



KAGISO
Media

Annual Report 2010





Contents

Group review

- 2 Financial highlights
- 3 Strategic focus
- 4 Group at a glance
- 5 Kagiso media evolution
- 8 Corporate profile
- 10 Kagiso media operations
- 11 Financial performance
- 12 Chairperson's review
- 14 Chief executive officer's review
- 17 Segmental reporting
- 18 Five-year financial review
- 20 Financial director's review
- 24 BBBEE ownership and transformation
- 28 Directorate
- 30 Broadcasting coverage

Segmental review

- 32 Broadcasting
- 36 Information and Other
- 38 New Media
- 40 Content

Statutory reports

- 42 Corporate governance
- 48 Report by the audit committee
- 50 Report by the remuneration committee
- 54 Directors' responsibility statement
- 54 Directors' approval
- 55 Auditor's report
- 55 Company secretary's certificate
- 56 Directors' report

Financial statements, accounting policies and notes to the annual financial statements

- 64 Statements of financial position
- 65 Statements of comprehensive income
- 66 Statements of changes in equity
- 67 Statements of cash flows
- 68 Accounting policies
- 80 Notes to the annual financial statements

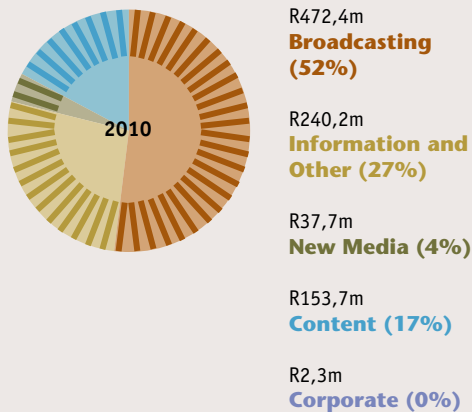
Shareholder information

- 132 Analysis of shareholders
- 132 Share performance
- 133 Shareholders' diary
- 134 Notice of annual general meeting
- 138 Corporate information
- 139 Form of proxy
- 140 Instructions and notes

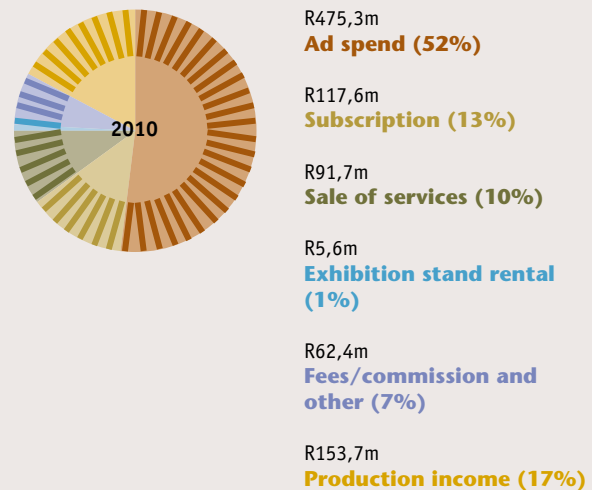
Financial highlights

	2010	2009	% change
Revenue (R'000)	906 271	853 675	6,2
Operating profit (R'000)	303 493	292 094	3,9
Profit before income tax (R'000)	313 678	296 420	5,8
Profit attributable to equity holders (R'000)	199 695	168 929	18,2
Headline earnings attributable to equity holders (R'000)	183 026	169 386	8,1
Headline earnings per share (cents)	136,8	126,7	8,0
Earnings per share (cents)	133,0	121,8	9,2
Dividends paid to equity holders (cents)	62	59	5,1
Cash generated from operations (R'000)	340 381	324 466	4,9
Gearing ratio (%)	26,0	48,0	(45,8)
Net asset value per share (cents)	462	376	22,9
Market capitalisation at closing prices (R'000)	2 047 015	1 772 742	15,5





Contribution to revenue



Source of revenue

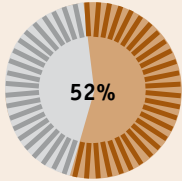
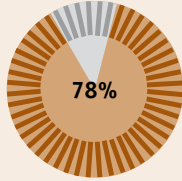
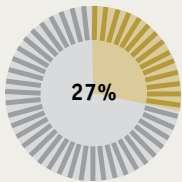
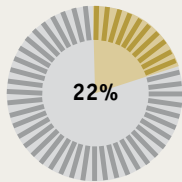
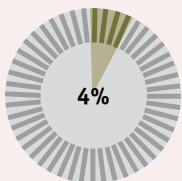
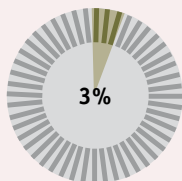
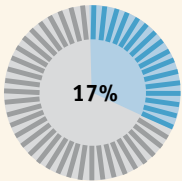
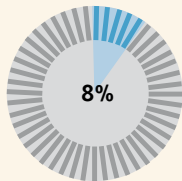


Strategic focus

Key strategic thrusts		Strategic intention
<ul style="list-style-type: none">■ Becoming a converged organisation		<ul style="list-style-type: none">■ Develop linkages across operations to optimise potential opportunities and offerings
<ul style="list-style-type: none">■ Investing in a mix of traditional and new media		<ul style="list-style-type: none">■ Ensure the right mix of assets to take advantage of the swiftly evolving media marketplace
<ul style="list-style-type: none">■ Building a diversified revenue base		<ul style="list-style-type: none">■ While broadcasting will continue to be the core of the revenue base for the foreseeable future, new sources of revenue will continuously be sought to bolster the group's resilience
<ul style="list-style-type: none">■ Pursuing acquisitions that add strategic IQ and value in new investment areas to ensure future growth		<ul style="list-style-type: none">■ Established media will continue to deliver value while new media will ensure future growth

- Today we are a consolidated and diversified media business. With our strong suite of media assets, proven growth drivers and clear strategic priorities, we are geared to benefit from opportunities in the media marketplace and to grow our position as the economy improves.

Group at a glance

	Revenue	Operating profit	Highlights for 2010
Broadcasting	 <p>52%</p>	 <p>78%</p>	<ul style="list-style-type: none"> ■ Stable revenue of R472,4 million and maintained operating margins within target range ■ East Coast Radio grew its core target market audiences by 13% ■ Jacaranda 94.2 maintained market share
Information and Other	 <p>27%</p>	 <p>22%</p>	<ul style="list-style-type: none"> ■ Stable revenue and a 15% increase in operating profit ■ LexisNexis defended revenue in a challenging market ■ Mobil Alliance benefited from 2010 FIFA World Cup™
New Media	 <p>4%</p>	 <p>3%</p>	<ul style="list-style-type: none"> ■ Operating profit well ahead of expectations ■ Gloop Digital Design's reputation continues to grow ■ Good performance from Acceleration Media ■ Agreement to manage the MSN properties in South Africa and sub-Saharan Africa
Content	 <p>17%</p>	 <p>8%</p>	<ul style="list-style-type: none"> ■ Credible operating performance in tough trading environment ■ Extended track record of popular local productions
Corporate			

Kagiso Media evolution

1996

1997

1998

1999

2000

- East Coast Radio acquired
- Stake in Radio Oranje purchased
- RadMark acquired



- Acquisition of a shareholding in Jacaranda 94.2



- Formation of Kagiso Exhibitions and Events with purchase of rights to Rand Easter Show, Auto Africa and SAITEX

- East Coast Radio increases audience by 32%
- Jacaranda 94.2 sustains audiences of 1,0 million per week



- Acquisition of Butterworths Publishers and System Publishers

- Kagiso Exhibitions and Events takes off

- Additional stake acquired in Butterworths

- Kagiso Media established as part of KTI's bid to acquire two radio stations

- Kagiso Media listed on the JSE with market capitalisation of R30 million



- Kagiso Media increases focus on core Broadcasting strategy with sale of non-core print assets

- Revenue growth of 70,6%

- Kagiso Media recognised as the Best Empowerment Performer on the JSE by BusinessMap

- Sale of Caxton shareholding increases cash reserves to R106,0 million



2001

2002

2003

2004

2005

- East Coast Radio shareholding increased to 100%



- ICASA renews licences for East Coast Radio and Jacaranda 94.2

- RadMark shareholding increased to 47,5%

- Increased shareholding in Jacaranda 94.2 to 60%

- Jacaranda repositioned as Life's greatest hits

- 33,3% stake in P4 Radio stations acquired

- Purchased 25,1% economic interest in Kaya FM



- Sale of System Publishers

- Kagiso Exhibitions and Events organised World Summit on Sustainable Development

- Butterworths rebranded as LexisNexis



- Kagiso Exhibitions and Events arranged the South African Pavilion at Japan Expo 2005

- LexisNexis publishes Laws of Nigeria

- Maiden dividend of 66,0 cents declared

- Revenue growth of 50,9%

- Profit growth of 36,6%

- Headline earnings growth of 52,9%

- Kagiso Media's share price breaks 1 000 cents barrier for the first time



2006

- P4 repositioned and rebranded as iGagasi 99.5 (33,3%) and Heart 104.9 (33,3%)



- LexisNexis publishes Laws of Kenya

2007

- Increased shareholding in Jacaranda 94.2 to 80%



- LexisNexis publishes Laws of Ghana

2008

- The audience of the Broadcasting segment increases to 4,3 million listeners

- Acquisition of 50% stake in Mobil Alliance, sport sponsorship and digital technology advertising specialist



2009

- Disposal of trademarks, Kagiso Exhibitions and Events Solutions and Johannesburg International Motor Show

2010

- With daily audiences of more than 900 000, East Coast Radio is the favourite English-speaking radio station in KwaZulu-Natal
- Broadcasting segment touches 4,4 million people through its owned radio stations and their online offerings

- LexisNexis publishes Laws of Gambia



- Acceleration Media, an online media agency, acquired with Lagardère Active Radio International (LARI)



- Multi-award winning Gloop Digital Design acquired



- Gloop wins the Financial Mail's Best Digital Agency award for the fourth consecutive year

- Agreement concluded with Microsoft to manage the sub-Saharan and South African MSN properties



- Entry into television content arena with purchase of 50,1% controlling stake in Urban Brew Studios



- Revenue growth of 77,2%

- Kagiso Media's value on the JSE reaches an all-time high of R2,0 billion

- 31,8% increase in operating profit

- Kagiso Media funds the Wits University Radio training and development initiatives

- Payment of first special dividend in nine years
- Kagiso Media ranked as 4th most empowered company on the JSE and the top empowered media services company on the JSE in the FM Top Empowerment Companies 2010

Corporate profile

■ Vision TO “BUILD COMMUNITIES FOR GOOD”

Kagiso Media’s vision statement is the result of careful reflection of the group’s overarching motivation for being in business. It is inspired by the founding obligations of Kagiso Trust Investment, which remains our main standard bearer and stakeholder. Accordingly, the group subscribes to a code of ethics which is underpinned by a resolute commitment to integrity and honesty in all its business dealings.

■ Mission TO CONTINUOUSLY DELIVER INNOVATIVE MEDIA AND INFORMATION SOLUTIONS THAT FACILITATE BENEFICIAL HUMAN CONNECTION

■ Value proposition

In its 12 years of existence, Kagiso Media’s value proposition has been underpinned by a combination of factors, being:

- the credibility and reputation of stakeholders;
- the manner in which it selects and participates in good product markets;
- the ongoing pursuit of operational efficiencies which enable continued value creation for shareholders;
- a consistent focus on high quality organic growth and prudent acquisitions; and most importantly
- the unwavering commitment to protecting our reputational integrity.

Kagiso Media currently operates through the following four segments:

Broadcasting

Is a successful operator of highly productive radio assets such as **Jacaranda FM**, which broadcasts into Gauteng, Limpopo, North West and Mpumalanga, and **East Coast Radio** which is based in KwaZulu-Natal. Kagiso Media has also maintained strategic investment stakes in **OFM** (Free State), **Heart 104.9** (Western Cape) and **iGagasi 99.5** (KwaZulu-Natal) and an economic interest in **Kaya FM** (Gauteng).

These radio assets are complemented by the group’s national radio sales house **RadMark**, which is jointly controlled in partnership with Lagardère Radio International (LARI). The purpose of Kagiso Media Convergence is to create online audiences for the radio stations.

Information and Other

A leading provider of business information solutions, **LexisNexis(SA)** (50% owned) offers a combination of authoritative content, powerful online research, advance productivity tools, seminars, workshops and consulting.

Kagiso Exhibitions and Events retains low key operation to honour several outstanding contractual obligations. These include, inter alia, a joint venture in **Mobil Alliance**, a company specialising in digital technology screens and sponsorship operating primarily in the sports environment.

New Media

The segment is spearheading the group’s presence beyond its traditional radio base. New Media was conceived as a strategic intervention to develop Kagiso Media’s capabilities to operate in the “new media” and internet space, and its success has so far been marked by the acquisition of Gloop Digital Designs and Acceleration Media.

Gloop Digital Designs is an award-winning digital design agency specialising in the creation of digital campaign solutions for all sectors and across the digital media space.

Acceleration Media is an internet sales agency with specialist strategic, digital media planning and buying capability. It focuses on digital campaigns including online media, search market optimisation and mobile solutions offerings.

Kagiso.MSN was established as a venture with **MSN** to manage and localise the www.howzit.msn.com portal in South Africa; Kagiso Media will also be the sole sales partner for all Microsoft's Windows Live properties – including Hotmail and Windows Live Messenger in South Africa and sub-Saharan Africa; and thus increasing Kagiso Media's market share of the country's online market.

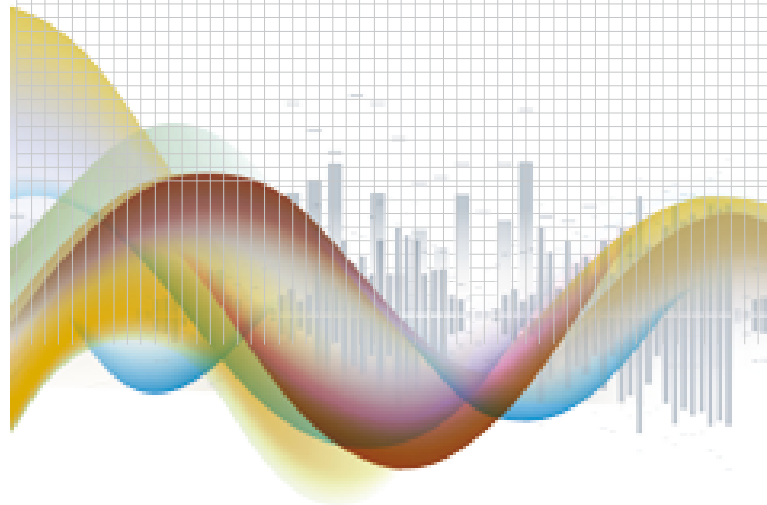
Content

A controlling stake in **Urban Brew Studios**, whose main activities include creating and distributing audio-visual content on any platform as well as trading and distributing television content. It also has strategic partnerships with community television players, contributing to their developmental needs and sustainability. Urban Brew Studios has television content production capabilities and significant audio production expertise which underpins its capability to trade in music content. Its well-known productions include commercial television productions such as YO-TV (children and youth), 3 Talk and the Lotto Draw as well as One Gospel, a channel on DSTV bouquet, Soweto Community Television, environmental productions and nascent opportunities in Africa.

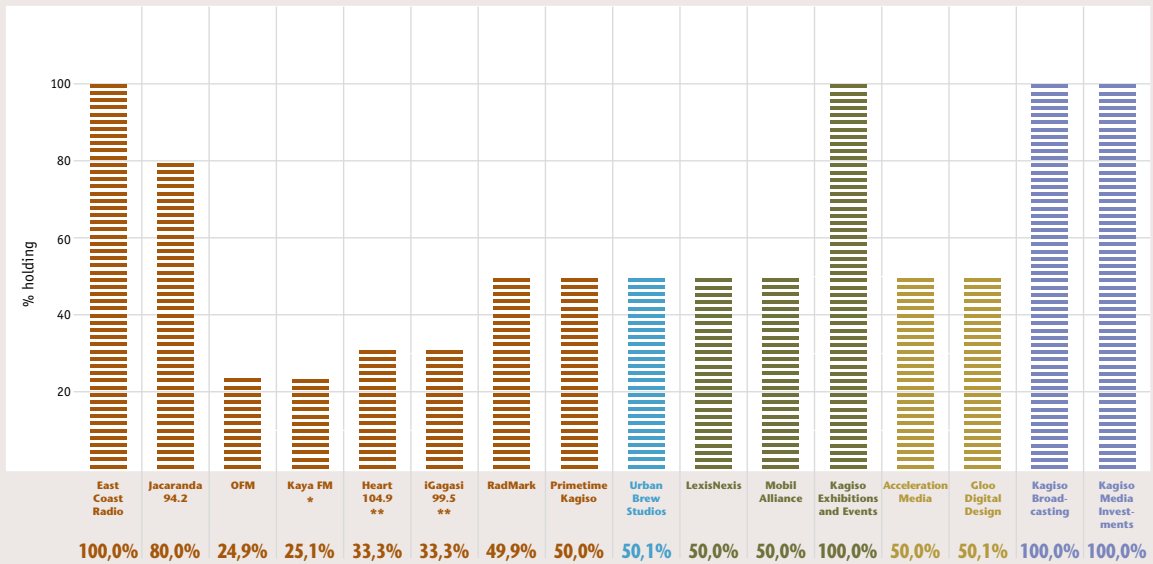
Corporate

The corporate segment – comprising of the listed entity, namely Kagiso Media Limited, Kagiso Media Investments (Proprietary) Limited, Kagiso Broadcasting (Proprietary) Limited and a number of other investment holding and dormant companies – defines the group's strategy, coordinates and manages its operations; is responsible for all corporate affairs and liaises with the investment community and other stakeholder groups.

The group's pedigree,
as part of Kagiso Trust
Investments, means
resolute commitment
to the highest ethical
standards in all
business dealings.



Kagiso Media operations



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

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

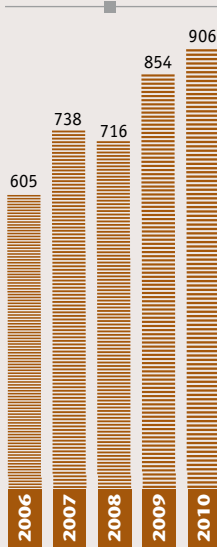
- Broadcasting
- Information and Other
- New Media
- Content
- Corporate



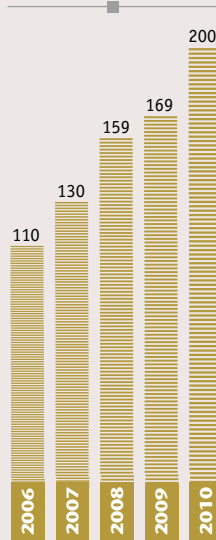
Financial performance

Five-year trend

Revenue trend (Rm)



Profit trend (Rm)



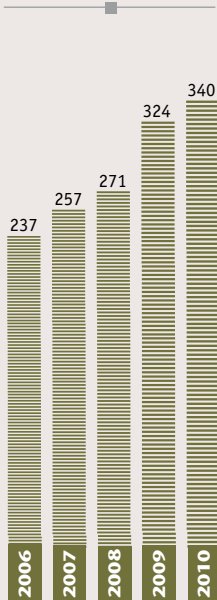
6%

increase in group revenue to R906,3m
(2009: R853,7m)

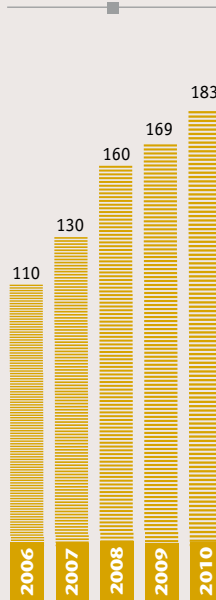
8%

rise in headline earnings to R183,0m
(2009: R169,4m)

Cash generated from operations trend (Rm)



Headline earnings trend (Rm)



5%

growth in cash generated from operating activities
(2009: R324,5m)

35 cents

final dividend per share
(2009: 27 cents)

10 cents

special dividend per share
(2009: nil cents)

Chairperson's review



Thanks to the high calibre of our people

Bold steps taken by Kagiso Media to “grow beyond radio” played a significant role in its strong performance in 2010. The strategy continues to take shape and in June 2010 the group achieved a strategic milestone by securing the rights to manage the MSN portal in South Africa.

The increased resilience of Kagiso Media was evident in 2010. The group delivered an 8% increase in headline earnings per share to 136,8 cents while the net asset value per share improved by 23% to 462 cents. A final dividend of 35 cents and a special dividend of 10 cents per share have been declared.

While the group operated in a challenging business environment in 2010, it continued to cement the diversification benefits during the year. The Broadcasting segment once again defended its position despite pressure on advertising spending. Acceleration Media and Gloo Digital Design were moved into a separate segment, New Media, positioning them to deliver on their inherent potential. Their performance in 2010 exceeded expectations. Urban Brew Studios, which was acquired in the previous financial year, is deriving benefits from synergies with the group's media assets.

At the same time, Kagiso Media continued its journey of strategic delivery, with the MSN deal being a significant step forward. Accessing the growing markets in Africa remains a strategic priority and Kagiso Media is committed to participating in the development of the African media landscape. However, during 2010 the group did not aggressively pursue growth opportunities on the continent, instead focusing on core markets in South Africa. It prioritised the resolution of the challenges in its African operations. In the longer term though, the group remains open to expansion in Africa through partnerships and leveraging Urban Brew Studios' positioning on the continent.

Kagiso Media is the pre-eminent black-owned player in the South African media landscape, and it has garnered the experience and capability to compete on an equal footing with the established local industry giants. Although still largely viewed as a niche player, it aims to become a dominant black-owned media company in Africa. The group's pedigree, as part of Kagiso Trust Investments, means resolute commitment to the highest ethical standards in all its business dealings. In the current politicised South African business climate, this stands Kagiso Media in good stead to achieve its objectives.

The rapid pace of change in the global media industry is driven largely by technology. While this is equally true in South Africa, the award of new radio licences and the migration of the television platform to the digital format continue to be mired by delays. Kagiso Media is eager to participate in these opportunities, either on its own or through mutually beneficial partnerships.

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS

While Kagiso Media welcomes the introduction of the King Report on Governance for South Africa 2009 (King III), the group's culture has always been one of self-regulation and setting ourselves, and indeed living to, the highest standards of corporate governance rather than approaching compliance as a legal obligation and "box ticking" exercise. The board has evaluated the implications of King III, including a gap analysis, which highlighted areas which require attention in 2011 in order to be compliant with the recommendations.

Mr MJN (JJ) Njeke resigned from the board of Kagiso Media on 30 June 2010. The board thanks him for his contribution to the group during his 13-year tenure and wishes him well in his future endeavours.

On 1 April 2010 Mr Mervyn van Zyl was appointed as the financial director of Kagiso Media. He comes from LexisNexis South Africa, which is 50% owned by the group.

Mr Kgomotso Matseke joined the board as a non-executive director with effect from 1 July 2010.

With effect from 24 November 2009, Mr Dumisani Mtshali was appointed as the company secretary of Kagiso Media in terms of a board decision to separate the secretarial function from that of the financial director.

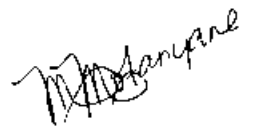
ACKNOWLEDGEMENTS

I wish to thank the board of directors for their continued support in guiding Kagiso Media along the journey to unlock its strategic potential.

The executive team is to be commended for its success in ensuring that Kagiso Media delivered a solid operating performance while continuing to position the group strategically for the future.

The board thanks Mr Patrick Kane for his contribution while he steered the financial department until April 2010 when a new financial director was appointed at Kagiso Media.

The impact of the ongoing commitment and dedication of every staff member must not be underestimated. It is during tough times such as those we experienced in 2010 that an organisation demonstrates its true mettle. I extend my gratitude to the staff across Kagiso Media for their commitment and dedication during the year and for their role in achieving the significant successes during the year.



Maud Motanyane

Independent non-executive
Chairperson

Chief executive officer's review



Delivering results in a harsh economic environment

Kagiso Media's businesses are founded on the group's commitment to building communities for good. In 2010 it touched more than 4,4 million people through its owned broadcasting assets.

