portion of the total remuneration packages of executive directors.

Share option scheme

The company operates the Kagiso Media Limited share option scheme ("the scheme") for the benefit of executive directors and staff. The scheme was approved and adopted by shareholders in a general meeting on 2 September 1999.

The committee has determined that executive directors be awarded:

- an initial allocation of rights to acquire shares in the company to a maximum value of four times their annual basic salary package, which allocation was made on 3 September 1999;

Report by the remuneration committee (continued)

- a further allocation to a value of two times their annual basic salary package, based on performance against set targets, which allocation was made on 12 September 2000;
- allocations to bring the value of unvested rights to a factor of five times the annual basic salary of the chief executive officer and three times the annual basic salary of the chief financial officer, which allocations were made at the ruling market price on 16 September 2002, 12 September 2003 and 10 September 2004.

No rights to acquire shares in the company in terms of the scheme have been granted to non-executive directors. The rights to acquire shares in terms of the scheme are exercisable in four equal tranches, commencing three years from the date of issue and expire 10 years from the date of issue.

OUTSTANDING RIGHTS

At 30 June 2006 the executive directors in office held the following rights to acquire shares in the share capital of the company:

First date on which exercisable	Last date on which exercisable	WR Jardine	OC Essack	Purchase price (cents)
12/09/2006	12/09/2010	159 021	–	208
16/09/2006	16/09/2012	141 577	–	300
12/09/2006	12/09/2013	111 884	–	450
01/01/2007	01/01/2014	–	106 195	565
Year ending 30 June 2007		412 482	106 195	358*
16/09/2007	16/09/2012	141 577	–	300
12/09/2007	12/09/2013	111 884	–	450
10/09/2007	10/09/2014	30 782	–	830
01/01/2008	01/01/2014	–	106 195	565
Year ending 30 June 2008		284 243	106 195	457*
16/09/2008	16/09/2012	141 577	–	300
12/09/2008	12/09/2013	111 884	–	450
10/09/2008	12/09/2014	30 782	–	830
01/01/2009	01/01/2014	–	106 195	565
Year ending 30 June 2009		284 243	106 195	457*
12/09/2009	12/09/2013	111 884	–	450
10/09/2009	12/09/2014	30 782	–	830
01/01/2010	01/01/2014	–	106 194	565
Year ending 30 June 2010		142 666	106 194	546*
10/09/2010	12/09/2014	30 782	–	830
Year ending 30 June 2011		30 782	–	830*
Total		1 154 416	424 779	446*

* Weighted average price of outstanding rights to acquire shares

RECONCILIATION OF MOVEMENT

The movement on the number of outstanding rights to acquire shares during the year is as follows:

Number of rights	WR Jardine	PHP Jacobs*	OC Essack	Total
Opening balance	1 773 039	903 134	424 779	3 100 952
Rights exercised	(618 623)	(456 497)	–	(1 075 120)
Rights forfeited	–	(446 637)	–	(446 637)
Closing balance	1 154 416	–	424 779	1 579 195

*Resigned 30 September 2005

Additional rights to acquire shares are held by other employees of the group. More detail on the total number of outstanding rights is provided in the directors' report.

UNRESTRICTED SHARE PURCHASE SCHEME

In addition to the option scheme set out above a share purchase scheme for the benefit of group executives was introduced, approved and adopted by shareholders in an annual general meeting held on 25 November 2005.

The maximum of shares that will be allocated to executive directors in terms of this scheme is calculated as a multiple of the director's annual cost to company package. The chief executive officer qualifies for shares to the value of 1,5 times salary while the other executive directors can receive an allocation of up to 0,9 times their package. The following allocation was approved during the year:

Unrestricted share purchase scheme

	WR Jardine 30 December 2005	OC Essack 30 December 2005	S Pienaar 30 December 2005
Date of award			
Number of shares	183 600	18 360	68 299
Share price	R12,2549	R12,2549	R12,2549
Capital amount of loan	R2 250 00	R225 000	R836 997

EMPLOYMENT CONTRACTS

The executive directors have entered into standard employment contracts with a subsidiary of the company, in terms of which the company and the directors have to give each other two months' written notice on termination of employment.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

In the year under review, non-executive directors were paid R9 000 per quarter for their services as directors, with an additional R3 000 to the chairman of the board. The board meets once every quarter. Members of sub-committees of the board, with the exception of the strategy committee (which attracts no remuneration) were paid R4 500 per quarter, with an additional R1 500 to the chairman of the sub-committee. The sub-committees meet at least twice per year. The company pays the reasonable travelling costs of its non-executive directors.

The directors were paid the following fees for attending meetings of the board, audit and remuneration committees:

	Board (R'000)	Audit committee (R'000)	Remuneration committee (R'000)	Total (R'000)
Non-executive				
E Molobi	48,0	–	24,0	72,0
MJN Njeke	36,0	18,0	18,0	72,0
HI Appelbaum	36,0	–	–	36,0
RL Hiemstra	36,0	24,0	18,0	78,0
YI Mahomed	36,0	–	18,0	54,0
SN Pragjee	36,0	9,0	9,0	54,0
RM Motanyane	36,0	4,5	–	40,5
AH Singh	–	–	–	–
Total	264,0	55,5	87,0	406,5

The remuneration committee has proposed an average adjustment to the remuneration of the non-executive directors for the ensuing year of 141%. This was proposed after considering market related remuneration for listed companies with similar market capitalisation and risk profiles. Subject to the approval by shareholders, the fees for the 2007 financial year will be as follows:

	Board (R'000)	Audit committee (R'000)	Remuneration committee (R'000)
Chairman	100,0	35,0	26,0
Member	60,0	22,0	19,0

CONCLUSION

The remuneration committee is satisfied that it has dealt adequately with all matters under its ambit in terms of its formal charter.

Directors' responsibility statement

CODE OF CORPORATE PRACTICES AND CONDUCT

The directors are responsible for ensuring the company and group comply with the Code of Corporate Practices and Conduct, as set out in the King Report II on Corporate Governance and the group's own code of ethics.

RISK MANAGEMENT

The directors are responsible for the total process of risk management including setting risk strategy policies and monitoring compliance with these policies. The group's risk management philosophy aims to achieve a balance between the cost of implementing and monitoring risk management practices and the potential benefit from these practices.

Risk management policies, procedures and processes were formally introduced during the year. Risk assessments on subsidiaries, certain joint ventures and agreed upon associates are in progress. A review of the adequacy of the risk management processes will be performed in the coming year.

INTERNAL CONTROL

The directors are responsible for the company's systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets and to prevent and detect misstatement and loss.

An internal audit function was introduced during the financial year. The function operates in terms of an internal audit charter which was approved by the audit committee and the board.

In this regard, the directors confirm that an effective system of internal control has been maintained during the period under review. A formal process to review the system of internal control for effectiveness has been implemented as part of the risk management structures mentioned above.

FINANCIAL STATEMENTS

The directors are also responsible for the maintenance of adequate accounting records and the preparation, integrity and presentation of the financial statements of Kagiso Media Limited and its subsidiary companies to fairly reflect the state of affairs as at the end of the financial year under review, the profit or loss and cash flows for the period.

The auditors are responsible to report on the fair presentation of the financial statements. The financial statements have been audited by the independent auditing firm PricewaterhouseCoopers Inc. The unqualified audit report is presented on page 39 of this annual report.

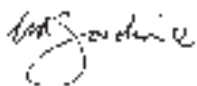
In this regard, the directors confirm that:

- appropriate accounting policies, supported by reasonable and prudent judgments and estimates, have been used consistently;
- applicable accounting standards have been adhered to;
- adequate accounting records have been maintained;
- to the best of their knowledge and belief the other information included in the annual report is accurate and consistent with the financial statements;
- to the best of their knowledge and belief all representations made to the independent auditors during their audit were valid and appropriate; and that
- there is no reason to believe the business will not be a going concern in the year ahead.

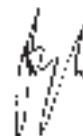
Directors' approval

The annual financial statements set out on pages 40 to 104 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the South African Companies Act, 1973, and include amounts based on judgments and estimates made by management.

The annual financial statements were approved by the board of directors on 27 September 2006, and are signed on its behalf by:



WR Jardine
Chief executive



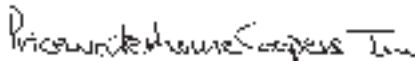
MJN Njeke
Deputy chairman

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF KAGISO MEDIA LIMITED

We have audited the annual financial statements and group annual financial statements set out on pages 40 to 104 for the year ended 30 June 2006. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with statements of International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 30 June 2006 and the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.


PricewaterhouseCoopers Inc.

Director: B Niebuhr
Registered Auditor
Sunninghill
18 October 2006

Company secretary's certificate

In terms of section 268G(d) of the South African Companies Act, 1973, as amended ("the Act"), I, in my capacity as company secretary, hereby certify that the company has lodged with the registrar of companies all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



S Pinaar
Company secretary
27 September 2006

Directors' report

for the year ended 30 June 2006

The directors have pleasure in presenting their tenth annual report, which forms part of the audited financial statements of the company and the group for the year to 30 June 2006.

1. NATURE OF BUSINESS

Kagiso Media Limited is an investment holding company with interests in

- radio broadcasting and radio airtime sales
- information services and solutions
- consumer and trade exhibitions and events

Its operating subsidiaries, associated companies and joint ventures and Kagiso Media's effective economic interest therein, are:

Broadcasting – regional radio stations

- East Coast Radio (Proprietary) Limited – 100%
- Jacaranda FM (Proprietary) Limited – 60%
- Seyalemoya Communications (Proprietary) Limited, (trading as "Ofm") – 24,9%
- Kaya FM (Proprietary) Limited – 25,1%*
- P4 Radio Cape Town (Proprietary) Limited, name changed to Radio Heart 104.9 (Proprietary) Limited – 33,3%**
- P4 Radio Durban (Proprietary) Limited, name changed to Radio iGagasi 99.5 (Proprietary) Limited – 33,3%**

Broadcasting – radio airtime sales

- RadMark (Proprietary) Limited – 47,47%

Information services and solutions

- LexisNexis Butterworths (Proprietary) Limited – 50%

Exhibitions and events

- Kagiso Exhibitions and Events (Proprietary) Limited – 100%

Support services

- Kagiso Broadcasting (Proprietary) Limited – 100%

* Indirectly an associate through the holding in Thebe Convergent Technologies (Proprietary) Limited

** Indirectly an associate through the holding in Makana Radio Communications (Proprietary) Limited

2. ACQUISITIONS

2.1 Kaya FM (Proprietary) Limited

At 30 June 2006, the acquisition of an effective economic interest of 33,3% in Shanike Investments No.42 (Proprietary) Limited ("Shanike") and the disposal of the 'B' ordinary and preference shares in Thebe Convergent Technologies (Proprietary) Limited acquired on 1 December 2004, were still subject to the finalisation of the last suspensive condition. This condition relates to the conclusion of an adherence agreement between all parties. Independent Communications Authority of South Africa's ("ICASA's") approval for this transaction was obtained during the year.

Shanike will, after the implementation of this transaction, own a direct 24,9%, as well as an indirect economic interest of 25,1% in Kaya FM. Upon implementation of this transaction the group's effective interest in Kaya FM will be diluted from 25,1% to 16,7%.

2.2 Jacaranda FM (Proprietary) Limited

An acquisition of a further interest in Jacaranda FM (Proprietary) Limited ("Jacaranda") was made subsequent to the financial year end.

2.2.1 Introduction

Kagiso Media has acquired 100% of the share capital of Little Swift Investments 36 (Proprietary) Limited ("Little Swift") from Tiso Capital Partners 2 whose holding represents 20% of the issued share capital of Jacaranda. This purchase will increase Kagiso Media's investment in Jacaranda from 60% to 80%. The purchase price consideration of R120,6m was based on the June 2006 audited financial statements of Jacaranda. The consideration will be adjusted for the pro-rata portion of the cash in the business as well as interest on the purchase price from the effective date. The effective date of acquisition is 1 July 2006.

2. ACQUISITIONS (continued)

2.2.2 Rationale for the acquisition

Kagiso Media has controlled Jacaranda since 1 August 2004, effectively owning 60% of the station. The additional stake will increase the group's earnings as well as cash returns and follows Kagiso Media's strategy to increase its stake in its high margin radio assets to the optimum allowable shareholding and control under the current regulatory framework.

2.2.3 Conditions precedent

The acquisition is subject to the fulfilment of certain conditions precedent including the approval of ICASA and a due diligence investigation of Little Swift. ICASA's approval remains outstanding as at the date of the approval of the financial statements.

2.3 Primetime Kagiso

One of the company's subsidiaries has invested in a 50% joint venture in India, namely Primetime Kagiso. This business is newly formed with the purposes of being a training facility in radio experience, a research centre and a sales house for radio stations in India. The company has invested about R300 000 in this venture and expects to gain experience in the Indian radio environment.

3. OPERATING AND FINANCIAL REVIEW

3.1 The results for the year ended 30 June 2006 are discussed in the financial review on pages 10 and 11 and are reflected in the company and group financial statements set out on pages 40 to 104, and can be summarised as follows:

	Year ended		% growth
	30 June 2006	30 June 2005	
Earnings (R'000)	110 027	95 214	15,6%
Earnings per share (cents)	83,2	72,7	14,4%

3.2 The increase in earnings per share over that of the previous year can be ascribed to the strong performance of the group's broadcasting operations and the excellent results as presented by the information services and solution division.

3.3 The results for the financial year ended 30 June 2005 have been restated in terms of the International Reporting Financial Standards ("IFRS"). The new accounting policies, accounting standards, International Financial Reporting Interpretation Committee ("IFRIC") interpretations and details of the transition to IFRS are set out in the accounting policies. The impact of these amendments to the financial statements as previously presented is analysed in the accounting policies, refer note 5.

3.4 The performance of the individual segments of the group's business and their relative contributions to revenue, operating profit and earnings are reflected in the segmental report, note 18 to the annual financial statements.

4. PREFERENCE SHARES

During 2005, Kagiso Media Investments (Proprietary) Limited ("KMI"), a subsidiary of the company, raised R82,5m in funding through the issue of redeemable, cumulative, variable rate preference shares to a commercial bank in order to fund acquisitions of RadMark (Proprietary) Limited (15,8%), Jacaranda FM (Proprietary) Limited (17,5%) and an economic interest in Kaya FM (Proprietary) Limited (25,1%).

These preference shares were redeemed during 2006, at KMI's election. On 15 March 2006, KMI issued R100m preference shares on similar conditions as before. The preference shares have a coupon of 70% of the prime overdraft rate and the preference dividend is payable on 31 March and 30 September of every year. The preference shares are redeemable over five years from the date of issue. In order to allow for this redemption, the group accumulates the required amount of cash in a dedicated savings account with the bank, referred to as the sinking fund, note 7 to the annual financial statements.

The additional R17,5m preference shares were issued to refinance the acquisition of the effective economic interest in Makana Radio Communications (Proprietary) Limited ("MRC") and the P4 radio stations currently known as Radio iGagasi 99.5 and Radio Heart 104.9.

Directors' report (continued)

for the year ended 30 June 2006

5. DIVIDEND

Dividend policy

The board has approved a dividend policy for the company that will ensure that, in the absence of investment opportunities, at least 50% of attributable profits be regularly returned to shareholders. The board also considered the constraints of the current regulatory environment, the working capital and other requirements of the group and deems the level of cover appropriate under the current circumstances. The Secondary Tax on Companies that is payable by the company on all dividends distributed to shareholders will result in an increase in the effective tax rate of the company. A payment to shareholders, as per the policy, will result in an increase in the tax rate of the group from 29,0%, which is the statutory rate for companies to 33,4%, an effective 3,9% increase.

Dividend declaration

The company paid a final dividend of 44 cents per share in respect of the year to 30 June 2005 (2004 – 42 cents) on 10 October 2005 and an interim dividend of 40 cents per share (2005 – 42 cents) on 20 March 2006.

A final dividend of 33 cents per share in respect of the year to 30 June 2006 was declared by the directors on 27 September 2006 and will be reflected in the financial statements for the year to 30 June 2007.

6. SHARE CAPITAL AND PREMIUM

Authorised share capital

There has been no change in the authorised share capital of the company.

Issued share capital

During the year under review, the issued share capital was increased by the allotment and issue of 1 218 873 ordinary shares to employees, who exercised rights to purchase shares in the company, in terms of the Kagiso Media Limited Share Option Scheme, at a weighted average price of R2,22 per share.

Accordingly, at 30 June 2006, the issued share capital of the company was R1 325 397 comprising 132 539 675 ordinary shares of 1 cent each.

Unissued share capital

The unissued ordinary shares are under the control of the directors of the company, in terms of a general authority granted to the directors pursuant to Section 221(2) of the Companies Act. This general authority remains valid only until the next annual general meeting, which is to be held on 24 November 2006. At this meeting, members will be asked to consider an ordinary resolution to place 596 802 of the unissued shares under the control of the directors until the 2007 annual general meeting.

Acquisition of the company's own shares

At the last annual general meeting, shareholders gave the company a general approval, in terms of Section 85 and 89 of the Companies Act, to acquire its own shares. This approval remains valid only until the next annual general meeting, which will be held on 24 November 2006. Members will be asked at this meeting to consider a special resolution to renew this general approval until the 2007 annual general meeting.

7. SHAREHOLDERS

Significant shareholders

According to information received by the directors, the major shareholder of the company at 30 June 2006 is as follows:

Major shareholder	Numbers of shares	Percentage of shares
Kagiso Trust Investments (Proprietary) Limited	63 711 297	48,1

Major movements

There has been a movement in the number of shares held by Kagiso Trust Investments (Proprietary) Limited ("KTI") in the year under review. At 30 June 2006 the 63 711 297 shares held by KTI equated to 48,1% of the issued shares of the company, compared to 57 162 663 which equated to 43,5% at 30 June 2005. The increase is due to acquiring 4,99% from VideoVision Investments (Proprietary) Limited ("VideoVision"). This investor sold all of its shares in the company during the financial year.

7. SHAREHOLDERS (continued)

Shareholder spread

The spread of public and non-public shareholders in terms of paragraph 4.22, 4.23 and 4.25 of JSE Limited listing requirements at 30 June 2006 was as follows:

Shareholder spread	Number of shareholders	Percentage of shares held
Public	1 105	51,66
Non-public	8	48,34
– Directors of the company	6	0,27
– Kagiso Trust Investments (Proprietary) Limited	2	48,07
Total	1 113	100,00

8. SHARE SCHEMES

8.1 Employee share option scheme: Kagiso Media Limited

The company operates a share incentive scheme for the benefit of its executive directors and staff. A maximum of 10% of the shares in the company is available for share incentive and option schemes. No individual may at any time have the right to acquire more than 2,5% of the shares in the company. The right to acquire shares in terms of the Kagiso Media Limited Share Option Scheme is exercisable in four equal tranches, at the market price on the day of the award of such right, commencing three years from the date of issue and expire after 10 years from the date of issue.

At the balance sheets date, 1 770 508 (2005 – 3 436 018) rights to acquire ordinary shares in the share capital of the company were outstanding, representing 1,34% (2,62%) of the shares in the company. During the year 1 218 873 (2005 – 1 077 296) rights to acquire shares in the company were exercised, at a weighted average price of R2,22 (2005 – R2,12) each. No new rights to acquire shares in the company were granted during the year under review. During 2005, 298 529 shares, at a weighted average price of R10,49 per share were allocated.

In accordance with IFRS 2 – Share-based payments the group has recognised a compensation expense in the income statements, representing the fair value of the share options granted to the company's employees, over the vesting period of the shares. A corresponding credit to equity has been raised for this equity-settled plan, refer to the consolidated statement of changes in the shareholders' equity, page 50 of the annual financial statements. The fair value of these options has been determined using an option pricing model, modelling the particular aspects of the option scheme, the employee turnover and the exercise behaviour of the participants. As only one employee has ever forfeited any shares, it was assumed that option scheme participants will remain employees of the group for the full period, until all the options have been exercised, according to the terms of the scheme. Scheme participants usually exercise their options immediately after the vesting date, therefore the vesting period and the expected option life were assumed equal. The risk free rates with maturity periods closest to the options' life were used in the calculation. The expected volatility for the share price was based on Kagiso Media's historical share price performance. The dividend yield of 6,7%, that is the historic dividend yield until the end of the 2004 financial year, was applied in the valuation model. The benefit expense for the year was calculated as R454 000 (2005 – R417 000), refer note 13 to the annual financial statements.

The directors' interest in the Kagiso Media Limited Share Option Scheme is more comprehensively set out in the remuneration report.

Employee share option scheme: RadMark (Proprietary) Limited

RadMark (Proprietary) Limited ("RadMark"), a joint venture in the Kagiso Media Limited group, has a staff share scheme, in which the employees, via a share trust, own 5% of the company. Share options are granted to all employees upon joining RadMark. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. One-third of the option vests on each anniversary after three years' service. RadMark has a legal obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding and their related weighted average exercise prices are set out in note 17 to the annual financial statements. The above scheme is a cash-settled option scheme.