INTRODUCTION

Kagiso Media delivered a strong performance amid the toughest operating environment in almost two decades. While the group continued to make progress with the deployment of its strategy to diversify revenue streams, it also reported an increase of 8% in headline earnings per share to 136,8 cents. The increase was underpinned by the resilience of the broadcasting assets. Once again, the group's strategy of diversifying its revenue streams delivered benefits in the face of the economic downturn which has impacted the entire economy since the credit crisis in 2008.

BUSINESS ENVIRONMENT

The operating environment remained tight throughout the financial year although it started showing signs of improving from January 2010. While all operations traded under more challenging conditions, the group benefited from diversification across its portfolio of assets.

The advertising industry has been under pressure due to the recession and depressed consumer spending. Radio advertising spend grew by 2,4% compared to a growth rate of 8,4% for the media industry. Radio's share of total advertising spend contracted to 12,4%. The biggest beneficiary of 2010 FIFA World Cup™ advertising was television. In line with expectations, radio benefited from 'overflow' spending in the months leading up to the event. The digital market continued to grow quickly, albeit off a relatively low base. According to the Online Publishers Association (OPA), online advertising spend increased by 31,4% in 2009. The trend in advertising spending towards television and online platforms validates Kagiso Media's strategy to increase its exposure to these markets.

The increasing availability of bandwidth in South Africa has accelerated growth in content and online traffic. This has direct benefits for Kagiso Media's specialist digital media assets, and the group's Broadcasting, Information and Other as well as its Content segments are positioned to benefit from the trend. As bandwidth becomes ubiquitous and costs decline, so demand for digital services and content is expected to continue increasing, thus positioning the segment for future growth and expansion.

The Information and Other segment enjoyed strong demand for its research, compliance and risk solutions as a result of the increasingly complex compliance requirements of its customers. The 2010 financial year was tough for television producers in South Africa as the 2010 FIFA World Cup™ disrupted regular scheduling. Across the industry the rate of commissioning new productions and

renewing existing programmes slowed as a result of the combined impact of the economic downturn and delays in decision-making.

FINANCIAL HIGHLIGHTS

Kagiso Media reported revenue for the period from continuing operations of R906,3m, an increase of 6%. Operating profit improved 4% to R303,5m as group-wide cost management initiatives protected the margin. The group also benefited from the full-year contribution of Urban Brew Studios and Gloo Digital which were acquired in 2009.

The group was pleased with the performance of the Broadcasting segment which maintained its operating margin within management's target range and reported a stable operating profit of R235,6m. The operating profit of the Information and Other segment increased by 15% to R68,2m as the winding down of the Kagiso Exhibitions and Events business led to a positive operating profit swing. The recently established New Media segment delivered sound profit growth to R9,7m but the Content segment, comprising Urban Brew Studios reported a 3% decline in operating profit to R25,0m which was in line with the challenging markets in which it operates.

Cash generated from operations increased to R340,4m which confirms the ability of group companies to convert profits into cash and indicates high quality earnings generation across Kagiso Media's assets.

The group reported cash at 30 June 2010 of R274,2m. The R100,8m increase in cash is mainly attributable to the strong operating performance. Proceeds from the disposal of the outdoor business amounted to a cash inflow of R35,1m. In the year under review, dividends of R83,0m were paid.

The net asset value per share increased by 23% for the year to 462 cents.

OPERATIONAL HIGHLIGHTS

Broadcasting

The Broadcasting segment showed a marginal improvement in revenue and stable operating profit despite the challenging economic climate. Cognisance was taken early on in the financial year that the tight economic environment would persist well into 2010. As a consequence, the segment implemented wide-ranging cost management initiatives which delivered substantial cost savings without impacting the quality of service.

The Broadcasting segment's radio stations performed well in a tough market with East Coast Radio growing its core target market audiences by 13% while Jacaranda 94.2 maintained market category audiences. In contrast to the declining "time spent listening" (TSL) experienced across the industry, the morning shows of the Broadcasting segment's owned radio stations continue to perform well. Under the management of the Broadcasting media convergence team, the audience of the radio stations' websites are growing and these assets are profitable in their own right.

Kaya FM's overall listenership over seven days increased while OFM showed a marginal improvement. The Morning Breakfast Show of Heart 104.9 increased its audience by more than 14%. The audience of iGagasi 99.5 remained stable at 1,8 million.

Information and Other

The Information and Other segment was restructured during the year to comprise of Kagiso Media's 50% stake in LexisNexis South Africa, the remaining assets of Kagiso Exhibitions and Events and Mobile Alliance.

LexisNexis encountered difficult trading conditions across all of its operations, leading to flat revenue for the year and an operating profit decline of 12%, largely due to a provision of R6,5m for the West African debt. LexisNexis' strategies to resume its growth trajectory include the continued migration of customers to online research solutions. The segment now houses the remaining assets of Kagiso Exhibitions and Events. Mobile Alliance's strong performance in the first half of the year was extended on account of a windfall contract to supply outdoor screens at public viewing areas for 10 matches during the 2010 FIFA World Cup™.

New Media

Established as a separate segment during the year, the New Media segment comprises Kagiso Media's digital media assets which are focused on services and publishing. This divisionalisation is a clear demonstration of the group's strategic focus on developing its online business offering.

Acceleration Media and Gloo Digital Media both delivered strong results which were ahead of expectations for the year and continued to position themselves for future growth. Towards the financial year-end the group concluded an agreement with Microsoft to manage the South African MSN portal, leading to the creation of Kagiso.MSN. It is positioned to contribute strong revenue and profit growth to the group in future.

Chief executive officer's review continued

Content

Urban Brew Studios delivered a solid full-year operating performance against the backdrop of challenging domestic and international markets for production studios. Its internal focus on cost management dampened the impact of these tight markets. It strengthened its track record of delivering popular productions at low cost while at the same time continuing to recognise and treat with respect, the value of local content and talent.

STRATEGY

While three years ago, the performance of Kagiso Media was highly dependent on the results of the Broadcasting assets, LexisNexis and its Exhibitions and Events segment, the business model has become more resilient and increasingly less reliant on advertising revenue cycles, although East Coast Radio and Jacaranda FM remain significant contributors to the business. The addition of the television content platform, online capability and disinvestment from non-core activities has led to a more resilient business model with reduced cyclicity of earnings.

The objective of the evolving strategy remains the considered deepening of media convergence capability across the group to grow its performance in the longer term. The acquisitions of Acceleration Media in 2008 and Gloop Digital Design in 2009 were significant building blocks along this strategic journey. In 2010, the group took another important step along the journey with its partnership with MSN. This agreement was the result of extensive negotiations which spanned more than a year. Kagiso Media will provide the engine for the portal as well as relevant content reflecting the South African context. Revenue streams will be derived from advertising, as the portal attracts an increasing audience.

Accordingly, Kagiso Media is making solid progress with the implementation of its strategy of moving beyond radio towards integrated information and communication services and content across different platforms which include radio, television and online.

During the year, Kagiso Media bolstered its corporate support structure with the appointment of finance and human resource directors. The role of the finance director has been expanded to include strategic business development while the establishment of

the human resource function demonstrates that the group recognises the importance of nurturing and building its pool of skills, especially in the fast changing media environment. These core functions are critical for delivery on the strategy.

PROSPECTS

Although the rate of economic recovery remains uncertain, the group nevertheless sees signs of improving trading conditions. Advertising spend appears to be normalising although abnormally high rates of unemployment could impact negatively on the rate of recovery.

While a recovery will advantage the performance of Kagiso Media as a whole, the Broadcasting segment is most affected by cyclicity in advertising spend.

In the Information and Other segment, the group anticipates a tough trading year as this sector generally lags economic recovery.

New Media remains well positioned to show good growth albeit off a low base. However start-up investments, such as those associated with the MSN deal concluded in June 2010, are anticipated to be profit dilutive in the first year. Management is confident that MSN will contribute positively from 2012.

Good programming schedules in the Content segment suggest improved returns for the forthcoming year, however the pace of final contract awards is still of concern.

In order to support the performance of the group in the event of a delayed economic recovery, and in line with good business practice, cost management will remain a high priority in the year ahead.

Kagiso Media will also continue to invest in the development of its skills and new technologies to keep pace with the changing market in order to ensure its long-term economic sustainability.

Murphy Morobe
Chief executive officer

Segmental reporting

for the year ended 30 June 2010

	2010		2009	
	R'm	%	R'm	%
Revenue				
Corporate	2,3	-	1,4	-
Broadcasting	472,4	52	470,0	56
Information and Other	240,2	27	242,4	28
New Media	37,7	4	11,6	1
Content	153,7	17	128	15
	906,3	100	853,7	100
Operating profit/(loss)				
Corporate	(35,0)	(11)	(31,7)	(11)
Broadcasting	235,6	78	236,6	81
Information and Other	68,2	22	59,4	20
New Media	9,7	3	2,0	1
Content	25,0	8	26	9
Total	303,5	100	292,1	100
Profit/(loss) for the year				
Corporate *	(36,1)	(18)	(53,6)	(32)
Broadcasting	171,2	85	172,6	103
Information and Other	51,7	26	39,3	23
Outdoor	-	-	0,8	-
New Media	3,4	2	0,9	1
Content	9,5	5	9	5
	199,7	100	168,9	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 all preference dividends paid, are allocated to the Corporate segment.				
Net assets/(liabilities)				
Corporate	(96,5)	(12)	(219,9)	(32)
Broadcasting	566,4	72	543,6	80
Information and Other	145,0	19	149,6	22
Outdoor	-	-	39,4	6
New Media	20,7	3	18,2	3
Content	147,4	19	152	22
	783,0	101	682,4	101
Source of revenue				
Conventional advertising spend	475,3	52	473,7	55
Subscription revenues	117,6	13	113,0	14
Sale of publications, services and solutions	91,7	10	94,7	11
Exhibitions stand rental	5,6	1	6,2	1
Entrance fees, commissions, sponsorship and other	62,4	7	38,3	4
Production income	153,7	17	128	15
	906,3	100	854,3	100

This analysis should be read in conjunction with the segment information, Note 18 to the annual financial statements.

Five-year financial review

as at 30 June 2010

R'000	2010	2009	2008	2007	2006
Results of operations					
Revenue	906 271	853 675	715 991	738 307	604 795
EBITDA ⁽¹⁾	344 512	325 886	298 420	265 374	237 111
See-through EBITDA ⁽¹⁰⁾	362 531	345 277	320 561	275 880	244 767
Depreciation and amortisation	(41 019)	(33 792)	(29 115)	(29 116)	(30 827)
Operating profit	303 493	292 094	269 305	236 258	206 284
Finance income and expenses (net)	11 461	12 314	14 006	4 512	5 075
Preference dividends	(12 264)	(20 369)	22 579	(14 329)	(6 370)
Share of results of associates	10 988	12 381	12 055	9 992	6 865
Income tax expense	(107 472)	(108 061)	(95 344)	(93 612)	(82 058)
Non-controlling interest	(28 300)	(25 535)	(15 095)	(12 849)	(19 769)
Profit for the year from continuing operations	206 206	188 359	177 443	129 972	110 027
Attributable earnings to equity holders	199 695	168 929	159 025	129 810	110 027
Headline earnings	183 026	169 386	159 566	130 164	110 189
Financial position					
Property, plant and equipment	42 136	42 731	30 937	29 284	19 948
Intangible assets ⁽²⁾	469 682	508 019	475 306	476 569	361 662
Investment in associates	59 169	58 750	55 734	48 893	44 708
Deferred income tax assets	20 855	20 538	36 064	26 479	17 993
Loans receivable – non-current	–	13 650	14 700	14 175	18 976
Loans receivable – current	2 119	2 329	3 068	2 065	139
Income tax asset	1 284	–	–	–	–
Available-for-sale financial asset	7 382	–	–	–	–
Inventories	18 373	19 050	13 849	17 094	21 140
Trade and other receivables	237 208	253 238	215 230	168 182	129 885
Cash and cash equivalents	274 219	173 427	137 843	117 574	85 336
Assets classified as held-for-sale	–	58 372	2 672	–	–
Total assets	1 132 427	1 150 104	985 403	900 315	699 787
Total shareholders' equity	618 386	501 573	410 154	320 089	271 646
Non-controlling interest	96 821	86 797	45 433	45 074	94 089
Borrowings – non-current	128 118	219 069	209 222	234 259	100 640
Borrowings – current	30 897	20 969	23 963	16 189	651
Deferred income tax liabilities	82 492	93 984	102 243	104 457	97 371
Trade and other payables	168 290	188 162	178 368	164 985	124 654
Income tax liabilities	7 423	18 044	15 895	15 262	10 736
Liabilities directly associated with assets classified as held-for-sale	–	21 506	125	–	–
Total equity and liabilities	1 132 427	1 150 104	985 403	900 315	699 787

R'000	2010	2009	2008	2007	2006
Cash flow					
Cash generated from operations	340 381	324 466	270 529	257 335	236 843
Net cash generated from operating activities	92 039	96 346	55 825	45 302	1 402
Cash flow from investing activities	55 087	(31 347)	(27 872)	(169 074)	(8 402)
Capital expenditure	(20 281)	(86 234)	(31 960)	(187 747)	(13 501)
Net cash (used in)/generated from financing activities	(51 952)	(23 796)	(7 684)	156 010	10 914
Dividends paid to equity holders	(82 952)	(78 869)	(70 743)	(85 137)	(111 299)
Cash and cash equivalents	274 219	173 427	137 843	117 574	85 336
Performance per share					
Weighted average number of shares ('000)	133 792	133 726	133 389	132 954	132 297
Weighted average share price (cents)	1 415	1 251	1 350	1 409	1 232
Headline earnings (cents)	136,8	126,7	119,6	97,9	83,3
Increase in headline earnings (%)	8,0	5,9	22,2	17,5	14,8
Earnings (cents)	133,0	121,8	121,7	97,8	83,2
Cash flow (cents) ⁽³⁾	137,3	85,6	68,2	88,3	87,1
Dividends (cents)	62	59	53	64	84
Net asset value (cents) ⁽⁴⁾	462	376	307	240	205
Returns and profitability ratios					
EBITDA margin (%)	38	38	42	36	39
Operating profit margin (%)	33	34	38	32	34
Effective tax rate (%)	34,3	36,5	35,0	39,6	38,7
Return on assets (%) ⁽⁵⁾	17	16	17	16	16
Return on equity (%) ⁽⁶⁾	33	37	44	44	41
Price earnings ratio (times)	10,6	10,3	11,1	14,4	14,8
Dividend yield at closing price (%)	4,1	4,5	4,9	4,3	7,4
Solvency and liquidity ratios					
Gearing (%) ⁽⁷⁾	26	48	57	78	37
Current ratio (%) ⁽⁸⁾	257	197	170	155	174
Nominal cash conversion ratio (%) ⁽⁹⁾	100	68	57	90	105

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 Equity holders' 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 equity holders' interests
- 7 Long-term borrowings as a percentage of equity holders' interests
- 8 Current assets divided by current liabilities
- 9 Cash flow per share (as defined in 3 above) divided by headline earnings per share
- 10 Group's share in the EBITDA of the operating entities

Financial director's review

The segmental analysis on page 17 and Note 18 of the annual financial statements set out on pages 98 to 101 should be read in conjunction with this review.

RESULTS

The results for the year can be summarised as follows:

Summarised income statement	2010 R'000	2009 R'000	% change
Revenue	906 271	853 675	6,2
Operating profit	303 493	292 094	3,9
Profit for the year attributable to equity holders	199 695	168 929	18,2

REVENUE

Revenue increased by 6,2% to R906,3m for the year to 30 June 2010. The operations contributed as follows to the group's revenue:

Revenue	2010 R'000	2009 R'000	% change
Corporate	2 255	1 434	57,3
Broadcasting	472 430	469 945	0,5
Information and Other	240 247	242 345	(0,9)
New Media	37 689	11 635	223,9
Content	153 650	128 316	19,7
Total	906 271	853 675	6,2

The Broadcasting segment defended its market position with stable revenue of R472,4m (2009: R469,9m) against declining advertising spend during the year. The group benefited from the full-year revenue of Urban Brew Studios (UBS) for the first time, amounting to R153,7m (2009: R128,3m) and New Media assets comprising of Gloop Digital Design (Gloop) and Acceleration Media which delivered revenue of R37,7m (2009: R11,6m). The

Information and Other segment includes LexisNexis, the remaining Exhibition business and Mobil Alliance. LexisNexis held its revenues at 2009 levels while the strong performance of Mobil Alliance in the first half of the year was extended with a contract to supply outdoor screens at public viewing areas for 10 matches during the 2010 FIFA World Cup™.

Revenue from associates grew from a lower base, reflecting an increase of 8,3% in the year under review.

Revenue	2010 R'000	2009 R'000	% change
Total revenue of the associates	293 240	270 745	8,3

OPERATING PROFIT

The group reported a 3,9% increase in operating profit of R303,5m (2009: R292,1m). Group-wide cost management initiatives as well as the full-year effect of UBS and Gloop positively influenced group profit. However, in the year under review operating profit was negatively impacted by doubtful debt provisions which were raised in respect of West Africa and Sudan.

The Broadcasting segment maintained its operating margin within the target range set by management, with stable operating profit of R235,7m. Operating profit of the Information and Other segment increased by 14,8% to R68,2m (2009: R59,4m) as its results were positively impacted by the winding down of the Kagiso Exhibitions and Events business which resulted in cost savings of R14,3m. The New Media segment delivered sound profit growth to R9,7m (2009: R2,1m) which was well ahead of expectation. The Content segment reported a 3,0% decline in operating profit to R25,0m in line with challenging markets both domestically and internationally.

Operating profit/(loss)	2010 R'000	2009 R'000	% change
Corporate	(35 017)	(31 656)	10,6
Broadcasting	235 634	236 496	(0,4)
Information and Other	68 206	59 406	14,8
New Media	9 663	2 066	367,7
Content	25 007	25 782	(3,0)
Total	303 493	292 094	3,9

OPERATING PROFIT MARGINS

The operating profit margins of the various business segments, as well as the total group operating margin were as follows:

Operating profit margins	2010 %	2009 %
Broadcasting	49,9	50,3
Information and Other	28,4	24,5
New Media	25,6	17,8
Content	16,3	20,1
Total	33,5	34,2

Despite the challenging operating environment in the Broadcasting segment, its operating margin was maintained within the target range set by management. The group recognised early in the financial year that the tight economic environment would persist well into 2010. Accordingly, it implemented wide-ranging cost management initiatives across all group assets. The operating margin of the Information and Other segment improved to 28,4% (2009: 24,5%) which was driven largely by cost savings and margin growth achieved by Mobil Alliance. In contrast, the operating margin of the Content segment, comprising UBS, decreased to 16,3% against the backdrop of challenging markets for production studios both in the domestic and international market.

Profit/(loss) for the year	2010 R'000	2009 R'000	% change
Corporate	(36 134)	(53 626)	(32,6)
Broadcasting	171 140	172 620	(0,9)
Information and Other	51 747	39 315	31,6
Outdoor	-	823	(100,0)
New Media	3 460	909	280,6
Content	9 482	8 888	6,7
Total	199 695	168 929	18,2

FINANCE INCOME AND EXPENSES

In the year under review the group earned R14,7m (2009: R15,9m) in interest on its surplus cash. This includes preference dividends amounting to R0,5m (2009: R1,4m) on the investment in preference shares in MSG Afrika Media (Proprietary) Limited which were fully redeemed in 2010 (2009: R14,7m). A dividend of R12,3m (2009: R20,4m) was incurred by Kagiso Media Investments (Proprietary) Limited on the preference shares in issue during the year.

TAXATION

The effective tax rate decreased marginally from 36,5% to 34,3% due to movements in the deferred tax account. The tax charge for the year included a charge for secondary tax on companies (STC) of R12,6m (2009: R6,5m). The effective tax rate excluding STC is 30,3%, compared to 34,3% in the previous reporting period.

Financial director's review continued

FINANCIAL POSITION

Cash reserves and debt position

At 30 June 2010, the group's cash reserves amounted to R274,2m (2009: R173,4m) with long-term borrowings of R128,1m (2009: R219,0m). The long-term borrowings reflect the preference shares issued and the deferred consideration liability due in respect of the acquisition of Mobil Alliance and UBS. The preference shareholders have a put option against Kagiso Media Limited, Kagiso Broadcasting (Proprietary) Limited and Kagiso Exhibitions and Events (Proprietary) 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 a sinking fund. The group has the right to redeem preference shares instead of placing funds in a sinking fund. During the year under review the group used cash to redeem R60m of preference shares. The group still guarantees the banking facility of System Publishers (Proprietary) Limited, previously a subsidiary of the company, to a maximum of R700 000 (2009: R474 000).

CASH FLOW

Operating cash flow

Cash generated from operations increased by R15,9m or 4,9% from R324,4m in 2009 to R340,4m in the year under review. Cash generated from operations, excluding working capital requirements, decreased by 4,5%; due largely to the additional tax expense. Trade receivables reduced from R253,2m to R237,2m, due mainly to increased provisions for African debt and flat revenues recorded by the Information and Other segment in particular. At R168,3m, accounts payable were down from the payables at June 2009 of R188,2m as the group took advantage of early settlement discounts.

DIVIDEND

It is the company's official policy to distribute at least 50% of profit attributable to equity holders of the company by way of dividend. This formed the basis for the dividend declared on 23 September 2010. The board confirmed this policy to be appropriate while still enabling the company to take full advantage of organic growth opportunities.

During October 2009, the company paid a final dividend of R36,1m (27 cents per share) in respect of the year to June 2009 and in March 2010 it paid an interim dividend of 35 cents per share. A final dividend in respect of the year to 30 June 2010 of 35 cents per share, totalling some R46,8m, has been declared by the board, payable on 18 October 2010. The board of directors has also declared a special dividend of 10 cents per share to be paid on the same date.

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 increased from 68% in 2009 to 100% in 2010. The basis of the calculation of the nominal cash conversion ratio is set out in the five-year financial review on pages 18 and 19.

CAPITAL EXPENDITURE

In the year under review the group incurred capital expenditure of R16m (2009: R10,6m), the majority of which was acquired by LexisNexis, Gloo and UBS. The acquisition at UBS comprised mainly of studio equipment, computer equipment and motor vehicles and took place in terms of normal asset replacement (R12,2m). LexisNexis invested in new computer equipment to the value of R1,1m and Gloo acquired new furniture and fittings, as

well as computer equipment, during the financial period under review amounting to R1,0m.


No major capital expenditure, other than normal maintenance expenditure, is anticipated in the 2011 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 2010, as well as the current regulatory environment and potential changes thereto.



Mervyn van Zyl
Financial director



BBBEE ownership and transformation

OVERALL EMPOWERMENT SHAREHOLDING

Kagiso Media was established in 1996 when Kagiso Trust Investments participated in a bid to acquire two regional radio broadcasting licences which were being privatised by the SABC. In the latter part of 1997 Kagiso Media Limited was listed on the Johannesburg Stock Exchange.

KAGISO MEDIA BBBEE

Kagiso Media is rated as a level 2 BBBEE company by the National Empowerment Rating agency. This is in line with the continuing tradition of empowerment within Kagiso Trust Investments (KTI).

THE KAGISO EMPOWERMENT MODEL

The Kagiso Trust owns 51% of the shares in KTI, Industrial Partnership Investment Limited (Remgro) owns 37,66% and the staff share trust holds 11,34%. Kagiso Media has consistently returned a substantial proportion of its profits to its shareholders through the payment of dividends. Of the total dividends paid out since listing, almost R290,1m has been paid to KTI. This cash, together with dividends from other KTI investee companies, is used to fund the trust's development programmes 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 and to overcome the legacy of apartheid.

THE KAGISO TRUST

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

of the historic deprivation and poverty which is faced by millions of South Africans.

HISTORY

Kagiso Trust was established in 1985 with the backing of 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 nearly 100 people by the early 1990s.

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 Ms Bongwiwe Njobe (chairperson), Dr Goolam Aboobaker, Ms Nthobakae Angel, Mr Hylton Appelbaum, Rev Dr Frank Chikane, Mrs Zanele Mbeki, Dean Zwo Nevhutalu, Ms Mankone Ntsaba, Mr Thabiso Ratsomo, Ms Madumezulu Girlie Silinda and Bishop Mazwi Tisani – all of whom have strong community links and a personal commitment to social upliftment.

The trust is also supported by a number of patrons that include Dr Max Coleman, Prof Jakes Gerwel, Fr Smangaliso Mkhathshwa, Dr Abe Nkomo, Rev Frank Chikane and Mr Goolam Aboobaker.

DEVELOPMENT OBJECTIVES

Over the last two decades of its existence, the trust's 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 a grassroots level that can be sustained and replicated;

- 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 to the democratic government of South Africa.

In order to secure a sustainable source of funding and to leverage existing investments, the Kagiso Trust (the trust) formed KTI as an investment arm, which it capitalised with the modest reserves it had built up at the time as well as a US\$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 South Africa's pre-eminent empowerment investment banking services and media group. It is currently involved in a diverse range of industrial and financial activities.

In addition to its 51,1% investment in Kagiso Media, it 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 Kagiso is simple: to invest in assets that it can grow through its own interventions and by playing an active role 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 to build businesses that can perform in a sustainable manner.

MAJOR ACTIVITIES

In the year under review the trust's disbursements to identified projects totalled R23,4m (2009: R23,09m).

The trust continues to focus its attention on education, especially in rural areas where schools are plagued by poverty and a shortage of facilities and resources. The focus of the trust is on two specific and customised programmes, namely:

Beyers Naudé Schools Development Programme (BNSDP)

BNSDP 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.

Currently there are over 50 (2009: 40) secondary schools forming part of BNSDP which are located in remote rural areas in Limpopo, Free State, Mpumalanga, Eastern Cape and KwaZulu-Natal. In the period under review, significant infrastructure including fully equipped computer and science laboratories, libraries and media centres were launched in various schools within BNSDP, rewarding schools for marked improvement in matric results.

In association with government, poorly performing schools are identified and assistance is provided by BNSDP, to address issues

BBBEE ownership and transformation continued

facing the schools, over a four to five-year period. These include infrastructure upgrading, development of training programmes, curriculum and class management, development of leadership skills and sport and cultural programmes.

More than 32 500 (2009: 21 000) learners currently benefit from the programme while more than 2 000 educators (2009: 1 400) are employed in BNSDP schools. All the beneficiaries are black rural youth, the majority of whom are women.

Eric Molobi Scholarship Programme (EMSP)

EMSP was initiated in 2007 as a tribute to the passing of our late chairman Eric Molobi. Mr Molobi had always believed that education was a springboard for disadvantaged youth to enter the economic mainstream. Learners who show an aptitude for science and maths and who meet additional stringent criteria are selected from within the BNSDP. They are encouraged to study in the field of engineering and funding is provided for the duration of their studies. The funding covers tuition fees, books and educational equipment, accommodation, transport and personal expenses.

There are currently 37 (2009: 26) students in the programme, all of whom are black rural youth, three are from KwaZulu-Natal, 15 are from the Free State, 11 are from Limpopo and three are from the Eastern Cape.

In addition to the funding, the aim of the programme is that as these students graduate, they develop into tomorrow's business and science leaders by providing them with academic, social and professional support.

SUMMARY

Kagiso Media is 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

Aligned to the Kagiso Trust's transformation and development objectives, Kagiso Media and its subsidiaries are committed to advancing the various aspects of black economic empowerment. Kagiso Media uses the Broad-based Black Empowerment (BBBEE) Codes of Good Practice issued by the Department of Trade and Industry to measure its transformation progress. Kagiso Media continues to make good progress in meeting its objective of being an exemplary corporate citizen in this regard.

CORPORATE SOCIAL INVESTMENT ("CSI")

Mindful of its social obligations as a corporate citizen, and the importance of living up to the Kagiso Group values and ethos, Kagiso Media encourages its prominent and influential media assets to engage in projects that further South Africa's social developmental agenda. In the year under review individual Kagiso Media operations continued to engage in activities and programmes to benefit the communities that they serve.

SOME CSI HIGHLIGHTS

In the year under review, the Kagiso Media group donated in excess of R26,0m in cash and in kind towards CSI projects which benefited underprivileged communities and other deserving causes across the country.

CSI HIGHLIGHTS

Kagiso Media Group – R1,8m

- Following the partnership agreement between Kagiso Media and the University of the Witwatersrand, the Kagiso Media Radio Training Centre, located at the university, was officially launched. The centre hosts the Wits Radio Academy as well as Voice of Wits, the campus radio station. Kagiso Media has donated a total of R1,8m over three years towards the project, which is aimed at promoting the development of radio broadcasting skills in the community. During the year it donated first and second tranches, totalling R1,3m of the amount pledged over the three-year partnership agreement with the University of the Witwatersrand.

East Coast Radio – R11,8m

- The ninth annual Winter Warmth campaign was run in partnership with the local chapter Rotary Club. The campaign raised a total of R3,0m in donated airtime and blankets. The project involved collecting and distributing blankets to old age homes, needy households, natural disaster victims and orphanages.
- Toy Story, which collects and distributes new toys and food parcels to the needy during the December festive season, took place for the tenth year. The Toy Story campaign raised R6,6m in station-donated airtime and public contributions. The main beneficiaries are HIV/Aids-affected child-headed families, paediatric wards at government hospitals and caregivers.
- The station also raised R2,3m through its Big Favour programme, which involves on-air requests for assistance from members of the public.

Jacaranda 94.2 – R5,8m

- The flagship CSI campaign, Winter Warmer, collected blankets for the needy worth R3,0m while the station also donated airtime worth R1,5m for the campaign.
- The Sisters With Blisters campaign, aimed at raising funds and highlighting violence against women and children raised more than R332 000 in cash, which was donated to the Leigh Matthews Trust and to Women and Men Against Child Abuse. The station itself donated approximately R1,0m of airtime in support of the campaign.

LexisNexis – R3,9m

- Online information solutions products worth more than R2,6m were donated including free access to the company's online products worth R103 000 to the Women's Legal Centre.
- The company also funded the start-up costs of the Legal Welfare Community Organisation, which provides basic legal education to disadvantaged schools and communities in the Cape Metropolitan area.
- Staff participated in a number of community projects, including renovation work at the Natal Settler' site in Durban, the Baphumelele Children's Hope in Cape Town and the West Rand Association for the Physically Disabled in Gauteng.

Urban Brew Studios – R6,8m

- The relationship with Soweto Community Television, its flagship community outreach project, continues to grow. Support to Soweto Community Television included providing professional staff, satellite transmission capacity and technical expertise with support for the year totalling R6,8m.
- It also enters into co-production initiatives with start-up production companies owned by previously disadvantaged individuals, who are provided with internships and mentoring.

OFM – R5,9m

- The Winter Warm Up initiative collected blankets for the destitute in winter.
- The Chip for Charity Golf Day raised funds for Child Welfare.
- The Pamodzi Radiothon.

RadMark – R21 000

- Funds were donated to CANSA Shavathon, Sisters with Blisters and the CHOC Foundation as well as supporting the Cloud 9 Charity Golf Day, which is aimed at highlighting breast cancer.

Acceleration Media – R15 000

- A donation was made to the Christine Revell Children's Home in Cape Town.

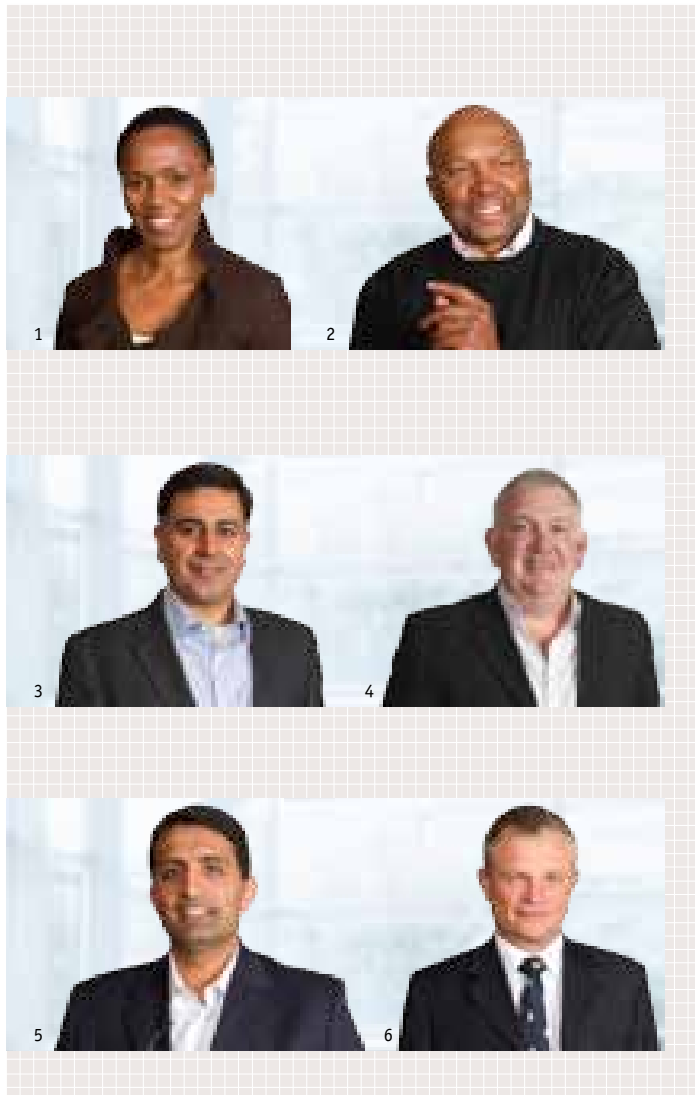
Heart 104.9FM – R4,5m

- Airtime was donated in support of various organisations, including Groote Schuur Newborns Incubator Campaign and the Lee Fix My School Campaign.

iGagasi – R1,6m

- The donation was in support of community-focused projects including the Christmas Wishlist and the Lamontville Home for the Aged.

Directorate



CHAIRPERSON

1. **RM (Maud) Motanyane** (59)*#

*Qualifications: Dip LS
Chairperson*

Non-executive director of Urban Brew (Proprietary) Limited and Nestlife Assurance, Chairperson of G4 Securicor. She is also a board member of the Historic School Restoration Project and the Catholic Education Trust. Appointed 1 September 2005. Re-elected 26 November 2008.

EXECUTIVE DIRECTORS

2. **M (Murphy) Morobe** (54)+°

*Qualifications: Dip Proj Man, MCEF
Chief executive officer*

Director of City Year South Africa, Resolve Group (Proprietary) Limited, Remgro Limited, World Wide Fund for Nature (WWF) in South Africa and Food & Trees for Africa. Past chairman of Ernst & Young and of the Financial and Fiscal Commission. Appointed 1 November 2006, re-elected 24 November 2009.

3. **OC (Omar) Essack** (42)+°

*Qualifications: BA, H Dip Ed
Executive director*

Member of the University of the Witwatersrand Journalism Advisory Board, executive committee member of the South African Advertising Research Foundation, Primetime Kagiso India chairman and a trainer in broadcast management in South East Asia with the Deutsche Welle Academy. Appointed 1 January 2004, re-elected 23 November 2007.

4. **MR (Mervyn) van Zyl** (46)°

*Qualifications: FCMA, ACIS
Financial director*

Former director and chief financial officer of LexisNexis South Africa. Appointed 1 April 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

5. **AA (Ashraff) Paruk** (40)^

*Qualifications: BSc Electrical Engineering (Wits)
Independent non-executive director*

Chief Technical Officer and Deputy Chief Strategy Officer at Altech Group. Previously Group Chief Information Officer and Head of Strategy and Product Innovation at the MTN Group Limited for more than six years. Appointed 8 October 2008.

6. **RL (Tak) Hiemstra** (54)*#^

*Qualifications: CA(SA)
Independent non-executive director*

Executive director of Imperial Holdings, serves on the boards of several Imperial subsidiaries and segments, and non-executive director of Distribution and Warehousing Network Limited. Board member of Papillon Foundation, a community service organisation in the south of Johannesburg. Appointed 22 September 2008.

* Member of board audit and risk committee

Member of nomination and remuneration committees

^ Member of investment committee

+ Member of the investment committee until 8 June 2010

° Member of the executive committee

7. WC (Willy) Ross (65)*#^

Qualifications: CA(SA)

Independent non-executive director

Chairman of Capital Property Fund and Vunani Capital Limited, director of Hospitality Property Fund, chairman and director of several large non-listed companies which are active in the private equity, furniture and logistics industries. Appointed 12 February 2007, re-elected 24 November 2009.

NON-EXECUTIVE DIRECTORS

8. A (Afzal) Patel (41)#^

Qualifications: CA(SA)

Non-executive director

Managing director of Kagiso Ventures (Proprietary) Limited, executive director of Kagiso Trust Investments, various Kagiso investee companies including, inter alia, Actom, Waco, Bytes Technology Group, Mix Telematics and Universal Print Group. Appointed 22 September 2008.

9. HI (Hylton) Appelbaum (56)

Qualifications: BA, LLB (Wits)

Non-executive director

Non-executive director of Liberty Holdings Limited, Kagiso Trust Investments (Proprietary) Limited, Learning Channel (Proprietary) Limited and The Synergos Institute Incorporated. Chairman of Mindset Network. Trustee of Kagiso Trust, the Liberty Foundation, the Donald Gordon Foundation and the Nelson Mandela Children's Fund. Member of PricewaterhouseCoopers' Corporate Social Responsibility Board.

Appointed 24 October 1997, re-elected 25 November 2003, 24 November 2006 and 24 November 2009.

10. MJN (JJ) Njeke (51)#

Qualifications: CA(SA)

Deputy chairman

Managing director of Kagiso Trust Investments (Proprietary) Limited and director of several Kagiso group companies until 30 June 2010. Board member of ArcelorMittal Limited, Metropolitan Holdings Limited, NM Rothschild (SA), Resilient Property Income Fund, MTN Group Limited and Sasol Limited. Past chairman of the South African Institute of Chartered Accountants and its Education Committee. Appointed 24 October 1997, re-elected 7 December 2001, 15 November 2004 and 23 November 2007. Resigned 30 June 2010.

11. KL (Kgomotso) Matseke (46)#

Qualifications: B Proc, LLB

Non-executive director

KTI Group Managing Director and director of various Kagiso companies. Appointed 1 July 2010.

12. ZJ (Joyce) Matlala (47)*

Qualifications: CA(SA)

Non-executive director

Financial director of Kagiso Trust Investments (Proprietary) Limited, non-executive director of Merafe Resources Limited, Gold Reef Resorts Limited, Business Partners Limited and former chief financial officer of the Development Bank of Southern Africa. Appointed 22 September 2008.

COMPANY SECRETARY

13. DS (Dumisani) Mtshali (45)

Qualifications: ACIS, CIMA (Certificate)

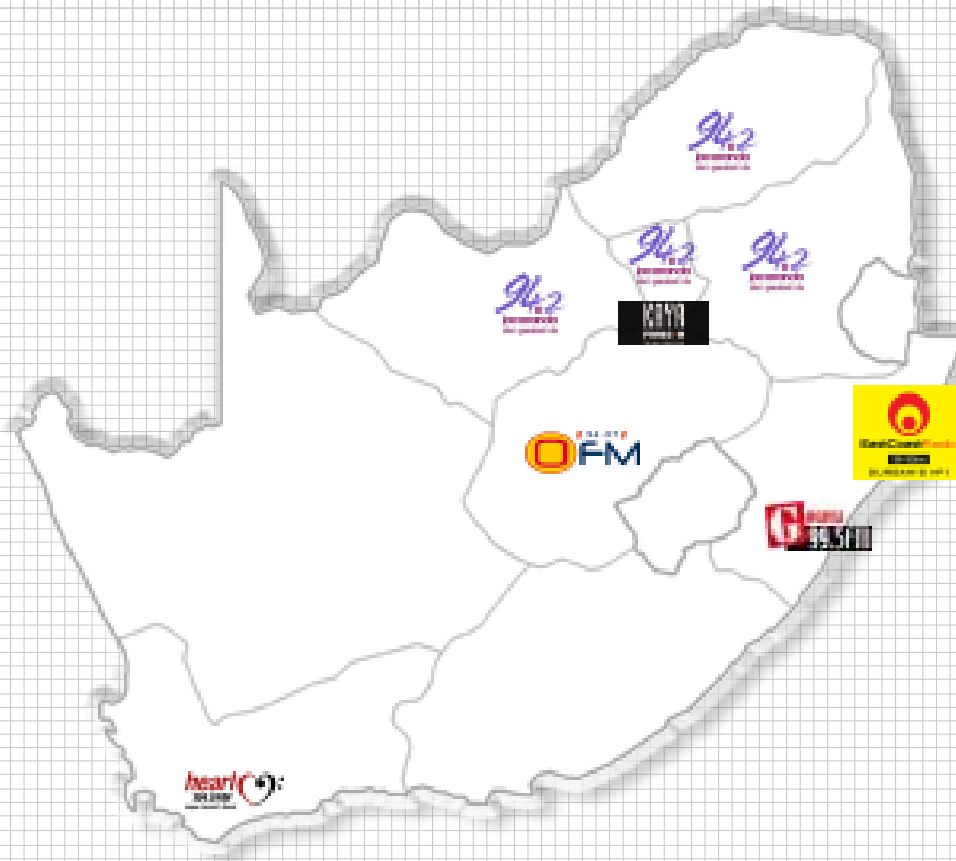
Company secretary

Kagiso Trust Investments (Proprietary) Limited company secretary. Appointed 24 November 2009.

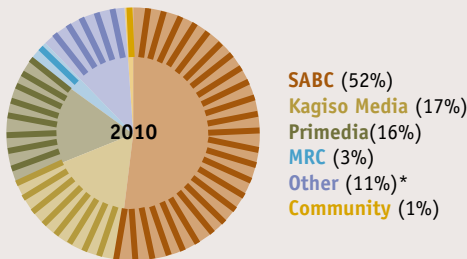


Broadcasting coverage

Operating footprint

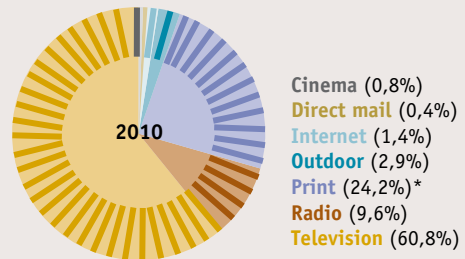


Share of radio revenue (%)



*Yfm, Kaya, Ofm, Algoa, Capricorn, M Power, Northwest FM, Classic FM

Advertising revenue summary (%)



Source: AdDynamix July 2009 – June 2010

Segmental review

Broadcasting

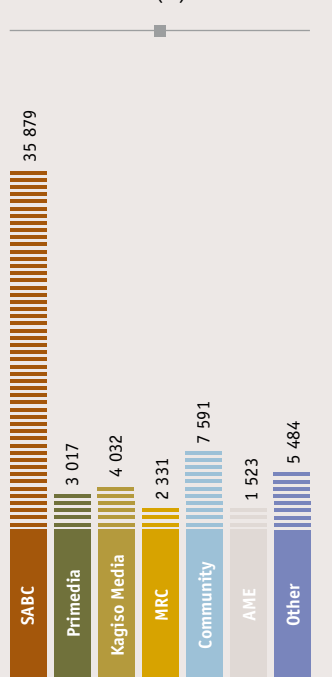
Broadcasting

Launching new content to diversify revenue streams

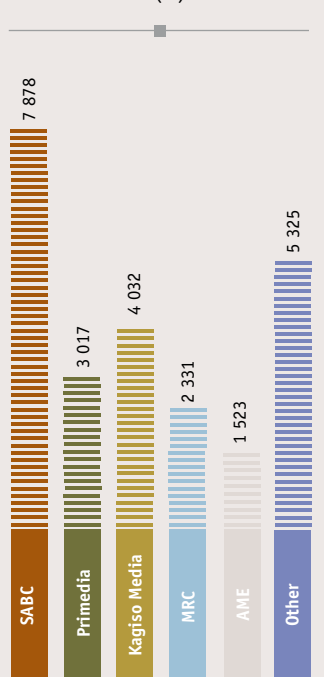
Operational performance

Contribution	2010 R'000	2009 R'000	% change
Revenue	472 430	469 945	0,5
Operating profit	235 634	236 496	(0,4)
Profit for the year contributed to the group	171 140	172 620	(0,9)
Operating profit margin (%)	49,9	50,3	(0,9)

All radio groups Audience reach (m)



Commercial radio groups Audience reach (m)



Source: Rams, August 2010/3

Introduction

The Broadcasting segment comprises Kagiso Media's radio stations, radio sales house and websites.

Jacaranda FM and East Coast Radio are majority owned, while Kagiso Media has minority stakes in OFM (Free State), iGagasi 99.5 (Durban) and Heart 104.9 (Cape Town) and an economic stake in Kaya FM (Johannesburg).

The segment also houses RadMark a leading South African radio sales house.

Value proposition

Broadcasting's vision is to enrich the lives of its audience through entertainment and information, across all media types, be they traditional or new media platforms. In support of the group's maxim of *Building Communities for Good*, the Broadcasting segment touched 4,4 million people in 2010 on a cumulative basis through its owned radio audience, events and online properties and visitors to the associated online offerings.

The performance of Broadcasting's assets is driven by its audiences which the radio station pursues to secure a relationship with advertisers. The choice of platforms and devices available to radio audiences is continuously increasing. Broadcasting has developed a media convergence team focused on managing content across disparate devices and platforms in order to enhance the users' experience and to leverage the advertisers' return on investment.

From a commercial perspective, radio stations offer advertisers and their brands an additional point of engagement with consumers. The audience of the radio station websites are growing and these are profitable in their own right. It is anticipated that in time the websites will become indispensable to radio audience's appreciation of their favourite media and therefore become valuable to advertisers.

Strategy

Broadcasting's strategy is to 'grow beyond FM'. In addition to securing digital media opportunities, the Kagiso Media Convergence segment drives the internal strategy for the online content of the radio stations. The benefits are already evident as www.jacarandafm.com and www.ecr.co.za were ranked among the top three radio websites in South Africa according to the Online Publishers' Association (OPA) in a July 2010 survey.

Because Broadcasting's radio stations are regional, the radio businesses create a range of on-air, online and on-ground events in their regions, which have the potential to increase their share of regional advertising spend.

Business environment

Globally, radio has been under pressure from the proliferation of media substitutes enabled by technological innovation. The primary impact in developed economies has been a decline in the amount of time spent listening (TSL). Although South Africa has not been immune to declining TSL, the local trend has been driven by the take up of television where consumers have an increasing range of choices.

Radio stations around the world and in South Africa have adopted the internet as a complementary interface with audience. The advertising industry has been under pressure due to the economic recession and depressed consumer spending. Radio advertising spend grew by 2,4% year-on-year compared to 8,4% media industry growth. Radio's share of the advertising pie contracted from 13,1% to 12,4%.

Television was the biggest beneficiary of 2010 FIFA World Cup™ advertising, primarily the SABC and to a lesser degree, DSTV's Supersport channels. In line with expectations, radio benefited from 'overflow' spending in the months leading up to the event.

Performance

The Broadcasting segment showed a marginal improvement in revenue to R472,4m in 2010 (2009: R469,9m). During the year, the New Media segment was established to house Gloop Digital Design and Acceleration Media, allowing for greater focus on these businesses as independent commercial entities. Accordingly, the Broadcasting segment's reported revenue for 2009 has been adjusted.

In the fourth quarter of Kagiso Media's financial year, the associate stations grew at twice the industry rate while East Coast Radio matched the industry growth and Jacaranda was slightly off the pace.

Despite the challenging environment, operating profit of R235,6m was in line with 2009. The operating margin remains within the target range of some 50%. The Broadcasting segment recognised early on in the financial year that the tight economic environment would persist well into 2010. Accordingly, it implemented wide-ranging cost management initiatives across all radio assets.

The Broadcasting segment's radio stations performed well in a tough market with East Coast Radio growing its core target market audience by 13% year-on-year. Kaya FM's overall listenership over seven days increased, while Ofm showed a marginal improvement.

Jacaranda maintained market category audiences, and despite a declining nationwide TSL trend, Jacaranda's weekly TSL grew by 10% among overall audience and 9% for market category listeners.