Directors' report (continued)

for the year ended 30 June 2006

8. SHARE SCHEMES (continued)

Outstanding rights in Kagiso Media Limited option scheme

The following rights to acquire shares were outstanding at 30 June 2006, inclusive of those rights awarded to the executive directors:

Date on which exercisable	Number of rights	Price (cents)
September 2006	159 021	208
	141 577	300
	111 884	450
January 2007	106 195	565
March 2007	78 125	260
Year ending 30 June 2007	596 802	346*
September 2007	141 577	300
	111 884	450
	30 782	830
January 2008	106 195	565
March 2008	78 125	260
	8 766	1 208
Year ending 30 June 2008	477 329	438*
September 2008	141 576	300
	111 884	450
	30 782	830
January 2009	106 195	565
March 2009	8 766	1 208
Year ending 30 June 2009	399 203	473*
September 2009	111 884	450
	30 782	830
January 2010	106 194	565
March 2010	8 766	1 208
Year ending 30 June 2010	257 626	569*
September 2010	30 782	830
March 2011	8 766	1 208
Year ending 30 June 2011	39 548	914*
Total	1 770 508	445*

* weighted average price of outstanding rights

Movement during the year

The movement in the number of outstanding rights to acquire shares during the year is as follows:

	Executive directors	Staff	Total
Opening balance	3 100 952	335 066	3 436 018
Rights exercised	(1 075 123)	(143 750)	(1 218 873)
Forfeited	(446 637)	–	(446 637)
Closing balance	1 579 192	191 316	1 770 508

At 30 June 2006 1 770 508 shares were available to the scheme, comprising no more than 1,3% of the issued shares of the company.

8. SHARE SCHEMES (continued)

8.2 Unrestricted share purchase scheme

During the current financial year, a new share incentive scheme has been approved and was implemented. A trust was established to administer the scheme and to offer financial assistance as contemplated in section 38(2)(b) of the Companies Act. The trust will, as authorised by the board, make offers to eligible employees to acquire shares at the offer price. The eligible employees will be entitled to accept an offer within the offer period.

The purpose of the scheme is to allow participants to purchase shares in Kagiso Media at market value, on an interest bearing loan account. The participants have full voting and dividend rights and there are no restrictions on the vesting or disposal of the shares. However, in order to encourage participants to hold their shares up to at least the end of a three year period, a bonus payment will be made on the third anniversary of the offer date, having regard to the shares held by the participant at that point in time.

The loans are interest bearing at prime less 2%, being the deemed interest rate that individuals with similar asset portfolios will be able to obtain from a reputable financial institution. Management estimated the average amount of the bonus to be 15% of the capital amount of the loan. The fair value of this obligation has been discounted at the interest rate for instruments of a similar risk profile, and has been expensed in equal amounts over the specified period, that is three years. This transaction will be accounted for as long term benefits in terms of IAS 19 – Employee Benefits.

This incentive scheme is deemed to be a long term employee plan; IFRS 2 – Share-based payments is therefore not applicable. Details of the transactions in this scheme during the financial year are also provided in the remuneration report, page 37 of the annual financial report.

Details of the loans to participants in the Unrestricted Share Purchase Scheme at 30 June 2006 were as follows:

Unrestricted share purchase scheme			
	WR Jardine	OC Essack	S Pienaar
Date of loan	30 December 2005	30 December 2005	30 December 2005
Original value of the loan	R2 250 000	R225 000	R836 997

9. DIRECTORS' INTEREST

Directors' shareholding

The directors beneficially and directly held 363 151 (2005 – 11 270 044) ordinary shares, representing 0,27% (2005 – 8,58%) of the total issued share capital in the company. These shares were held by the directors as follows:

Director	Direct	Indirect	Total
HI Appelbaum	72 000	–	72 000
MJN Njeke	14 822	–	14 822
OC Essack*	18 360	–	18 360
RL Hiemstra	5 000	–	5 000
S Pienaar*	68 299	–	68 299
WR Jardine*	184 600	–	184 600
YI Mahomed	70	–	70
Total	363 151	–	363 151

* Executive

Directors' report (continued)

for the year ended 30 June 2006

9. DIRECTORS' INTEREST (continued)

Transactions in shares by directors and directors of major subsidiaries

During the year under review the following directors recorded the following transactions in the company's shares:

Director	Date of transaction	Type of transaction	Number of shares	Average price (cents)
		Total purchased	270 259	12,25
WR Jardine*	30 December 2005	Purchased	183 600	12,25
OC Essack*		Purchased	18 360	12,25
S Pienaar*		Purchased	68 299	12,25
		Total sold	4 359 291	12,83**
AH Singh	27 December 2005	Sold	3 554 580	12,83
SN Pragjee	30 December 2005	Sold	804 711	12,83
		Total sold	256 463	12,55**
AH Singh	15 December 2005	Sold	209 120	12,55
SN Pragjee		Sold	47 343	12,55
		Total sold	618 624	12,45**
WR Jardine*	9 November 2005	Sold	51 124	12,50
			500	12,55
			567 000	12,45
		Total sold	6 224 059	12,30**
AH Singh	10 October 2005	Sold	5 075 105	12,30
SN Pragjee		Sold	1 148 954	12,30
		Total exercised	618 624	2,29
WR Jardine*	30 September 2005	Exercised options	477 047	2,08
			141 577	3,00
PHP Jacobs	30 September 2005	Exercised options	456 499	2,08
Total sold			11 458 437	12,52**
Total bought			1 345 382	3,51**

* Executive directors

**Weighted average price

Prior approval for all the above trades was obtained from the chairman of the board of directors.

Directors' interest in contracts

No director declared any interest in any of the contracts entered into with the company.

Directors' remuneration

Full details of all amounts paid to the executive and non-executive directors are disclosed on page 35 of the annual report.

Rights to acquire shares

The executive directors participate in the Kagiso Media Limited Share Option Scheme, which entitles them to acquire shares in the company at the market price ruling on the day of such award. At 30 June 2006 they had outstanding rights to acquire a further 1 579 192 ordinary shares in the share capital of the company.

10. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

There was no major change in the nature or the use of the property, plant and equipment and intangible assets, owned by the company or any of its subsidiaries or joint venture during the year under review.

During the year under review, the group acquired property, plant and equipment to the value of R13,5m, the most significant items of which were acquired by Kagiso Exhibitions and Events (Proprietary) Limited and LexisNexis Butterworths (Proprietary) Limited. These acquisitions took place in terms of the normal programme of asset replacement.

LexisNexis Butterworths (Proprietary) Limited acquired copyright to the value of R1,6m and various entities invested in computer equipment to the value of R2,6m. Kagiso Exhibitions and Events (Proprietary) Limited invested in a stand building company by acquiring a 51% controlling interest in Kusasa Commodities 386 (Proprietary) Limited ("Eyethu JV") for a consideration of R51,00.

11. SUBSIDIARIES

The interest of the company in the aggregate net income of its subsidiaries after tax amounts to R86 316 000 (2005 – R81 870 000).

Details of the subsidiaries are given on page 74 of the annual report.

12. BORROWING LIMITATIONS

There are no limitations on borrowings in terms of the articles of association of the company, its subsidiaries and joint ventures. However, in terms of the preference share subscription agreements, the group is limited in terms of its ability to raise more debt, declare ordinary dividends and make payments such as discretionary bonuses. The directors estimate that the group will be able to raise an additional R300m on terms similar to those of the existing preference shares without exceeding these covenants.

13. SPECIAL RESOLUTIONS

At the annual general meeting on 25 November 2005, a special resolution was adopted by shareholders, which gave the company a general authority to acquire its own shares, subject to certain conditions.

A similar special resolution is proposed for adoption at the annual general meeting, which is to be held on 24 November 2006.

14. DIRECTORATE

Particulars of the directors in office at the date of this report are set out on pages 4 and 5 of the annual report.

15. COMPANY SECRETARY

Ms S Pienaar has been appointed company secretary with effect from 1 October 2005. The business and postal addresses of the company secretary are reflected on the inside back cover of the annual report. The declaration by the company secretary is set out on page 39 of the annual report.

16. AUDITORS

PricewaterhouseCoopers Inc. are the auditors of the company. Members will be asked at the next annual general meeting, which will be held on 24 November 2006, to re-appoint PricewaterhouseCoopers Inc. as auditors of the company in accordance with Section 270(2) of the Companies Act.

17. GOING CONCERN

The board has considered the status of the company and group, including the sustainability of their business models, available financial resources at 30 June 2006, the current regulatory environment and potential changes thereto and is satisfied that the company, and each of its subsidiaries, joint ventures and associates will be able to continue as going concerns in the foreseeable future.

18. EVENTS SUBSEQUENT TO THE BALANCE SHEETS DATE

The directors are not aware of any matter or circumstance arising since the end of the financial year, other than what has been discussed in this report in paragraphs 2.1 to 2.3, that would affect the operations of the group or the results of those operations significantly.

Illovo
27 September 2006

Balance sheets

as at 30 June 2006

	Notes	Group		Company	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
ASSETS					
Non-current assets		463 287	458 364	333 299	337 817
Property, plant and equipment	1	19 948	16 121	–	–
Goodwill	3	17 984	17 984	–	–
Intangible assets	2	343 678	364 993	–	–
Interest in subsidiaries	4	–	–	299 129	303 647
Investment in joint ventures	5	–	–	34 170	34 170
Investment in associates	6	44 708	39 248	–	–
Deferred income tax assets	16	17 993	11 615	–	–
Loans and receivables	7	18 976	8 403	–	–
Current assets		236 500	205 759	136	70
Inventories	8	21 140	16 236	–	–
Trade and other receivables	9	129 885	105 998	15	25
Loans and receivables	7	139	–	–	–
Current income tax assets		–	2 103	–	–
Cash and cash equivalents	10	85 336	81 422	121	45
Total assets		699 787	664 123	333 435	337 887
EQUITY					
Capital and reserves					
Ordinary shares	11	1 325	1 313	1 325	1 313
Share premium	12	9 804	7 120	9 804	7 120
Revaluation and other reserves	13	87 135	87 186	576	627
Retained earnings		173 382	174 654	321 377	325 304
Total shareholders' equity		271 646	270 273	333 082	334 364
Minority interest	14	94 089	96 320	–	–
Total equity		365 735	366 593	333 082	334 364
LIABILITIES					
Non-current liabilities					
Borrowings	15	100 640	82 500	–	–
Deferred income tax liabilities	16	97 371	96 585	–	–
Current liabilities		136 041	118 445	353	3 523
Trade and other payables	17	124 654	95 780	353	3 523
Borrowings	15	651	–	–	–
Current income tax liabilities		10 736	22 665	–	–
Total liabilities		334 052	297 530	353	3 523
Total equity and liabilities		699 787	664 123	333 435	337 887

The notes on pages 71 to 104 are an integral part of these financial statements

Income statements
for the year ended 30 June 2006

	Notes	Group		Company	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
Revenue	19	604 795	527 081	–	–
Other income	20	16 733	11 661	112 171	126 206
Raw material and consumables		(121 709)	(101 132)	–	–
Commission and levies		(92 687)	(94 810)	–	–
Employee costs		(78 639)	(74 800)	(51)	(417)
Depreciation	1	(6 853)	(5 368)	–	–
Amortisation	2	(23 974)	(22 646)	–	–
Other expenses		(91 382)	(66 331)	(1 477)	(3 260)
Operating profit	21	206 284	173 655	110 643	122 529
Finance income	22	5 570	7 114	307	14
Finance expenses	23	(6 865)	(4 736)	–	–
Share of results of associates	24	6 865	5 920	–	–
Profit before income tax		211 854	181 953	110 950	122 543
Income tax expense	25	(82 058)	(71 520)	(3 578)	(4 509)
Profit for the year		129 796	110 433	107 372	118 034
Attributable to:					
– Equity holders of the company		110 027	95 214	107 372	118 034
– Minority interest		19 769	15 219	–	–
		129 796	110 433	107 372	118 034
Earnings per share for equity holders of the company during the year (expressed in cents)					
– basic	26	83,2	72,7		
– diluted		82,8	71,9		
Dividends per share (cents)	27	84,0	84,0		

The notes on pages 71 to 104 are an integral part of these financial statements

Statements of changes in shareholders' equity

for the year ended 30 June 2006

	Notes	Attributable to equity holders of the company				Minority interest	Total equity
		Share capital R'000	Share premium R'000	Revaluation and other reserves R'000	Retained earnings R'000		Total R'000
Group							
Balance at 1 July 2004		1 302	4 853	210	189 717	37	196 119
New shares issued, net of share issue expenses	12	11	2 267	-	-	-	2 278
Share of net profit of subsidiary at acquisition		-	-	-	-	15 798	15 798
Asset revaluation surplus	13	-	-	86 559	-	85 266	171 825
Profit for the year		-	-	-	95 214	15 219	110 433
Employee share option scheme – value of services provided	13	-	-	417	-	-	417
Dividends		-	-	-	(110 277)	(20 000)	(130 277)
Balance at 30 June 2005		1 313	7 120	87 186	174 654	96 320	366 593
New shares issued, net of share issue expenses	12	12	2 684	-	-	-	2 696
Profit for the year		-	-	-	110 027	19 769	129 796
Employee share option scheme – value of services provided	13	-	-	(51)	-	-	(51)
Dividends		-	-	-	(111 299)	(22 000)	(133 299)
Balance at 30 June 2006		1 325	9 804	87 135	173 382	94 089	365 735
Company							
Balance at 1 July 2004		1 302	4 853	210	317 547	-	323 912
New shares issued, net of share issue expenses	12	11	2 267	-	-	-	2 278
Profit for the year		-	-	-	118 034	-	118 034
Employee share option scheme – value of services provided	13	-	-	417	-	-	417
Dividends		-	-	-	(110 277)	-	(110 277)
Balance at 30 June 2005		1 313	7 120	627	325 304	-	334 364
New shares issued, net of share issue expenses	12	12	2 684	-	-	-	2 696
Profit for the year		-	-	-	107 372	-	107 372
Employee share option scheme – value of services provided	13	-	-	(51)	-	-	(51)
Dividends		-	-	-	(111 299)	-	(111 299)
Balance at 30 June 2006		1 325	9 804	576	321 377	-	333 082

The notes on pages 71 to 104 are an integral part of these financial statements

Cash flow statements
for the year ended 30 June 2006

	Notes	Group		Company	
		2006 R'000	2005 R'000	2006 R'000	2005 R'000
Cash flows from operating activities					
Cash generated from operations	28.1	236 843	190 340	107 432	123 735
Finance expenses paid		(366)	(178)	-	-
Income tax paid	28.2	(95 729)	(63 919)	(3 578)	(2 387)
Finance income received		5 570	6 955	307	14
Dividends received from associates		-	-	-	-
Dividends paid to shareholders		(111 299)	(110 277)	(111 299)	(110 277)
Dividends paid to minority		(22 000)	(20 000)	-	-
Dividends paid to preference shareholders	28.3	(6 047)	(2 874)	-	-
Net cash generated from/(used in) operating activities		6 972	47	(7 138)	11 085
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	28.4	-	(44 709)	-	-
Acquisition of investment in associate		-	(17 735)	-	-
Purchases of property, plant and equipment ("PPE")		(10 842)	(5 732)	-	-
Proceeds from sale of PPE		-	537	-	-
Purchases of intangible assets		(2 659)	(383)	-	-
Loans to associates		(471)	(15 291)	-	-
Loans to subsidiaries		-	-	4 518	(13 443)
Net cash (used in)/generated from investing activities		(13 972)	(83 313)	4 518	(13 443)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		2 696	2 278	2 696	2 278
Proceeds from borrowings		18 791	82 500	-	-
Movement in loans and receivables		(10 573)	(8 403)	-	-
Net cash generated from financing activities		10 914	76 375	2 696	2 278
Net increase/(decrease) in cash and cash equivalents		3 914	(6 891)	76	(80)
Cash and cash equivalents at the beginning of year		81 422	88 313	45	125
Cash and cash equivalents at the end of year	10	85 336	81 422	121	45

The notes on pages 71 to 104 are an integral part of these financial statements

1. GENERAL INFORMATION

Kagiso Media Limited and its subsidiaries ("the group") is a leading black owned and managed media entity in South Africa with interests in substantial media assets, including broadcasting and radio airtime sales, information services and solutions, and consumer and trade exhibitions.

The consolidated financial statements have been approved for issue by the board of directors on 27 September 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated annual financial statements of the group are presented in accordance with, and comply with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective as at 30 June 2006. As these are the group's first annual financial statements prepared under IFRS, IFRS 1 – First-time Adoption of IFRS was applied.

The policies set out below have been consistently applied to all years presented except for those relating to the classification and measurement of financial instruments. The group has made use of the exemptions available under IFRS 1 to only apply IAS 32 – Financial Instruments: Disclosure and Presentation and IAS 39 – Financial Instruments: Presentation and Measurement from 1 July 2005. The policies for 2005 and 2006 have been disclosed separately below.

The consolidated financial statements were previously prepared under South African Statements of Generally Accepted Accounting Practice ("SA GAAP"). SA GAAP differs in some areas from IFRS. In preparing the 2006 consolidated financial statements, management has amended certain accounting, valuation and consolidation methods applied in the SA GAAP financial statements to comply with IFRS. The comparative figures in respect of 2005 were restated to reflect these adjustments, except as described in the accounting policies.

Reconciliations and descriptions of the effect of the transition from SA GAAP to IFRS on the group's equity and its net income and cash flows are provided in note 5 of the accounting policies.

The consolidated financial statements are prepared according to the historic cost convention as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affects the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Detailed disclosure in respect of estimates and assumptions used has been included under the individual notes where appropriate.

2.2 Basis of consolidation

The consolidated annual financial statements include the results of Kagiso Media Limited and its subsidiaries, associates, joint ventures and related share scheme trusts.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

Minority interest is stated at the minorities' proportion of the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date plus the minorities' portion of post acquisition reserves recognised. The interests of minority shareholders in the consolidated equity and results of the group are shown separately in the consolidated balance sheets and income statements, respectively.

Associates

Associates are entities over which the group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the group has significant influence over the entity. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The group's interests in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint venture's individual income and expenses, assets and liabilities, and cash flow on a line-by-line basis with similar items in the group's financial statements.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of gains or losses from the joint venture that results from the group's purchase of assets from the joint venture until it resells the assets to an independent third party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately. Joint ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The segmental reporting has been prepared using the group's method of internal reporting, which disaggregates its business by media type and includes all businesses over which the group exercises control. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

The group has no geographic segment as it has been determined that the risks and rewards for products or services within a particular economic environment are similar.

2.4 Property, plant and equipment

Property, plant and equipment comprise mostly equipment, furniture, leasehold improvements and vehicles. Property, plant and equipment are stated at cost or if the IFRS 1 exemption was applied deemed cost ("fair value at opening balance sheets date"). The cost is determined as the purchase cost plus any cost to prepare the assets for their intended use, less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Accounting policies (continued)

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Leasehold improvements	5 – 10 years
Production/studio equipment	5 years
Office and computer equipment	3 – 5 years
Furniture and fittings	5 – 6 years
Vehicles	4 – 5 years

Major leasehold improvements are amortised over the shorter of their respective lease periods or estimated useful life.

The carrying values of property, plant and equipment are reviewed periodically to assess whether the net recoverable amount has declined below the carrying amount. In the event of such impairment, the carrying amount is reduced and the reduction is charged as an expense in the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheets date.

Gains and losses on disposals are determined by comparing the proceeds with the asset's carrying amount. These are included in the income statement in the related period.

2.5 Leased assets

Leases of property, plant and equipment, except land, are classified as finance leases where substantially all risks and rewards associated with ownership of an asset are transferred from the lessor to the group as lessee. Assets classified as finance leases are capitalised at the lower of the fair value of the leased asset and the estimated present value of the underlying minimum lease payments, with the related lease obligation recognised at the estimated present value of the minimum lease payments. Bank rates are used to calculate present values of minimum lease payments. Capitalised leased assets are depreciated over their estimated useful lives, limited to the duration of the lease agreement. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables.

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the third party lessor, are classified as operating leases. Operating lease rentals (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries and joint ventures is included in "goodwill" on the balance sheets. Goodwill on acquisitions of associates is included in "investments in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses on goodwill are not reversed.

Broadcast licence

Broadcast licences are recorded as assets for rights acquired under licence agreements when the licence period begins and the cost of each programme is known or reasonably determinable. The broadcast licence is carried at acquisition cost and is not subject to amortisation, as it is considered to have an indefinite useful life. Radio broadcasting licences are issued by the Independent Broadcasting Authority of South Africa ("ICASA"). The stations directly own the radio licences as awarded by ICASA, and due to restrictions under South African legislation these licences are not transferable. The licence operating agreements are expected to be renewed, hence the indefinite useful life. The carrying values of these licences are tested annually for impairment.

Transmitter split facility

The transmitter split facility is initially recorded at acquisition cost. This asset has a definite useful life and is carried at cost less accumulated amortisation and impairment (if required). Amortisation is calculated using the straight-line method to allocate the cost of the transmitter facility over the estimated useful life, namely 20 years.

Customer relationships

Customer relationships acquired are carried at acquisition cost less accumulated amortisation. These costs are amortised over 20 years using the straight-line method.

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Software costs are carried at cost less accumulated amortisation and impairment (if required). These costs are amortised over their estimated useful lives of between three to five years.

Other intangible assets

Other intangibles consist of patents, title rights, brand names, copyrights, trademarks and intellectual property. These assets are recognised at acquisition cost. All other intangible assets have a definite useful life and are carried at cost less accumulated amortisation and if required impairment. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives.