Segmental review continued

Broadcasting continued

East Coast Radio: Durban's number one

Retained position as leading English radio station

East Coast Radio's listenership over a seven-day period is over 1,7 million reflecting a growth of 5% in 2009. The station's core target market is in LSM 6 to 10 in the 25 to 49 age group and the station has good penetration in this valuable market segment in KwaZulu-Natal. This market category listenership has also increased by 5% to 826 000.



East Coast Radio retained its market position with an average of 923 000 daily listeners, making it the biggest private radio station in the province. East Coast Radio has emerged head and shoulders above its closest competitors and continues to enjoy the support of an exceptionally loyal listenership.

The first half of the year was characterised by a lower revenue performance for the station, but an aggressive client acquisition programme enabled it to recover lost revenue in the second half of the year. The station once again exercised financial discipline and reduced its operating costs, thereby ensuring that it met its profit targets.

East Coast Radio continues to attract significant industry recognition. During the year it won a number of awards, for instance the 30-minute syndicated sports show, "The Sports Cage" won the MTN Radio Award for the Best Sports Show.

The radio station's branded events continued to grow during the year. The Discovery East Coast Radio 'BIG Walk' was supported by 17 500 people, increasing from 13 400 in 2009. The first 'East Coast Radio Durban Day' music festival showcasing home grown talent was held in September 2009 and attracted more than 6 000 people. The East Coast Radio 'House and Garden Show' attracted over 92 000 visitors.

Jacaranda 94.2: Life's greatest hits

Gauteng's fastest growing radio station

Jacaranda FM had a steady performance in 2010. Although the radio station has lost non-target market listeners, its total audience remains strong at 2,017 million*.



Despite pressure on advertising spend across the sector, the station showed only a marginal decline in revenue, while a strict cost-containment plan implemented at the start of the year enabled it to maintain its operating profitability. Jacaranda successfully applied for a transmitter boost to its 94.2 FM signal which will improve its signal quality in parts of Gauteng.

The station won a number of industry awards during the year including:

- Darren Scott won Best Breakfast Show Presenter at the 2010 MTN SA Radio Awards. The show's producer, William Scott, won the Best Music Producer award.
- The Jacaranda 94.2 Just Plain Breakfast Show also won the Most Innovative Radio Show at the 2009 SA Radio Forum Awards.
- Jacaranda 94.2 was voted the Best Radio Station in South Africa by readers of *Beeld* newspaper and was named Reader's Favourite by *Pretoria News*.

* (Rams, August 2010)

Other radio stations

Solid performance in tough times

In 2010, OFM (24,9% owned) delivered good revenue growth off the back of its focus on diversifying its revenue streams while stringent cost management led to efficiency benefits. The audience of the station increased by 2% to 558 000, with a substantial increase of 23% in the afternoon drive show, Mambo Jumbo.



During the year, Heart 104.9 (33,3% owned) continued to show an improved performance, underpinned by a steady listenership.



The audience of iGagasi 99.5 (33,3% owned) remained stable at 1,8 million. It delivered marginal revenue growth in a tough market and maintained its operating margin for the year.



Kaya FM (25,1% economic interest) positions the group in the rapidly expanding black middle class. Its weekly audience increased to 1,5 million listeners, an annual increase of 7%.



RadMark

Repositioning for long-term growth

RadMark's performance in 2010 was impacted by the recession, but was buoyed by the 2010 FIFA World Cup™. Traditional revenue streams were under pressure due to media fragmentation, declining radio listenership and a reduction in time spent listening to radio in South Africa.



During the year, RadMark won the MOST (Media Owner Sales Team) Radio Sales Team of the Year Award, for the second year running and received second place overall, across all media categories. Its digital media sales segment DigitalMark was awarded the rights to represent <http://howzit.msn.com>

The broadcasting regulatory environment

Needletime

The Copyright Tribunal hearing relating to the levy had been expected to commence during the year under review. However, it was delayed again pending the setting of hearing dates and procedures. It is now anticipated that the hearing will take place later in the 2010 calendar year or early in 2011. Both the National

Association of Broadcasters and the South African Music Performance Rights Association (SAMPRO) have made referrals to the Tribunal.

The Tribunal is to make a determination on the calculation and effective date of royalties payable as well as deciding whether the broadcaster should pay royalties into an escrow account in the interim and whether mechanical rights royalties are payable.

New radio licences

The deadline for applications for the new radio licences was November 2009, after which time the Independent Communications Authority of South Africa (ICASA) began the process of assessing the applications which had been submitted. It is ICASA's intention to issue three new licences with one being awarded in Pretoria, Cape Town and Durban respectively.

Other regulatory matters

Although the final DTT regulations were published by ICASA in 2010, the industry is still faced with the fundamental challenge of delays in implementing the digital migration programme. This is due to uncertainty relating to the Department of Communications' choice of a digital standard for South Africa.

The Department of Communications published the ICASA Amendment Bill for public comment during the year. Kagiso Media made a submission indicating its concerns relating to certain aspects of the Bill. If passed by Parliament unchanged, the Bill would strengthen the oversight scope of the Minister of Communications on the performance of ICASA councillors and impact the jurisdiction of the regulator from a policy implementation perspective.

As a member of the Newspaper Advertising Bureau (NAB), Kagiso Media is concerned about developments regarding the Protection of Information Bill and the proposed Media Appeals Tribunal, both of which could damage the ability of both electronic and print media to gather and report news.

Kagiso Media and stakeholder forums

In order to intervene on matters affecting Kagiso Media's business interests and those of the industry as a whole, Kagiso Media continues to participate in industry forums such as the NAB and the Radio Advertising Bureau.

Prospects

Both Jacaranda and East Coast Radio are pursuing increased listener and revenue market share and a number of initiatives will be rolled out in 2011 to deliver on the targets. The launch of the new local MSN portal creates potential synergies between the radio station websites to grow audiences.

In India, Primetime Kagiso is developing content properties to syndicate across that country's private radio networks. A Sony Entertainment Television product, 'Comedy Circus' will be the first such attempt.

Segmental review continued

Information and Other

Information and Other

Diversified offering ensures future positioning

Operational performance

Contribution	2010 R'000	2009 R'000	% change
Revenue	240 247	242 345	(0,9)
Operating profit	68 206	59 406	14,8
Profit for the year contributed to the group	51 747	39 135	32,2
Operating profit margin (%)	28,4	24,5	15,8

Introduction

The Information and Other segment was redefined during the year and comprises Kagiso Media's 50% stake in LexisNexis South Africa, the remaining assets of Kagiso Exhibitions and Events and Mobil Alliance.



LexisNexis (50%)

Although LexisNexis has a long growth track record, the difficult trading conditions across all areas of the business led to flat revenue for the year. However, operating profit declined 12%, largely as a result of a provision of R6,5m relating to West African debt.

Value proposition

LexisNexis continued its evolution from publisher to a provider of content-enabled workflow solutions, leveraging its print positioning into online information research solutions to drive subscription annuity revenue. It is a key player in the university academic market, publishing a range of textbooks targeted specifically at legal and commerce students.

The company has an end-to-end training and compliance segment focusing on occupational health, safety, environment, hygiene and labour. Solutions include consulting, training, laboratory analysis and electronic workflow.

LexisNexis' risk management segment offers two specific solution lines, namely background screening via Refcheck and an online public records business called DeedSearch.

Business environment

Although all markets were impacted by the economic downturn LexisNexis enjoyed strong demand for its research, compliance and risk solutions. Improved internet connectivity and pricing is driving an increased appetite for online solutions across all market segments. Legislative requirements and changes continue to drive our compliance solutions.

Performance

Research

Research solutions contribute the bulk of LexisNexis' revenue at 82%. During the year it continued driving the customer migration from print and CD to online research solutions which resulted in a 16% growth in its online revenue which now also contributes 16% of total research revenue. The publication of the Laws of Gambia was a significant highlight during the year.

The business made substantial investments in its online technology platform in 2010 which has significantly improved the customer experience. LexisNexis continues to invest in content development to secure sustainable revenue streams. Although the print business experienced a tough year with lower revenue, the academic university segment continues to deliver growth with a number of exciting initiatives and investments to sustain the growth of this sector.

Compliance and training

The compliance and training sector delivered a pleasing performance underpinned by good revenue growth as it continued to invest in capacity to participate in growth opportunities. The addition of an occupational hygiene capability in June 2009 also contributed to the strong performance.

LexisNexis joined forces with Cura software to develop a comprehensive online compliance tool which will lead to its first annuity revenue driven solution.

Risk management

The risk management segment delivered strong revenue growth despite the economic slowdown. The Refcheck benefited from further integration with its key customers. Although competition increased during the year, DeedSearch showed growth on 2009.

The way forward

In order to resume its growth trajectory, LexisNexis has clear strategies in place for the year ahead. These include the continued migration of customers to online research solutions, accelerating its compliance solutions and investing in specific risk management solutions. LexisNexis will continue to grow its footprint in the academic university market and building its technology capabilities by investing in its people and driving innovation.

The market is expected to remain challenging in 2011, but LexisNexis is well placed due to ongoing investments to enhance its offering and its leadership position in its target markets.

Events and Outdoor Marketing (50%)

The segment houses the remaining assets and projects for which commitments extend beyond the reporting period. A partnership with Witches and Wizards, an emerging eventing company was established to manage existing events for a three-year period. The strong performance of Mobil Alliance in the first half of the year was extended with a contract to supply outdoor screens at public viewing areas for 10 matches during the 2010 FIFA World Cup™.



Segmental review continued

New Media

New Media

Driving online business offering for long-term growth

Operational performance

	2010	2009	%
Contribution	R'000	R'000	change
Revenue	37 689	11 635	223,9
Operating profit	9 663	2 066	367,7
Profit for the year contributed to the group	3 460	909	280,6
Operating profit margin (%)	25,6	17,8	44,4

Introduction

The New Media segment was established as a stand-alone segment during the year, comprising of Kagiso Media's digital media assets which are focused on services and publishing. The divisionalisation is a clear demonstration of the group's strategic focus of developing its online business offering.

New Media includes Gloop Digital Design, which remains South Africa's leading digital design company and Acceleration Media, a specialist online and mobile marketing agency which includes media buying, search campaigns and online reputation management (ORM).

Towards financial year-end, Kagiso.MSN was established as the group concluded an agreement to manage the South African MSN portal and windows live platform (hotmail and instant messenger) throughout sub-Saharan Africa.

Value proposition

The segment's assets are split into media and services businesses.

The media business comprises of Kagiso.MSN; the MSN network of properties reaches 50% of all South African internet users plus provides a variety of targeting technologies that enables advertisers to ensure that their advertising reaches intended audience. The audience extends into sub-Saharan Africa and has mobile advertising components.

The services business consists of Gloop Digital Design and Acceleration Media, the businesses provide complementary products and services enabling leading companies to leverage the internet for their online marketing activities. The companies' services range from website development, marketing, online advertising, media buying, search advertising and social media campaigns. By the nature of its service related revenue streams, it meets the group's objective of revenue diversification.

Business environment

Although most media suffered during the recession, the digital market continues to deliver strong growth, albeit off a relatively low base. According to the Online Publishers' Association (OPA), advertising spend increased by 31,4% in 2009.

The increasing availability of bandwidth in South Africa has accelerated growth in the industry as the number of broadband users grow, demand for digital services is expected to continue increasing in line with the user base, thus positioning the segment for future growth and expansion.

Performance

The New Media segment delivered sound growth of some 224% to R37,7m for the year under review, which was the first full reporting period for the segment (2009: six months). Operating profit showed strong growth to R9,7m with a performance which was well ahead of expectations.

Due to start-up investments, the addition of MSN from June 2010 is expected to be dilutive on profit in the first year. Management is confident that MSN will contribute positively from 2012. The Microsoft partnership provides Kagiso Media with alternative advertising revenue streams underpinned by the audience of more than three million and seven million browsers in South Africa and sub-Saharan Africa respectively.

Acceleration Media

Acceleration Media (50% owned by Kagiso Media) delivered a good performance for the year. It is increasing its focus on consultancy services, leveraging its data analysis capabilities and expertise to deliver enhanced media results. Key innovations in 2010 included the introduction of new services which diversified its revenue streams and differentiated Acceleration Media.



Gloo

Gloo (50,1% owned by Kagiso Media) has been voted SA's best digital agency for four consecutive years by the Financial Mail's AdFocus. It has also won extensive digital creative accolades in South Africa while its work has been recognised internationally for excellence.



Gloo made further investments during the year to enhance the quality of its work and service levels. These included strengthening its management structure and recruiting additional skills to increase its capacity. Notwithstanding these investments, Gloo delivered strong profit growth.

Kagiso.MSN

Kagiso.MSN publishes the howzit.msn.com portal, reaching over three million unique browsers. It is the second largest online property in South Africa as measured by the OPA. In 2011, Kagiso.MSN will focus on increasing the number of visitors to the properties, unlocking the inherent mobile opportunities as well as building the business to deliver new niche content areas and new advertising opportunities.



The unit is focused on identifying and creating content targeted at audiences across a range of specialist topics such as property, lifestyle and entertainment in order to increase its share of internet and mobile audiences in South Africa.

With the growing online advertising spend and its dominant position in the market, Kagiso.MSN has the opportunity to achieve strong revenue and profit growth in the future. New product innovation and research from Microsoft will enable the business to maintain a leading edge in the local market.

Segmental review continued

Content

Content

Extending track record of delivering locally relevant content

Operational performance

Contribution	2010 R'000	2009 R'000	% change
Revenue	153 650	128 316	19,7
Operating profit	25 007	25 782	(3,0)
Profit for the year contributed to the group	9 482	8 888	6,7
Operating profit margin (%)	16,3	20,1	(19,0)

Introduction

During its 25-year history, Urban Brew Studios has grown into South Africa's most prolific television production studio. It provides all services of broadcast television production in-house and recently increased its broadcast facilities with the purchase of assets from Obeco, a specialist outside broadcast company. Urban Brew Studios has also become HD compliant in editing, outside broadcasting and in its studios.



Value proposition

The content segment comprises of Urban Brew Studios which is recognised as one of South Africa's foremost television studios and content providers specifically in the area of live-to-air broadcasting. It has a strong focus on capacity building in the rest of Africa, format development, environmental programming, knowledge-based content and community television development.

The business has achieved significant success in pay per view with the One Gospel channel and it has also developed South Africa's first community television channel, Soweto TV, over the past 24 months.

Urban Brew Studios is distinctly differentiated by its ability to compete on a cost-to-quality basis. As a content provider it also complements Kagiso Media's broadcast strategy by generating revenue streams which are not directly linked to advertiser income.

Urban Brew Studios has the capability to leverage its television properties through the group's radio stations in order to maximise audiences, which is another competitive advantage.

Business environment

The 2010 financial year was tough for television producers in South Africa as the 2010 FIFA World Cup™ disrupted regular scheduling. Across the industry the rate of commissioning new productions and renewing existing programmes slowed as a result of the combined impact of the economic downturn and delays in decision-making.

Performance

Urban Brew Studios delivered a solid 12-month operating performance in 2010 (2009: eight months). It reported a 19,7% increase in revenue to R153,7m. Operating profit declined 3,0% to R25,0m due to the challenging markets for production studios both in the domestic and international market. However, its internal focus on cost management dampened the impact of the tight market.

Urban Brew Studios has a strong track record of delivering popular productions which recognise the value of local content and talent. These include audience favourites such as: "Die Foon" and "Kom Ons Karaoke" for KykNet, "Headline" on Mzansi Magic and the recently launched "Tonight With Trevor Noah" on M-Net. All these productions were awarded in the 2010 DSTV MultiChoice pitching cycle. "Soweto TV" continued to build audience loyalty during the year, delivering pleasing growth.

Outlook

An ongoing priority for Urban Brew Studios is enhancing internal production efficiencies and optimising production resources in order to deliver quality production content at a lower cost.

Urban Brew Studios is intent on continuing to grow its content production output. Strategic initiatives include leveraging its extensive industry relationships to increase its access to distribution channels. Strategic partnerships with international format owners are also being pursued in order to gain access to international programme formats for the local market.

Corporate governance

The board of directors and senior management of Kagiso Media are committed to ensuring good governance and accountability. The company believes that the primary objective of the system of corporate governance is to ensure that the board, directors and managers carry out their responsibilities with integrity, accountability and effectiveness. For that reason, Kagiso Media fully supports the Code of Corporate Practice and Conduct as contained in the King II Report. The board believes that the company substantially complied with the principles of the Code of Corporate Practices and Conduct (Code) set out in the King Report on Corporate Governance (King II). In addition, Kagiso Media strives to adopt best practice locally and internationally.

King III

King Code of Governance Principles for South Africa 2009 (King III) was published on 1 September 2009 and took effect from 1 March 2010. In terms of the JSE Listings Requirements, all listed companies are required to state the extent of their compliance with King III and reasons for non-compliance. Kagiso Media is in the process of adopting King III. The company will report fully on King III in the next annual report for the financial year ending 30 June 2011.

Kagiso Media is listed on the JSE Limited and subscribes to its regulations.

Board of directors

Aims and objectives

The Kagiso Media board is responsible for providing leadership and strategic oversight and is ultimately accountable and responsible for the performance and affairs of the company. Management reports regularly to the board on the implementation of the company's strategy.

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 54 of this annual report.

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. A delegation of authority was recently adopted by the board of directors and will be reviewed on an annual basis.

Formal charter

A board charter expresses the board's philosophy with 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 and national and international corporate citizenship, including sound relationships with regulatory authorities.

In accordance with its charter, the board has reserved to itself the following specific responsibilities, among other more general matters:

Financial

- Approval of the group's business strategy
- Approval of the business plan, annual budgets (including the annual capital expenditure plan) 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
- Approval of material investments or disposals
- Approval of dividend declarations.

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 equity holders of the company
- Recommendation to shareholders that they approve any ordinary or special resolutions in respect of the company
- Any decision to list the company's shares on any stock exchange or terminate such listing.

Human resources

- Appointments to and removals from the board
- Changes in composition of the executive, audit, investment, remuneration and nominations committees
- 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 shareholders, if applicable
- Formulation of recommended policies with regard to employment equity.

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

Board composition

The board of the company is unitary, comprising eight non-executive and three executive directors. In terms of the company's articles of association, at every annual general meeting, at least one-third of the directors retire from the board by rotation. The non-executive directors are chosen for their business acumen and skills and bring individual judgement to board decisions. The capacity of each director, either executive, non-executive or independent, is indicated on page 28 of this annual report.

Nominations

Appointments to the board are done in a formal and transparent manner and are a matter for deliberation by the whole board. The nominations committee is responsible for establishing a formal process for the appointment of directors.

Shareholder representation

Messrs HI Appelbaum, KL Matseke, Ms ZJ Matlala and Mr A Patel represent Kagiso Trust Investments (Proprietary) Limited, which accounts for 51,1% 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 are separate and do not vest in the same individual. 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 subcommittees during the year to 30 June 2010 is listed in the table hereunder:

Number of meetings attended

Director	Board			Audit and risk committee		Remuneration committee		Nomination committee		Investment committee	
	Member	Member	By invitation	Member	By invitation	Member	By invitation	Member	By invitation	Member	By invitation
RM Motanyane	4	2		4		0				4	1
M Morobe [^]	4		3		3					3	1
OC Essack [^]	4									3	1
MR van Zyl [*]	1		1		2						2
HI Appelbaum	3										
RL Hiemstra	3	2		4		0				3	
ZJ Matlala	3	3									
KL Matseke ^{***}	0			0		0					
MJN Njeke ^{****}	4			2		0					
AA Paruk	4									5	
A Patel	4			3		0				5	
WC Ross	4	3		4		0				3	
Total number of meetings	4	3		4		0				5	

[^] Resigned as members of the investment committee 8 June 2010

^{*} Appointed 1 April 2010

^{***} Appointed 1 July 2010

^{****} Resigned 30 June 2010

Corporate governance continued

Board committees

The board has appointed an audit and risk committee, remuneration committee, nominations committee and investment committee to assist it in discharging its duties and responsibilities in the matters reported hereunder. These subcommittees make full disclosure to the board of their activities and decisions.

Audit and risk committee

The audit and risk committee's role is 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 of three independent non-executive directors and one non-executive director and is chaired by an independent non-executive 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 the unaudited interim results announcement.

In terms of its formal charter, the audit and risk 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;
- to advocate high standards of ethical behaviour; and
- compliance with the King Codes and the company's own code of ethics.

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

The internal audit function is subcontracted and 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 subcommittees of the board.

The committee considers the annual financial statements of the company and group to be a fair presentation of their financial position at 30 June 2010 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, as amended, and has approved the financial statements for submission to the board and shareholders.

Remuneration committee

The remuneration committee assists the board and makes recommendations 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 advisers on benchmarks and latest best practice regarding the remuneration packages of executive directors and senior employees. The committee is made up of five non-executive directors and is chaired by an independent director. The executive directors attend meetings of the committee by invitation and make submissions to the committee. The committee met four times during the year.

The committee is satisfied that it has fulfilled the requirements of its formal charter.

Nominations committee

Appointments to the board are made through the nominations committee, taking into consideration the need for an appropriate skills, experience and gender mix. The committee is made up of five non-executive directors and is chaired by the chairperson of the board. Matters relating to the governance and specifically nominations to the board were previously discussed as part of the remuneration committee.

Investment committee

The investment committee assists the board by scrutinising acquisition initiatives in the group. The committee is made up of four non-executive directors.

The investment committee functions include inter alia:

- Considering new acquisition opportunities thoroughly regardless of the size of the acquisition;
- Approving acquisitions to the cumulative value of R50m between board cycles;
- Investigating and presenting the strategic details of acquisitions valued at above R50m for board approval or for further investigation; and
- Continually informing and updating the board on new and existing opportunities.

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 trade in the company's shares only once approval for such a transaction has been obtained from the 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 55 of this annual report.

Risk management

The board is responsible for the process of risk management and the regular review thereof, and for ensuring 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 and risk committee to assist in reviewing the risk management process. Management is accountable to the board for designing, implementing and monitoring the process of risk management.

A review of the adequacy of risk management processes and internal controls was carried out during the year. A group-wide risk management committee is accountable for ensuring that appropriate measures are taken to manage company risks. The risk management committee reports to the audit committee of the board.

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 comprise 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 internal audit which reports to the audit and risk committee on matters identified in the course of its

Corporate governance continued

work, through the active involvement of the executive directors in the group's operations and the quality of management reporting at these operations. 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 resources risks

As a media group, the group recognises its people as its single most important asset. In this regard it strives to offer 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 operates the latest publishing and business management software in use by the international LexisNexis group and retains access to international technological best practice.

Business continuity and disaster recovery

It is considered of utmost importance to the group that all of 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. The group is placing a high emphasis on reviewing its business continuity plans during the coming financial year.

Compliance risks

The group's radio stations are subject to regulatory obligations 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 with other relevant legislation is also monitored regularly.

Broadcast risk

While the group considers freedom of speech an important cornerstone of our young democracy, it is acutely aware of the potential effects and influence of comment and opinions expressed on its radio stations. Therefore, the group endeavours to ensure that its broadcast content is compliant with 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 are prohibited from broadcasting content that is harmful to the public and are required to provide news that is balanced and objective.

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 of the financial statements).

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 flow.

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 that 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 with corporate values, conflicts of interest, equality, safety in the workplace, use of company assets, confidentiality and has established 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.

Environmental impact

Although the group’s major activities do not pose a significant threat to the environment, the group remains mindful of the relevant environmental, health and safety legislation.

Environment

In line with its philosophy of being a responsible corporate citizen, Kagiso Media is constantly introducing ways in which its activities can be of benefit to the environment and which avoid causing harm to it.

Various measures are in place in the group, aimed at monitoring our impact on the environment and how we can minimise this impact, especially in the areas of water and electricity usage and waste disposal.

Social impact

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.

People matters

Being itself an intellectual capital-intensive business, the company is committed to the development and career advancement of its people. In those parts of the group which have a trade union presence, the company endeavours to engage in a constructive manner with the representative entities.

The wellness of staff is encouraged through participation in voluntary wellness sessions organised by the company.

Society and transformation

The fact that the company’s ultimate holding company is the Kagiso Trust roots it firmly in philanthropy and social transformation. The company recognises that as a corporate citizen it has a duty to play an active role in empowering previously disenfranchised South Africans through employment equity and management diversity, training and contributing to social investment programmes, human capital management and affirmative procurement policies.

Relations and communications with shareowners

The executive directors meet with shareholders and analysts at the time of the interim and annual results announcements as well as to discuss 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 spirit of the Code of Corporate Practice and Conduct contained within the King II Report, and with its own code of ethics and relevant legislation in the year under review.

Report by the audit committee

The audit committee has pleasure in submitting this report to the shareholders of Kagiso Media Limited (KML). The report is in compliance with the requirements of the Companies Act of South Africa and as far as possible with the King Code of Governance for South Africa 2009 (King III).

Functions of the audit committee

Operation of the committee is guided by a charter that is informed by the Companies Act, and is approved by the board as and when it is amended.

The audit committee has discharged the functions in terms of its charter and ascribed to it in terms of the Act as follows:

Financial results

- Reviewed the interim, provisional and year-end financial statements, culminating in a recommendation to the board to adopt them. In the course of its review the committee:
 - takes appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa;
 - considers and, when appropriate, makes recommendations on internal financial controls;
 - deals with concerns or complaints relating to accounting policies, internal audit, and the auditing or content of annual financial statements and internal financial controls;
 - reviews legal matters that could have a significant impact on the organisations' financial statements; and
 - recommends approval of the financial statements to the board.
- Reviewed the external audit reports on the annual financial statements;
- Approved the internal audit charter and audit plan.

External auditors

- The audit committee evaluates the independence, effectiveness and performance of the external auditors and obtain assurance

from the auditors that adequate accounting records are being maintained and appropriate accounting principles are in place which have been consistently applied;

- Appoints the external auditors on an annual basis;
- Approves audit fee and fees in respect of any non-audit services;
- Considers and responds to any questions from the main board and shareholders regarding the resignation or dismissal of the external auditor;
- Determines the nature and extent of allowable non-audit services and approves the contract terms for the provision of non-audit services by the external auditor;
- Ensures that the scope of the external audit has no limitations imposed by management and that there is no impairment on its independence; and
- The group's external auditors are PricewaterhouseCoopers represented by Suren Sooklal.

Internal controls and risk management

- Reviews the internal audit and risk management reports and where relevant, make recommendations to the board;
- Evaluates the effectiveness of risk management internal controls and the governance processes;
- Monitors and supervises the effective functioning and performance of the internal auditors; and
- Ensures that the scope of the internal audit function has no limitations imposed by management and that there is no impairment on its independence.

Members of the audit committee and attendance at meetings

The audit committee comprises four non-executive directors, is chaired by an independent director and meets at least three times per annum in accordance with the audit committee charter. The chairman of the committee is not the chairman of the board. All members act independently as described in section 269A of the Companies Act. The chief executive officer, the financial director, the head of group audit services, the company secretary and the external audit partners and staff attend meetings at the regular invitation of the committee. In addition, other members

of executive management are invited to attend various meetings on an ad hoc invitational basis. During the year under review the following three meetings were held:

	WC Ross – Chairman	RM Motanyane	ZJ Matlala	RL Hiemstra
18 September 2009	✓	✓	✓	-
9 February 2010	✓	-	✓	✓
26 May 2010	✓	✓	✓	✓

Details of the qualifications of the directors appear in the directorate section of this annual report.

Details of fees paid to committee members appear in the remuneration report.

Internal audit

The audit committee fulfils an oversight role regarding the group’s financial statements and the reporting process, including the system of internal financial control. It is responsible for ensuring that the group’s internal audit function is independent and to this extent has appointed KPMG as the internal auditors and risk management consultants of KML. The audit committee insures that KPMG has the necessary resources, standing and authority within the organisation to enable it to discharge its duties. During the current financial year the scope of the internal audit was somewhat reduced in order to manage the associated costs. The audit committee is satisfied that sufficient controls exist. Furthermore, the audit committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions.

Confidential meetings

Audit committee agendas provide for confidential meetings between the committee members and the internal and external auditors.

Independence of the external auditor

During the year under review the audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the independence of the auditor.

Expertise and experience of the financial director

Mr Mervyn van Zyl was appointed as the financial director on 1 April 2010 and he was previously the chief financial officer of the group company LexisNexis SA (Proprietary) Limited. He has for some years been included at various forums at KML, which made for a seamless integration into his new role as the finance director of KML. The audit committee has satisfied itself that the finance director has appropriate expertise and experience.

Finance function

The committee considered the expertise, resources and experience of the finance function and concluded that these were appropriate based on the nature, complexity and size of the group’s operations.

King III considerations

The audit committee attended a workshop with KPMG in May 2010 where it considered the King III requirements for Kagiso Media. In most instances the committee determined the company to be compliant, and an action list was compiled to consider implementation of King III where appropriate and not yet compliant. This list will be considered at the September 2010 meeting and a full statement will be included in the 2011 annual report.

Conclusion

The audit committee has complied with the requirements of the Companies Act as well as the requirements set out in the audit committee charter.

Report by the remuneration committee

Introduction

This report sets out the group's remuneration policy, the implementation thereof and the guidelines and assumptions used when determining senior executives' remuneration. The report and the recommendations of the remuneration committee have been approved by the board and will be submitted to shareholders for consideration at the AGM. The remuneration committee has been established as a subcommittee of the board of directors of the company to develop and maintain 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.

In particular the remuneration committee is responsible for:

- the remuneration packages for executive directors and other members of the executive committee of the company including, but not limited to, basic salary, performance-based short- and long-term incentives, pensions, and other benefits;
- the design and operation of the company's share schemes; and
- determining subsidiary annual adjustments and incentive schemes.

Remuneration policy

The Group's policy is to remunerate its executives and senior members of management fairly in relation to the market and

nature of services they provide. The remuneration committee ensures that an appropriate portion of senior executives' remuneration is performance related. The committee considers key performance indicators (KPIs) when setting the short-term incentives of the executive directors. To attract, reward and retain executives of the highest calibre, executive remuneration is benchmarked against a comparator of selected South African mid-cap listed companies. The most recent benchmarking exercise conducted by independent consultants (May 2010) indicates that the total remuneration of the executive directors and non-executive directors lags that of the peer group. A systemic adjustment of the remuneration levels for executives and non-executives is required to ensure that the company's remuneration levels are consistent with peer pay levels. This process will be managed by the remuneration committee, but shareholders should be aware that this may increase the risk profile of the company.

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 schemes in the year to 30 June:

	Salary R'000	Bonus R'000	Unrestricted share purchase scheme bonus [#] R'000	Gain made on share options exercised* R'000	Gain (loss) made on sale of shares** R'000	Total R'000
2010						
M Morobe	2 072	1 093	339	–	–	3 504
OC Essack	1 702	661	163	58	284	2 868
MR van Zyl ^{^^}	490	352	–	–	–	842
	4 264	2 106	502	58	284	7 214
Average increase (%)						44,2
2009						
M Morobe	1 958	–	–	–	–	1 958
OC Essack	1 598	–	34	58	179	1 869
S Pienaar [^]	1 436	–	–	–	(260)	1 176
	4 992	–	34	58	(81)	5 003

* Gain made by directors on shares acquired in terms of the Kagiso Media Limited Share Option Scheme is calculated as the difference between the price on exercise date and the option price.

** Gain made on shares acquired in the share purchase scheme and share option scheme is calculated on the day these shares are sold.

[^] Resigned on 5 June 2009.

^{^^} Appointed on 1 April 2010.

[#] More detail on the unrestricted share purchase scheme is provided in paragraph 9.2 of the directors' report.

Salaries

The salaries of the executive directors represent their total cost-to-company package, inclusive of their contributions.

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. Key elements of the targets include revenue, operating profit, cash conversion and delivery of non-financial KPIs. On achievement of these agreed targets, the chief executive officer, qualifies for a bonus equal to 70% of his remuneration package and the other executive directors 50%.

Long-term incentive (LTI)

The company has introduced a long-term incentive scheme for the 2011 financial year. The scheme has been designed with the assistance of external consultants. Administration and implementation of the scheme has been contracted to KPMG. The LTI scheme can typically be described as a phantom share scheme. Growth in headline earnings per share has been determined as the key measurement objective. As an example at a cumulative annual growth rate (CAGR) of 10%, it is anticipated that over a five-year period the CEO will for example earn 4,25x guaranteed annual package (GAP) and executive directors 3x annual package.

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;
- 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; and
- 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.

Reconciliation of movement

The movement in the number of rights to shares per the share option scheme was:

Number of rights	OC Essack	Total
Opening balance	318 584	318 584
Rights exercised	-	-
Rights forfeited	-	-
Closing balance	318 584	318 584

More detail on the total number of outstanding rights is provided in the directors' report.

Directors' outstanding rights in the Kagiso Media Limited Share Option Scheme

At 30 June 2010 the 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	OC Essack	Price (cents)
01/01/2008	01/01/2014	106 195	565
01/01/2009	01/01/2014	106 195	565
01/01/2010	01/01/2014	106 194	565
Year ending 30 June 2010		318 584	565*
Total		318 584	565*

* Weighted average price of outstanding rights to acquire shares.

Report by the remuneration committee continued

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.

Details of the loans to participants in the unrestricted share purchase scheme at 30 June 2009 were:

	N Hadas	M Morobe	S Pienaar*	OC Essack
2010				
There were no shares awarded to the participants during 2010.				
2009				
Date of award	2/12/2008	6/10/2008	6/10/2008	
Number of shares	17 600	255 300	117 100	
Share price (R)	10,78	11,80	11,00	
Summary of shareholding				
Number of shares held at the beginning of the year	17 600	581 690	-	178 997
Shares awarded during the year	-	-	-	-
Shares sold during the year	-	-	-	-
No of shares held at the end of the year	17 600	581 690	-	178 997
Loans outstanding at the end of the year (R'000)	201	9 678	-	3 363

* Resigned on 5 June 2009

The maximum number of shares that could be allocated to an executive in terms of this scheme is calculated as a multiple of the executive's annual cost-to-company package. The chief executive officer qualifies for shares to the value of 1,5 times salary while the other executives can receive an allocation of up to 0,9 times their package. The above is a summary of the movement in this scheme during the year, including additional allocations. The loan amounts due by executives to the company according to the terms of this scheme, as at the end of the year, are also reflected.

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 three months' written notice on termination of employment.

Remuneration committee

The remuneration committee, which meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee is responsible for reviewing and recommending the remuneration of executive and non-executive directors and senior management, to the board.

The remuneration committee bases its recommendations upon the achievement of certain KPIs by senior executives and prevailing market conditions.

Attendance of remuneration committee meetings

Refer to the corporate governance report.

Remuneration of non-executive directors

The board meets at least once every quarter. The other subcommittees meet at least twice per year. The company refunds the non-executive directors' reasonable travelling costs. The non-executive directors were paid the following fees for attending to their duties. In the year under review, non-executive directors were paid:

Director	Board R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Total R'000
HI Appelbaum	85	-	-	-	85
RL Hiemstra	85	32	29	11	157
ZJ Matlala	85	32	-	-	117
RM Motanyane	143	32	21	15	211
MJN Njeke*	85	-	21	11	117
AA Paruk	85	-	-	-	85
A Patel	85	-	21	11	117
WC Ross	85	47	21	11	164
	738	143	113	59	1 053

* Resigned 30 June 2010.

The remuneration committee has proposed an increase of 19% in the remuneration of the non-executive directors for the ensuing year. This fee will be apportioned between an annual fee and a meeting attendance fee, with effect from 1 July 2010.

Subject to the approval by shareholders, the fees for the 2011 financial year will be:

	Board R	Audit committee R	Remuneration committee R	Investment committee R	Nomination committee R
Chairman					
Annual fee	102 000	36 000	21 000	9 000	12 000
Meeting fee	17 000	6 000	3 500	3 500	3 500
Member					
Annual fee	60 000	22 500	15 000	6 000	10 000
Meeting fee	10 000	3 750	2 500	2 500	2 500
Ad hoc meeting fee hourly rate					
Chairperson	1 500	1 500	1 500	1 500	1 500
Member	1 000	1 000	1 000	1 000	1 000

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 practice and conduct

The directors are responsible for ensuring the company and group comply with the Code of Corporate Practice and Conduct, as set out in the King II Report 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.

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 misstatements and losses.

The execution of internal audit plans was outsourced during the 2010 financial year. The function continues to operate in accordance with the internal audit charter which is approved by the audit committee and the board.

In this regard, the directors confirm that an effective system of internal control was maintained during the period under review.

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 the group to reflect fairly the state of affairs as at the end of the financial year under review, the profit or loss and cash flow for the year. The financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act in South Africa.

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 55 of this annual report.

In this regard, the directors confirm that:

- appropriate accounting policies, supported by reasonable and prudent judgements and estimates, have been consistently applied;
- 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 64 to 130 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 judgements and estimates made by management.

The annual financial statements were approved by the board of directors on 23 September 2010 and are signed on its behalf by:



M Morobe

Chief executive officer



RM Motanyane

Chairperson

Auditor's report

Independent auditor's report to the members of Kagiso Media Limited

We have audited the group annual financial statements and annual financial statements of Kagiso Media Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2010, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 56 to 130.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

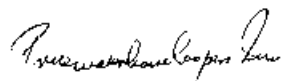
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Kagiso Media Limited as at 30 June 2010, and its consolidated and separate financial performance and its consolidated and separate 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: S Sooklal
Registered Auditor
Sunninghill
23 September 2010

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.



DS Mtshali

Company secretary
23 September 2010

Directors' report

The directors have pleasure in presenting their 13th annual report which forms part of the audited financial statements of the company and the group for the year to 30 June 2010.

1. Nature of the business

Kagiso Media Limited is an investment holding company with interests in:

- radio broadcasting with radio airtime and internet sales;
- information services and solutions;
- content provision, including, but not limited to television content provision;
- out-of-home advertising platforms;
- trade exhibitions and events; and
- digital media production and sales

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

Broadcasting – regional radio stations

- East Coast Radio (Proprietary) Limited – 100%
- Jacaranda 94.2 FM (Proprietary) Limited – 80%
- Seyalemoya Communications (Proprietary) Limited (trading as OFM) – 24,9%
- Kaya FM (Proprietary) Limited – 25,1%*
- Radio Heart 104.9 (Proprietary) Limited – 33,3%**
- Radio iGagasi 99.5 (Proprietary) Limited – 33,3%**

Broadcasting – radio airtime and internet sales

- RadMark (Proprietary) Limited – 49,9%
- Primetime Kagiso Private Limited – 50%

Content

- Urban Brew Studios (Proprietary) Limited – 50,1%

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

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

*** Indirectly held through the holding in Kagiso New Media (Proprietary) Limited

Information and Other

- LexisNexis (Proprietary) Limited – 50%
- Kagiso Exhibitions and Events (Proprietary) Limited – 100%
- Mobil Alliance Media and Technology (Proprietary) Limited – 50%

New Media

- Acceleration Media (Proprietary) Limited – 50%
- Gloop Digital Design (Proprietary) Limited – 50,1% ***

Corporate

- Kagiso Broadcasting (Proprietary) Limited – 100%

2. Acquisitions

There were no acquisitions in the year under review.

3. Disposals

During the year under review, Kagiso Media disposed of Kagiso Outdoor (Proprietary) Limited. Kagiso agreed to sell its interest in KO to KO's minority shareholders. This deal was concluded in December 2009. Further details can be found in Note 36 of the group annual financial statements.

4. Operating and financial review

The results for the year ended 30 June 2010 are presented in the company and group financial statements set out on pages 64 to 130 and can be summarised as follows:

	Year ended		
	30 June 2010	30 June 2009 restated	% growth
Profit attributable to Kagiso Media Limited's equity holders from continuing operations (R'000)	177 906	162 824	9,3
Earnings per share from continuing operations (cents)	133,0	121,8	9,2

The increase in earnings per share over that of the previous year can be ascribed to the consistent performance of the group's broadcasting operations, together with full-year results of Urban Brew (eight months 2009) and Gloo (six months 2009). Lastly the disposal of the loss-making Exhibition businesses in 2009 further improved the earnings per share.

The performance of the individual segments of the group's businesses and their relative contributions to revenue, operating profit and profit for the year are reflected in the segmental report, Note 18 to the annual financial statements.

5. Preference shares

No preference shares were issued during the year. The preference shares have a coupon value of 70% of the prime overdraft rate and are secured by a guarantee from Kagiso Media Limited, Kagiso Broadcasting (Proprietary) Limited and Kagiso Exhibitions and Events (Proprietary) 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 any required capital repayments on debt.

Kagiso Media Investments (Proprietary) Limited agreed to transfer 5% of the original issued share capital into a sinking fund on the dividend payment date. If the company elects to do so, the same amount of money could be used to redeem preference shares instead. On 30 September 2009 and 31 March 2010 the company elected to redeem shares according to the agreement. The remaining preference shares are redeemable in cash on the fifth anniversary of the issue of the shares. The effective interest rate of this instrument is 6,93% (2009: 6,93%). Dividends are payable to the shareholders on 31 March and 30 September of each year.

Summary of preference shares

	2010 R'000	2009 R'000
Balance at the beginning of the year	185 479	209 010
Redeemed during the year	(55 988)	(23 989)
	129 491	185 021
Other	-	458
Share issue expenses	(181)	(309)
Balance at the end of the year	129 310	185 170

6. Dividend

Dividend policy

The board has approved a dividend policy for the company that will ensure that at least 50% of attributable profits be 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 dividends distributed to both preference and ordinary shareholders will continue to effect a high effective tax rate.

Dividend declaration

The company paid a final dividend of 27 cents per share in respect of the year to 30 June 2009 (2008: 24 cents) on 19 October 2009 and an interim dividend of 35 cents per share (2008: 35 cents) on 23 March 2010.

A final dividend of 35 cents per share and special dividend of 10 cents per share in respect of the year to 30 June 2010 was declared by the directors on 23 September 2010, and will be reflected in the financial statements for the year to 30 June 2011.

Directors' report continued

7. 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, there was no allotment and issue of shares (2009: 284 243).

Accordingly, at 30 June 2010, the issued share capital of the company was R1 337 918,54 comprising 133 791 854 ordinary shares of 1 cent each.

Unissued share capital

Altogether 20% of 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 25 November 2010. At this meeting, members will again be asked to consider ordinary resolutions to place 20% of the remaining unissued shares under the control of the directors until the 2011 annual general meeting.

Shareholder spread

The spread of public and non-public shareholders in terms of paragraph 4.22, 4.23 and 4.25 of the JSE Limited's Listings Requirements at 30 June 2010 was:

Shareholder spread	Number of shareholders	Number of shares held	% of shares held
Public	762	64 533 295	48,2
Non-public	9	69 258 559	51,8
– Directors of the company	5	872 491	0,7
– Kagiso Trust Investments (Proprietary) Limited	4	68 386 068	51,1
	771	133 791 854	100,0

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 25 November 2010. Members will be asked at this meeting to consider a special resolution to renew this general approval until the 2011 annual general meeting.

8. Shareholders

Significant shareholders

According to information received by the directors, the major shareholder of the company at 30 June 2010 is:

Major shareholder	Number of shares	% of shares
Kagiso Trust Investments (Proprietary) Limited (KTI)	68 386 068	51,1

Major movements

No major movements in the current year.

9. Share schemes

9.1 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 purchase 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 expiring after 10 years from the date of issue.

At the statement of financial position date, 318 584 (2009: 318 584) rights to acquire ordinary shares in the share capital of the company were outstanding, representing 0,2% (2009: 0,2%) of the shares in the company. During the year nil (2009 : 284 243) rights to acquire shares in the company were exercised, during the prior year rights at a weighted average price of R4,16 each were exercised. No new rights to acquire shares in the company were granted during the year under review.

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 statements of changes in the shareholders' equity in 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. 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 Limited'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 R70 000 (2009: R180 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.

Outstanding rights

The following rights to acquire shares were outstanding at 30 June 2010, inclusive of those rights awarded to the executive directors:

Director	Date on which exercisable	Number of rights	Price (cents)
OC Essack	1 January 2008	106 195	565
OC Essack	1 January 2009	106 195	565
OC Essack	1 January 2010	106 194	565
Year ending 30 June 2010		318 584	565*

*Weighted average price of outstanding rights.

Movement during the year

There was no movement in the number of outstanding rights to acquire shares in the current year.

9.2 Unrestricted share purchase scheme

During the 2006 financial year, the Kagiso Media Unrestricted Share Purchase Scheme was approved and 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.

Directors' report continued

The purpose of the scheme is to allow participants to purchase shares in Kagiso Media Limited 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 overdraft rate less two percentage points, being the deemed interest rate that individuals with similar asset portfolios will be able to obtain from a reputable financial institution. The bonus payment will be 15% of the capital amount of the original loan used to purchase the shares still held at the time. 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 during the financial year in this scheme are provided in the remuneration report.

Details of the loans to participants in the unrestricted share purchase scheme at 30 June 2010 are:

	N Hadas	M Morobe	OC Essack
Number of shares held at the end of the year attributable to the unrestricted share purchase scheme	17 600	581 690	178 997
Loans outstanding at the end of the year (R'000)	201	9 678	3 363

10. Directors' interests

Directors' shareholding

The directors beneficially and directly held 872 491 (2009: 909 091) ordinary shares, representing 0,7% (2009: 0,7%) of the total issued share capital in the company. These shares were held by the directors as follows:

Director	Number of shares		
	Direct	Indirect	Total
HI Appelbaum	72 000	-	72 000
OC Essack*	186 579	-	186 579
RL Hiemstra	-	-	-
ZJ Matlala	-	-	-
M Morobe*	581 690	-	581 690
RM Motanyane	-	-	-
MJN Njeke	14 822	-	14 822
AA Paruk	-	-	-
A Patel	-	-	-
WC Ross	17 400	-	17 400
MR van Zyl*	-	-	-
KL Matseke	-	-	-
	872 491	-	872 491

*Executive

Transactions in shares by directors

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

Director	Type of transaction	Date of transaction	Number of shares	Price and average price R
OC Essack	Sale	12 November 2009	10 000	13,75
OC Essack	Sale	18 November 2009	16 960	14,00
OC Essack	Sale	18 November 2009	4 640	14,01
OC Essack	Sale	18 November 2009	5 000	14,50

Prior approval for all the above trades was obtained from the chairman of the board of directors. Were the chairman to trade, approval is to be obtained from the deputy chairman.

Directors' interests in contracts

No director has 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 in the report by the remuneration committee.

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 2010 they had outstanding rights to acquire a further 318 584 ordinary shares in the share capital of the company.

11. Property, plant, equipment and intangible assets

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

During the year under review, the group acquired property, plant and equipment to the value of R16m, the most significant of which was acquired by LexisNexis (Proprietary) Limited (LN), Gloop Digital Design (Proprietary) Limited (Gloop) and Urban Brew Studios (Proprietary) Limited (UBS). The acquisition at UBS, which were mainly studio equipment and computer equipment, took place in terms of normal asset replacement (R12m), while LN invested in new computer equipment to the value of R1,1m and Gloop acquired new furniture and fittings, as well as computer equipment, during the financial period under review to the value of R1,0m.

12. Investments

The interest of the company in the aggregate profit or loss of its investments, after tax, amounts to:

	Profit R'000	Loss R'000	Total R'000
Subsidiaries	194 093	(36 134)	157 959
Joint ventures	45 997	(15 249)	30 748
Associates	10 988	-	10 988
	251 078	(51 383)	199 695



Directors' report continued

13. 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.

14. Special resolution

At the annual general meeting on 24 November 2009, 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 25 November 2010.

15. Directorate

Particulars of the directors in office at the date of this report are set out on pages 28 and 29 of the annual report.

16. Company secretary

Mr DS Mtshali has been appointed company secretary with effect from 24 November 2009. 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 55 of the annual report.

17. Auditors

PricewaterhouseCoopers Inc. are the auditors of the company. Members will be asked at the next annual general meeting, which will be held on 25 November 2010, to appoint the auditors of the company in accordance with section 270(2) of the Companies Act. The audit committee is conducting a tender process to select auditors for 2011, 2012, and 2013, the committee anticipates concluding this process with a recommendation to the main board by 30 October 2010.

18. 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 2010, 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.