The useful lives were determined as follows:

Patents	5 years
Title rights	10 years
Brand names, copyrights and trademarks	20 years
Intellectual property rights	7 years

The useful life of the group's intangible assets are re-assessed annually and no residual value has been determined as there is no commitment by a third party to purchase the asset at the end of its useful life; or there is no active market for these assets.

Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to have future benefits. Other development costs are recognised as an expense as incurred. Development costs previously expensed are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product to which they relate on a straight-line basis over the period of their expected benefit, but not exceeding five years.

2.7 Investments and other financial assets

The company accounts for investments in subsidiaries, joint ventures and associates are recognised at cost, which includes transaction costs, less amounts written off and accumulated impairment losses, at a stand alone level.

The group classifies its other investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheets date. The group has not classified any investments to this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheets date. These are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group has not classified any investments to this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheets date. The group has not classified any investments to this category.

Purchases and sales of investments are recognised on trade-date (the date on which the group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity.

The group assesses at each balance sheets date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.8 Impairment of assets

Assets that have an indefinite life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.9 Inventory

Inventory is stated at the lower of cost or net realisable value. The cost of inventory is determined by means of the first-in first-out basis. The cost of inventory of publications and work-in-progress include amounts paid to printers, editors and authors, but does not include any portion of administrative overheads.

Direct expenditure incurred on an exhibition is accounted for as work-in-progress in the balance sheets, and only charged to the income statement when the exhibition has been held. Expenses are only accounted for as work-in-progress if there is a strong possibility that the exhibition will in fact take place and to the extent that such an exhibition is expected to show a profit. In case of the termination of a future exhibition, work-in-progress related to that exhibition is immediately charged to the income statement.

Net realisable value of inventory is the estimate of the selling price, less the costs of completion and selling expenses.

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheets at cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments with maturities of three months or less at the date of purchase. For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheets.

2.12 Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as borrowings (refer note 15 to the annual financial statements).

Incremental external costs directly attributable to the issue of new shares or options other than in connection with a business combination are shown in equity as a deduction, net of tax, from the proceeds.

Where the company or its subsidiaries purchase the company's equity share capital, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from equity attributable to the company's equity holders as treasury shares until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the company's equity holders.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowings.

Preference shares, which are mandatorily redeemable on a specific date or at the shareholder's option, are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance expense.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheets date.

2.14 Provisions

Provisions are recognised when: the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheets date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

2.15 Taxation

Taxation rates

The normal South African company tax rate used for the year ending 30 June 2006 was 29% (2005 – 29%). Deferred tax assets and liabilities for South African entities at 30 June 2006 have been calculated using this rate, being the rate that the group expects to apply to the periods when the assets are realised or the liabilities are settled. Secondary tax on companies is calculated at 12,5% and capital gains tax is calculated at 50% of the company tax rate.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

The principal temporary differences arise from depreciation on property, plant and equipment, other intangibles, provisions, other current liabilities, income received in advance and tax losses carried forward.

Secondary tax on companies ("STC")

Dividends declared by South African companies are subject to STC, but the STC liability is reduced by dividends received during the dividend cycle. Where the dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate. The STC expense is included in the taxation charge in the income statement in the period that the dividend is paid. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

2.16 Revenue

Revenue recognition

Revenue comprises the fair value for the sale of goods and services net of value added tax and discounts, and after eliminating sales within the group. Revenue is recognised as follows:

Sale of airtime – upon broadcasting of the advertising material

Sale of publications – upon customer acceptance

Sale of exhibition space – upon the staging of the exhibition

Sale of other services – upon delivery of the service

Gate revenue – upon receipt thereof

Deferral of revenue

Revenue earned on exhibitions is deferred and only brought to account when the exhibitions are held.

Revenue from certain annual subscriptions to the group's specialist publishing products is recognised over the period of such a subscription.

2.17 Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in South African Rand, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement and disclosed separately in the notes to the annual financial statements.

2.18 Other income

Interest income

Interest is accrued on a time-proportion basis, recognising the effective yield on the underlying assets.

Dividend income

Dividends are recognised when the right to receive payment is established.

2.19 Employee benefits

Defined contribution plans

Group companies have various defined contribution schemes. Under these schemes the group pays contributions, on a mandatory or voluntary basis, into a separate entity and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due, and as such are included in either directors' emoluments or staff costs.

Equity compensation benefits

The company operated several equity compensation schemes for the benefit of staff, namely the Kagiso Media Share Option Scheme, the Kagiso Media Unrestricted Share Purchase Scheme and the RadMark Staff Share Scheme.

Options are granted in terms of the Kagiso Media Share Option Scheme at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable over a period ranging from three to ten years from the date of the grant. When the options are exercised, the proceeds received net of any transaction cost are credited to share capital (nominal value) and share premium. The fair value of the options is recognised as an employee benefit expense with a corresponding increase in other reserves over the vesting period.

The benefits relating to the Unrestricted Share Purchase Scheme which is available to executives of the company, is stated at full fair value and there is no related IFRS 2 – Share-based payments charge to the income statements.

One of the group's joint ventures operates a share scheme through which staff can own shares in the company and enjoy benefits on the increase in market value from three years of receipt thereof over a three year period. The cost is being expensed in the income statement over the period during which the benefit is being received and a related liability is recognised in the balance sheets.

Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where it is contractually obliged to pay or where there is a past practice that has created a constructive obligation.

2.20 Dividends

Dividend distributions to the company's shareholders are recognised in the group's financial statements in the period in which they are approved by the company's directors.

2.21 New accounting standards and IFRIC interpretations

Certain new accounting standards and IFRIC interpretations have been published and are mandatory for the accounting periods beginning on or after 1 January 2006.

The group has assessed the following accounting statements and interpretations, and determined that these will not have a significant effect on the group:

IAS 19 – Employee Benefits (effective for years commencing on or after 1 January 2006)

IAS 21 – The Effect of Changes in Foreign Exchange Rates (effective for years commencing 1 January 2007)

IAS 39 (AC 133) – Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective for years commencing on or after 1 January 2006)

IAS 39 (AC 133) – The Fair Value Option (effective for years commencing on or after 1 January 2006)

IFRS 6 – Exploration for and Evaluation of Mineral (effective for years commencing on or after 1 January 2006)

IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective for years commencing on or after 1 January 2006)

IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electronic and Electronic Equipment (effective for years commencing on or after 1 December 2005)

IFRIC 7 – Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies (effective for years commencing on or after 1 March 2006)

The following changes are likely to affect the group reporting in future periods:

IFRS 7 – Financial Instruments: Disclosures (effective for years commencing on or after 1 January 2007) was issued 18 August 2005, with an effective date of 1 January 2007. IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30 – Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32 – Financial Instruments: Disclosure and Presentation. The group has assessed the impact of IFRS 7 and will ensure the necessary IFRS 7 disclosures are included in annual periods beginning after 1 January 2007.

IAS 1 – Presentation of Financial Statements: Capital Disclosures (effective for years commencing on or after 1 January 2007). The group is currently evaluating the effect of the standards.

IAS 39 and IFRS 4 – Financial Guarantee Contracts (effective for years commencing on or after 1 January 2006). The group is currently evaluating the effect of the standards.

IFRIC 4 – Determining whether an arrangement contains a lease (effective for years commencing on or after 1 January 2006) was issued and is effective for annual periods beginning on or after 1 January 2006. The interpretation specifies that an arrangement that meets certain criteria is, or contains, a lease that should be accounted for in accordance with IAS 17 – Leases. The group will therefore apply IFRIC 4 on the basis of facts and circumstances that existed at 1 July 2005. The group is currently evaluating the effects of the standard.

IFRIC 8 – Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006) clarifies that IFRS 2 – Share-based Payments applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. The group will adopt these amendments during its financial year ending 30 June 2008 and is currently evaluating the effects of the standard.

IFRIC 9 – Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006) clarifies that an entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party in the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The group is currently evaluating the effects of the standard.

AC 503 – Accounting for Black Economic Empowerment (“BEE”) transactions (effective for years commencing 1 May 2006). AC503 – BEE transactions states that if equity instruments are granted at a discount to a BEE partner, this must be expensed. BEE credentials acquired as part of a business combination shall be subsumed in goodwill and not recognised as a separate intangible asset. Where the BEE transaction includes service conditions, the fair value of the equity instruments shall be measured at grant date and the expense should be recognised over the period of the service conditions. Where the BEE transaction includes no service conditions, the fair value of the equity instruments shall be measured at grant date and the expense should be recognised immediately on grant date. The group will adopt these amendments during its financial year ending 30 June 2007 and is currently evaluating the effects of the standard.

3. FINANCIAL RISK MANAGEMENT

The group’s activities expose it to a variety of financial risks, including credit risk, interest rate risk, liquidity risk and foreign exchange risk. The following sets out the procedures followed by the group’s management in managing the risks.

3.1 Credit risk

Normal trade credit risk

Although bad debts have historically been very low, the group still considers the risk of non-payment by a customer as a major threat to its business. The group’s exposure to credit risk is mitigated by the fact that its customers are dispersed over different geographical areas and industries (such as the advertising industry and individual subscribers to its professional publications), and comprise many thousands of individual customers.

Broadcasting

Some concentrations of credit risk may exist, particularly in the area of radio airtime sales through RadMark (Proprietary) Limited. In this regard, RadMark insures its trade receivables to the maximum amount possible and is affiliated to the Media Credit Consortium, where credit information on the broader media industry is regularly exchanged. A subjective risk grading system has also been developed for application in the radio sales environment.

RadMark regularly calculates and monitors the amount included in its trade receivables considered to be “at risk”. This exposure is at its highest at 30 November of each year due to the seasonality inherent in the radio airtime sales cycle.

Information services and solutions

LexisNexis Butterworths (Proprietary) Limited has more than 25 000 active debtors, spread across different geographic areas and segments of industry. Of these debtors, approximately 15% by number represent 80% of total trade receivables at any time. The company performs an extensive credit vetting when an account is first opened.

Exhibitions and events

Due to the nature of its events, Kagiso Exhibitions and Events (Proprietary) Limited normally has no debtors in respect of an exhibition by the time the exhibition commences.

An analysis of the concentrations of credit risk in the specific areas of the group’s business, as well as the amount included in trade receivables in respect of radio airtime sales considered to be “at risk”, is set out in note 34 to the annual financial statements.

3.2 Interest rate risks

Surplus cash is invested from time to time with reputable financial institutions. Management monitors and negotiates available interest rates on an ongoing basis.

Preference shares were issued at a coupon of 70% of prime overdraft rate. Dividends are calculated on this basis with the result that the group is exposed to and will also benefit from interest rate fluctuations. The funds invested in the sinking fund are invested with reputable financial institutions, cumulating interest at rates as negotiated by management on an ongoing basis.

3.3 Foreign exchange risk

Derivative financial instruments, comprising forward exchange contracts, are used by the group for hedging purposes to mitigate foreign exchange risk on contract commitments to purchase goods and services. Hedge accounting in terms of IAS 39 however is not applied and these financial instruments are fair valued through the income statement. The group does not speculate or engage in trading of financial instruments (refer note 33).

3.4 Liquidity risk

The group generates adequate resources to enable it to pay all operating liabilities, required investments and savings, dividends to preference shareholders and to service the normal shareholders as per the dividend policy as set out in note 5 of the directors' report. In terms of the debt covenants as agreed to with the current preference shareholders, the group has access to an additional preference share facility of R300m, as at the end of the financial year (refer note 12 of the directors' report).

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**4.1 Introduction**

For the year ended 30 June 2005, the group prepared its financial statements under South African Statements of Generally Accepted Accounting Practice ("SA GAAP") as effective at that date. In accordance with the JSE Limited ("JSE") listings requirements the group is required to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for the year ended 30 June 2006.

The date for transition to IFRS is 1 July 2004, which represents the beginning of the earliest period of comparative information to be presented as required in terms of the requirements of the JSE.

In order to describe how the group's reported results of operations and financial position are impacted by IFRS, the group has restated information previously published under SA GAAP to the equivalent basis under IFRS. This restatement follows the guidelines set out in IFRS 1 – First-time Adoption of International Financial Reporting Standards ("IFRS 1").

4.2 Transitional arrangements

The date of transition to IFRS for the group is 1 July 2004. The key principle of IFRS 1 is the full retrospective application of IFRS. This statement however provides exemptions from retrospective application in certain instances due to cost and practical considerations. The group has applied the following exemptions in accordance with IFRS 1.

(a) Business combinations

The group has adopted IFRS 3 – Business Combinations ("IFRS 3") to all business combinations that have occurred since 1 July 2004 (the date of transition to IFRS). The group has therefore not restated any business combinations prior to 1 July 2004 in accordance with IFRS 3. All subsequent business combinations have applied IFRS 3.

(b) Fair value as deemed cost

A first time adopter may elect to use the fair value of individual property, plant and equipment at transition date as the deemed cost. These principles were applied to fully depreciated assets still in use and these items of property, plant and equipment were measured at fair value, which was their deemed cost as at 1 July 2004.

(c) Cumulative foreign currency translation adjustments

This exemption was not relevant to the group, as the group has no foreign operations or entities at opening balance sheet date.

(d) Exemption from restatement of comparatives for IAS 32 and IAS 39 and IFRS 4

The group has elected to apply the exemption that allows it to apply the previous SA GAAP principles under AC 125 – Financial Instruments: Disclosure and Presentation ("AC 125") and AC 133 – Financial Instruments: Recognition and Measurement ("AC 133") to derivatives, financial assets and financial liabilities and to hedging relationships for its comparative information relating to the financial year ended 30 June 2005. It therefore only applied IAS 32 – Financial Instruments: Presentation and Disclosure, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 4 – Insurance Contracts with effect from 1 July 2005 ("IAS 32/IAS 39 and IFRS 4 transition date").

(e) Share-based payment transactions

The group has applied the share-based payment exemption, therefore IFRS 2 – Share-based Payments ("IFRS 2") was only applied to equity-settled instruments that were granted after 7 November 2002 but that have not vested by 1 January 2005, and for cash-settled instruments where liabilities were not settled by 1 January 2005. For instruments vesting on or after 1 January 2005, the amortisation of the fair value charge has been recorded as an expense in the income statements in the respective periods and the cumulative effect of prior years in equity.

(f) Decommissioning liabilities included in property, plant and equipment

The group has elected in terms of IFRS 1 to apply the requirements of IFRIC 1 – Changes in Existing, Decommissioning, Restoration and Similar Liabilities ("IFRIC 1") for changes in such liabilities that occurred before 1 July 2004.

IFRS 1 requires that the group apply the requirements of IFRIC 1 retrospectively. As explained in the transitional arrangements section, the group has elected to apply the exemption under IFRS 1, whereby the group need not account for changes in decommissioning, restoration and similar liabilities that occurred before the date of transition to IFRS. No significant liabilities were noted in this regard.

(g) Employee benefit exemption

The exemption allows the group to recognise all cumulative actuarial unrecognised gains and losses at 1 April 2004. The group has no defined benefit plans and therefore this exemption is not applicable.

(h) Designation of financial assets and financial liabilities

This exemption allows the group to re-designate financial assets and financial liabilities at fair value through profit and loss or as available-for-sale. The group did not re-designate any financial assets and financial liabilities on 1 July 2005 (IAS 32 and IAS 39 transition date).

(i) Other exemptions

The exemptions relating to insurance contracts, compound financial instruments, assets and liabilities of subsidiaries, associates and joint ventures and fair value measurement of financial assets or liabilities at initial recognition were not applicable to the group.

4.3 Exceptions

The group has applied the following exceptions from retrospective application in accordance with IFRS 1.

(a) Derecognition of financial assets and liabilities

The application of the exemption from restating comparatives for IAS 32 – Financial Instruments: Disclosure and Presentation (“IAS 32”) and IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) means that the group’s effective date for these standards was 1 July 2005. Financial assets and liabilities derecognised before 1 July 2005 have not been re-recognised under IFRS.

(b) Hedge accounting

On adoption of IFRS the group is not allowed to designate a transaction as a hedge, if such transaction was not designated as a hedge and it qualified for hedge accounting in terms of AC 133 under SA GAAP.

(c) Estimates

Estimates under IFRS at 1 July 2004 are consistent with the estimates made at the same date under SA GAAP. Kagiso Media therefore did not adjust any estimates it had made under SA GAAP for information it received subsequent to the date of transition to IFRS.

(d) Assets held-for-sale and discontinued operations

The group has applied IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (“IFRS 5”) from 1 July 2005 to all non-current assets held for sale and/or discontinued operations.

4.4 Reconciliation of net profit and equity from SA GAAP to IFRS

The reconciliations of net profit and equity below present the impact of the various adjustments on the group’s and company’s financial position and financial performance. The numbering of the adjustments corresponds with the numbering used in 4.5.

Reconciliations are set out as follows:

5.1 Summary of changes in equity at 1 July 2004, 30 June 2005 and 1 July 2005

5.2 Equity at 30 June 2004

5.3 Equity at 30 June 2005

5.4 Profit for the year ended 30 June 2005

5.5 Changes in equity as at 30 June 2005

5.6 Changes in cash flow for the year ended 30 June 2005

The following reclassifications were made to the prior year financials:

(a) Reclassification of computer software from property, plant and equipment to intangible assets

The group reclassified certain computer software from “property, plant and equipment” to “intangible assets” on its balance sheets. Computer software is required to be classified as an intangible asset in terms of IAS 38 – Intangible Assets, unless the software is an integral part of the related hardware. This adjustment had no impact on the group’s income statements or its net equity.

(b) Reclassification between non-current and current assets

The group reclassified the sinking fund to non-current assets, previously included in current assets. The reason for this reclassification was to accurately reflect the nature of the asset as required by IAS 1. This reclassification had no impact on the group’s income statements or its net equity.

(c) Reclassification of deferred income and provisions

The group reclassified credit balances relating to deferred income that were included under “accounts receivable” to trade and other payables on its balance sheets. This reclassification had no impact on the group’s income statements or its net equity. A reclassification was also made between “accrued expenses” and “provisions” on the balance sheets relating to a language development accrual.

4.5 The group made the following adjustments to its SA GAAP financial statements in order to restate the information in terms of IFRS:**i) IFRS 2 – Share-based payments**

The group grants share options to its employees under two equity compensation plans. In terms of SA GAAP, these equity compensation plans did not result in any expense being recorded by the group, other than costs incurred in administering the schemes and a dilution in earnings per share when the shares were delivered to the employee.

In accordance with IFRS 2, the group has recognised a compensation expense in the income statement, representing the fair value of share options granted to the group’s employees. The corresponding credit for the Kagiso Media Limited share option scheme entry was to equity, as this plan is equity-settled. The corresponding credit for the RadMark (Proprietary) Limited staff share scheme was to liabilities, as this plan is cash-settled. These plans are more fully described in the directors’ report (refer note 8).

ii) IAS 38 – Recognition of intangible assets

In the 2000 financial year the group wrote off all intangible assets and goodwill purchased and acquired in business combinations against shareholders’ equity. In order to ensure consistency between the company and the group’s equity, a corresponding entry was processed to reduce the investment in subsidiaries and joint ventures.

In terms of the requirements of IFRS 1, IAS 38 should be applied retrospectively. Therefore the group is required to recognise all intangible assets that have previously been recognised in the group’s financial statements and that meet the recognition and measurements criteria of IAS 38. On transition to IFRS the group has therefore re-instated all intangible assets previously accounted for against shareholders’ equity under SA GAAP that meet the recognition and measurement requirements of IAS 38. The intangible assets referred to include various trademarks and copyrights, valued at R33m on 1 July 2004.

In terms of the company’s financial statements, the investments in the subsidiaries of R271m and the investment in the joint venture of R34m were reinstated to reflect the original cost of these investments.

iii) IAS 38 – Intangible assets – useful lives and residual values

The group has reviewed the useful lives of certain trademarks and copyrights and reassessed the duration during which future economic benefits will flow from the use of the assets. The decision to revise the estimated useful lives of these copyright assets has resulted in an adjustment to the respective intangible carrying values.

iv) IAS 16 – Useful lives and residual values of property, plant and equipment (“PPE”)

IAS 16 – Property, plant and equipment (“IAS 16”) differs in certain respects from the previous SA GAAP equivalent, AC 123 – Property, plant and equipment (“AC 123”), applied by the group until 30 June 2005. IAS 16 states that an entity is required to measure the residual value of an item of property, plant and equipment as the amount the entity estimates it would receive currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. The group has previously under SA GAAP accounted for residual values based on the requirement of AC 123 that regards residual value as the net amount that the entity expected to obtain for the asset at the end of its useful life. The group has therefore reviewed its residual values for individual items of property, plant and equipment and adjusted the carrying value of some items at the date of transition accordingly in terms of the requirements of IAS 16.

IAS 16 further requires that the useful lives of the individual components of property, plant and equipment items be reviewed at each balance sheet date, whereas the requirement under the previous SA GAAP equivalent, AC 123, has been to review the useful lives of items of property, plant and equipment on a non-mandatory periodic basis. The group has reassessed the useful lives of all individual components of property, plant and equipment and adjusted the carrying value of some items at the date of transition accordingly.

The adjustments to the residual values and useful lives of certain items of property, plant and equipment and the corresponding change in their carrying values at 1 July 2004 has also impacted depreciation charges subsequent to 1 July 2004.

Accounting policies (continued)

IFRS 1 and IAS 16 – Fair value as deemed cost

In terms of the requirements of IFRS 1 the group is required to apply IAS 16 retrospectively. As explained in the transitional arrangements section, the group has elected to apply the exemption under IFRS 1 whereby the fair value of certain assets at 1 July 2004 is used at its deemed cost on the transition date. The group adjusted the carrying values of the individual items of property, plant and equipment for those items to which the exemption was applied.