19. Events subsequent to balance sheet date

Kagiso Broadcasting (Proprietary) Limited (KBC), a wholly owned subsidiary of Kagiso Media Limited has acquired the assets and liabilities of East Coast Radio (Proprietary) Limited, the wholly owned subsidiary of Kagiso Media Investments (Proprietary) Limited. The assets and liabilities were acquired on 1 July 2010 at net book values. ECR business will operate as a segment of KBC with effect from 1 July 2010.

Except for the above the directors are not aware of any matter or circumstance arising since the end of the financial year that would affect the operation of the group or the results of those operations significantly.

Illovo
23 September 2010

Statements of financial position

as at 30 June 2010

	Notes	Group		Company	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
Assets					
Non-current assets		591 842	643 688	586 525	510 417
Property, plant and equipment	1	42 136	42 731	-	-
Intangible assets	2	299 605	322 123	-	-
Goodwill	3	170 077	185 896	-	-
Investment in subsidiaries	4	-	-	552 355	476 247
Investment in joint ventures	5	-	-	34 170	34 170
Investment in associates	6	59 169	58 750	-	-
Deferred income tax assets	16	20 855	20 538	-	-
Loans receivable	7	-	13 650	-	-
Current assets		540 585	448 044	55 118	38 744
Inventories	8	18 373	19 050	-	-
Trade and other receivables	9	237 208	253 238	115	30
Loans receivable	7	2 119	2 329	-	-
Income tax asset		1 284	-	11	-
Available-for-sale financial asset	14	7 382	-	-	-
Investment in subsidiaries	4	-	-	-	29 059
Cash and cash equivalents	10	274 219	173 427	54 992	9 655
Assets classified as held-for-sale	36	-	58 372	-	-
Total assets		1 132 427	1 150 104	641 643	549 161
Equity					
Capital and reserves attributable to equity holders					
Ordinary share capital	11	1 338	1 338	1 338	1 338
Share premium	12	14 510	14 510	14 510	14 510
Revaluation and other reserves	13	88 585	88 515	-	-
Retained earnings		513 953	397 210	415 360	363 976
Total shareholders' equity		618 386	501 573	431 208	379 824
Non-controlling interest		96 821	86 797	-	-
Total equity		715 207	588 370	431 208	379 824
Liabilities					
Non-current liabilities		210 610	313 053	-	-
Borrowings	15	128 118	219 069	-	-
Deferred income tax liabilities	16	82 492	93 984	-	-
Current liabilities		206 610	227 175	210 435	169 337
Trade and other payables	17	168 290	188 162	1 637	2 286
Borrowings	15	30 897	20 969	208 798	166 899
Income tax liabilities		7 423	18 044	-	152
Liabilities directly associated with assets classified as held-for-sale	36	-	21 506	-	-
Total liabilities		417 220	561 734	210 435	169 337
Total equity and liabilities		1 132 427	1 150 104	641 643	549 161

The accounting policies and notes on pages 68 to 130 are an integral part of these financial statements.

Statements of comprehensive income

for the year ended 30 June 2010

	Notes	Group		Company	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
Continuing operations					
Revenue	19	906 271	853 675	-	-
Other income	20	18 636	13 947	142 345	88 482
Raw material and consumables		(163 789)	(146 851)	-	-
Commission and levies		(119 085)	(105 223)	-	-
Employee costs	21	(147 709)	(125 217)	(1 077)	(981)
Marketing and programming expenses		(17 118)	(25 255)	(1 386)	(2 104)
Professional and consulting fees		(15 237)	(16 368)	(2 031)	(2 162)
Rental and management fees		(30 880)	(25 052)	-	-
Depreciation	21	(14 985)	(10 868)	-	-
Amortisation	21	(26 034)	(22 924)	-	-
Other expenses		(86 577)	(97 770)	(560)	(25 164)
Operating profit	21	303 493	292 094	137 291	58 071
Finance income	22	14 695	15 850	1 489	900
Finance expenses	23	(15 498)	(23 905)	-	(23)
Share of results of associates	24	10 988	12 381	-	-
Profit before income tax		313 678	296 420	138 780	58 948
Income tax expense	25	(107 472)	(108 061)	(4 445)	(376)
Profit for the year from continuing operations		206 206	188 359	134 335	58 572
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	36	4 268	(2 888)	-	-
Profit arising from discontinuance of operations	36	17 521	8 993	-	-
Profit for the year		227 995	194 464	134 335	58 572
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		227 995	194 464	134 335	58 572
Profit attributable to:					
Equity holders		199 695	168 929	134 335	58 572
Non-controlling interest		28 300	25 535	-	-
		227 995	194 464	134 335	58 572
Total comprehensive income attributable to:					
Equity holders		199 695	168 929	134 335	58 572
Non-controlling interest		28 300	25 535	-	-
		227 995	194 464	134 335	58 572
Earnings per share for equity holders during the year (expressed in cents):					
Basic	26	133,0	121,8	-	-
Diluted	26	132,8	121,6	-	-
Dividends per share	27	62	59	62	59

The accounting policies and notes on pages 68 to 130 are an integral part of these financial statements.

Statements of changes in equity

for the year ended 30 June 2010

	Notes	Attributable to equity holders				Total share-holders' equity R'000	Non-controlling interests R'000	Total equity R'000
		Ordinary share capital R'000	Share premium R'000	Revaluation and other reserves R'000	Retained earnings R'000			
Group								
Balance at 1 July 2008		1 335	13 334	88 335	307 150	410 154	45 433	455 587
New shares issued, net of share issue expenses		3	1 176	-	-	1 179	-	1 179
Employee share option scheme: value of services provided	13	-	-	180	-	180	-	180
Non-controlling share of acquisition net assets		-	-	-	-	-	33 819	33 819
Total comprehensive income for the year		-	-	-	168 929	168 929	25 535	194 464
Dividends paid		-	-	-	(78 869)	(78 869)	(17 990)	(96 859)
Balance at 30 June 2009		1 338	14 510	88 515	397 210	501 573	86 797	588 370
New shares issued, net of share issue expenses		-	-	-	-	-	-	-
Employee share option scheme: value of services provided	13	-	-	70	-	70	-	70
Non-controlling share of acquisition net assets		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	199 695	199 695	28 300	227 995
Non-controlling interest transferred on disposal of net assets		-	-	-	-	-	(1 412)	(1 412)
Dividends paid		-	-	-	(82 952)	(82 952)	(16 864)	(99 816)
Balance at 30 June 2010	11 & 12	1 338	14 510	88 585	513 953	618 386	96 821	715 207
Company								
Balance at 1 July 2008		1 335	13 334	-	384 273	398 942	-	398 942
New shares issued, net of share issue expenses		3	1 176	-	-	1 179	-	1 179
Total comprehensive income for the year		-	-	-	58 572	58 572	-	58 572
Dividends paid		-	-	-	(78 869)	(78 869)	-	(78 869)
Balance at 30 June 2009		1 338	14 510	-	363 976	379 824	-	379 824
New shares issued, net of share issue expenses		-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	134 335	134 335	-	134 335
Dividends paid		-	-	-	(82 951)	(82 951)	-	(82 951)
Balance at 30 June 2010	11 & 12	1 338	14 510	-	415 360	431 208	-	431 208

The accounting policies and notes on pages 68 to 130 are an integral part of these financial statements.

Statements of cash flows

for the year ended 30 June 2010

	Notes	Group		Company	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
Cash flow from operating activities					
Cash generated from operations	28.1	340 381	324 466	125 024	50 145
Finance expenses paid		(1 792)	(2 940)	-	(23)
Income tax paid	28.2	(131 216)	(106 323)	(4 608)	(385)
Dividends paid to equity holders		(82 952)	(78 869)	(82 951)	(78 869)
Dividends paid to non-controlling interest of disposed investments		(1 560)	-	-	-
Dividends paid to non-controlling interest		(16 864)	(17 990)	-	-
Dividends paid to preference shareholders	28.3	(13 959)	(21 998)	-	-
Total net cash generated from operating activities		92 038	96 346	37 465	(29 132)
Cash flow from investing activities					
Acquisition of subsidiaries, net of cash	28.4	-	(68 570)	-	(78 001)
Acquisitions by joint ventures, net of cash	28.5	-	(2 125)	-	-
Acquisitions of joint ventures, net of cash		-	(145)	-	-
Purchases of property, plant and equipment	1	(15 994)	(10 637)	-	-
Proceeds from disposal of property, plant and equipment		1 396	745	-	-
Purchases of intangible assets	2	(4 287)	(4 757)	-	-
Proceeds from disposal of intangible assets		-	14 350	-	-
Proceeds from disposal of investments, net of cash	28.6	35 057	10 456	40 592	-
Proceeds from sale of assets held-for-sale		-	2 546	-	-
Preference shares redeemed		13 650	1 050	-	-
Advances of loans to associates		-	(1 351)	-	-
Repayment of loans by associates		3 217	3 498	-	-
Repayment from/(advances to) subsidiaries		-	-	(76 108)	10 359
Finance income received		12 081	15 529	1 489	900
Preference dividends received		2 614	5 413	-	-
Dividends received from associates		7 353	2 651	-	-
Total net cash generated from/(used in) investing activities		55 087	(31 347)	(34 027)	(66 742)
Cash flow from financing activities					
Proceeds from issue of ordinary shares		-	1 179	-	1 179
Proceeds from borrowings		4 036	-	41 899	96 718
Repayment of borrowings		-	(987)	-	-
Preference shares redeemed		(55 988)	(23 988)	-	-
Total net cash used in financing activities		(51 952)	(23 796)	41 899	97 897
Total net cash flows					
Cash and cash equivalents at the beginning of the year		179 046	137 843	9 655	7 632
Cash and cash equivalents at the end of the year		274 219	179 046	54 992	9 655
Included in assets held-for-sale		-	(5 619)	-	-
Included in cash and cash equivalents per the statement of financial position	10	274 219	173 427	54 992	9 655

The accounting policies and notes on pages 68 to 130 are an integral part of these financial statements.

Accounting policies

1. General information

Kagiso Media Limited (the company) is a black owned and managed investment holding company with interests in substantial media assets through its subsidiaries, joint ventures and associates. All the assets of Kagiso Media Limited and its subsidiaries, joint ventures and associates (together the group) are positioned in growth markets.

The consolidated financial statements have been approved for issue by the board of directors on 23 September 2010.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all of the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated annual financial statements of the company and group are presented in accordance with, and comply with, International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective as at 30 June 2010 and the Companies Act in South Africa applicable to companies reporting under IFRS. The consolidated financial statements are prepared according to the historical cost convention.

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. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the relevant notes to the consolidated financial statements.

2.2 Basis of consolidation

The consolidated annual financial statements include the results of Kagiso Media Limited and its subsidiaries, joint ventures, associates 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 acquisition 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. Identifiable assets acquired, 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 non-controlling interest. The excess of the cost of acquisition over 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 statement of comprehensive income.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interest is stated at the non-controlling proportion of the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date plus the non-controlling portion of post-acquisition reserves recognised. The interests of non-controlling shareholders in the consolidated equity and results of the group are shown separately in the consolidated statement of financial position, statement of comprehensive income and statement of changes in equity, respectively.

The company accounts for investments in subsidiaries at cost less amounts written off and accumulated impairment losses, at a stand-alone level.

Transactions and non-controlling interests

The group applies a policy of treating transactions with a non-controlling interest as transactions with equity owners of the group. Disposals to non-controlling interests resulting in gains and losses for the group are recorded in equity. Purchases from non-controlling interests resulting in differences arising between any consideration paid and the relevant share of the acquired fair value of net assets, are recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 identified on acquisition (net of any accumulated impairment loss).

The group's share of the associates' post-acquisition profits or losses is recognised in the statement of comprehensive income 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.

The company accounts for investments in associates at cost, less amounts written off and accumulated impairment losses, at a stand-alone level.

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 venture. 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.

The company accounts for investments in joint ventures at cost, less amounts written off and accumulated impairment losses, at a stand-alone level.

Changes in accounting policy

The group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 July 2009 when revised IAS 27, *Consolidated and Separate Financial Statements*, became effective.

Accounting policies continued

The revision to IAS 27 contained consequential amendments to IAS 28, *Investment in Associates*, and IAS 31, *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

2.3 Segment reporting

The standard requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a change to the reportable segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the group board of directors who are responsible for making strategic decisions.

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 historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. 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	3 – 10 years
Studio or production equipment	2 – 7 years
Office equipment	2 – 5 years
Computer equipment	3 – 5 years
Furniture and fittings	5 – 10 years
Plant and equipment	2 – 5 years
Motor vehicles	3 – 10 years

Major leasehold improvements are amortised over the shorter of their respective lease periods or estimated useful life. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The asset’s residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains or losses on disposals are determined by comparing the proceeds with the asset’s carrying amount. These are included in the statement of comprehensive income in the related period.

2.5 Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised on the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the finance liability balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance costs is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset’s useful life and the lease term.

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 statement of financial position. Goodwill on acquisitions of associates is included in "investments in associates" and tested for impairment as part of the overall balance. 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. 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 licences

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. Licences acquired in a business combination are recognised at fair value at acquisition date. The broadcast licences are carried at cost and are not subject to amortisation, as they are 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. 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 finite useful life and is carried at cost less accumulated amortisation and impairment losses (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 in a business combination are recognised at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortisation. These costs are amortised over the useful lives of between two to twenty 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 two to five years.

Other intangible assets

Other intangible assets 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 finite useful life and are carried at cost less accumulated amortisation and if required impairment losses. 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	2 – 30 years
Intellectual property rights	7 years

The useful lives 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; and there is no active market for these assets.

Research and development costs

Research expenditure is recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;

Accounting policies continued

- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and
- the expenditure attributable to the product during its development can be reliably measured.

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 Financial assets

The group classifies its financial assets as either loans and receivables or available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method. They are included in current assets, except for maturities later than 12 months after the balance sheet date. These are classified as non-current assets.

(b) 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 the investment matures or management intends to dispose of it within 12 months of end of the reporting period.

Recognition and measurement

Purchases and sales of financial assets are recognised on the trade date (the date on which the group commits to purchase or sell the asset). Financial assets are initially recognised at fair value plus transaction costs.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of financial instruments

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(b) Assets classified as available-for-sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value

of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses previously recognised on equity instruments are not reversed through the statement of comprehensive income.

Impairment testing of trade receivables is described in note 2.10.

2.8 Impairment of non-financial 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). Non-financial assets other than goodwill that were previously impaired are reviewed at each reporting date for a possible reversal of the impairment.

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 includes amounts paid to printers, editors and authors and content production costs, but does not include any portion of administrative overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable 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. Significant financial difficulties experienced by a debtor, the probability that the debtor will enter bankruptcy and default in payments are considered indicators that

the trade receivable is impaired. 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 original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised within other expenses in the statement of comprehensive income. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

2.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at fair value. 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 statement of financial position.

2.13 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal groups) are available for immediate sale in their present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held-for-sale, the carrying amount of assets and liabilities is measured in accordance with the applicable standard. After classification as held-for-sale it is measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised in profit or loss for

Accounting policies continued

any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in profit or loss to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Non-current assets or disposal groups that are classified as held-for-sale are not depreciated. In addition, if associates and joint ventures are disclosed as non-current assets held-for-sale, equity accounting or proportionate consolidation will cease.

2.14 Discontinued operations

A discontinued operation results from the sale or abandonment of an operation that represents a separate, major line of business and for which the assets, net profits or losses and activities can be distinguished physically, operationally and for reporting purposes.

The results of discontinued operations are presented separately in the statement of comprehensive income and the assets and liabilities associated with these operations are included with non-current assets (or disposal groups) held-for-sale in the statement of financial position.

As a result of the discontinued operations in the current year, the comparative information in the statement of comprehensive income has been represented.

2.15 Share capital

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as borrowings.

Incremental external costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Borrowings

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

Preference shares, which are mandatory redeemable on a specific date or at the shareholder's election, are classified as liabilities. The dividends on these preference shares are recognised in the statement of comprehensive income as finance expenses. 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 sheet date.

2.17 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. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is minimal. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the increases specific to the liability. The increase in the provision due to the passage of time is recognised as finance expenses.

2.18 Current and deferred income tax

Taxation rates

The normal South African company tax rate used for the year ended 30 June 2010 was 28% (2009: 28%). Deferred tax assets and liabilities for South African entities at year-end have been calculated using these rates, being the rates 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 10% (2009: 10%) and capital gains tax is calculated at 50% of the company tax rate.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income 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 an accounting nor a taxable profit or loss.

Deferred income tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 statement of comprehensive income in the period that the dividend accrues. 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.

2.19 Revenue

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities net of value added tax and discounts and after eliminating sales within the group. The group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities discussed below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue from the sale of goods is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

When the outcome of the transaction can be estimated reliably, revenue from the sale of services is recognised by reference to the stage of completion of the transaction at the balance sheet date.

In particular, revenue is recognised as follows:

- Sale of radio 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
- Entrance fees – upon the accrual thereof
- Royalty income – upon the accrual thereof
- Barter revenue – upon the accrual 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 and outdoor advertising contracts is recognised over the period of such a subscription or contract.

2.20 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 functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income and disclosed separately in the notes to the annual financial statements.

Accounting policies continued

2.21 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.

2.22 Employee benefits

Defined contribution plans

Group companies have various defined contribution schemes. Under these schemes the group pays contributions, on a mandatory 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.

Share-based compensation benefits

The group operates equity-settled share-based compensation schemes for the benefit of staff, namely the Kagiso Media Share Option Scheme and the Kagiso Media Unrestricted Share Purchase 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 10 years from the date of the grant. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in other reserves. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in the assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each balance sheet date the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the proceeds received net of any transaction cost are credited to share capital (nominal value) and share premium.

The benefits relating to the unrestricted share purchase scheme which is available to executives of the group, are stated at full fair value and there is no related IFRS 2 *Share-based Payments* charge to the statement of comprehensive income.

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.

2.23 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 and/or shareholders.

2.24 Critical accounting estimates and judgements

Estimates and judgements 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.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts within the next financial year are addressed below.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

Asset lives and residual values

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual useful lives of the assets and residual values are assessed annually. In re-assessing asset lives, factors such as technological innovation, product cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value.

Deferred taxation assets

Deferred tax assets are recognised to the extent that it is probable that the taxable income will be available against which the losses can be utilised. Five-year business plans are prepared annually and approved by the boards of the companies. These plans include estimates and assumptions regarding economic growth, interest rates, inflation and competitive forces. These plans contain profit forecasts and cash flows and are utilised in the assessment of the recoverability of deferred tax assets.

Impairment of assets

Goodwill and other indefinite life intangible assets are tested for impairment annually and at other times when such indicators exist. Property, plant and equipment, and intangible assets are considered for impairment if there is a reason to believe that impairment may be necessary. Future cash flows expected to be generated by the assets or cash-generating units are projected taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value and, if lower, the assets are impaired to the present value. The impairment loss is first allocated to goodwill and then to the other assets of a cash-generating unit. Cash flows which are utilised in these assessments are extracted from formal five-year business plans which are updated annually. Further details, including a sensitivity analysis of key assumptions are given in Note 3.

Share-based payments

The group measures the cost of equity-settled transactions with the employees by reference to the fair value of the instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in Note 35.

2.25 New and amended accounting standards and IFRIC interpretations

Accounting policy developments include new standards issued, amendments to standards, and interpretations issued on current standards.

Standards, amendments and interpretations effective in 2010 financial year and adopted by the group

As of 1 July 2009, the group has adopted the following new and amended standards effective for the first time for 30 June 2010 year-end.

IFRS 8 Operating Segments

IFRS 8 requires an entity to adopt the management approach to reporting on the financial performance of its operating segments. The standard sets out the requirements for disclosure of information about an entity's operating segments, and about the entity's products and services, the geographical areas in which it operates, and its major customers.

The group's segment reporting disclosure has been amended to effect the changes of the standard.

IAS 23 (Revised) Borrowing Costs

The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

This amendment did not have an impact on the group's results.

IAS 1 (Revised) Presentation of Financial Statements

The changes made to IAS 1 are to require information in financial statements to be aggregate on the basis of shared characteristics and to introduce a statement of comprehensive income. The revisions to the standard include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are, however, not mandatory for use in financial statements.

The changes relate to disclosure in the financial statements and do not have a significant impact on the group's results. The titles although not mandatory, have been adopted.

IFRS 2 (Amended) Share-based Payments Vesting Conditions and Cancellations

IFRS 2 was amended to provide more clarity on vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

Accounting policies continued

This amendment did not have an impact on the group's results.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation

IAS 32 requires certain financial instruments (ie puttable instruments and instruments that are puttable on liquidation) that would ordinarily meet the definition of a financial liability to be classified as equity. These instruments must meet certain criteria as set out in the amendment. Additional disclosure is also required about the instruments affected by the amendment.

This amendment did not have an impact on the group's results.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate

The IFRS 1 amendment allows a first-time IFRS adopter, at its date of transition to IFRS in its separate financial statements, to use a deemed cost of either fair value or the carrying amount under previous accounting practice to account for an investment in a subsidiary, jointly controlled entity or associate.

The IAS 27 amendment also removes the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.

This amendment did not have an impact on the group's results.

IFRS 7 (Amendment), Financial Instruments: Disclosures

The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring separate liquidity risk analysis for derivatives and non-derivative financial liabilities.

This amendment did not have an impact on the group's results.

IFRS 3 (Revised) Business Combinations

The new standard continues to apply the acquisition method to business combinations, with some significant changes. These changes include the accounting for payments to purchase a business at fair value at the acquisition date, with some contingent

payments subsequently re-measured at fair value through profit or loss. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the non-controlling interest. All the transaction costs are required to be expensed.

This amendment did not have an impact on the group's results but will certainly affect recording of future acquisitions.

IAS 27 (Revised) Consolidated and Separate Financial Statements

The amendment requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and gain or loss is recognised in profit or loss.

This amendment did not have an impact on the group's results.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-side hedged risk when designating options as hedges.

This amendment did not have an impact on the group's results.

Improvements to IFRSs (Issued May 2008)

This is a collection of amendments to IFRS. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvement project provides a vehicle for making non-urgent but necessary amendment to IFRSs. Some amendments involve consequential amendment to IFRSs.

None of the statements affected by the improvements have had significant impact on the group's results.

IFRIC 17 Distributions of Non-cash Assets to Owners

The interpretation applies to the accounting for distributions of non-cash assets (commonly referred to as dividends in specie) distributed to the owners of the entity. The interpretation clarifies that:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;

- an entity should measure the dividend payable at the fair value of the net assets to be distributed; and
- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The interpretation did not have an impact on the group results but will be considered in future distributions of this kind.

Standards, amendments and interpretations effective in 2010 financial year but not relevant to the group

- IFRS 1 (Revised) *First-time Adoption of International Financial Reporting Standards*
- IFRIC 15 *Agreement for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 18 *Transfer of Assets from Customers*

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the group

The effect of all new standards, amendments and interpretations to existing standards that have been issued but which are not yet effective are evaluated by management. These amendments are effective for the financial year commencing 1 July 2010. The expected implications of applicable standards, amendments and interpretations are dealt with below.

Amendments to IFRS 2 Group Cash-Settled Share-based Payment Transactions

The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transactions as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.

Management is currently considering the effect of this standard.

Amendments to IAS 32 Classification of Rights Issues

The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional

currency of the issuer. The amendment states that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.

Management is currently considering the effect of this standard.

IFRS 9 Financial Instruments

The IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

Management is currently considering the effect of this standard.

Improvements to IFRSs (Issued April 2010)

This is a collection of amendments to IFRS. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvement project provides a vehicle for making non-urgent but necessary amendment to IFRSs. Some amendments involve consequential amendment to IFRSs.

Management is currently considering the effect of the statements affected by the improvements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditors. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt.

Management is currently considering the effect of the interpretation.

Standards, amendments and interpretations that are not yet effective and not relevant to the group

- Amendments to IAS 24, *Related Party Disclosures*
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirements*
- Amendments to IAS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*.

Notes to the annual financial statements

for the year ended 30 June 2010

R'000	Computer equipment	Freehold land and buildings*	Furniture and fittings	Leasehold improvements	Motor vehicles	Office equipment	Plant and equipment	Studio equipment	Total
1. Property, plant and equipment									
Group – 2010									
Cost									
Opening balance – 1 July 2009	25 886	87	8 184	8 750	4 494	2 667	5 858	52 125	108 051
Reclassified from intangible assets	5	–	–	–	–	–	–	–	5
Additions	4 753	–	1 203	235	35	305	–	9 463	15 994
Disposals	(727)	–	(66)	(365)	(501)	(169)	(1 342)	(758)	(3 928)
Discontinued operations	–	–	(28)	–	–	–	–	(277)	(305)
Closing balance – 30 June 2010	29 917	87	9 293	8 620	4 028	2 803	4 516	60 553	119 817
Accumulated depreciation									
Opening balance – 1 July 2009	20 115	–	4 779	5 240	1 617	2 022	1 138	30 409	65 320
Reclassified from intangible assets	1	–	–	–	–	–	–	–	1
Disposals	(675)	–	(60)	–	(308)	(168)	(497)	(738)	(2 446)
Discontinued operations	–	–	(6)	–	–	–	–	(173)	(179)
Depreciation	3 625	–	972	1 246	704	266	641	7 531	14 985
Closing balance – 30 June 2010	23 066	–	5 685	6 486	2 013	2 120	1 282	37 029	77 681
Carrying amount									
Opening balance – 1 July 2009	5 771	87	3 405	3 510	2 877	645	4 720	21 716	42 731
Closing balance – 30 June 2010	6 851	87	3 608	2 134	2 015	683	3 234	23 524	42 136
Group – 2009									
Cost									
Opening balance – 1 July 2008	20 650	87	10 016	8 433	3 116	–	25 442	10 620	78 364
Reclassified from/(to) other categories	(739)	–	(4 022)	(331)	11	15 386	(13 124)	(3 314)	(6 133)
Additions	1 925	–	529	2 297	554	1 839	1 542	1 951	10 637
Acquired from business combinations	6 146	–	5 427	1 098	2 685	177	–	43 772	59 305
Reclassified as held-for-sale	–	–	–	–	–	–	(8 002)	–	(8 002)
Disposals	(1 607)	–	(3 508)	(2 660)	(582)	(569)	–	(904)	(9 830)
Discontinued operations	(489)	–	(258)	(87)	(1 290)	(14 166)	–	–	(16 290)
Closing balance – 30 June 2009	25 886	87	8 184	8 750	4 494	2 667	5 858	52 125	108 051
Accumulated depreciation									
Opening balance – 1 July 2008	16 655	–	6 251	5 038	962	–	9 960	8 561	47 427
Reclassified from/(to) other categories	(743)	–	(2 972)	(305)	4	8 455	(7 171)	(3 401)	(6 133)
Acquired from business combinations	2 769	–	4 206	1 033	1 223	57	–	21 520	30 808
Reclassified as held-for-sale	–	–	–	–	–	–	(3 309)	–	(3 309)
Disposals	(1 421)	–	(3 391)	(1 722)	(394)	(291)	–	(805)	(8 024)
Discontinued operations	(321)	–	(151)	–	(688)	(6 534)	1 002	43	(6 649)
Impairment	–	–	–	–	–	–	332	–	332
Depreciation	3 176	–	836	1 196	510	335	324	4 491	10 868
Closing balance – 30 June 2009	20 115	–	4 779	5 240	1 617	2 022	1 138	30 409	65 320
Carrying amount									
Opening balance – 1 July 2008	3 995	87	3 765	3 395	2 154	–	15 482	2 059	30 937
Closing balance – 30 June 2009	5 771	87	3 405	3 510	2 877	645	4 720	21 716	42 731

*The property comprises Section No 137, in extent 161 square metres, in the building known as Ben Avon-Ben Eden situated at Benmore Gardens, Sandton.

	Group	
	2010 R'000	2009 R'000
1. Property, plant and equipment (continued)		
Reconciliation		
Opening balance – 1 July	42 731	30 937
Additions	15 994	10 637
Acquired from business combinations	–	28 497
Reclassified from intangible assets	4	–
Reclassified as held-for-sale	–	(4 693)
Disposals/written off	(1 482)	(1 806)
Discontinued operations	(126)	(9 641)
Depreciation	(14 985)	(10 868)
Impairment of assets	–	(332)
Closing balance – 30 June	42 136	42 731

The impairment charge has been included in "other expenses" in the statement of comprehensive income.

The group leases various motor vehicles, LED screens and production equipment. The lease terms are between 36 and 60 months and ownership of the assets lies within the group. Refer to note 15 for further disclosure.

Useful lives

The useful lives of the assets are estimated as follows:

	2010	2009
Computer equipment	3 – 5 years	3 – 5 years
Furniture and fittings	5 – 10 years	5 – 10 years
Leasehold improvements	3 – 10 years	3 – 10 years
Motor vehicles	3 – 10 years	3 – 10 years
Office equipment	2 – 5 years	2 – 5 years
Plant and equipment	2 – 5 years	2 – 5 years
Studio equipment	2 – 7 years	2 – 7 years

Notes to the annual financial statements continued

for the year ended 30 June 2010

R'000	Trademarks titles and copyright	Develop- ment expendi- ture	Broadcast licence	Trans- mitter split facility	Customer relation- ships	Computer software	Total
2. Intangible assets							
Group – 2010							
Cost							
Opening balance – 1 July 2009	224 357	9 823	62 960	48 030	117 866	3 103	466 139
Reclassified to property, plant and equipment	–	–	–	–	–	(5)	(5)
Additions	–	1 739	–	–	–	2 548	4 287
Disposals and other movements	2 879	–	–	–	–	–	2 879
Closing balance – 30 June 2010	227 236	11 562	62 960	48 030	117 866	5 646	473 300
Accumulated amortisation							
Opening balance – 1 July 2009	94 871	6 722	–	11 808	29 119	1 496	144 016
Reclassified to property, plant and equipment	–	–	–	–	–	(1)	(1)
Disposals and other movements	3 646	–	–	–	–	–	3 646
Amortisation	11 449	1 143	–	2 402	9 835	1 205	26 034
Closing balance – 30 June 2010	109 966	7 865	–	14 210	38 954	2 700	173 695
Carrying amount							
Opening balance – 1 July 2009	129 486	3 101	62 960	36 222	88 747	1 607	322 123
Closing balance – 30 June 2010	117 270	3 697	62 960	33 820	78 912	2 946	299 605
Group – 2009							
Cost							
Opening balance – 1 July 2008	203 791	8 992	62 960	48 030	132 724	1 697	458 194
Reclassified from/(to) other categories and goodwill	27 810	–	–	–	–	(70)	27 740
Additions	2 750	831	–	–	–	1 176	4 757
Acquired and arising from business combinations	28 693	–	–	–	11 449	348	40 490
Reclassified as held-for-sale	–	–	–	–	(26 307)	–	(26 307)
Disposals	–	–	–	–	–	(48)	(48)
Discontinued operations	(38 687)	–	–	–	–	–	(38 687)
Closing balance – 30 June 2009	224 357	9 823	62 960	48 030	117 866	3 103	466 139
Accumulated amortisation							
Opening balance – 1 July 2008	87 441	5 649	–	9 406	27 238	931	130 665
Reclassified from/(to) other categories and goodwill	30 505	(5)	–	–	2	(67)	30 435
Acquired and arising from business combinations	1 092	–	–	–	–	227	1 319
Reclassified as held-for-sale	–	–	–	–	(9 026)	–	(9 026)
Disposals	–	–	–	–	–	(47)	(47)
Discontinued operations	(34 832)	–	–	–	2 578	–	(32 254)
Amortisation	10 665	1 078	–	2 402	8 327	452	22 924
Closing balance – 30 June 2009	94 871	6 722	–	11 808	29 119	1 496	144 016
Carrying amount							
Opening balance – 1 July 2008	116 350	3 343	62 960	38 624	105 486	766	327 529
Closing balance – 30 June 2009	129 486	3 101	62 960	36 222	88 747	1 607	322 123

	Group	
	2010 R'000	2009 R'000
2. Intangible assets (continued)		
Reconciliation		
Opening balance – 1 July	322 123	327 529
Reclassified to goodwill	–	(2 695)
Reclassified to property, plant and equipment	(4)	–
Additions	4 287	4 757
Acquired and arising from business combinations	–	39 171
Reclassified as held-for-sale	–	(17 281)
Disposals and other movements	(767)	(1)
Discontinued operations	–	(6 433)
Amortisation	(26 034)	(22 924)
Closing balance – 30 June	299 605	322 123

The broadcast licence is an indefinite intangible asset based upon the following:

- The broadcast licence is granted by ICASA for a period of 10 years and is renewable. The licence was renewed by ICASA in September 2004.
- There is no limit on the number of times the licence can be renewed and ICASA has in its history never revoked a broadcast licence or denied a renewal of a broadcast licence.
- The cost to renew the broadcast licence is insignificant in relation to the economic benefits that are expected to arise from such licence.

The broadcast licence has been allocated to the Jacaranda FM cash-generating unit, which was tested for impairment as described in Note 3.

3. Goodwill

Cost

Opening balance	195 245	148 900
Reclassified from intangible assets	–	2 695
Acquired and arising from business combinations	–	55 384
Contingent consideration adjustment	(14 875)	17 871
Reclassified as held-for-sale	–	(24 019)
Discontinued operations	(944)	(5 586)
Closing balance	179 426	195 245

Accumulated impairment

Opening balance	9 349	1 123
Impairment	–	8 226
Closing balance	9 349	9 349

Carrying amount	170 077	185 896
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No impairment loss was recognised in the current year. In 2009, an impairment loss of R8 226 000 was recognised on goodwill in Acceleration Media (Proprietary) Limited, Kagiso Exhibitions and Events (Proprietary) Limited and Primetime Kagiso Private Limited due to the fact that the recoverable amount of the cash-generating unit was less than its carrying value. The recoverable amount was based on the value-in-use.

The impairment charges are included in “other expenses” in the statements of comprehensive income.

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 budget 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.

Notes to the annual financial statements continued

for the year ended 30 June 2010

3. Goodwill (continued)

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 flow (Pre-tax) %	Growth rate used to extrapolate cash flow %
Jacaranda FM	84 565	Value-in-use	20	4
Acceleration Media	5 649	Value-in-use	19	4
LexisNexis – CBA training	4 500	Value-in-use	15	4
LexisNexis – Ergosaf	1 978	Value-in-use	15	4
Mobil Alliance	11 168	Value-in-use	25	4
Gloo Digital Design	2 907	Value-in-use	29	4
Urban Brew Studios	53 474	Value-in-use	24	4
Various other units	5 836	Value-in-use	various	various
	170 077			

Quantification of sensitivity of the goodwill impairment calculation in Jacaranda FM and broadcast licence in Jacaranda FM

If the revised estimated growth in perpetuity is 10% lower than management's estimate, the company's value will decrease by 3,3%.

If the weighted average cost of capital applied to the discounted cash flow is 10% higher than management's estimate, the company's value will decrease by 13%.

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 Acceleration Media

If the revised estimated growth in perpetuity is 10% lower than management's estimate, the company's value will decrease by 4%.

If the weighted average cost of capital applied to the discounted cash flow is 10% higher than management's estimate, the company's value will decrease by 17,6%.

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 LexisNexis – CBA training

If the revised estimated growth in perpetuity is 10% lower than management's estimate, this cash-generating unit's value will decrease by 42%.

If the weighted average cost of capital applied to the discounted cash flow is 10% higher than management's estimate, this cash-generating unit's value will decrease by 57%.

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 LexisNexis – Ergosaf

If the revised estimated growth in perpetuity is 10% lower than management's estimate, this cash-generating unit's value will decrease by 28%.

If the weighted average cost of capital applied to the discounted cash flow is 10% higher than management's estimate, this cash-generating unit's value will decrease by 39%.

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 Mobil Alliance

If the revised estimated growth in perpetuity is 10% lower than management's estimate, the company's value will decrease by 3,6%.

If the weighted average cost of capital applied to the discounted cash flow is 10% higher than management's estimate, the company's value will decrease by 12%.

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 Gloo Digital Design

If the revised estimated growth in perpetuity is 10% lower than management's estimate, the company's value will decrease by 3,4%.

If the weighted average cost of capital applied to the discounted cash flow is 10% higher than management's estimate, the company's value will decrease by 13%.

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 Urban Brew Studios

If the revised estimated growth in perpetuity is 10% lower than management's estimate, the company's value will decrease by 2,3%.

If the weighted average cost of capital applied to the discounted cash flow is 10% higher than management's estimate, the company's value will decrease by 17%.

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

	Issued share capital		Interest of holding company				
	Number of shares	Proportion held %		Shares at cost R'000		Loans owing by subsidiaries R'000	
		2010	2009	2010	2009	2010	2009
4. Investment in subsidiaries							
Directly held subsidiaries (principal activity)							
– Kagiso New Media (investment holding)*	100	100	100	–	–	3 242	5 055
– Kagiso Broadcasting (central functions)	10 000	100	100	1	1	–	–
– Kagiso Exhibitions and Events (exhibitions and events management)	90 000	100	100	13 000	13 000	39 689	44 719
– Kagiso Media Investments (investment holding)	10 000	100	100	9 847	9 847	434 256	351 305
– Kagiso Media Limited Share Trust (share option scheme)*	100	100	100	–	–	–	–
– Kagiso Media Limited Share Trust (share purchase scheme)	1 000	100	100	1	1	–	–
– Kagiso Outdoor (investment holding)	200	–	65	–	946	–	28 113
– Kagiso Media Holdings (dormant)*	120	100	100	–	–	–	–
– Urban Brew Studios (television content)	1 001	50,1	50,1	78 001	78 001	–	–
Indirectly held subsidiaries (principal activity)							
– East Coast Radio (radio broadcaster)	1 111 100	100	100	–	–	–	–
– Naledi Media Investment Holdings (investment holding)	1 000 000	100	100	–	–	–	–
– Little Swift Investments 36 (investment holding)	600	100	100	–	–	–	–
– Jacaranda FM (radio broadcaster)	100 000	80	80	–	–	–	–
– Sport on MW (radio broadcaster)	525	81	81	–	–	–	–
– Kusasa Commodities 386 (dormant)	100	–	51	–	–	–	–
– One Gospel Television (gospel channel)	100	100	100	–	–	–	–
– Urban Rhythm Factory (audio material supplier)	100	100	100	–	–	–	–
– Urban Events (general trading)	100	100	100	–	–	–	–
– Mtombo Audio Solutions (marketing and sale of television content)	100	70	70	–	–	–	–
– Virtual Buzz Interactive (wireless application services)	100	51	51	–	–	–	–
– Southstone Records (recording company)	100	70	70	–	–	–	–
– Southstone Music (music company)	100	70	70	–	–	–	–
– Gloo Digital Design (digital design agency)	1 000	50,1	50,1	–	–	–	–
				100 850	101 796	477 187	429 192
<i>Less</i>							
Loans written off				–	–	(25 682)	(25 682)
				100 850	101 796	451 505	403 510
Total investment in subsidiaries						552 355	505 306
Non-current asset						552 355	476 247
Current asset						–	29 059
Profit, net of losses from subsidiaries						157 957	113 923

*The shares at cost or contribution to the trust amounts to less than R1 000.

All subsidiaries listed above are incorporated in South Africa.

Profit from subsidiaries includes only the profit attributable to Kagiso Media Limited, therefore excludes the non-controlling share in the subsidiaries' results. All intercompany transactions between group companies have been eliminated. All secondary tax on companies in the group has been allocated to corporate for reporting purposes.

The loans to subsidiaries are unsecured, interest free, have no fixed terms of repayments and are therefore payable on demand.

Directors' valuation

The investment in subsidiaries of R552 355 000 (2009: R505 306 000) reflects the carrying value of these investments. The directors value these subsidiaries at an aggregate of R1 196 382 000 (2009: R1 245 988 000), on the basis of a market-related multiple of the profit for the year before interest, tax, depreciation and amortisation.

Notes to the annual financial statements continued

for the year ended 30 June 2010

4. Investment in subsidiaries (continued)

Urban Brew contingent consideration

On 1 November 2008, Kagiso Media Limited acquired 50,1% control stake in Urban Brew Studios. In terms of the purchase agreement, Kagiso Media will pay the remaining purchase price balance on 31 December 2010. The amount will be determined as the amount by which the sustainable profit after tax (PAT) for financial year (FY) 2010 exceeds the target PAT for FY2010 multiplied by the contingent consideration multiple, as defined in the purchase agreement. The price of the stake will be agreed to by both parties, on the basis of a valuation performed by an external independent valuator. The total purchase consideration shall not in any event exceed R125 000 000.

A valuation was conducted at 30 June 2010 with the purpose of determining the contingent consideration liability at this date. The valuation determined that the contingent consideration liability is R4 548 000 (2009: R17 995 000). The valuation determined that the present value of the contingent consideration liability has thus decreased by R13 447 000. Borrowings and goodwill have been adjusted for this effect as at 30 June 2010.

The contingent consideration liability was determined using the following key assumptions:

	Revenue growth rate %	Operating income margin %
Year 1	3,0	25,0
Year 2	8,0	13,0
Tax rate	-	28,0
P/E multiple	-	7,7

Critical accounting estimates, judgements and assumptions

Estimates, judgements 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.

Sale of an investment in subsidiary

The investment in Kagiso Outdoor (Proprietary) Limited, disclosed as a current asset in the previous year was sold during the year. The effective date of the sale was 14 December 2009. Refer to discontinued operations Note 36 for more details on the sale.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
5. Investment in joint ventures				
The company exercises joint control over its joint ventures. The investments, all of which are unlisted, are:				
Directly held joint venture				
- 7 950 101 (2009: 7 950 101) ordinary shares in LexisNexis (Proprietary) Limited, representing 50% (2009: 50%) of the total issued share capital				
Investment – at cost			34 170	34 170
Indirectly held joint ventures				
- 4 747 276 (2009: 4 747 276) ordinary shares in RadMark (Proprietary) Limited, representing 49,97% (2009: 49,97%) of the total issued share capital			-	-
- Nil (2009: 501) ordinary shares in Merafe Outdoor (Proprietary) Limited, representing nil (2009: 50,1%) of the total issued share capital			-	-
- 250 000 (2009: 250 000) ordinary shares in Primetime Kagiso Private Limited, trading as Radio Minds, representing 50% (2009: 50%) of the total issued share capital			-	-
- 60 000 (2009: 60 000) ordinary shares in Acceleration Media (Proprietary) Limited, representing 50% (2009: 50%) of the total issued share capital			-	-
- 50 (2009: 50) ordinary shares in Mobil Alliance Media and Technology (Proprietary) Limited, representing 50% (2009: 50%) of the total issued share capital			-	-
- 50 (2009: 50) ordinary shares in Sowetan Television (Proprietary) Limited, representing 50% (2009: 50%) of the total issued share capital			-	-
- 50 (2009: 50) ordinary shares in Urban Staging (Proprietary) Limited, representing 50% (2009: 50%) of the total issued share capital			-	-
- Nil (2009: 50) ordinary shares in Inkfly (Proprietary) Limited, representing nil (2009: 50%) of the total issued share capital			-	-
- 25 (2009: 25) ordinary shares in Significant Projects Activation (Proprietary) Limited, representing 25% (2009: 25%) of the total issued share capital			-	-
- 50 (2009: 50) ordinary shares in East Thirteen Media (Proprietary) Limited, representing 50% (2009: 50%) of the total issued share capital			-	-
- 50 (2009: 50) ordinary shares in Urban Youth Media Productions (Proprietary) Limited, representing 50% (2009: 50%) of the total issued share capital			-	-
Closing carrying amount			34 170	34 170

The investment in joint ventures of R34 170 000 (2009: R34 170 000) reflects the carrying value of these investments. The directors value the investments directly and indirectly held in the joint ventures at R372 389 000 (2009: R479 947 000).

Notes to the annual financial statements continued

for the year ended 30 June 2010

5. Investment in joint ventures (continued)

The following amounts represent the group's effective share of the assets and liabilities and profits of the joint ventures (after elimination of intercompany transactions) and are included in the statement of financial position:

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Property, plant and equipment	8 853	11 737	-	-
Intangible assets	33 085	35 685	-	-
Net deferred income tax liabilities	(7 710)	(3 933)	-	-
Assets classified as held-for-sale	-	58 372	-	-
Liabilities directly associated with assets classified as held-for-sale	-	(21 506)	-	-
Current assets	153 201	158 172	-	-
Current liabilities	(82 452)	(89 077)	-	-
Net assets	104 976	149 450	-	-
The aggregate revenue, profit before tax, taxation, profit after tax and cash flow of the joint ventures (after elimination of inter-company transactions) included in the group results are as follows:				
Revenue	224 837	220 486	-	-
Profit, net of losses, before tax	50 879	59 433	-	-
Income tax expense	(21 365)	(22 976)	-	-
Profit, net of losses, after tax of discontinued operations	(152)	6 764	-	-
Profit, net of losses, after tax	29 362	43 221	-	-
Operating cash flow	971	3 251	-	-
Investing cash flow	(364)	(4 129)	-	-
Financing cash flow	(401)	1 785	-	-
Total cash flow	206	908	-	-

There are no long-term or contingent liabilities relating to the group's interest in the joint ventures.

Investment in Mobil Alliance Media and Technology (Proprietary) Limited (Mobil Alliance)

On 1 November 2007, Kagiso Exhibitions and Events acquired a 50% joint venture stake in Mobil Alliance. In terms of the purchase agreement, Kagiso Exhibitions and Events paid R6,4m which is 50% of the purchase consideration (total purchase consideration was estimated at the effective date at R8,9m). The remaining 50% is payable in April 2012 with reference to the fair market value of the company at 31 December 2011. The price of the stake will be agreed to by both parties, on the basis of a valuation performed by an external independent valuator. This valuation of the company will be based on the sustainable value of the entity (taking into consideration once-off benefits). No maximum price was agreed to.

A valuation of Mobil Alliance's business was conducted at 30 June 2010 with the purpose of determining the deferred purchase consideration liability at this date. The valuation determined that the deferred consideration liability has remained the same at year-end. The total purchase price has therefore remained at R11 771 000 (2009: R11 771 000) and goodwill has remained the same as a result, at 30 June 2010.

Sale of investments in joint ventures

The investment in Merafe Outdoor (Proprietary) Limited, accounted for as an asset held-for-sale since 1 January 2009 was sold when the company disposed of its whole investment in Kagiso Outdoor (Proprietary) Limited. The effective date of the sale was 15 December 2009. Refer to discontinued operations Note 36 for more details on the sale.

Urban Brew Studios disposed its entire 50% investment in Inkfly (Proprietary) Limited on 1 January 2010. Refer to discontinued operations Note 36 for more details.



6. Investment in associates

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

- 27 570 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 a 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 Victory Parade Trading 55 (Proprietary) Limited (Tiso SPV), 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.

Kaya, Heart and iGagasi operate private regional sound broadcast licences.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
At the beginning of the year	58 750	55 734	-	-
Share of results after tax	10 988	12 381	-	-
Share of results before tax	16 240	17 445	-	-
Share of tax*	(5 252)	(5 064)	-	-
Interest on loan	-	-	-	-
Dividends received net of tax	(7 353)	(7 219)	-	-
Repayment of loans by associates	(3 216)	(2 146)	-	-
At the end of the year	59 169	58 750	-	-
The closing carrying amount of the investment can be analysed as follows:				
Shares at cost	26 518	26 518	-	-
Share of reserves	18 633	14 998	-	-
Loans	14 018	17 234	-	-
	59 169	58 750	-	-
The closing carrying amount can be attributed to the individual investments as follows:				
Seyalemoya Communications (Proprietary) Limited	5 162	6 808	-	-
Thebe Convergent Technologies (Proprietary) Limited**	20 642	18 440	-	-
Makana Radio Communications (Proprietary) Limited consisting of:	33 365	33 502	-	-
- Radio Heart 104.9 (Proprietary) Limited	-	-	-	-
- Radio iGagasi 99.5 (Proprietary) Limited	-	-	-	-
	59 169	58 750	-	-

* Excluding STC of Rnil (2009: R505 128) that was re-allocated to the corporate segment.

** Kaya, an indirect associate of Kagiso Media, is included in the Thebe Convergent Technologies (Proprietary) Limited structure.