Assets have been re-valued after considering current prices from suppliers and suitable experts. The useful lives of individual assets were considered based on past experience with similar assets. All assets with no useful life were written off immediately. In accordance with IFRS, software has been reclassified as intangible assets.

Property, plant and equipment Group (R'000)

	Computer equipment	Land and buildings	Furniture and fittings	Leasehold improve- ments	Motor vehicles	Plant and equip- ment	Studio equip- ment	Total
As previously reported:								
30 June 2004	3 169	87	1 603	3 753	544	2 483	1 870	13 509
Adj iv	2	–	110	–	120	81	174	487
Restated balance 1 July 2004	3 171	87	1 713	3 753	664	2 564	2 044	13 996

Intangible assets Group (R'000)

	Trade- marks, titles and copyright	Develop- ment expen- diture	Broad- cast licence	Trans- mitter split facility	Customer relation- ships	Computer software	Total
As previously reported:							
30 June 2004	5 327	2 599	–	–	–	–	7 926
Adj ii	33 101	–	–	–	–	–	33 101
Adj iii	23 089	–	–	–	–	–	23 089
Adj iv	–	–	–	–	–	13	13
Restated balance 1 July 2004	61 517	2 599	–	–	–	13	64 129

v) IAS 39 and IAS 32 – Trade receivables impairment adjustment

These statements require that trade receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

The provision for bad debts has been adjusted based on the objective evidence of impairment per individual debtor. All debtors were also evaluated for the potential impact on short term liquidity.

vi) IAS 17 – Operating leases

The South African Institute of Chartered Accountants issued Circular 7/2005 during August 2005. The purpose of the circular was to clarify the requirements of IAS 17 – Leases (“IAS 17”) in respect of operating leases, which include fixed rental increases. IAS 17 and its SA GAAP equivalent standard AC 105 – Leases (“AC 105”) require that lease payments under an operating lease should be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user’s benefit. In South Africa most lessees, including Kagiso Media, have in the application of AC 105 recognised rental expenses with fixed rental increases on the basis of the cash flow in the lease agreements, interpreting that such an approach represented “another systematic basis” that was “more representative of the time pattern of the user’s benefits.” Circular 7/2005, however, clarified that the way many South African entities, including Kagiso Media, applied the “other systematic basis” in terms of AC 105 is not consistent with the requirements of IAS 17 and AC 105 as applied internationally. IAS 17 only permits a treatment other than straight-line recognition when another basis is more representative of the time pattern of the user’s benefit, which is unaffected by the timing of payments.

The group applied the principles of IAS 17, as clarified by Circular 7/2005, to all its lease agreements with fixed rental increases on adoption of IFRS. The requirements of IAS 17 were applied retrospectively and an adjustment to retained earnings at the transition date was accounted for.

vii) IAS 39 – Discounting of payables

A constructive obligation with regard to the language development was recognised under SA GAAP. The group has applied the principles of IAS 39 retrospectively and an adjustment to retained earnings at the transition date was accounted for. Therefore the current payables are carried at amortised cost and discounted accordingly.

viii) Reversal of indirect costs capitalised to work-in-progress

The group applied the principles of IAS 2 relating to recognition of direct and indirect costs in work-in-progress balances. IAS 2 eliminates the reference to the matching principle, whereby costs are matched to the period in which revenue is reported. IAS 2 states specifically that labour and other costs relating to sales and general administrative personnel are not included but are recognised as expenses in the period in which they are incurred.

The requirements of IAS 2 were applied retrospectively and an adjustment to retained earnings at the transition date was accounted for. The net profit for the year ended 30 June 2005 and 30 June 2004 included adjustments for the reversal of indirect costs which had been capitalised to inventory under SA GAAP.

Reconciliations 5.2 to 5.6 present the IFRS adjustments and reclassifications that were made to the group's financial statements for the year ended 30 June 2005, the balance sheets at 30 June 2005 and 30 June 2004, and the cash flow statement for the year ended 30 June 2005, as described above.

5. RECONCILIATION FROM SA GAAP TO IFRS

5.1 Summary of changes in equity at 1 July 2004, 30 June 2005 and 1 July 2005

	Adj	Group		Company	
		2005 R'000	2004 R'000	2005 R'000	2004 R'000
Total equity under SA GAAP		328 846	146 156	(3 453)	18 464
Share-based payments*	[i]	(948)	–	–	–
Recognition of intangible assets**	[ii]	23 424	33 027	337 817	305 448
Useful lives of intangible assets**	[iii]	13 408	16 858	–	–
Useful lives and residual values of PPE**	[iv]	515	375	–	–
Trade receivables impairment adjustment**	[v]	1 117	311	–	–
Straight-lining of operating leases**	[vi]	(179)	(76)	–	–
Discounting of payables**	[vii]	528	–	–	–
Reversal of indirect costs capitalised to work-in-progress**	[viii]	(118)	(532)	–	–
Total equity under IFRS		366 593	196 119	334 364	323 912

* IFRS 1 adjustments

** Changes in terms of SA GAAP

5.2 Equity at 30 June 2004	Group							Company				
	SA GAAP 30 June 2004 R'000	*	**	**	**	**	**	IFRS 30 June 2004 R'000	SA GAAP 30 June 2004 R'000	Adj i R'000	Adj ii R'000	IFRS 30 June 2004 R'000
ASSETS												
Non-current assets	64 892	-	42 469	23 089	500	-	(76)	-	20 870	-	305 448	326 318
Property, plant and equipment	13 509	-	-	-	487	-	-	-	-	-	-	-
Goodwill	9 260	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	7 926	-	33 101	23 089	13	-	-	-	18 926	-	271 278	290 204
Interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	34 170	34 170
Investment in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
Investment in associates	15 272	-	9 368	-	-	-	(76)	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax assets	18 925	-	-	-	-	-	-	-	1 944	-	-	1 944
Current assets	207 150	-	-	-	-	444	-	-	328	-	-	328
Inventories	17 341	-	-	-	-	-	-	-	-	-	-	-
Trade and other receivables	100 973	-	-	-	-	444	-	-	25	-	-	25
Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-
Current income tax assets	524	-	-	-	-	-	-	-	178	-	-	178
Cash and cash equivalents	88 312	-	-	-	-	-	-	-	125	-	-	125
Total assets	272 042	-	42 469	23 089	500	444	(76)	-	21 198	-	305 448	326 646
EQUITY												
Capital and reserves												
Ordinary shares	1 302	-	-	-	-	-	-	-	1 302	-	-	1 302
Share premium	4 853	-	-	-	-	-	-	-	4 853	-	-	4 853
Revaluation and other reserves	-	210	-	-	-	-	-	-	-	210	-	210
Retained earnings	139 964	(210)	33 027	16 858	375	311	(76)	(532)	189 717	(210)	305 448	317 547
Total shareholders' equity	146 119	-	33 027	16 858	375	311	(76)	(532)	18 464	-	305 448	323 912
Minority interest	37	-	-	-	-	-	-	-	37	-	-	-
Total equity	146 156	-	33 027	16 858	375	311	(76)	(532)	18 464	-	305 448	323 912
Liabilities												
Non-current liabilities												
Borrowings	-	-	9 442	6 712	126	133	-	(399)	-	-	-	-
Deferred income tax liabilities	-	-	9 442	6 712	126	133	-	(399)	-	-	-	-
Current liabilities	125 886	-	-	(481)	(1)	-	-	931	2 734	-	-	2 734
Trade and other payables	110 199	-	-	-	(1)	-	-	1 330	2 734	-	-	2 734
Borrowings	-	-	-	-	-	-	-	(399)	-	-	-	-
Current income tax liabilities	15 687	-	-	(481)	-	-	-	(399)	-	-	-	-
Total liabilities	125 886	-	9 442	6 231	125	133	-	532	2 734	-	-	2 734
Total equity and liabilities	272 042	-	42 469	23 089	500	444	(76)	-	21 198	-	305 448	326 646

* IFRS 1 adjustments

** Changes in terms of SA GAAP

5.3 Equity at 30 June 2005	Group										Company				
	SA GAAP		**		**		**		**		S A GAAP		Company		IFRS
	30 June 2005 R'000	Adj i R'000	Adj ii R'000	Adj iii R'000	Adj iv R'000	Adj v R'000	Adj vi R'000	Adj vii R'000	Adj viii R'000	IFRS 30 June 2005 R'000	30 June 2005 R'000	Adj i R'000	Adj ii R'000	IFRS 30 June 2005 R'000	
ASSETS															
Non-current assets	400 289	-	28 732	17 250	653	-	(175)	-	-	446 749	-	-	337 817	337 817	
Property, plant and equipment	15 501	-	-	-	620	-	-	-	-	16 121	-	-	-	-	
Goodwill	18 748	-	-	(764)	-	-	-	-	-	17 984	-	-	-	-	
Intangible assets	318 214	-	19 364	27 382	33	-	-	-	-	364 993	-	-	-	-	
Interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	303 647	303 647	
Investment in joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	34 170	34 170	
Investment in associates	39 423	-	9 368	(9 368)	-	-	(175)	-	-	39 248	-	-	-	-	
Loans and receivables	8 403	-	-	-	-	-	-	-	-	8 403	-	-	-	-	
Deferred income tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current assets	204 524	-	-	-	1 444	-	-	-	(209)	205 759	70	-	-	70	
Inventories	16 445	-	-	-	-	-	-	-	(209)	16 236	-	-	-	-	
Trade and other receivables	104 554	-	-	-	1 444	-	-	-	-	105 998	25	-	-	25	
Loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current income tax assets	2 103	-	-	-	-	-	-	-	-	2 103	-	-	-	-	
Cash and cash equivalents	81 422	-	-	-	-	-	-	-	-	81 422	45	-	-	45	
Total assets	604 813	-	28 732	17 250	653	1 444	(175)	-	(209)	652 508	70	-	337 817	337 887	
EQUITY															
Capital and reserves	1 313	-	-	-	-	-	-	-	-	1 313	1 313	-	-	1 313	
Ordinary shares	7 120	-	-	-	-	-	-	-	-	7 120	7 120	-	-	7 120	
Share premium	90 595	627	-	(4 036)	-	-	-	-	-	87 186	-	627	-	627	
Revaluation and other reserves	132 977	(1 575)	23 424	17 934	488	1 117	(179)	586	(118)	174 654	(11 886)	(627)	337 817	325 304	
Retained earnings	232 005	(948)	23 424	13 898	488	1 117	(179)	586	(118)	270 273	(3 453)	-	337 817	334 364	
Total shareholders' equity	96 841	-	-	(490)	27	-	-	(58)	-	96 320	-	-	-	-	
Minority interest	328 846	(948)	23 424	13 408	515	1 117	(179)	528	(118)	366 593	(3 453)	-	337 817	334 364	
Total equity	157 041	(178)	5 308	5 020	138	327	(1)	88	(273)	167 470	-	-	-	-	
Liabilities															
Non-current liabilities	82 500	(178)	5 308	5 020	138	327	(1)	88	(273)	84 970	-	-	-	-	
Borrowings	74 541	-	-	-	-	-	-	-	-	82 500	-	-	-	-	
Deferred income tax liabilities	118 926	1 126	-	(1 178)	-	-	5	(616)	182	118 445	3 523	-	-	3 523	
Current liabilities	94 195	1 126	-	(208)	-	-	5	(241)	903	95 780	3 523	-	-	3 523	
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowings	24 731	-	-	(970)	-	-	-	(375)	(721)	22 665	-	-	-	-	
Current income tax liabilities	275 967	948	5 308	3 842	138	327	4	(528)	(91)	285 915	3 523	-	-	3 523	
Total liabilities	604 813	-	28 732	17 250	653	1 444	(175)	-	(209)	652 508	70	-	337 817	337 887	
Total equity and liabilities															

* IFRS 1 adjustments

** Changes in terms of SA GAAP

Accounting policies (continued)

	5.4 Profit for the year ended 30 June 2005														
	SA GAAP					Group					Company				
	30 June 2005	Adj i	Adj ii	Adj iii	Adj iv	Adj v	Adj vi	Adj vii	Adj viii	30 June 2005	SA GAAP 30 June 2005	Adj i	Adj ii	30 June 2005	
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Revenue	527 031	-	-	50	-	-	-	-	-	527 081	-	-	-	-	
Other income	11 661	-	-	-	-	-	-	-	-	11 661	-	-	38 869	126 206	
Raw material and consumables	(114 184)	-	-	60	-	-	-	12 992	-	(101 132)	-	-	-	-	
Commission and levies	(94 810)	-	-	-	-	-	-	-	-	(94 810)	-	-	-	-	
Employee costs	(73 257)	(1 543)	-	-	-	-	-	-	-	(74 800)	-	(417)	-	(417)	
Depreciation	(5 530)	-	-	-	162	-	-	-	-	(5 368)	-	-	-	-	
Amortisation	(13 094)	-	(13 737)	4 185	-	-	-	-	-	(22 646)	-	-	-	-	
Other expenses	(52 730)	-	-	(201)	-	(406)	(5)	(215)	(12 774)	(66 331)	(3 260)	-	-	(3 260)	
Operating profit	185 087	(1 543)	(13 737)	4 094	162	(406)	(5)	(215)	218	173 655	84 077	(417)	38 869	122 529	
Finance income	7 114	-	-	-	-	-	-	-	-	7 114	14	-	-	14	
Finance expenses	(4 577)	-	-	(159)	-	-	-	-	-	(4 736)	-	-	-	-	
Share of results of associates	6 058	-	-	-	-	-	(138)	-	-	5 920	-	-	-	-	
Profit before income tax	193 682	(1 543)	(13 737)	3 935	162	(406)	(143)	(215)	218	181 953	84 091	(417)	38 869	122 543	
Income tax expense	(76 501)	178	4 134	276	(35)	122	40	70	196	(71 520)	(4 509)	-	-	(4 509)	
Profit for the year	117 181	(1 365)	(9 603)	4 211	127	(284)	(103)	(145)	414	110 433	79 582	(417)	38 869	118 034	
Attributable to:															
- Equity holders of the company	103 290	(1 365)	(9 603)	2 852	100	(284)	(103)	(87)	414	95 214	79 582	(417)	38 869	118 034	
- Minority interest	13 891	-	-	1 359	27	-	-	(58)	-	15 219	-	-	-	-	
	117 181	(1 365)	(9 603)	4 211	127	(284)	(103)	(145)	414	110 433	79 582	(417)	38 869	118 034	

* IFRS 1 adjustments

** Changes in terms of SA GAAP

5.5 Changes in equity as at 30 June 2005

	Group										Company			
	SA GAAP		IFRS		SA GAAP		IFRS		SA GAAP		IFRS		IFRS	
	30 June 2005	R'000	30 June 2005	R'000	30 June 2005	R'000	30 June 2005	R'000	30 June 2005	R'000	30 June 2005	R'000	30 June 2005	R'000
Share capital														
Balance at 1 July 2004	1 302	-	-	-	-	-	-	-	-	-	-	-	-	1 302
Movement for the year	11	-	-	-	-	-	-	-	-	-	-	-	-	11
Balance at 30 June 2005	1 313	-	-	-	-	-	-	-	-	-	-	-	-	1 313
Share premium														
Balance at 1 July 2004	4 853	-	-	-	-	-	-	-	-	-	-	-	-	4 853
Movement for the year	2 267	-	-	-	-	-	-	-	-	-	-	-	-	2 267
Balance at 30 June 2005	7 120	-	-	-	-	-	-	-	-	-	-	-	-	7 120
Revaluation reserves														
Balance at 1 July 2004	-	210	-	-	-	-	-	-	-	-	-	-	-	210
Movement for the year	90 595	417	-	(4 036)	-	-	-	-	-	-	-	-	-	417
Balance at 30 June 2005	90 595	627	-	(4 036)	-	-	-	-	-	-	-	-	-	627
Retained earnings														
Balance at 1 July 2004	139 964	(210)	33 027	16 858	375	311	(76)	-	(532)	-	(210)	305 448	-	317 547
Share of net profit of subsidiary at acquisition	-	-	-	(1 776)	13	1 090	-	673	-	-	-	-	-	-
Profit for the year	103 290	(1 365)	(9 603)	2 852	100	(284)	(103)	(87)	414	(417)	38 869	-	-	118 034
Dividends	(110 277)	-	-	-	-	-	-	-	-	-	-	-	-	(110 277)
Realisation of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	(6 500)	-
Balance at 30 June 2005	132 977	(1 575)	23 424	17 934	488	1 117	(179)	586	(118)	(627)	337 817	(627)	337 817	325 304
Minority interest														
Balance at 1 July 2004	37	-	-	-	-	-	-	-	-	-	-	-	-	37
Share of net profit at acquisition	17 647	-	-	(1 849)	-	-	-	-	-	-	-	-	-	15 798
Share of fair value adjustment in intangible assets	85 266	-	-	-	-	-	-	-	-	-	-	-	-	85 266
Share of net profit	13 891	-	-	1 359	27	-	-	(58)	-	-	-	-	-	15 219
Dividends	(20 000)	-	-	-	-	-	-	-	-	-	-	-	-	(20 000)
Balance at 30 June 2005	96 841	-	-	(490)	27	-	-	(58)	-	-	-	-	-	96 320

* IFRS 1 adjustments

** Changes in terms of SA GAAP

Accounting policies (continued)

5.6 Changes in cash flow for the year ended 30 June 2005		SA GAAP									IFRS	
		30 June	2005	*	**	**	**	**	**	**	30 June	2005
		30 June	2005	Adj i	Adj ii	Adj iii	Adj iv	Adj v	Adj vi	Adj vii	Adj viii	2005
Cash flows from operating activities												
Cash generated from operations		192 500		-	-	(299)	1	(1 406)	-	(456)	-	190 340
Finance expenses paid		(178)		-	-	-	-	-	-	-	-	(178)
Income tax paid		(63 919)		-	-	-	-	-	-	-	-	(63 919)
Finance income received		7 114		-	-	(159)	-	-	-	-	-	6 955
Dividends paid to shareholders		(110 277)		-	-	-	-	-	-	-	-	(110 277)
Dividends paid to minority		(20 000)		-	-	-	-	-	-	-	-	(20 000)
Dividends paid to preference shareholders		(2 874)		-	-	-	-	-	-	-	-	(2 874)
Net cash generated from/(used in) operating activities		2 366		-	-	(458)	1	(1 406)	-	(456)	-	47
Cash flows from investing activities												
Acquisition of subsidiary net of cash acquired		(44 709)		-	-	(1 776)	13	1 090	-	673	-	(44 709)
Acquisition of investment in associate		(17 735)		-	-	-	-	-	-	-	-	(17 735)
Purchases of property, plant and equipment ("PPE")		(5 732)		-	-	-	-	-	-	-	-	(5 732)
Proceeds from sale of PPE		508		-	-	-	29	-	-	-	-	537
Purchases of intangible assets		(2 673)		-	-	2 234	(43)	316	-	(217)	-	(383)
Loans to associates		(15 291)		-	-	-	-	-	-	-	-	(15 291)
Net cash (used in)/generated from investing activities		(85 632)		-	-	458	(1)	1 406	-	456	-	(83 313)
Cash flows from financing activities												
Proceeds from issue of ordinary shares		2 278		-	-	-	-	-	-	-	-	2 278
Proceeds from borrowings		82 500		-	-	-	-	-	-	-	-	82 500
Movement in loans and receivables		(8 403)		-	-	-	-	-	-	-	-	(8 403)
Net cash generated from financing activities		76 375		-	-	-	-	-	-	-	-	76 375
Net decrease in cash and cash equivalents		(6 891)		-	-	-	-	-	-	-	-	(6 891)
Cash and cash equivalents at the beginning of year		88 313		-	-	-	-	-	-	-	-	88 313
Cash and cash equivalents at the end of year		81 422		-	-	-	-	-	-	-	-	81 422

* IFRS 1 adjustments

** Changes in terms of SA GAAP

Notes to the annual financial statements
for the year ended 30 June 2006

1. PROPERTY, PLANT AND EQUIPMENT

	Capitalised leased asset*	Computer equipment	Freehold land and buildings	Furniture and fittings	Leasehold improve- ments	Motor vehicles	Plant and equipment	Studio equipment	Total
Group – 2006 (R'000)									
Cost									
Opening balance	–	16 423	87	6 680	5 873	1 632	5 517	8 221	44 433
Additions	–	2 552	–	1 383	266	344	1 506	965	7 016
Acquired in subsidiary	3 826	–	–	–	–	–	–	–	3 826
Disposals	–	(195)	–	(45)	–	(587)	(44)	(56)	(927)
Closing balance	3 826	18 780	87	8 018	6 139	1 389	6 979	9 130	54 348
Accumulated depreciation									
Opening balance	–	11 181	–	4 187	2 799	925	2 797	6 423	28 312
Disposals	–	(180)	–	(43)	–	(449)	(37)	(56)	(765)
Depreciation	511	2 632	–	830	759	256	880	985	6 853
Closing balance	511	13 633	–	4 974	3 558	732	3 640	7 352	34 400
Carrying amount									
Opening balance	–	5 242	87	2 493	3 074	707	2 720	1 798	16 121
Closing balance	3 315	5 147	87	3 044	2 581	657	3 339	1 778	19 948
Group – 2005 (R'000)									
Cost									
Opening balance	–	11 319	87	2 941	5 791	1 144	4 869	5 170	31 321
Additions	–	2 962	–	1 206	82	150	808	524	5 732
Transferred from development expenditure	–	985	–	–	–	–	–	–	985
Re-classified to intangibles	–	(59)	–	–	–	–	–	–	(59)
Acquired in subsidiary	–	1 537	–	2 744	–	338	277	3 733	8 629
Disposals	–	(321)	–	(211)	–	–	(437)	(1 206)	(2 175)
Closing balance	–	16 423	87	6 680	5 873	1 632	5 517	8 221	44 433
Accumulated depreciation									
Opening balance	–	8 148	–	1 228	2 038	480	2 305	3 126	17 325
Re-classified to intangibles	–	(39)	–	–	–	–	–	–	(39)
Acquired in subsidiary	–	1 139	–	2 564	–	239	253	3 416	7 611
Disposals	–	(302)	–	(192)	–	–	(433)	(1 026)	(1 953)
Depreciation	–	2 235	–	587	761	206	672	907	5 368
Closing balance	–	11 181	–	4 187	2 799	925	2 797	6 423	28 312
Carrying amount									
Opening balance	–	3 171	87	1 713	3 753	664	2 564	2 044	13 996
Closing balance	–	5 242	87	2 493	3 074	707	2 720	1 798	16 121

* Includes stand equipment and motor vehicles

Reconciliation	Group	
	2006 R'000	2005 R'000
Opening balance	16 121	13 996
Additions	7 016	5 732
Transferred from development expenditure	–	985
Re-classified to intangibles	–	(20)
Acquired in subsidiary	3 826	1 018
Disposals	(162)	(222)
Depreciation	(6 853)	(5 368)
Closing balance	19 948	16 121

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

2. INTANGIBLE ASSETS

	Trademarks, titles and copyright	Development expenditure	Broadcast licence	Transmitter split facility	Customer relationships	Computer software	Total	
Group – 2006 (R'000)								
Cost								
Opening balance	217 812	5 659	62 960	48 030	105 164	117	439 742	
Additions	1 560	441	–	–	–	658	2 659	
Acquired in subsidiary	–	–	–	–	–	–	–	
Disposals	–	–	–	–	–	(7)	(7)	
Closing balance	219 372	6 100	62 960	48 030	105 164	768	442 394	
Accumulated amortisation								
Opening balance	63 687	3 957	–	2 201	4 820	84	74 749	
Disposals	–	–	–	–	–	(7)	(7)	
Amortisation	15 654	562	–	2 401	5 258	99	23 974	
Closing balance	79 341	4 519	–	4 602	10 078	176	98 716	
Carrying amount								
Opening balance	154 125	1 702	62 960	45 829	100 344	33	364 993	
Closing balance	140 031	1 581	62 960	43 428	95 086	592	343 678	
Group – 2005 (R'000)								
Cost								
Opening balance	62 241	5 748	–	–	–	58	68 047	
Additions	1 520	896	–	–	–	–	2 416	
Transferred to computer equipment	–	(985)	–	–	–	–	(985)	
Re-classified from PPE	–	–	–	–	–	59	59	
Acquired in subsidiary	154 051	–	62 960	48 030	105 164	–	370 205	
Closing balance	217 812	5 659	62 960	48 030	105 164	117	439 742	
Accumulated amortisation								
Opening balance	724	3 149	–	–	–	45	3 918	
Re-classified from PPE	–	–	–	–	–	39	39	
Acquired in subsidiary	48 146	–	–	–	–	–	48 146	
Amortisation	14 817	808	–	2 201	4 820	–	22 646	
Closing balance	63 687	3 957	–	2 201	4 820	84	74 749	
Carrying amount								
Opening balance	61 517	2 599	–	–	–	13	64 129	
Closing balance	154 125	1 702	62 960	45 829	100 344	33	364 993	
							Group	
							2006	2005
							R'000	R'000
Reconciliation								
Opening balance						364 993	64 129	
Additions						2 659	2 416	
Transferred to computer equipment						–	(985)	
Re-classified from PPE						–	20	
Acquired in subsidiary						–	322 059	
Amortisation						(23 974)	(22 646)	
Closing balance						343 678	364 993	

Notes to the annual financial statements (continued)
for the year ended 30 June 2006

	2006 R'000	Group 2005 R'000
3. GOODWILL		
Cost		
Opening balance	18 185	9 260
Additions	-	-
Acquired in subsidiary	-	8 925
Disposals	-	-
Closing balance	18 185	18 185
Accumulated impairment		
Opening balance	201	-
Impairment	-	201
Closing balance	201	201
Carrying amount	17 984	17 984

The group recognised an impairment loss on goodwill of nil (2005 – R201 000) due to the fact that the recoverable amount of a cash-generating unit was less than its carrying value. The impairment charge has been included in "Other expenses" in the income statement. The recoverable amount was based on value in use.

Impairment testing of goodwill

The group has allocated goodwill to various cash-generating units. The recoverable amount of these cash-generating units have been determined based on the value-in-use. The value-in-use is based on discounted cash flow calculations. The group based its cash flow calculations on budgeted and forecast information approved by senior management and the board of directors. A long term average growth rate was used to extrapolate the cash flows into the future.

The group allocated goodwill to the following cash-generating units:

	Net closing balance (R'000)	Basis of determination of recoverable amount	Discount rate applied to cash flows	Growth rate used to extrapolate cash flows
Jacaranda FM	8 925	Value-in-use	14%	4%
Kagiso Exhibitions and Events	5 377	Value-in-use	14%	4%
Various other units	3 682	Value-in-use	various	various
	17 984			

Quantification of sensitivity of the goodwill impairment calculation in Jacaranda FM:

If the revised estimated growth in perpetuity is 10% lower than management's estimate, the company's value will decrease by 2%.

If the weighted average cost of capital applied to the discounted cash flows had been 10% higher than management's estimate, the company's value will decrease by 14%.

None of the above will result in a possible impairment of the value of the goodwill.

Quantification of sensitivity of the goodwill impairment calculation in Kagiso Exhibitions and Events:

If the revised estimated growth in perpetuity is 10% lower than management's estimate, the company's value will decrease by 1%.

If the weighted average cost of capital applied to the discounted cash flows had been 10% higher than management's estimate, the company's value will decrease by 11%.

None of the above will result in a possible impairment of the value of the goodwill.

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

4. INTEREST IN SUBSIDIARIES

Name (all private companies registered in South Africa)	Issued share capital			Interest of holding company			
	Amount R	Proportion held %		Shares at cost (R'000)		Loans owing by subsidiaries (R'000)	
		2006	2005	2006	2005	2006	2005
Directly held subsidiaries (principal activity):							
– Kagiso Branding & Marketing (central functions)	100	100	100	–	–	1 719	1 719
– Kagiso Broadcasting (central functions)	1 000	100	100	1	1	40 946	6 053
– Kagiso Exhibitions & Events (exhibitions and events management)	900	100	100	13 000	13 000	13 054	19 054
– Kagiso Grey (dormant)*	–	–	51	–	–	–	–
– Kagiso Media Investments (investment holding)	100	100	100	9 847	9 847	221 810	255 221
Kagiso Media Limited Share Trust (share option scheme)	100	100	100	–	–	–	–
Kagiso Media Limited Share Purchase Scheme (share purchase scheme)	1	100	–	–	–	–	–
Indirectly held subsidiaries (principal activity):							
– East Coast Radio (radio broadcaster)	1 011	100	100	–	–	–	–
– Naledi Media Investment Holdings (investment holding)	10 000	100	100	–	–	–	–
– Jacaranda FM (radio broadcaster)	600	60	60	–	–	–	–
– East Coast Radio Investment Holdings (investment holding)*	–	–	100	–	–	–	–
– Kusasa Commodities 386 (standbuilding)	100	51	–	–	–	–	–
				22 848	22 848	277 529	282 047
Less:							
– Loan written off				–	–	(1 248)	(1 248)
				22 848	22 848	276 281	280 799
Total investment in subsidiaries						299 129	303 647
Profit from subsidiaries						86 316	81 870

* Deregistered during 2006

Profit from subsidiaries includes only the profit attributable to Kagiso Media, therefore excludes the minority share in the subsidiaries' results. All inter-company transactions between group companies have been eliminated. All Secondary Tax on Companies in the group has been allocated to central services for reporting purposes.

With effect from 1 August 2004 the group acquired an additional 17,5% of Jacaranda FM (Proprietary) Limited, thereby raising its interest to a controlling 60%.

An impairment test has been performed on the goodwill for Jacaranda as well as its broadcasting licence. This has been done using the discounted cash flow method, assuming no change in the business, other than organic growth. Assumptions used include a weighted average cost of capital ("WACC") rate of 13,7%, an effective taxation rate of 31,6% and growth in perpetuity at 4%.

Directors' valuation

The investment in subsidiaries of R299 129 000 (2005 – R303 647 000) reflects the carrying value of these investments.

The directors value these subsidiaries at an aggregate of R898 175 000 (2005 – R659 073 000), on the basis of a market-related multiple of the earnings before interest, tax, depreciation and amortisation.

Notes to the annual financial statements (continued)
for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
5. INVESTMENT IN JOINT VENTURES				
The company exercises joint control over the joint ventures. The investment in joint ventures, both of which are unlisted, are:				
Directly held joint venture				
– 7 950 101 (2005 – 7 950 101) ordinary shares in LexisNexis Butterworths (Proprietary) Limited, representing 50% of the total issued share capital Investment – at cost			34 170	34 170
Indirectly held joint venture				
– 4 747 276 (2005 – 4 747 276) ordinary shares in RadMark (Proprietary) Limited, representing 47,47% of the total issued share capital			–	–
Closing carrying amount			34 170	34 170
The investment in joint ventures of R34 170 000 (2005 – R34 170 000) reflects the carrying value of these investments. The directors value the investments in the joint ventures at R239 420 000 (2005 – R213 522 000).				
The following amounts represent the group's effective share of the assets and liabilities and profits of the joint ventures and are included in the consolidated balance sheets and income statement:				
Property, plant and equipment	5 814	6 269		
Intangible assets	33 466	36 715		
Current assets	103 545	97 294		
Current liabilities	(75 096)	(72 136)		
Net assets	67 729	68 142		
The aggregate revenue, profit before tax, tax and profit after tax and cash flows of the joint ventures included in the group results are as follows:				
Revenue	139 692	119 824		
Profit before tax	33 018	23 789		
Taxation	(18 446)	(14 967)		
Profit after tax	14 572	8 822		
Operating cash flows	1 482	13 855		
Investing cash flows	(4 023)	(3 814)		
Financing cash flows	(1)	(32)		
Total cash flows	(2 542)	10 009		
There are no long term or contingent liabilities relating to the group's interest in the joint ventures.				

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

6. INVESTMENT IN ASSOCIATES

The investments in associates, all of which are unlisted, comprise:

- 27 576 ordinary shares in Seyalemoya Communications (Proprietary) Limited (trading as 'Ofm'), representing 24,9375% of the total issued share capital.
- 500 'B' ordinary and 278 preference shares in Thebe Convergent Technologies (Proprietary) Limited ("TCT"), representing an effective economic interest of 25,1% in Kaya FM (Proprietary) Limited ("Kaya"), a company in which TCT holds 45,2% and has financed further 5% of the shares. This investment was acquired on 1 December 2004 for R17,4m in cash.
- 249 'A' ordinary shares in Makana Radio Communications (Proprietary) Limited ("MRC"), one 'B' ordinary share in Tiso SPV (Proprietary) Limited, which in turn holds 84 shares in MRC and loans to Radio Heart 104.9 (Proprietary) Limited ("Heart") and Radio iGagasi 99.5 (Proprietary) Limited ("iGagasi"), the two wholly-owned subsidiaries of MRC, presenting an effective economic interest of 33,3% in each of these two radio stations. This investment was acquired on 1 June 2005 for R17,7m in cash.

	Group 2006 R'000	2005 R'000	Company 2006 R'000	2005 R'000
Kaya, Heart and iGagasi operate private regional sound broadcasting licences				
At the beginning of year	39 248	24 834		
Acquisitions	–	17 735		
Share of results after tax	5 348	4 515		
Share of results before tax	7 095	5 920		
Share of tax	(1 747)	(1 405)		
Interest on loan	(129)	–		
Reallocated to investment in subsidiaries	–	(23 127)		
Impairment of the goodwill in iGagasi	(230)	–		
Net advances to associates	471	15 291		
At end of year	44 708	39 248	–	–
The closing carrying amount of the investments in associates can be analysed as follows:				
– Shares at cost	26 748	26 748		
– Share of reserves	2 557	(2 791)		
– Loans to associates	15 633	15 291		
– Impairment and write-down of investments	(230)	–		
	44 708	39 248	–	–
The closing carrying amount can be attributed to the individual investments as follows:				
Seyalemoya Communications (Proprietary) Limited	5 200	3 167		
Thebe Convergent Technologies (Proprietary) Limited*	18 654	17 445		
Makana Radio Communications (Proprietary) Limited	972	972		
Radio Heart 104.9 (Proprietary) Limited and Radio iGagasi 99.5 (Proprietary) Limited**	19 882	17 664		
	44 708	39 248	–	–
* Kaya FM, an indirect associate of Kagiso Media, is included in the Thebe Convergent Technologies (Proprietary) Limited structure				
** Heart and iGagasi, indirect associates of Kagiso Media, are included in the Makana Radio Communications (Proprietary) Limited structure				
The summarised financial position of the associates is as follows:				
Assets	70 200	50 510		
Liabilities	(128 152)	(151 241)		
Revenue	130 871	67 395		
Profit/(loss) for the year	20 535	(9 808)		

Radio Heart 104.9 (Proprietary) Limited and Radio iGagasi 99.5 (Proprietary) Limited are technically insolvent.

6. INVESTMENT IN ASSOCIATES (continued)

The financial reporting periods for the associates do not correspond to that of Kagiso Media Limited as their respective controlling companies have a reporting period which is different to that of Kagiso Media Limited. Audited financial information (where available) or management reports are included to the dates as indicated below.

	Year-end 2006	Year-end 2005
Seyalemoya Communications (Proprietary) Limited	31 October	31 October
Thebe Convergent Technologies (Proprietary) Limited*	31 March	31 March
Makana Radio Communications (Proprietary) Limited	28 February	28 February
Radio Heart 104.9 (Proprietary) Limited and Radio iGagasi 99.5 (Proprietary) Limited	28 February	28 February

There are no contingent liabilities relating to the group's and company's interest in associates.

With effect from 1 August 2004 the group acquired an additional 17,5% of the issued shares of Jacaranda FM (Proprietary) Limited and obtained control over the company. The results of Jacaranda FM (Proprietary) Limited are equity accounted up to this date, but consolidated thereafter.

The investment in associates of R44 708 000 (2005 – R39 248 000) reflects the carrying value of these investments. The directors value the investments in associates at R54 102 000 (2005 – R46 798 000). Investments in established broadcasting entities are valued on the basis of a market-related multiple of their earnings before interest, at depreciation and amortisation. The newly acquired and developing stations are valued on the discounted estimated cash flow from the business, using discounting rates that reflect the inherent and relative risk to these entities.

Purchase price allocation valuation assumptions

A purchase price allocation valuation was done with regard to investments made since 1 July 2004 in associated entities, according to the exceptions as provided in IFRS 1. The assumptions and values are set out below:

Investment in Thebe Convergent Technologies (Proprietary) Limited ("TCT")

On, and with effect from 1 December 2004, Kagiso acquired 500 'B' ordinary shares and 278 of the preference shares in TCT.

The effective date of the transaction was 1 December 2004. Risk and benefit in the TCT sale shares as well as any claims on loan accounts that were sold were therefore transferred to Kagiso Media with effect from 1 December 2004.

The cost of acquiring an interest in TCT (and consequently an indirect interest in Kaya FM) is represented by the following:

	Kaya FM 1 December 2004 R'000
Property, plant and equipment	640
Intangible assets:	
– Broadcasting licence	31 069
– Kaya brand name	10 278
– Customer relationships	901
– Pre-acquisition order book	135
Deferred tax assets	3 112
Trade and other receivables	10 881
Cash and cash equivalents	9 851
Long term liabilities	(8 636)
Trade and other payables	(4 290)
Fair value of net identifiable assets and liabilities acquired	53 941
Goodwill on acquisition	15 412
Total purchase price	69 353

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

6. INVESTMENT IN ASSOCIATES (continued)

Critical accounting estimates, judgments and assumptions

Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer below for details.

Fair value

The fair value of assets and liabilities at date of acquisition have been determined based on discounted cash flows. These calculations require the use of assumptions. Refer to the table below for details of these assumptions.

Discounted cash flow

Discounted cash flow techniques have been used in valuations where there was not a recent equity transaction in the shares of the investment being valued or where there was an offer made for an equity stake in the said investment. Where management could validate market assumptions, those assumptions would then be used for the calculation as the market transactions of offers would provide a benchmark against which the valuation could be compared. The following key assumptions were considered in applying the discounted cash flow valuation technique in the valuation of Kaya FM's intangible assets at date of acquisition:

		Broadcasting licence	Brand name	Customer relationships
Revenue growth rate	Year 1 – 6	36,4%	18,9%	18,9%
	Year 7 – terminal	4,4%	4,4%	–
Gross margin*	Year 1 – 6	61,0%	62,0%	62,0%
	Year 7 – terminal	70,0%	60,0%	–
EBITDA margin*	Year 1 – 6	14,0%	25,0%	25,0%
	Year 7 – terminal	32,0%	28,0%	–
Discount rate**		24,8%	21,8%	22,8%
Estimated useful life		Indefinite	20 years	20 years
* Budgeted margins				
**Post tax discount rate applied to the cash flow projections				

The above assumptions have been used for estimating the fair value for each intangible asset. Management determined budgeted gross margins based on past performance and expectations for the future. The weighted average growth rates used are consistent with forecasts observed in industry reports. The discount rates used are post tax.

Broadcast licence

The broadcast licence is carried at fair value as an asset assumed in a business combination. The broadcast licence has an indefinite life, as the costs to renew it are immaterial and compliance with the licence conditions is tightly managed. The value was determined with reference to the value of a comparable green fields licence, by discounting the expected cash flows for such a licence at an appropriate discount rate reflecting the risks inherent in such a new licence. The broadcast licence is regulated by the Independent Communications Authority of South Africa ("ICASA").

6. INVESTMENT IN ASSOCIATES (continued)**Workforce-in-place**

The value of the workforce-in-place of R1 694 000 is included in goodwill.

Goodwill relates to the goodwill arising on date of acquisition of the company's interests in TCT/Kaya FM and represents the excess of the company's interest in the net fair value of assets and liabilities acquired over the purchase price.

Kaya FM and TCT as a whole was considered one single cash-generating unit, and as such, the goodwill arising on acquisition is attributable to the future cash generation of these entities as one indivisible cash-generating unit.

A goodwill impairment test was performed at 30 June 2006. The recoverable amount of the cash-generating unit was accepted to be the value-in-use based on discounted cash flow calculations. These calculations included cash flow projections based on actual operating results and the five year business plans of the radio station and are consistent with accepted industry benchmarks. The key assumptions applied in the discounted cash flow valuation are listed below:

		Kaya Fm
Revenue growth rate	Year 1 – 5 (CAGR)	18,9%
	Terminal	4,4%
Gross margin		63,0%
EBITDA margin (average)		28,0%
Period of cash flow projections (years)		5
Discount rate		20,0%

Investment in Makana Radio Communications (Proprietary) Limited ("MRC")

The acquisition date for financial reporting and consolidation purposes is the date on which significant influence over an entity's operational policies is obtained. The acquisition date of this transaction is 1 March 2005. However, this transaction was subject to regulatory approval from ICASA, which was only obtained on 12 June 2005. The acquisition date for accounting purposes is therefore accepted to be 1 June 2005. This purchase price allocation and fair values are determined as at 31 May 2005.

The cost of acquiring an interest in MRC (and consequently an indirect interest in Radio Heart 104.9 (Proprietary) Limited ("Heart") and Radio iGagasi 99.5 (Proprietary) Limited ("iGagasi") are represented by the following:

	Heart R'000	iGagasi R'000	Total R'000
Property, plant and equipment	42	211	253
Intangible assets:			
Broadcast licence	21 411	9 141	30 552
Trade and other receivables	3 601	2 265	5 866
Cash and cash equivalents	77	39	116
Long term liabilities	(23 607)	(8 779)	(32 386)
Trade and other payables	(2 969)	(3 566)	(6 535)
Fair value of net identifiable assets and liabilities acquired	(1 445)	(689)	(2 134)
Goodwill on acquisition	1 446	690	2 136
Total purchase price	1	1	2

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

6. INVESTMENT IN ASSOCIATES (continued)

Critical accounting estimates, judgments and assumptions

Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Refer below for detail.

Fair value

The fair value of assets and liabilities at date of acquisition have been determined based on discounted cash flows. These calculations require the use of assumptions. Refer to the table below for details of these assumptions.

Discounted cash flow

Discounted cash flow techniques have been used in valuations where there was not a recent equity transaction in the shares of the investment being valued or where there was an offer made for an equity stake in the said investment. Where management could validate market assumptions, those assumptions would then be used for the calculation as the market transactions of offers would provide a benchmark against which the valuation could be compared. The following key assumptions were considered in applying the discounted cash flow valuation technique in the valuation of the stations' intangible assets at date of acquisition:

		Heart	iGagasi
Broadcasting licence:			
Revenue growth rate	Year 1 – 6	51,0%	50,0%
	Year 7 – terminal	4,4%	4,4%
Gross margin*	Year 1 – 6	59,0%	58,0%
	Year 7 – terminal	70,0%	70,0%
EBITDA margin*	Year 1 – 6	(7,0%)	(12,0%)
	Year 7 – terminal	40,0%	37,0%
Discount rate**		25,5%	25,5%
Estimated useful life		Indefinite	Indefinite
* Budgeted margins			
** Post tax discount rate applied to the cash flow projections			

The above assumptions have been used for estimating the fair value of the broadcasting licence. Management determined budgeted gross margins based on past performance and expectations for the future. The weighted average growth rates used are consistent with forecasts observed in industry reports. The discount rates used are post tax.

Broadcast licence

The broadcast licence is carried at fair value as an asset assumed in a business combination. The broadcast licence has an indefinite life, as the costs to renew it are immaterial and compliance with the licence conditions are tightly managed. The value was determined with reference to the value of a comparable green fields licence, by discounting the expected cash flows for such a licence at an appropriate discount rate reflecting the risks inherent in such a new licence. The broadcast licence is regulated by the ICASA.

6. INVESTMENT IN ASSOCIATES (continued)

Workforce-in-place

The value attributable to the workforce-in-place is included in goodwill (Heart: R240 000, iGagasi: R195 000).

Intangible assets	Broadcasting R'000	Goodwill R'000	Total R'000
Opening balance	30 552	2 136	32 688
Impaired	–	(690)	(690)
Closing balance	30 552	1 446	31 998

Broadcasting licences relate to the fair values placed on the commercial sound broadcasting licences of Heart and iGagasi at date of acquisition. For assumptions used in the valuation of these licences, refer above.

Goodwill arises on date of acquisition of Kagiso Media's effective interests in Heart and iGagasi and represents the excess of Kagiso Media's interest in the net fair value of assets and liabilities acquired over the purchase price.

An asset impairment test was performed at 30 June 2006. The recoverable amount of the cash-generating unit was accepted to be the value-in-use based on discounted cash flow calculations. These calculations included cash flow projections based on actual operating results and the five year business plans of the respective radio stations and are consistent with accepted industry benchmarks. The key assumptions applied in the discounted cash flow valuation are listed below:

		Heart	iGagasi
Revenue growth rate	Year 1 – 5 (CAGR)	21,2%	17,7%
	Terminal	4,4%	4,4%
Gross margin		71,0%	71,0%
EBITDA margin (average)		32,0%	1,0%
Period of cash flow projections (years)		5	5
Discount rate		20,0%	20,0%

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
7. LOANS AND RECEIVABLES				
Sinking fund				
At beginning of year	8 403	–		
Additional investments	8 950	8 250		
Interest accrued	908	153		
At end of year	18 261	8 403	–	–
The company is obliged to deposit R8,3m on 31 March and 30 September of every year in a dedicated savings account at a reputable banking institution from which the preference shares will be redeemed five years from issue date. The effective interest rate earned on the sinking fund was 6,07% (2005 – 7,45%).				
The fair value of the sinking fund is based on the amount of the investment available in cash as at the end of the year.				
Notarial bond				
At beginning of year	–	–		
Additional investments	854	–		
At end of year	854	–		
Current portion of the bond	(139)	–		
Non-current portion of the bond	715	–	–	–
Eyethu Exhibitions (Proprietary) Limited (“Eyethu”) is a supplier of stand building equipment and expertise to Kagiso Exhibitions and Events (Proprietary) Limited. A cash payment has been made to Eyethu and a notarial bond was accordingly registered. Stand building equipment serves as security for this loan which is repayable in equal monthly installments of R17 000 over five years at an interest rate of 10% per annum.				
The fair value of this asset has been calculated using the prime overdraft lending rates, which are considered market related for similar borrowings.				
Non-current loans and receivables				
– Sinking fund	18 261	8 403		
– Notarial bond	715	–		
	18 976	8 403		
Current loans and receivables				
– Notarial bond	139	–		
Total loans and receivables	19 115	8 403	–	–
8. INVENTORIES				
Work-in-progress	11 468	7 554		
Finished goods				
– Furniture	4 463	3 791		
– Published material – at cost	5 209	4 891		
	21 140	16 236	–	–
Inventory of R596 000 (2005 – R618 000) was written down to net realisable value.				

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
9. TRADE AND OTHER RECEIVABLES				
Trade receivables	123 035	99 989	–	–
Less: provision for impairment of receivables	(3 365)	(2 877)	–	–
Trade receivables – net	119 670	97 112	–	–
Prepayments	3 150	3 755	15	–
Other receivables	7 065	5 131	–	25
	129 885	105 998	15	25

Expenditure of R826 000 (2005 – R492 000) incurred in respect of the acquisition of a 33,3% economic interest in Shanike Investments No 42 (Proprietary) Limited, as more fully discussed in note 2.1 of the directors' report, has been deferred and will be capitalised to the cost of this investment once the transaction becomes unconditional. Expenses of R30 934 were incurred in respect of the purchase of the additional 20% stake in Jacaranda FM (Proprietary) Limited, as more fully discussed in note 2.2 of the directors' report. This will be capitalised to the cost of the investment once approval for the transaction is obtained from the Independent Communications Authority of South Africa ("ICASA"). R11 351 was spent, and deferred, in the preparation for the joint venture in India as more fully discussed in note 2.3 of the directors' report. This type of expense was previously included in deferred expenditure, however this was reclassified to prepayments in 2006.

Included in the other receivables are loans to directors of R3 492 000 (2005 – nil) granted in terms of the Unrestricted Share Purchase Scheme, by the trust administering this scheme. It is at the board's discretion as to who may participate in this scheme. These loans are linked to shares in Kagiso Media, which also serves as guarantee for the loan. These loans are repayable within six years from date of grant and carry interest at prime less two percentage points. These loans are deemed current and risk-free albeit the possible fluctuations in the share price.

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
10. CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	37 601	26 399	17	45
Short term bank deposits	47 735	55 023	104	–
	85 336	81 422	121	45

The effective interest rate on short term bank deposits was 6,07% (2005 – 7,43%). The effective interest rate for cash at bank was 5,6%.

Certain of the business units have overdraft facilities that are utilised from time to time and offset in a cash management system against available cash balances. There are no guarantees outstanding regarding these facilities.

11. ORDINARY SHARES				
Authorised				
200 000 000 ordinary shares of 1 cent each	2 000	2 000	2 000	2 000
Issued				
132 539 675 (2005 – 131 320 802) ordinary shares of 1 cent each	1 325	1 313	1 325	1 313

During the year the company issued 1 218 873 (2005 – 1 077 296) new shares in terms of the Kagiso Media Limited Share Scheme. Further details regarding outstanding rights to subscribe for shares in the share capital of the company in terms of the Kagiso Media Limited Share Scheme are provided in the directors' report on page 40.

All issued shares are fully paid.

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
12. SHARE PREMIUM				
The movement for the year is as follows:				
At beginning of year	7 120	4 853	7 120	4 853
Share premium raised on issue of new shares	2 694	2 271	2 694	2 271
Share issue expenses	(10)	(4)	(10)	(4)
At end of year	9 804	7 120	9 804	7 120
The balance on the share premium account comprises:				
Share premium arising from the issue of shares	493 036	490 342	493 036	490 342
From which is deducted:				
– Share issue expenses	(3 182)	(3 172)	(3 182)	(3 172)
– Capital reduction	(113 135)	(113 135)	(113 135)	(113 135)
– Write off of intangibles*	(366 915)	(366 915)	–	–
– Write off of intangibles in respect of subsidiaries	–	–	(317 910)	(317 910)
– Write off of intangibles in respect of joint venture	–	–	(49 005)	(49 005)
Balance at the end of year	9 804	7 120	9 804	7 120
*The write off of the intangibles were effectively restated for the company and group purposes on 1 July 2005 against retained income. This was included in the IFRS disclosure, included in the accounting policies, adj ii.				
13. REVALUATION AND OTHER RESERVES				
Revaluation of intangible assets in Jacaranda FM (Proprietary) Limited	86 559	86 559	–	–
The group acquired control of Jacaranda FM (Proprietary) Limited ("Jacaranda") as at 1 August 2004, when an additional 17,5% shares were bought in the then associate. The company's stake in Jacaranda was 60% following this transaction. As at this date a valuation was performed on the intangible assets in Jacaranda in terms of IFRS 3 – Business Combinations. The following intangible assets were identified and accounted for namely broadcast licence, the transmitter split facility, customer relationships and goodwill. The group's share in these assets, not previously accounted for in the 42,5% investment in the associate, was accounted for as a revaluation reserve and included in shareholders' equity.				
Employee share option scheme:				
– At beginning of year	627	210	627	210
– Share options exercised	(313)	–	(313)	–
– Employee benefit expenses	454	417	454	417
– Share options forfeited	(192)	–	(192)	–
– At end of year	576	627	576	627
Total reserves	87 135	87 186	576	627
14. MINORITY INTEREST				
At beginning of year	96 320	37		
Share of net profit of subsidiary at acquisition	–	15 798		
Share of fair value adjustment of intangible assets in subsidiary	–	85 266		
Share of net profit of subsidiary for the year	19 769	15 219		
Dividends paid	(22 000)	(20 000)		
At end of year	94 089	96 320	–	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
15. BORROWINGS				
Non-current				
Preference shares				
At beginning of year	82 500	–		
Redeemed during the year	(82 500)	–		
Preference shares issued during the year	100 000	82 500		
Share issue expenses	(458)	–		
At end of year	99 542	82 500	–	–

The variable rate, cumulative, redeemable preference shares were issued by Kagiso Media Investments (Proprietary) Limited to a commercial bank in order to fund acquisitions made during the 2005 financial year, i.e. 15,83% in RadMark (Proprietary) Limited, 17,5% in Jacaranda FM (Proprietary) Limited and 25,1% economic interest in Thebe Convergent Technologies (Proprietary) Limited.

The preference shares have a coupon of 70% of the prime overdraft rate and are secured by a guarantee from Kagiso Media Limited. The debt covenants in place refer to both the net interest bearing debt to shareholders' funds on a consolidated basis expressed as a percentage of shareholders' funds and the cash to debt cover, expressed as the ratio of earnings before interest, tax, depreciation and amortisation to net interest plus total debt paid. The preference shares are redeemable in cash on 31 March 2011. The effective interest rate of this instrument is 8,5% (2005– 7,5%). Dividends are payable to the shareholders on 31 March and 30 September of each year until the preference shares have been redeemed.

In order to accumulate cash resources to redeem the preference shares, an amount equal to R8,3m is deposited into an interest bearing sinking fund bi-annually on 31 March and 30 September (refer note 7).

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
Bank borrowings	121	–		
Finance leases	977	–		
	100 640	82 500	–	–
Current				
Bank borrowings	47	–		
Finance leases	604	–		
	651	–	–	–
Total borrowings	101 291	82 500	–	–
Finance leases were introduced with the acquisition of Kusasa Commodities 386 (Proprietary) Limited ("Eyethu JV"), refer note 32. As part of the acquisition agreement, the company and the minority shareholder (Eyethu Exhibitions (Proprietary) Limited) lease stand equipment and motorvehicles to Eyethu JV for a consideration of R1 436 000 each, repayable over five years.				
Cost price	1 749	–		
Accumulated depreciation	(313)	–		
Net book value	1 436	–	–	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
15. BORROWINGS (continued)				
Finance lease liability – minimum lease payments:				
Not later than one year	113	–		
Later than one year and not later than five years	138	–		
Later than five years	–	–		
	251	–		
Future finance charges on finance leases	(36)	–		
Present value of finance lease liability	215	–	–	–
The present value of finance lease liability is as follows				
Not later than one year	94	–		
Later than one year and not later than five years	121	–		
Later than five years	–	–		
	215	–	–	–
Interest rates on these finance leases are linked to the prime overdraft rate and vary between 1,5% below to 1% above prime rates.				
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor, being Kagiso Exhibitions and Events (Proprietary) Limited, in the event of default.				
16. DEFERRED TAXES				
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 29% (2005 – 29%), except in the case of Secondary Tax on Companies, where a tax rate of 12,5% (2005 – 12,5%) applies.				
The movement on the net deferred tax account is as follows:				
At beginning of year	84 970	(2 911)	–	(1 944)
Acquired in subsidiary	–	9 077	–	–
Revaluation of assets	–	78 398	–	–
Charged to the income statement	(5 592)	406	–	1 944
At end of year	79 378	84 970	–	–
The movement in deferred tax assets and liabilities during the period is as follows:				
Group (R'000)		2005	Movement for the year	Change in 2006
Deferred tax assets				
Trademarks and copyright		(3 042)	1 850	(1 192)
Trademark allowance		–	(3 002)	(3 002)
Capital allowances		348	(664)	(316)
Deferred revenue		(4 648)	(3 449)	(8 097)
Provisions		(3 897)	(1 333)	(5 230)
Other timing differences		(376)	220	(156)
		(11 615)	(6 378)	(17 993)
Deferred tax liabilities				
Revaluation of intangible assets		93 956	–	93 956
Prepaid expenses		2 218	768	2 986
Section 24C allowances		411	18	429
		96 585	786	97 371
Net deferred liability		84 970	(5 592)	79 378
No deferred tax asset was recognised in respect of an estimated tax loss of R10 470 000 (2005 – R324 000), as it is not probable that these losses will be recovered against future taxable income.				

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
17. TRADE AND OTHER PAYABLES				
Trade payables	31 374	27 012	–	
Accrued expenses	42 902	43 302	–	3 251
Exhibitions to be held in the next 12 months	21 061	7 131	–	
Profit share due to show owners and related creditors	5 882	–	–	
Annual subscription revenue	20 089	14 716	–	
Amount owing to vendor of trademark	490	696	–	
Cash-settled compensation benefit scheme	659	1 126	–	
Amounts owing to ordinary shareholders	353	272	353	272
Amounts owing to preference shareholders	1 844	1 525	–	–
	124 654	95 780	353	3 523

Cash-settled compensation benefit scheme

Share options are granted to all employees upon joining RadMark (Proprietary) Limited, a Kagiso Media joint venture. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. One-third of the option vests on each anniversary after three years' service.

RadMark has a legal obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006			2005		
	Average exercise price per share	Outstanding options (000s)	Outstanding options (R'000)	Average exercise price per share	Outstanding options (000s)	Outstanding options (R'000)
At beginning of the year	5,5	433	2 372	5,5	451	2 479
Granted	1,4	228	325	0,4	32	14
Options re-priced	–	–	161	–	–	124
Repurchased	6,2	(228)	(1 405)	5,3	(30)	(158)
Forfeited	2,4	(27)	(65)	4,6	(19)	(87)
At end of the year	3,4	406	1 388	5,5	433	2 372
The Kagiso Media's share in the liability			659			1 126

All options have a contractual option term of five years. There are 406 000 outstanding options (2005 – 433 000). 149 005 are exercisable at 30 June 2006 (2005 – 61 992). Options have an indefinite contractual life and the range of exercise prices is from R3,70 to R5,90 (2005 – R3,70 to R5,90).

In accordance with IFRS 2, the options and shares held by the RadMark Share Trust and its beneficiaries were independently fair valued using the Black Scholes Method. In terms of the scheme, the offer has been accepted at the agreed price on the date the employee joins. Delivery is deferred in three equal parts commencing on the third anniversary of each employee. Consequently, the number of options vesting was assumed to be consistent with the anniversary date of the employees.

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

18. SEGMENT INFORMATION

	Central services R'000	Broad- casting R'000	Information services and solutions R'000	Exhibitions and events R'000	Group R'000
2006					
Revenue	2 216	353 859	135 527	113 193	604 795
Other income	673	16 060	–	–	16 733
Raw material and consumables	–	–	(47 702)	(74 007)	(121 709)
Commission and levies	–	(88 237)	(4 450)	–	(92 687)
Employee costs	(8 078)	(37 501)	(21 125)	(11 935)	(78 639)
Depreciation	(273)	(2 618)	(1 964)	(1 998)	(6 853)
Amortisation	–	(16 920)	(4 069)	(2 985)	(23 974)
Other expenses	(7 406)	(50 702)	(17 187)	(16 087)	(91 382)
Operating profit	(12 868)	173 941	39 030	6 181	206 284
Finance income	1 676	2 003	1 300	591	5 570
Finance expenses	(6 370)	–	(27)	(468)	(6 865)
Share of results of associates	–	6 865	–	–	6 865
Profit before income tax	(17 562)	182 809	40 303	6 304	211 854
Income tax expense	(16 993)	(52 157)	(11 737)	(1 171)	(82 058)
Profit for the year	(34 555)	130 652	28 566	5 133	129 796
Segment assets	68 105	409 847	105 557	71 570	655 079
Associates	–	44 708	–	–	44 708
Total assets	68 105	454 555	105 557	71 570	699 787
Total liabilities	(4 963)	(228 578)	(55 233)	(45 278)	(334 052)
Net assets/liabilities	63 142	225 977	50 324	26 292	365 735
Other segment items					
Capital expenditure	172	2 610	1 413	2 821	7 016
2005					
Revenue	37	318 010	110 831	98 203	527 081
Other income	917	10 507	237	–	11 661
Raw material and consumables	–	–	(41 334)	(59 798)	(101 132)
Commission and levies	–	(92 556)	(2 254)	–	(94 810)
Employee costs	(8 129)	(34 558)	(21 401)	(10 712)	(74 800)
Depreciation	(237)	(2 262)	(1 773)	(1 096)	(5 368)
Amortisation	–	(15 809)	(4 259)	(2 578)	(22 646)
Other expenses	(2 913)	(39 460)	(11 769)	(12 189)	(66 331)
Operating profit	(10 325)	143 872	28 278	11 830	173 655
Finance income	1 921	3 821	884	488	7 114
Finance expenses	(4 399)	(157)	–	(180)	(4 736)
Share of results of associates	–	5 920	–	–	5 920
Profit before income tax	(12 803)	153 456	29 162	12 138	181 953
Income tax expense	(14 445)	(45 668)	(9 514)	(1 893)	(71 520)
Profit for the year	(27 248)	107 788	19 648	10 245	110 433
Segment assets	76 887	419 449	77 790	50 749	624 875
Associates	–	39 248	–	–	39 248
Total assets	76 887	458 697	77 790	50 749	664 123
Total liabilities	(10 875)	(210 389)	(53 828)	(22 438)	(297 530)
Net assets/liabilities	66 012	248 308	23 962	28 311	366 593
Other segment items					
Capital expenditure	145	1 703	2 113	1 771	5 732

18. SEGMENT INFORMATION (continued)

General

The group distinguishes between its different business segments on the basis of the unique risks and returns inherent in a particular operation.

The group does not distinguish between geographical segments, because its operations, although based in Gauteng, KwaZulu-Natal and the Free State, service advertisers, subscribers and clients all over the country and are largely subject to the same global and national macro and micro economic factors and business risks.

The central services segment charges management fees and services to the broadcasting and exhibitions and events segments. These charges are eliminated on consolidation and hence not reflected in the above analysis. There are no sales or other transactions between the business segments. Segment assets comprises property, plant and equipment, intangible assets, deferred income tax assets, loans and receivables, inventories, trade and other receivables, income tax assets and operating cash. Segment liabilities consist of borrowings, deferred income tax liabilities and operating liabilities. Capital expenditure comprises additions to property, plant and equipment.

The group operates niche media outlets in the field of regional radio broadcasting and airtime sales, information services and solutions and exhibitions and events. The segments can be briefly described as follows:

1. Central services

Central services comprises the listed Kagiso Media Limited, Kagiso Broadcasting (Proprietary) Limited and a number of investment holding and dormant companies. It coordinates and manages the group's operations, is responsible for all corporate affairs and most corporate activities and for liaising with the investor community. This segment employs ten people. Any debts incurred by the group, as well as the cost thereof and all Secondary Tax on Companies ("STC") incurred by the company and its subsidiaries and its share of the STC incurred by its joint ventures and associates, are allocated to the segment.

2. Broadcasting

This segment comprises operations in the radio broadcasting and radio advertising sales environment and research and marketing services ancillary thereto. The radio stations offer loyal audiences to national and local advertisers who buy largely traditional above-the-line advertising airtime from RadMark (Proprietary) Limited, the group's sales house and directly from the radio stations. The performance of this segment is therefore linked to general economic cycles and in particular consumer spending. The ownership and formats of the radio stations are regulated by the Independent Communications Authority of South Africa ("ICASA").

3. Information services and solutions

The information services and solutions segment publishes information in the areas of law, tax and accounting, in printed and electronic form, and sells this to more than 30 000 subscribers, professionals and tertiary students, as well as legal compliance management services and access to public records, through its own sales forces and via an internet-based purchasing system. The performance of this segment is therefore not as dependent on consumer spending patterns, but rather on movements in the numbers of professionals in its field and the level of parliamentary activity in respect of new legislation.

4. Exhibitions and events

The exhibitions and events segment offers a direct marketing platform to advertisers and attracts below-the-line advertising spend, which normally does not follow consumer spending patterns in the same way as above-the-line advertising spend. Exhibitors are able to exhibit their wares and interact directly with the customer at the point of purchase.

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
19. REVENUE				
Revenue is derived from the sale of:				
– Advertising	356 942	318 824		
– Subscriptions to published works	51 322	44 338		
– Electronic and online products	28 016	23 607		
– Non-subscription products in information services and solutions segment	55 322	42 074		
– Exhibition floor space	42 633	48 700		
– Stand building and related services	15 948	9 857		
– Entrance fees, commissions, sponsorships and other	54 612	39 681		
	604 795	527 081	–	–
The revenue for the group for 2006 reflects the delivery and handling charges levied to customers by LexisNexis Butterworths (Proprietary) Limited. This income was previously offset against the expenses. The re-allocation does not impact the profit for the group. The amount of delivery and handling charges reflected in the Kagiso Media group was R3 959 000 (2005 – R3 907 000).				
20. OTHER INCOME				
Other income for the year comprises:				
– Barter income	11 912	5 561	–	–
– Income from events and production of advertisements	3 960	4 283	–	–
– Reversal of provisions against loans to subsidiaries	–	–	–	–
– Other	861	1 817	–	–
– Dividends received from subsidiaries	–	–	86 171	112 873
– Dividends received from joint venture	–	–	26 000	13 333
– Provision against loans to subsidiaries	–	–	–	–
	16 733	11 661	112 171	126 206
21. OPERATING PROFIT				
The following items have been charged/(credited) in arriving at operating profit:				
Auditors' remuneration				
– Audit fees				
– Provision for current year	1 804	919		
– Adjustment for prior year	7	133		
– Other expenses	4	16		
Fees for professional services				
– Taxation services	155	70		
– Secretarial services	5	22		
– Other services	306	145		
	2 281	1 305	–	–

Notes to the annual financial statements (continued)
for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
21. OPERATING PROFIT (continued)				
Depreciation of property, plant and equipment	6 853	5 368	–	–
– Capitalised leased assets	511	–		
– Computer equipment	2 632	2 235		
– Furniture and fittings	830	587		
– Leasehold improvements	759	761		
– Motor vehicles	256	206		
– Plant and equipment	880	672		
– Studio equipment	985	907		
Amortisation of intangible assets	23 974	22 646	–	–
– Trademarks, titles and copyright	15 654	14 817		
– Development expenditure	562	808		
– Transmitter split facility	2 401	2 201		
– Customer relationships	5 258	4 820		
– Computer software	99	–		
Total depreciation and amortisation	30 827	28 014	–	–
Repairs and maintenance expenditure on property, plant and equipment	1 531	1 979		
Loss/(profit) on disposal of property, plant and equipment	162	(195)		
Employment cost				
Directors' emoluments				
– For services as non-executive directors	388	397	366	352
– For services as executive directors	–			
– basic salary	14 523	9 539	3 837	3 176
– bonuses and performance related payments	4 288	5 080	1 336	1 388
– share options	(51)	417	(51)	417
– commission	268	234	–	–
– contribution under any pension scheme	412	339	–	–
	19 828	16 006	5 488	5 333
Staff costs				
– wages and salaries	54 832	53 398		
– share options	(468)	(51)		
– skills development	501	491		
– pension costs – defined contribution plans	3 946	4 956		
	58 811	58 794	–	–
Total employment cost	78 639	74 800	–	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
21. OPERATING PROFIT (continued)				
Average monthly number of persons employed during the year:				
– Company and subsidiaries	309	221		
– Full time	235	178		
– Part time	74	43		
– Joint ventures	393	298		
– Full time	320	262		
– Part time	73	36		
Operating lease charges – equipment	9 944	33		
Repairs and maintenance	2 313	–		
Foreign exchange gains	(807)	(384)		
Fair value adjustment on forward exchange contracts	19	–		
Deferred revenue recognised as revenue	(72 453)	(59 258)		
Deferred expenditure recognised as cost of sales	932	7 504		
Inventory				
– cost of inventories recognised as expense	59 550	27 957		
– write-down of inventory	596	618		
Trade receivables – impairment charge for bad and doubtful debts	1 607	388		
22. FINANCE INCOME				
Funds on call	4 605	6 339	307	14
Preference share sinking fund	908	153	–	–
Other	57	622	–	–
	5 570	7 114	307	14
23. FINANCE EXPENSES				
Interest expense				
– bank borrowings	495	21		
– preference dividend	6 370	4 399		
– other	–	316		
	6 865	4 736	–	–
24. SHARE OF RESULTS OF ASSOCIATES				
The group's share of the results of associates, before tax was derived as follows:				
– Jacaranda FM (Proprietary) Limited	–	2 537		
– Seyalemoya Communications (Proprietary) Limited	3 049	2 450		
– Kaya FM through Thebe Convergent Technologies (Proprietary) Limited	3 199	841		
– Radio Heart 104.9 and iGagasi 99.5 through Makana Radio Communications (Proprietary) Limited	617	92		
	6 865	5 920	–	–

The investment in Jacaranda FM (Proprietary) Limited was equity accounted up to 31 July 2004, when the group acquired an additional 17,5% of the company. From this date onwards this investment is consolidated.

The investment in Thebe Convergent Technologies (Proprietary) Limited was acquired with effect from 1 December 2004.

The investment in Makana Radio Communications (Proprietary) Limited was acquired with effect from 1 June 2005.

Notes to the annual financial statements (continued)
for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
25. INCOME TAX EXPENSE				
Current tax				
– current year	68 444	57 932	–	–
– prior year	–	(2)	–	–
Secondary Tax on Companies	17 459	11 779	3 578	4 509
Deferred tax	(5 592)	406	–	–
Share of tax of associates	1 747	1 405	–	–
	82 058	71 520	3 578	4 509
Reconciliation				
The tax on the group's and company's profit before tax differs from the theoretical amount that would arise using the South African tax rate as follows:				
Profit before tax	211 854	181 953	110 950	122 543
Tax calculated at a tax rate of 29%	61 438	52 766	32 175	35 537
Expenses not deductible for tax purposes	3 722	3 192	355	1 063
Unprovided timing differences	–	322	–	–
Exempt income	–	(209)	(32 530)	(36 600)
Utilisation of previously unrecognised tax losses	321	(143)	–	–
Prior year over provision	–	(2)	–	–
Secondary Tax on Companies	17 459	11 779	3 578	4 509
Other	(882)	3 815	–	–
Tax charge	82 058	71 520	3 578	4 509
Tax losses				
Estimated tax losses available for set-off against future taxable income	10 470	324	–	–
26. EARNINGS PER SHARE				
Basic earnings per share				
Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.				
Net profit attributable to shareholders (R'000)	110 027	95 214		
Weighted average number of ordinary shares in issue ('000)	132 297	131 021		
Basic earnings per share (cents)	83,2	72,7		

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
26. EARNINGS PER SHARE (continued)				
Diluted earnings per share				
For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion for all rights to acquire shares in the company pursuant to the Kagiso Media Limited Share Scheme. A calculation is done to determine the number of shares that could have been acquired at the average market price for the company's shares during the year, based on the monetary value of the subscription rights attached to these outstanding rights. No adjustment is made to net profits.				
Net profit attributable to shareholders (R'000)	110 027	95 214		
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	132 937	132 503		
Weighted average number of ordinary shares in issue ('000)	132 297	131 021		
Adjustment for rights to acquire shares ('000)	640	1 482		
Diluted earnings per share (cents)	82,8	71,9		
Headline earnings per share				
Headline earnings calculation				
Earnings per the financial statements	110 027	95 214		
To which is added back the following items:				
– Loss/(profit) on sale of property, plant and equipment	162	(195)		
Headline earnings	110 189	95 019		
Headline earnings per share (cents)	83,3	72,5		
Diluted headline earnings per share				
(For this purpose the weighted average number of shares in issue is not changed)				
Headline earnings (R'000)	110 189	95 019		
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	132 937	132 503		
Diluted headline earnings per share (cents)	82,9	71,7		
27. DIVIDEND PER SHARE				
The following dividends are reflected in the accounts for the year:				
Interim dividend (cents per share)	40,0	42,0	40,0	42,0
Final dividend (cents per share)	44,0	42,0	44,0	42,0
Total dividend (cents per share)	84,0	84,0	84,0	84,0

A final dividend of 33 cents per share in respect of the year to 30 June 2006 was declared by the directors on 27 September 2006 and will be reflected in the accounts for the year to 30 June 2007. This 33 cents (2005 – 44 cents) per dividend will translate in a cash outflow of R43 748 000 (2005 – R57 781 000) and a related Secondary Tax on Companies payment of R5 467 000 (2005 – R7 223 000).

Notes to the annual financial statements (continued)
for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
28. CASH FLOW INFORMATION				
28.1 Cash generated from operations				
Profit for the period	129 796	110 433	107 372	118 034
Adjustments for:				
– tax expense	82 058	71 520	3 578	4 509
– depreciation	6 853	5 368	–	–
– amortisation	23 974	22 646	–	–
– goodwill impairment charge	230	–	–	–
– loss/(profit) on sale of property, plant and equipment	162	(195)	–	–
– finance income	(5 570)	(7 114)	(307)	(14)
– share-based payment expense	(51)	417	(51)	417
– finance expense	495	337	–	–
– preference share dividends	6 370	4 399	–	–
– share of profits from associates	(7 095)	(5 920)	–	–
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):				
– inventories	(4 904)	51	–	–
– trade and other receivables	(23 887)	16 151	10	–
– loans and receivables	(139)	–	–	–
– trade and other payables	28 551	(27 753)	(3 170)	789
Cash generated from operations	236 843	190 340	107 432	123 735
28.2 Reconciliation of tax paid				
Balance at beginning of year	20 562	14 283	–	(178)
Amount charged to income statement	87 650	71 114	3 578	2 565
Share of tax of associate	(1 747)	(1 405)	–	–
Acquired in subsidiary	–	489	–	–
Balance at end of year	(10 736)	(20 562)	–	–
Cash amount paid	95 729	63 919	3 578	2 387
28.3 Reconciliation of preference dividend paid				
Balance at beginning of year	1 525	–	–	–
Amount charged to income statement	6 370	4 399	–	–
Balance at end of year	(1 848)	(1 525)	–	–
Cash amount paid	6 047	2 874	–	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

28. CASH FLOW INFORMATION (continued)

28.4 Investment in subsidiary net of cash

Group 2005	Fair value R'000	Acquiree's carrying amount R'000
Fair value of net assets acquired		
Property, plant and equipment	1 017	1 017
Trademark	105 540	51 721
Broadcast licence	62 960	–
Transmitter facility	48 030	–
Customer relationships	105 164	–
Trade receivables	21 084	21 084
Cash and cash equivalents	15 169	15 169
Trade and other payables	(10 025)	(10 025)
Deferred tax liability	(7 623)	(7 623)
Tax	(1 943)	(1 943)
Net assets	339 373	69 400
Minorities interest (40%)	135 749	
Net assets acquired	203 624	
Purchase consideration settled in cash		59 878
Cash and cash equivalents in subsidiary acquired		(15 169)
Cash flow on acquisition		44 709

29. DEFINED CONTRIBUTION PLANS

Group companies have various defined contribution schemes, all governed by the Pension Funds Act, 1956. Under these schemes the group pays contributions, on a mandatory or voluntary basis, into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior periods. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in either directors' emoluments or staff costs (note 21).

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000

30. COMMITMENTS

The future minimum lease payments under non-cancellable operating leases are as follows:

- not later than 1 year
- later than 1 year and not later than 5 years
- later than 5 years

	14 467	11 255		
	52 341	19 287		
	14 268	3 104		
	81 076	33 646	–	–
The future minimum capital commitments within the following 12 months are as follows:				
Subsidiaries	4 310	–		
Joint ventures	288	–		
Associates	702	–		
	5 300	–	–	–

There were no capital commitments extending beyond 12 months as at the end of the financial year.

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
31. CONTINGENT LIABILITY				
Guarantee				
Kagiso Media Limited guarantees the banking facilities of Systems Publishers (Proprietary) Limited, a previous subsidiary.				
Amount outstanding under banking facilities	3 015	4 032		
Kagiso Media Limited holds, as collateral for this guarantee, a pledge of all the shares in Systems Publishers (Proprietary) Limited and cessions of a key-man life insurance policy and short term insurance policy. This loan is being repaid on a monthly basis and is it unlikely that Kagiso Media would be required to effect payment under this arrangement. The company did therefore not provide for any liability in the financial statements.				
Kagiso Media Limited guarantees the commitments of Kagiso Media Investments (Proprietary) Limited ("KMI"), a wholly-owned subsidiary, in respect of the preference shares issued by KMI (note 15). This is in place via a put option agreement; should KMI default on any of the terms and conditions of the preference shares, and is not able to rectify this position within a reasonable specific time, the preference shareholders could exercise this put option against Kagiso Media Limited for the full amount of the preference shares issued at the time.				
There is no indication that KMI will not be able to fulfil all of the conditions attributable to the preference shares.				
Amount outstanding in respect of preference shares	100 000	82 500		
Amount accumulated in sinking fund	(18 261)	(8 403)		
Net exposure	81 739	74 097	-	-
32. ACQUISITION				
With effect from 1 September 2005, Kagiso Exhibitions and Events (Proprietary) Limited acquired a 51% controlling interest in Kusasa Commodities 386 (Proprietary) Limited ("Eyethu JV") for a consideration of R51,00. As part of the acquisition agreement, the company and the minority shareholder (Eyethu Exhibitions (Proprietary) Limited) lease stand building equipment to Eyethu JV for a consideration of R1,4m each. Also as part of the acquisition, the company provided a loan to Eyethu Exhibitions (Proprietary) Limited to the value of R830 192, which is secured via a notarial bond, refer note 15. This notarial bond is secured over the assets of Eyethu Exhibitions (Proprietary) Limited. This acquisition is consolidated at 30 June 2006 and has contributed revenue of R11,1m and earnings before interest, taxation, depreciation and amortisation of R494 000 to the group's results for the ten months ended 30 June 2006, as well as property, plant and equipment at a carrying value of R3 315 000.				
IFRS 3 – Business Combinations statement has not been applied as Eyethu JV is a newly formed entity with both parties leasing assets to it.				

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
33. FINANCIAL INSTRUMENTS				
There are no forward exchange contracts outstanding at 30 June 2006.				
Trade receivables denominated in foreign currencies in respect of which no forward exchange contracts have been entered into (included in current assets)	7 400	368	-	-
34. RISK MANAGEMENT				
Financial instruments reflected on the balance sheets include investments, non-current receivables, trade receivables and payables, cash and cash equivalents, short term bank and other borrowings and amounts due to shareholders.				
Fair values				
The carrying amounts of the financial assets and liabilities approximate their fair values. Trade receivables are presented net of allowances for doubtful receivables.				
Credit risk				
Financial assets which potentially subject the group to concentrations of counterparty risk, consist principally of cash, short term deposits and trade receivables.				
- The group's cash equivalents and short term deposits are placed with high credit quality financial institutions.				
- Trade receivables comprise a widespread customer base, across various business and market segments.				
The trade and other receivables are ascribed to the various segments of the group's business as follows:				
- Central functions	7 121	1 652		
- Broadcasting	61 920	59 801		
- Information services and solutions	42 706	35 686		
- Exhibitions and events	18 138	8 859		
Total	129 885	105 998	-	-
The group calculates the theoretical amount included in trade receivables considered to be "at risk", with no reference to insurance policies covering particular exposures, after allowing for risk-sharing arrangements and probabilities or non-performance.				
The group's share of amounts considered to be "at risk" included in the trade receivables, are as follows:				
- subsidiaries	23 162	6 712		
- joint venture	44 769	35 419		
- associates	2 174	340		
	70 105	42 471	-	-

35. RELATED PARTY TRANSACTIONS

Shareholding

Kagiso Media's major shareholder is Kagiso Trust Investments (Proprietary) Limited ("KTI"), which owns 48,1% (2005 – 43,5%). The directors of the company own 0,3% (2005 – 8,9%) of the shares of the company. The remaining 51,6% (2005 – 47,6%) of the shares are widely held between institutions and members of the general public.

The Kagiso Trust owns 50,3% of KTI and is therefore the ultimate holding entity of the Kagiso Media Limited group.

The following transactions were carried out with related parties:

Transactions with related parties

KTI exercises significant influence over the company.

The company is a sub-tenant of KTI in respect of the company's head office facilities. The sub-lease is at terms no less favourable than that of any other tenant in the building and the rates are considered to be market-related.

Kagiso Media, its subsidiaries and joint ventures, in the ordinary course of business, enter into regular transactions with associates, particularly in the area of radio airtime sales. These transactions are governed by terms no less favourable than those arranged with third parties.

	Group		Company	
	2006	2005	2006	2005
	R'000	R'000	R'000	R'000
Transactions during the year				
Payments made to KTI in terms of the sub-lease:				
– Rent	588	498	–	–
– Operating cost	159	136	–	–
– Costs in respect of common area	32	34	–	–
– Costs for other services	386	295	–	–
Kagiso Media, its subsidiaries and joint venture recorded the following transactions with associates during the year:				
– Interest paid on loan from associate	129	–	–	–
– Information services and solutions products sold by joint venture to its international associates (group's share)	1 676	1 710	–	–
Year end balances arising from purchase of goods and services				
Outstanding balance owing to KTI in terms of the sub-lease:				
– Rent	48	–	–	–
– Other	213	–	–	–
Outstanding balances owing to joint venture by its international associates from the sale of information services and solutions				
– Amounts owing to LexisNexis Butterworths (Proprietary) Limited (group's share)	266	523	–	–
Outstanding balances owing by joint venture to its international associates from the purchase of information services and solutions				
– Amounts owing by LexisNexis Butterworths (Proprietary) Limited (group's share)	490	456	–	–

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

	Group		Company	
	2006 R'000	2005 R'000	2006 R'000	2005 R'000
35. RELATED PARTY TRANSACTIONS (continued)				
Loans from/(to) related parties				
Loans from Seyalemoya Communications (Proprietary) Limited				
– Beginning of year	2 375	–		
– Loans advanced during year	–	2 375		
– Interest charged	129	–		
– End of year	2 504	2 375		
Loans from Thebe Convergent Technologies (Proprietary) Limited				
– Loans advanced during year	1 129	–		
Loans to Makana Radio Communications (Proprietary) Limited				
– Loans advanced during year	(1 600)	–		
	2 033	2 375	–	–
The loan from Seyalemoya Communications (Proprietary) Limited is unsecured, carries interest at 8% and has no fixed terms of repayment.				
The loan from Thebe Convergent Technologies (Proprietary) Limited and to Makana Radio Communications (Proprietary) Limited are unsecured, interest free and have no fixed terms of repayment.				
Loans to directors				
Amounts owing on loan account to directors:				
Beginning of the period	–	–		
Loans advanced during year	3 336	–		
Loan repayments received	–	–		
Interest charged	156	–		
End of the period	3 492	–	–	–
Loans are granted to directors in terms of the Unrestricted Share Purchase Scheme. These loans are linked to the shares, which also serve as guarantee for the loan, that were purchased according to the allocation allowed to directors, as approved by the board in 2005. These loans are repayable within six years from date of grant and carry interest at prime less 2%.				
Transactions with directors				
Directors' emoluments				
The executive directors were paid the following amounts in cash and realised the following gains in terms of the share option scheme in the year to 30 June:				
	Salary (R'000)	Bonus (R'000)	Gains made on shares (R'000)	Total (R'000)
2006				
WR Jardine	1 500	1 089	6 287	8 876
PHP Jacobs*	432	–	–	432
OC Essack	1 130	479	–	1 609
S Pienaar	775	327	–	1 102
Total	3 837	1 895	6 287	12 019
2005				
WR Jardine	1 212	685	3 635	5 532
PHP Jacobs	1 041	353	3 479	4 873
OC Essack	880	298	–	1 178
Total	3 133	1 336	7 114	11 583

* Resigned 30 September 2005

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

35. RELATED PARTY TRANSACTIONS (continued)**Directors' rights in the Kagiso Media Limited Share Option Scheme**

At 30 June 2006 the executive directors held the following rights to acquire shares in the share capital of the company:

First date on which exercisable	Last date on which exercisable	WR Jardine	OC Essack	Purchase price (cents)
12/09/2006	12/09/2010	159 021	–	208
16/09/2006	16/09/2012	141 577	–	300
12/09/2006	12/09/2013	111 884	–	450
01/01/2007	01/01/2014	–	106 195	565
Year ending 30 June 2007		412 482	106 195	358*
16/09/2007	16/09/2012	141 577	–	300
12/09/2007	12/09/2013	111 884	–	450
10/09/2007	10/09/2014	30 782	–	830
01/01/2008	01/01/2014	–	106 195	565
Year ending 30 June 2008		284 243	106 195	457*
16/09/2008	16/09/2012	141 577	–	300
12/09/2008	12/09/2013	111 884	–	450
10/09/2008	12/09/2014	30 782	–	830
01/01/2009	01/01/2014	–	106 195	565
Year ending 30 June 2009		284 243	106 195	457*
12/09/2009	12/09/2013	111 884	–	450
10/09/2009	12/09/2014	30 782	–	830
01/01/2010	01/01/2014	–	106 194	565
Year ending 30 June 2010		142 666	106 194	546*
10/09/2010	12/09/2014	30 782	–	830
Year ending 30 June 2011		30 782	–	830*
Total		1 154 416	424 779	446*

Movement during the year

The movement during the year in the rights to shares per the share option scheme were as follows:

Number of rights	WR Jardine	PHP Jacobs*	OC Essack	Total
Opening balance	1 773 039	903 134	424 779	3 100 952
Rights exercised	(618 623)	(456 497)	–	(1 075 120)
Rights forfeited	–	(446 637)	–	(446 637)
Closing balance	1 154 416	–	424 779	1 579 195

* Resigned 30 September 2005

Directors' rights in the Kagiso Media Limited Unrestricted Share Purchase Scheme

	WR Jardine	OC Essack	S Pienaar	Total
Date of award	30/12/2005	30/12/2005	30/12/2005	
Number of shares	183 600	18 360	68 299	270 259
Share price	R12.2549	R12.2549	R12.2549	R12.2549
Capital amount of loan	R2 250 000	R225 000	R836 997	R3 311 997

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

35. RELATED PARTY TRANSACTIONS (continued)

Directors' shareholding in Kagiso Media Limited shares at 30 June 2006

Director	Direct	Indirect	Total
HI Appelbaum	72 000	–	72 000
MJN Njeke	14 822	–	14 822
OC Essack*	18 360	–	18 360
RL Hiemstra	5 000	–	5 000
S Pienaar*	68 299	–	68 299
WR Jardine*	184 600	–	184 600
YI Mahomed	70	–	70
Total	363 151	–	363 151

* Executive

Share based payment arrangements

Three employee share schemes are in operation in the Kagiso Media Limited group. These are the Kagiso Media Limited Unrestricted Share Purchase Scheme, the Kagiso Media Limited Share Option Scheme and the RadMark Share Scheme.

The Kagiso Media Limited Unrestricted Share Purchase Scheme

This share incentive scheme was approved and implemented during 2006. A trust was established to administer the scheme and to offer financial assistance as contemplated in section 38(2)(b) of the South African Companies Act. The trust will, as authorised by the board, make offers to eligible employees to acquire shares at the offer price. The eligible employees will be entitled to accept an offer within the offer period.

The purpose of the scheme is to allow participants to purchase shares in Kagiso Media at market value, on an interest bearing loan account. The participants have full voting and dividend rights and there are no restrictions on the vesting or disposal of the shares. However, in order to encourage participants to hold their shares up to at least the end of a three year period, a bonus payment will be made on the third anniversary of the offer date, having regard to the shares held by the participant at that point in time. Management estimated the average amount of the bonus to be 15% of the capital amount of the loan. The fair value of this obligation has been discounted at the interest rate for instruments of a similar risk profile, and expensed in equal amounts over the specified period, that is three years.

The loans are interest bearing at 2% less prime, being the deemed interest rate that individuals with similar asset portfolios will be able to obtain from a reputable financial institution.

The Kagiso Media Limited Unrestricted Share Purchase Scheme is deemed to be a long term employee plan, hence IFRS 2 – Share-based Payments is therefore not applicable.

At 30 June 2006, the participants owed the company R3 492 000 in terms of this scheme, refer to note 9 to the annual financial statements.

The Kagiso Media Limited Share Option Scheme

The company operates this scheme for the benefit of executive directors and staff. The scheme was approved and adopted by shareholders in a general meeting on 2 September 1999.

A maximum of 10% of the shares in the company is available for share incentive and option schemes. No individual may at any time have the right to acquire more than 2,5% of the shares in the company. The rights to acquire shares in terms of the Kagiso Media Limited Share Option Scheme are exercisable in four equal tranches, at the market price on the day of the award of such right, commencing three years from the date of issue and expire after 10 years from the date of issue.

Notes to the annual financial statements (continued)
for the year ended 30 June 2006

35. RELATED PARTY TRANSACTIONS (continued)

The number and weighted average exercise prices of share options at 30 June 2006 were as follows:

Date on which exercisable	Number of rights	Price (cents)
September 2006	159 021	208
	141 577	300
	111 884	450
January 2007	106 195	565
March 2007	78 125	260
Year ending 30 June 2007	596 802	346*
September 2007	141 577	300
	111 884	450
	30 782	830
January 2008	106 195	565
March 2008	78 125	260
	8 766	1 208
Year ending 30 June 2008	477 329	438*
September 2008	141 576	300
	111 884	450
	30 782	830
January 2009	106 195	565
March 2009	8 766	1 208
Year ending 30 June 2009	399 203	473*
September 2009	111 884	450
	30 782	830
January 2010	106 194	565
March 2010	8 766	1 208
Year ending 30 June 2010	257 626	569*
September 2010	30 782	830
March 2011	8 766	1 208
Year ending 30 June 2011	39 548	914*
Total	1 770 508	445*

* weighted average price of outstanding rights

The movement in the number of outstanding rights to acquire shares during the year was as follows:

	Executive directors	Staff	Total
Opening balance	3 100 952	335 066	3 436 018
Rights exercised*	(1 075 123)	(143 750)	(1 218 873)
Forfeited	(446 637)	–	(446 637)
Closing balance	1 579 192	191 316	1 770 508

*weighted average price: 222 cents per share

There were no options granted during the year in terms of this scheme.

Notes to the annual financial statements (continued)

for the year ended 30 June 2006

35. RELATED PARTY TRANSACTIONS (continued)

In accordance with IFRS2 – Share-based Payments the group has recognised a compensation expense in the income statements, representing the fair value of the share options granted to the company's employees, over the vesting period of the shares. A corresponding credit to equity has been raised for this equity-settled plan, refer to the consolidated statement of changes in the shareholders' equity.

The fair value of these options has been determined using an option pricing model, modelling the particular aspects of the option scheme, the employee turnover and the exercise behaviour of the participants. As only one employee has ever forfeited any shares, it was assumed that option scheme participants will remain employees of the group for the full period, until all the options have been exercised, according to the terms of the scheme.

Scheme participants usually exercise their options immediately after the vesting date, therefore the vesting period and the expected option life were assumed equal. The risk free rates with a maturity periods closest to the option's life were used in the calculation. The expected volatility for the share price was based on Kagiso Media's historical share price performance.

The dividend yield of 6,7%, that is the historic dividend yield till the end of the 2004 financial year, was applied in the valuation model. The benefit expense for the year was calculated as R454 000 (2005 – R417 000).

Note 13 to the annual financial statements reflects the impact this scheme had on the income statements and equity of the group.

The RadMark Share Scheme

The employees of RadMark, via a share trust own 5% of the company. Share options are granted to all employees upon joining this company. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. One-third of the option vests on each anniversary after three years' service. RadMark has a legal obligation to repurchase or settle the options in cash. In accordance with IFRS 2 and IAS 39, the options and shares held by the RadMark Share Trust and its beneficiaries were independently fair valued according to the Black Scholes Method. Movements in the number of share options outstanding and their related weighted average exercise prices are set out in note 17 to the annual financial statements.

Key Management

There are no other key management personnel whose transactions and dealings require disclosure in terms of IAS 24 – Related Parties.

Analysis of shareholders

for the year ended 30 June 2006

The shareholders of the company at 30 June 2006 are analysed as follows:

Shareholders by size of holding	Number of holders	Number of shares	Percentage of shares
Number of shares			
1 – 500	178	43 164	0,03
501 – 2 500	325	465 586	0,35
2 501 – 10 000	340	1 802 153	1,36
10 001 – 50 000	158	3 411 251	2,57
> 50 001	112	126 817 521	95,69
	1 113	132 539 675	100,00
Shareholders by type			
Individuals	795	3 460 363	2,61
Nominee companies	12	3 652 880	2,76
Investment companies	60	88 089 603	66,46
Other corporate bodies	246	37 336 829	28,17
	1 113	132 539 675	100,00

Note: Nominee shareholders

Share performance and liquidity

Share performance	2006	2005
Market price (cents per share)		
– Closing	1 130	1 148
– High	1 420	1 310
– Low	999	735
– Weighted average traded price	1 232	861
Closing price/earnings ratio (times)	13,6	15,8
Liquidity		
Number of shares in issue ('000)	132 540	131 321
Market capitalisation at year end (R'000)	1 497 698	1 507 563
Volume of shares traded ('000)	143 408	28 633
Volume traded to number in issue (%)	108,2	21,9
Value of shares traded (R'000)	354 407	246 397
Number of deals	2 206	1 424

Shareholders' diary

Financial year end		30 June 2006
Annual general meeting		24 November 2006
Reports and financial statements		
Preliminary profit announcement	Published	28 September 2006
Annual financial statements*	Posted to shareholders	3 November 2006
Interim report*	Published	19 February 2007

*Please note that these dates are subject to change

Kagiso Media Limited

Incorporated in the Republic of South Africa
(Registration number 1957/000036/06)
("Kagiso Media" or "the company")
Share code: KGM
ISIN: ZAE000014007

Notice is hereby given that the annual general meeting of shareholders will be held at 1st Floor, Kagiso House, 16 Fricker Road, Illovo, 2196, on Friday, 24 November 2006 at 14:00 for the following purpose:

1. To conduct the following ordinary business
 - To receive and adopt the annual financial statements for the year ended 30 June 2006
 - To re-appoint those directors who retire by rotation
 - To ratify the appointment of a newly appointed director
 - To re-appoint PricewaterhouseCoopers Inc. as auditors to the company for the ensuing year
 - To transact such other business as may be required at an annual general meeting
2. To conduct the following special business
 - To approve the annual remuneration of directors for the ensuing year
 - To authorise the directors of the company to issue 596 802 shares in the share capital of the company, representing no more than 0,5% of the number of shares in issue at 30 June 2006, in terms of the company's share scheme(s)
 - To give the company, or any of its subsidiaries, a general authority to acquire the shares in the share capital of the company

In conducting its business, the meeting will consider and approve the following resolutions by way of a poll, with or without amendment:

ORDINARY BUSINESS

1. Approval of financial statements

Ordinary resolution number 1

"Resolved that the annual financial statements of the company and the group, for the year ended 30 June 2006, together with the report of the directors and auditors thereon, are hereby adopted."

A majority of the votes cast by the shareholders present or represented by proxy will be required to approve this resolution.

2. Appointment of directors

Messrs YI Mahomed and HI Appelbaum retire in accordance with section 94 of the company's articles of association, but being eligible, offer themselves for re-election.

YI (Yunus) Mahomed

B Proc, MBA 2

Yunus Mahomed graduated from the University of South Africa, and is an admitted attorney and conveyancer. He worked for Shun Chetty & Company until 1979 and thereafter practised as Yunus Mahomed & Associates. He is one of the founding trustees of Kagiso Trust and is currently its chairman. He is the deputy chairman of Kagiso Trust Investment (Proprietary) Limited. He is also a non-executive director of FirstRand Limited, Johannesburg Housing Company and several private companies.

HI (Hylton) Appelbaum

LLB

Hylton Appelbaum is a director of the Liberty Group Limited and executive trustee of The Liberty Foundation, The Liberty Educational Foundation and The Donald Gordon Foundation. He is a trustee of Kagiso Trust and was one of the founder directors of Kagiso Trust Investment Company.

Hylton is a director of Learning Channel, Chairman of the Mindset Network and Chairman of Classic FM South Africa and a member of Council of the University of the Witwatersrand, a member of PricewaterhouseCoopers' Corporate Social Responsibility Board, a trustee of the Impumelelo Innovations Award Trust and The Nelson Mandela Children's Fund.

Notice of annual general meeting (continued)

for the year ended 30 June 2006

Accordingly, to consider and if deemed fit, to re-elect those directors by way of passing the separate ordinary resolutions set out below:

2(a) Appointment of Mr YI Mahomed as a director

Ordinary resolution number 2(a)

"Resolved that YI Mahomed, be and is hereby elected as director of the company."

2(b) Appointment of Mr HI Appelbaum as a director

Ordinary resolution number 2(b)

"Resolved that HI Appelbaum, be and is hereby elected as director of the company."

A majority of the votes cast by the shareholders present or represented by proxy will be required to approve the above resolutions.

3. Ratification of appointment of directors

Ordinary resolution number 3

Mr MM Morobe has been appointed as director. The effective date of his appointment was on 1 November 2006. In accordance with section 90 of the company's articles of association, his appointment is only valid until the next annual general meeting. As he is eligible, he offers himself for election.

MM (Murphy) Morobe

Murphy Morobe was appointed as the chief executive officer with effect 1 November 2006. He was chairman and chief executive officer of the Financial and Fiscal Commission (1994 – 2004) and the head of communications in The Presidency since July 2004. He served on many boards, including chairman of Ernst & Young for the period 2001 – 2005. Currently he is a director of *inter alia* My Acre of Africa Trust and the Freedom Park Trust. He is also the chairman of the board of the Johannesburg Housing Company.

Accordingly, to consider and if deemed fit, to elect this director by way of passing the separate ordinary resolution set out below:

Appointment of Mr MM Morobe as a director

"Resolved that MM Morobe, be and is hereby elected as director of the company."

A majority of the votes cast by the shareholders present or represented by proxy will be required to approve the above resolution.

4. Appointment of auditors

Ordinary resolution number 4

"Resolved that PricewaterhouseCoopers Inc. are hereby re-appointed as the auditors of the company for the ensuing year."

A majority of the votes cast by the shareholders present or represented by proxy will be required to approve this resolution.

SPECIAL BUSINESS

5. Directors' remuneration

Ordinary resolution number 5

"Resolved that the annual remuneration of the directors of the company, for the year from 1 July 2006 to 30 June 2007, be fixed at the rate of R60 000 per annum for services as directors and that the chairman, in addition to the remuneration of R60 000 per annum as a director, shall be paid a further R40 000. In addition to the above, members of the audit committee will be paid R22 000 per annum and the chairman of this committee R35 000. The members of the remuneration committee will receive a further R19 000 per annum and the chairman of the remuneration committee will receive R26 000 for the year."

A majority of the votes cast by the shareholders present or represented by proxy will be required to approve this resolution.

6. Authority over unissued shares

Ordinary resolution number 6

"Resolved that 596 802 of the unissued authorised shares in the company, required to be issued in terms of the company's share scheme(s) in the period commencing after this annual general meeting and ending at the time of the next annual general meeting, be and are hereby placed under the control of the directors, subject to the provisions of the Companies Act, No. 61 of 1973 (as amended) and the JSE Limited's ("JSE") listing requirements, until the next annual general meeting."

A majority of the votes cast by the shareholders present or represented by proxy will be required to approve this resolution.

7. General authority to repurchase company shares

Special resolution number 1

"Resolved that, as a general approval contemplated in sections 85(2), 85(3) and 89 of the Companies Act, No. 61 of 1973 (as amended) ("the Act"), the company or any of its subsidiaries, be and are hereby authorised to acquire the issued shares of the company, on the terms and conditions determined by the directors of the company from time to time, but subject to the articles of association of the company (as amended), the provisions of the Act and the listings requirements of the JSE, and provided that:

- a any such acquisitions shall be implemented on the open order book of the JSE, without any prior arrangements;
- b a paid press announcement will be published as soon as the company, on a cumulative basis, has acquired 3% of the number of shares in issue prior to such acquisition and for each 3% in aggregate thereafter, containing full details of such acquisitions;
- c acquisitions in any one financial year may not exceed 20% of the company's issued share capital at the date of passing of this special resolution;
- d in determining the price at which shares in the share capital of the company are acquired in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% of the weighted average of the market value at which such shares are traded on the JSE over the five business days immediately preceding the date of the acquisition of such shares;
- e this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing of this special resolution;
- f at any point in time, the company may only appoint one agent to effect any repurchase on the company's behalf;
- g the company may only undertake a repurchase if, after such repurchase, it still complies with the minimum shareholder spread requirements; and
- h the company may not repurchase shares during a prohibited period as defined by the JSE listings requirements.

Before entering the market to effect the general repurchase, the directors, having considered the effects of the repurchase of the maximum number of ordinary shares in terms of the foregoing general authority, will ensure that for a period of 12 (twelve) months after the date of the notice of annual general meeting:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group, fairly valued in accordance with International Financial Reporting Standards ("IFRS"), will exceed the liabilities of the company and the group; and
- the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes."

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE listings requirements for purposes of the general authority:

- Directors and management – pages 4 and 5;
- Major beneficial shareholders – page 42;
- Directors' interests in ordinary shares – page 102; and
- Share capital of the company – page 42.

Litigation statement

In terms of section 11.26 of the JSE listings requirements, the directors, whose names appear on pages 4 and 5 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear on pages 4 and 5 of the annual report, collectively and individually accept responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Notice of annual general meeting (continued)

for the year ended 30 June 2006

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

Although there is at present no intention to repurchase any of the company's shares, it is deemed appropriate that the directors be authorised to repurchase the company's shares should the opportunity arise and should the directors deem it to be advantageous to the company to repurchase such shares. The company undertakes to advise the sponsor before entering the market to commence any share repurchases, in order to enable the sponsor to furnish the JSE with written confirmation of the company's working capital.

Reasons for and effect of special resolution number 1:

The reasons for and effect of special resolution number 1 are to grant the company, or a subsidiary, a general approval in terms of the Act for the acquisition of shares in the company.

Such general authority will provide the board with flexibility, subject to the requirements of the Act and the JSE, to repurchase shares should it be in the interest of the company. This general authority shall be valid until the next annual general meeting, provided that this general authority shall not be extended beyond 15 (fifteen) months from the date of passing this special resolution.

A 75% majority of the votes cast by the shareholders present or represented by proxy will be required to approve this resolution.

8. Authorisation

Ordinary resolution number 7

"Resolved that any director of the company be and is hereby authorised to do all such things as are necessary and to sign all such documents as may be necessary for the implementation of the above special and ordinary resolutions to be proposed at the annual general meeting."

A majority of the votes cast by the shareholders present or represented by proxy will be required to approve this resolution.



By order of the board

S Pienaar

Company secretary

Illovo

31 October 2006

To be completed by certificated and "own name" dematerialised shareholders only

Kagiso Media Limited

Incorporated in the Republic of South Africa
 (Registration number 1957/000036/06)
 ("Kagiso Media" or "the company")
 Share code: KGM
 ISIN: ZAE000014007

For the annual general meeting, to be held at the offices of Kagiso Media, 1st Floor, Kagiso House, 16 Fricker Road, Illovo, 2196, on Friday, 24 November 2006 at 14:00.

I/We (please print) _____

of (please print) _____

being a member of the company and entitled to votes, do hereby appoint:

1. _____ of _____, or failing him/her

2. _____ of _____, or failing him/her

3. the chairman of the annual general meeting

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting to be held at the boardroom of Kagiso Media, 1st Floor, Kagiso House, 16 Fricker Road, Illovo, 2196 on Friday, 24 November 2006 at 14:00 and any adjournment thereof, for the purpose of considering and if deemed fit, passing, with or without modifications, the resolutions to be proposed thereat and to vote for me/us on my/our behalf or to abstain from voting as indicated below (see notes):

Voting instructions			
Number of votes on a poll	For	Against	Abstain
Ordinary business			
1. The adoption of the annual financial statements for the year ended 30 June 2006			
2(a) To re-elect Mr YI Mahomed as director of the company			
2(b) To re-elect Mr HI Appelbaum as director of the company			
3 To elect Mr MM Morobe as director of the company			
4. To re-appoint PricewaterhouseCoopers Inc. as auditors to the company for the ensuing year			
Special business			
5. Ordinary resolution to approve the remuneration of the directors			
6. Ordinary resolution to place 596 802 of the unissued shares under control of the directors			
7. Special resolution to authorise the company to acquire its own shares			
8. Ordinary resolution to give any director of the company authority to give effect to ordinary resolutions 1, 4, 5 and 6 and special resolution 1			

(Please indicate instruction to proxy, by way of a cross in the space provided and/or the relevant number of votes exercisable)

Signed at _____ on _____ 2006

Signature(s) of member(s) _____

Assisted by (where applicable) _____ (state capacity and full name)

Please read the notes appearing on the reverse hereof

Form of proxy

Instructions and notes

1. A shareholder may insert the name of a proxy or the name of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting "the chairman of the annual general meeting". The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote or to abstain from voting at the annual general meeting as the chairman deems fit, in respect of all the ordinary shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. Shareholders who hold certificated shares in their own names must lodge their completed proxy forms at Link Market Services South Africa (Proprietary) Limited, 5th Floor, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000) to be received by not later than 14:00 on Wednesday, 22 November 2006.
4. All beneficial owners of ordinary shares who hold or who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker and all beneficial owners of ordinary shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions. Voting instructions must reach the CSDP, broker or nominee in sufficient time to allow the CSDP, broker or nominee to advise the company or Link Market Services South Africa (Proprietary) Limited of this instruction by not later than 14:00 on Wednesday, 22 November 2006.
5. Should you as the beneficial owner, however, wish to attend the meeting in person, you may do so by requesting your CSDP, broker or nominee to issue you with a letter of representation in terms of the custody agreement entered into with your CSDP, broker or nominee. Letters of representation must be lodged with Link Market Services South Africa (Pty) Limited or at the registered office of the company by not later than 14:00 on Wednesday, 22 November 2006.
6. Shareholders who hold certificated shares in their own name and shareholders who hold or who have dematerialised their shares in "own name" registrations must lodge their completed proxy forms with Link Market Services South Africa (Proprietary) Limited or at the registered office of the company by not later than 14:00 on Wednesday, 22 November 2006.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person, to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
10. The chairman of the annual general meeting may reject or accept a form of proxy which is completed and/or received other than in accordance with these instructions and notes.
11. A minor must be assisted by his/her parents or guardian, unless the relevant documents establishing his/her capacity are produced or have been registered by the transfer secretaries of the company.