Notes to the annual financial statements continued

for the year ended 30 June 2010

6. Investment in associates (continued)

The summarised financial position of the associates is as follows:

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Assets	110 667	116 595	-	-
Liabilities	(105 520)	(108 868)	-	-
Revenue	293 239	270 745	-	-
Profit for the year	40 858	43 809	-	-

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 is included from 1 July 2009 to the dates as indicated below. Management accounts and audited financial information, where available, are included for the period from the year-end dates indicated below until 30 June 2010.

	Year-end 2010	Year-end 2009
Seyalemoya Communications (Proprietary) Limited (trading as OFM)	31 March 2010	31 March 2009
Thebe Convergent Technologies (Proprietary) Limited	31 March 2010	31 March 2009
Kaya FM (Proprietary) Limited	31 March 2010	31 March 2009
Makana Radio Communications (Proprietary) Limited	28 February 2010	28 February 2009
Radio Heart 104.9 (Proprietary) Limited	28 February 2010	28 February 2009
Radio iGagasi 99.5 (Proprietary) Limited	28 February 2010	28 February 2009

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

The investment in associates of R59 169 000 (2009: R58 750 000) reflects the carrying value of these investments. The directors value the investments in associates at R74 816 000 (2009: R87 223 000). Investments in broadcasting entities are valued on the basis of a market-related multiple of their profit before interest, depreciation and amortisation.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
7. Loans receivable				
Preference shares				
- Preference shares at the beginning of the year	13 949	14 700	-	-
- Preference share dividends (paid)/receivable	(299)	299	-	-
- Redeemed during the year	(13 650)	(1 050)	-	-
- At the end of the year	-	13 949	-	-

During the year 13 preference shares issued by MSG (Proprietary) Limited (MSG) at the value of R0,01 per share and premium of R1 049 999,99 per share were fully redeemed.

The above preference shares had a coupon rate of 70% of the prime overdraft rate. MSG agreed to transfer 5% of the original issued share capital into a sinking fund on the dividend payment date. If the company elected to do so, the equivalent amount of money was used to redeem preference shares instead. The effective rate of this instrument was 6,93% in 2009. Dividends were payable to the shareholder on 31 March and 30 September of each year until the preference shares were fully redeemed.

The shares held by MSG in Kagiso Outdoor (Proprietary) Limited were pledged as security for the investment in preference shares.

The fair value of the preference shares amounts to Rnil at 30 June 2010 (2009: R14 129 000).

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
7. Loans receivable (continued)				
Non-current loans receivable				
Preference shares	-	13 650	-	-
	-	13 650	-	-
Current loans receivable	2 119	2 329	-	-
Preference share dividends	-	299	-	-
Other loans receivable	2 119	2 030	-	-
Total loans receivable	2 119	15 979	-	-
8. Inventories				
Work-in-progress	9 766	10 960	-	-
Finished goods				
- Published material at cost	8 607	8 090	-	-
	18 373	19 050	-	-
An impairment charge of R2 839 000 (2009: R2 938 000) was booked against the inventories to write these down to net realisable value.				
9. Trade and other receivables				
Financial instruments				
Trade receivables	238 753	228 034	-	-
Less: Provision for impairment of receivables	(34 891)	(19 776)	-	-
Trade receivables – net	203 862	208 258	-	-
Receivables from related parties	13 387	14 574	-	-
Other receivables	9 745	16 818	-	-
Non-financial instruments				
VAT	1 601	6 779	-	-
Receivables from related parties	3 310	3 331	-	-
Staff loans	34	-	-	-
Prepayments	5 269	3 478	115	30
	237 208	253 238	115	30

As at 30 June 2010, trade receivables of R163 147 000 (2009: R146 491 000), other receivables of R9 745 000 (2009: R16 818 000) and receivables from related parties of R13 387 000 (2009: R14 574 000) were fully performing.

Receivables from related parties include loans to directors and key management of R13 242 000 (2009: R12 635 000) granted in terms of the Kagiso Media 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 Limited, which also serves as guarantee for the loans. These loans are repayable within six years from date of grant and carry interest at prime overdraft rate less two percentage points. These loans are fully performing and management considers the risk of default to be negligible albeit the possible fluctuations in the share price.

The loans to directors and key management are classified as current since they are payable on resignation.

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
9. Trade and other receivables (continued)				
As at 30 June 2010, trade receivables of R40 715 000 (2009: R61 767 000) were past due but not impaired. These related to a number of independent customers of whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:				
Past due by 1 to 30 days	11 097	15 596	-	-
Past due by 31 to 60 days	4 375	10 899	-	-
Past due by 61 to 90 days	5 215	2 907	-	-
Past due by more than 90 days	20 028	32 365	-	-
	40 715	61 767	-	-
As at 30 June 2010, trade receivables of R34 891 000 (2009: R19 776 000) were impaired and fully provided for. The individually impaired receivables mainly relate to various customers.				
Past due by 1 to 30 days	1 639	1 571	-	-
Past due by 31 to 60 days	4	355	-	-
Past due by 61 to 90 days	-	29	-	-
Past due by more than 90 days	33 248	17 821	-	-
	34 891	19 776	-	-
The trade receivables that are neither past due nor impaired are considered to have a low risk of default.				
The carrying amount of the financial assets above is considered to be a reasonable approximation of the fair value.				
Reconciliation of the provision for impairment of receivables is as follows:				
Balance at the beginning of the year	19 776	4 463	-	-
Acquired from business combinations	-	16 389	-	-
Discontinued operations and held-for-sale	5 898	(394)	-	-
Provision for impairment of receivables	16 943	10 674	-	-
Receivables written off during the year as uncollectable	(3 090)	(3 142)	-	-
Unused amounts reversed	(4 636)	(8 214)	-	-
Balance at the end of the year	34 891	19 776	-	-
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:				
ZAR	211 511	202 452	-	-
Euro	1 203	4 032	-	-
UK pound	758	983	-	-
US dollar	13 458	32 024	-	-
Other currencies	64	159	-	-
	226 994	239 650	-	-

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
10. Cash and cash equivalents				
Cash on hand	185	148	-	-
Current bank balances	81 379	102 772	751	125
Bank overdraft	(857)	(4)	-	-
Short-term bank deposits	193 512	70 511	54 240	9 530
	274 219	173 427	54 992	9 655
Average effective interest rates for cash and cash equivalents were as follows:				
- Current bank balances (%)	7,9	6,4	13,4	10,4
- Overdraft facility (%)	10,2	13,3	-	-
- Short-term bank deposits (%)	6,2	8,7	6,8	8,9
The carrying amount of cash and cash equivalents is considered to be a reasonable approximation of the fair value. The cash and cash equivalent balances at 30 June 2010 and 30 June 2009 were fully performing.				

11. Ordinary share capital				
Authorised				
200 000 000 ordinary shares of 1 cent each	2 000	2 000	2 000	2 000
Issued				
133 791 854 (2009: 133 791 854) ordinary shares of 1 cent each	1 338	1 338	1 338	1 338
Reconciliation of the issued shares				
		Number		Number
At the beginning of the year	133 791 854	133 507 611	133 791 854	133 507 611
Issued during the year in terms of the Kagiso Media Share Option Scheme	-	284 243	-	284 243
At the end of the year	133 791 854	133 791 854	133 791 854	133 791 854

During the year the company issued nil (2009: 284 243) new shares in terms of the Kagiso Media Share Option Scheme. Outstanding rights to subscribe for shares in the share capital of the company in terms of this scheme as at end of 30 June 2010 were 318 584 (2009: 318 854). Full details of outstanding shares are provided in the directors' report.

All issued shares are fully paid for.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
12. Share premium				
The movement for the year is as follows:				
At the beginning of the year	14 510	13 334	14 510	13 334
Share premium raised on new shares issued	-	1 180	-	1 180
Share issue expenses	-	(4)	-	(4)
At the end of the year	14 510	14 510	14 510	14 510

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
13. Revaluation and other reserves				
Revaluation of intangible assets in Jacaranda FM (Proprietary) Limited	86 559	86 559	-	-
	86 559	86 559	-	-
Employee share option scheme:				
At the beginning of the year	1 956	1 776	-	-
Employee benefit expenses				
- current year expenses	70	180	-	-
At the end of the year	2 026	1 956	-	-
Total revaluation and other reserves	88 585	88 515	-	-
The group acquired control of Jacaranda FM (Proprietary) Limited ("Jacaranda") on 1 August 2004, when an additional 17,5% shares were bought in the then associate. The company's stake in Jacaranda was 60% following the transaction. As at this date a valuation was performed on the intangible assets in Jacaranda in terms of the IFRS 3 <i>Business Combinations</i> . The intangible assets were identified and accounted for namely the broadcast licence, the transmitter split facility, customer relationships and goodwill. The group's share in the 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.				
14. Available-for-sale financial asset				
At the beginning of the year	-	-	-	-
Additions	7 382	-	-	-
At the end of the year	7 382	-	-	-

Available-for-sale financial asset relates to the unlisted investment retained in a former subsidiary whereby control by the group has been lost. This investment was sold subsequent to year-end for the purchase price of R7 382 000.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
15. Borrowings				
Preference shares				
– At the beginning of the year	185 479	209 010	–	–
– Other	–	458	–	–
– Redeemed during the year	(55 988)	(23 989)	–	–
– At the end of the year	129 491	185 479	–	–
– Share issue expenses	(181)	(309)	–	–
	129 310	185 170	–	–
Non-current				
Preference shares	109 322	185 170	–	–
Straight-lining lease liability	4 569	–	–	–
Instalment sale agreements	8 063	9 738	–	–
Contingent consideration liability	6 164	24 161	–	–
	128 118	219 069	–	–
Current				
Short-term borrowings	1 825	2 059	–	–
Preference shares	19 988	–	–	–
Loans from related parties	–	15 751	208 798	166 899
Contingent consideration liability	4 548	–	–	–
Instalment sale agreements	4 536	3 159	–	–
	30 897	20 969	208 798	166 899
Total borrowings	159 015	240 038	208 798	166 899

Preference shares

The following terms and conditions were agreed upon: the preference shares have a coupon rate of 70% of the prime overdraft rate and are secured by a guarantee from Kagiso Media Limited, Kagiso Broadcasting (Proprietary) Limited and Kagiso Exhibitions and Events (Proprietary) 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 any required capital repayments on debt.

Kagiso Media Investments (Proprietary) Limited agreed to transfer 5% of the original issued share capital into a sinking fund on the dividend payment date, referred to below. If the company elects to do so, the equivalent amount of money could be used to redeem preference shares instead. On 30 September 2009 and 31 March 2010 the company elected to redeem shares according to the agreement. The remaining preference shares are redeemable in cash on the fifth anniversary of the issue of the shares. The effective rate of this instrument is 6,93% (2009: 6,93%). Dividends are payable to the shareholders on 31 March and 30 September of each year until the preference shares have been fully redeemed.

As at 30 June 2010, the preference shares issued by Kagiso Media Investments (Proprietary) Limited (KMI) were made up as follows:

- Nil (2009: 36) preference shares at the value of R0,01 and premium of R999 999,99 per share
- 149 (2009: 172) preference shares at the value of R0,01 and premium of R869 066,52 per share

In the current year, 36 preference shares were redeemed using the proceeds of the sale of Kagiso Outdoor (Proprietary) Limited.

The fair value of the preference shares at 30 June 2010 was R192 597 000 (2009: R192 141 000).

Loans from related parties

The loans from related parties included funds provided by MSG Afrika Media (Proprietary) Limited, the 35% non-controlling shareholder in Kagiso Outdoor (Proprietary) Limited. The loan was interest free and payable on demand. The loan was repaid during the year and thus the fair value of this loan at 30 June 2010 was nil (2009: R15 751 000).

Instalment sale agreements

The instalment sale agreements relate to the financing of motor vehicles, LED screens and production equipment. The agreements were entered into for a period of between 36 to 60 months and have fluctuating, variable interest rates. The effective interest rate is 11,25% (2009: 10,84%).

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
15. Borrowings (continued)				
Assets: security for instalment sale agreements				
Cost price	8 982	21 594	-	-
Accumulated depreciation	(3 545)	(6 805)	-	-
Carrying amount	5 437	14 789	-	-
Instalment sale liabilities – minimum payments				
Not later than one year	5 549	4 356	-	-
Later than one year and not later than five years	8 694	10 923	-	-
	14 244	15 279	-	-
Future finance expenses on instalment sale payments	(1 645)	(2 381)	-	-
Present value of instalment sale liabilities	12 599	12 898	-	-
The present value of instalment sale liabilities is as follows:				
Not later than one year	4 536	3 191	-	-
Later than one year and not later than five years	8 063	9 707	-	-
	12 599	12 898	-	-
The group and company did not default on any payments or breach any terms of the agreements in respect of the above borrowings during the years ended 30 June 2010 and 30 June 2009 respectively.				
16. Deferred income taxes				
Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 28% (2009: 28%), except in the case of secondary tax on companies, where a tax rate of 10% (2009: 10%) applies.				
The movement on the net deferred tax account is as follows:				
At the beginning of the year	(73 446)	(66 179)	-	-
Arising from acquisitions	-	2 389	-	-
Acquired from business combinations	-	(10 776)	-	-
Discontinued operations	(15)	1 737	-	-
Charged to the income statements – current year	10 414	(2 088)	-	-
Charged to the income statements – previous year underprovision	1 410	-	-	-
Associate share	-	1 471	-	-
At the end of the year	(61 637)	(73 446)	-	-

	2009 R'000	Movement for the year R'000	2010 R'000
16. Deferred income taxes (continued)			
The movement in deferred tax assets and liabilities during the period is as follows:			
Deferred income tax assets			
Prepayments	33	(50)	(17)
Property, plant and equipment	5 873	(6 039)	(166)
Trademarks and copyrights	7	(7)	-
Trademark allowances	-	-	-
Section 24C allowances	-	174	174
Straight-lining of leases	-	112	112
Deferred revenue	5 585	(762)	4 823
Doubtful debt provisions	1 010	1 502	2 512
Accruals	6 164	5 517	11 681
Other timing differences	1 866	(130)	1 736
	20 538	317	20 855
Deferred income tax liabilities			
Intangible assets	(80 299)	4 505	(75 794)
Property, plant and equipment	(3 960)	919	(3 041)
Doubtful debt provisions	(6 893)	5 913	(980)
Prepayments	(568)	(65)	(633)
Section 24C allowances	(205)	205	-
Other timing differences	(2 059)	15	(2 044)
	(93 984)	11 492	(82 492)
Net deferred income tax liabilities	(73 446)	11 809	(61 637)

No deferred tax assets were recognised in respect of an estimated tax loss of R86 047 000 (2009: R77 515 000), as it is not probable that these losses will be recovered against taxable income in the foreseeable future.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
17. Trade and other payables				
Financial instruments				
Trade payables	37 167	43 076	-	-
Other payables	20 501	23 193	-	1
Other accruals	35 734	25 370	538	1 069
Accrual for audit fee	903	-	-	-
Payables to related parties	582	217	-	-
Profit share due to show owners and related creditors	9 470	13 219	-	-
Amounts owing to equity holders	612	526	612	526
Amounts owing to preference shareholders	2 284	3 979	-	-
Non-financial instruments				
Accrual for leave pay	5 259	4 390	-	-
Accrual for straight-lining of leases	2 676	9 487	-	-
VAT	8 862	14 330	-	-
Income received in advance	2 235	8 868	-	-
Annual subscription revenue	23 438	31 511	-	-
Bonus and other profit share incentives	18 567	9 996	486	690
	168 290	188 162	1 637	2 286

The carrying amounts of the financial liabilities above are considered to be a reasonable approximation of the fair value.

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Corporate R'000	Broad- casting R'000	Inform- ation and Other R'000	New Media R'000	Content R'000	Outdoor R'000	Group 2010 R'000
18. Segment information							
Group 2010							
Revenue	2 255	472 430	240 247	37 689	153 650	-	906 271
Other income	4 391	10 684	2 072	289	1 200	-	18 636
Raw material and consumables	-	(867)	(81 825)	(9 339)	(71 758)	-	(163 789)
Commission and levies	-	(117 961)	-	-	(1 124)	-	(119 085)
Employee costs	(17 606)	(54 073)	(46 195)	(12 761)	(17 074)	-	(147 709)
Marketing and programming expenses	(1 682)	(12 460)	(1 654)	(660)	(662)	-	(17 118)
Professional and consulting fees	(5 317)	(2 873)	(3 837)	(594)	(2 616)	-	(15 237)
Rental and management fees	(1 613)	(16 656)	(3 546)	(1 058)	(8 007)	-	(30 880)
Depreciation	(420)	(1 977)	(3 244)	(326)	(9 018)	-	(14 985)
Amortisation	(789)	(13 102)	(5 050)	(1 797)	(5 296)	-	(26 034)
Other expenses	(14 236)	(27 511)	(28 762)	(1 780)	(14 288)	-	(86 577)
Operating profit/(loss)	(35 017)	235 634	68 206	9 663	25 007	-	303 493
Finance income	5 196	4 899	3 025	378	1 197	-	14 695
Finance expenses	(13 690)	(19)	(610)	(1)	(1 178)	-	(15 498)
Share of results of associates	-	10 988	-	-	-	-	10 988
Profit/(loss) before income tax	(43 511)	251 502	70 621	10 040	25 026	-	313 678
Income tax expense	(14 592)	(64 947)	(18 874)	(3 037)	(6 022)	-	(107 472)
Profit/(loss) for the year from continuing operations	(58 103)	186 555	51 747	7 003	19 004	-	206 206
Profit/(loss) after tax from discontinued operations	4 420	-	-	-	(152)	-	4 268
Profit/(loss) arising from discontinuance of operations	17 549	-	-	-	(28)	-	17 521
Profit/(loss) for the year	(36 134)	186 555	51 747	7 003	18 824	-	227 995
Non-controlling interests	-	(15 415)	-	(3 543)	(9 342)	-	(28 300)
Attributable to equity holders	(36 134)	171 140	51 747	3 460	9 482	-	199 695
Assets	42 703	563 269	221 284	37 514	181 849	-	1 051 119
Associates	-	59 169	-	-	-	-	59 169
Total assets	42 703	622 438	221 284	37 514	181 849	-	1 110 288
Total liabilities	(143 742)	(56 066)	(76 260)	(16 825)	(34 412)	-	(327 305)
Net assets/(liabilities)	(96 539)	566 372	145 024	20 689	147 437	-	782 983
Other segment items							
Capital expenditure	2 142	1 415	3 273	1 275	12 176	-	20 281

	Corporate R'000	Broad- casting R'000	Inform- ation and Other R'000	New Media R'000	Content R'000	Outdoor R'000	Group 2009 (restated) R'000
18. Segment information (continued)							
Group 2009							
Revenue	1 434	469 945	242 345	11 635	128 316	-	853 675
Other income	3 083	8 566	399	215	1 684	-	13 947
Raw material and consumables	-	(4 234)	(76 442)	(718)	(65 457)	-	(146 851)
Commission and levies	-	(104 573)	-	-	(650)	-	(105 223)
Employee costs	(10 901)	(46 875)	(51 097)	(5 854)	(10 490)	-	(125 217)
Marketing and programming expenses	(2 121)	(20 336)	(1 738)	(129)	(931)	-	(25 255)
Professional and consulting fees	(8 381)	(2 785)	(4 344)	(70)	(788)	-	(16 368)
Rental and management fees	(1 479)	(13 183)	(5 007)	(382)	(5 001)	-	(25 052)
Depreciation	(360)	(2 128)	(3 184)	(89)	(5 107)	-	(10 868)
Amortisation	(176)	(12 993)	(5 147)	(1 145)	(3 463)	-	(22 924)
Other expenses	(12 755)	(34 908)	(36 379)	(1 397)	(12 331)	-	(97 770)
Operating profit/(loss)	(31 656)	236 496	59 406	2 066	25 782	-	292 094
Finance income	6 512	5 678	2 495	421	744	-	15 850
Finance expenses	(21 854)	(65)	(893)	(12)	(1 081)	-	(23 905)
Share of results of associates	-	12 381	-	-	-	-	12 381
Profit/(loss) before income tax	(46 998)	254 490	61 008	2 475	25 445	-	296 420
Income tax expense	(8 633)	(66 499)	(24 365)	(695)	(7 869)	-	(108 061)
Profit/(loss) for the year from continuing operations	(55 631)	187 991	36 643	1 780	17 576	-	188 359
Profit/(loss) after tax from discontinued operations	2 005	-	(6 321)	-	161	1 267	(2 888)
Profit arising from discontinuance of operations	-	-	8 993	-	-	-	8 993
Profit/(loss) for the year	(53 626)	187 991	39 315	1 780	17 737	1 267	194 464
Non-controlling interests	-	(15 371)	-	(871)	(8 849)	(444)	(25 535)
Attributable to equity holders	(53 626)	172 620	39 315	909	8 888	823	168 929
Segment assets	8 245	524 729	254 723	27 272	197 475	58 372	1 070 816
Associates	-	58 750	-	-	-	-	58 750
Total assets	8 245	583 479	254 723	27 272	197 475	58 372	1 129 566
Total liabilities	(228 135)	(39 927)	(105 114)	(9 006)	(46 018)	(18 932)	(447 132)
Net assets/(liabilities)	(219 890)	543 552	149 609	18 266	151 457	39 440	682 434
Other segment items							
Capital expenditure	1 327	1 710	9 489	235	2 264	369	15 394

Discontinued operations are shown separately in the statement of comprehensive income as a one-line item "Profit/(loss) after tax for the year from discontinued operations".

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group	
	2010 R'000	2009 R'000
18. Segment information (continued)		
Reconciliation of total assets		
Total assets per the segment report	1 110 288	1 129 566
Income tax assets	1 284	-
Deferred income tax assets	20 855	20 538
Total assets per the statement of financial position	1 132 427	1 150 104
Reconciliation of total liabilities		
Total liabilities per the segment report	(327 305)	(447 132)
Income tax liabilities	(7 423)	(18 044)
Income tax liabilities classified as held-for-sale	-	(1 499)
Deferred income tax liabilities	(82 492)	(93 984)
Deferred income tax liabilities classified as held-for-sale	-	(1 075)
Total liabilities per the statement of financial position	417 220	(561 734)

General

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

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (CODM). The CODM is defined as the board of directors that are responsible for making strategic decisions.

The group does not distinguish between geographical segments, because its operations, although based in Gauteng, KwaZulu-Natal, Western Cape 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.

Segment assets comprise property, plant and equipment, intangible assets, loans receivable, inventories, trade and other receivables and operating cash. Segment liabilities consist of borrowings and operating liabilities. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

The group operates niche media outlets in the field of regional radio broadcasting, airtime and internet sales, information services and solutions, out-of-home advertising, exhibitions and events and content production and distribution. The segments can be briefly described as follows:

1. Corporate (previously named central services)

The segment comprises the listed entity namely Kagiso Media Limited, Kagiso Media Investments (Proprietary) Limited, Kagiso Broadcasting (Proprietary) Limited and a number of other 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. The Corporate segment charges management fees and services to some of the broadcasting and information and other segments. These charges are eliminated on consolidation and hence not reflected in the above analysis. Any debt 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 of operations in the radio broadcasting, radio advertising and internet 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. This segment now includes Kagiso Media Convergence whose main purpose is to create online content for the radio audience. The performance of this segment is 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 Other

The Information and Other segment publishes information in the areas of law, tax and accounting, in printed and electronic forms and sells this to more than 50 000 customers, who are professionals and tertiary students. It also provides legal compliance management services and access to public records, 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 number of professionals in the field and the level of parliamentary activity in respect of new legislation.

This segment includes other solution lines, namely compliance training and consulting, risk management and document assembly solutions as part of the strategy to be an information solutions provider. This segment also includes Mobil Alliance and the remaining exhibitions business which attract below-the-line advertising spend, due to exhibitors and events exposure to both consumers as well as advertisers.

18. Segment information (continued)**4. New Media**

The internet segment includes Gloop, our digital design agency and Acceleration Media whose core product is online media buying for customers. Gloop works across a wide number of digital channels for its clients, both online and offline, including cellular, viral, interactive kiosks, experiential spaces, direct digital, interactive television, CD ROMS and DVDs.

5. Content

The content segment produces and distributes audio-visual content on broadcasting platforms including but not limited to live and pre-recorded television, concept development, content production, post-production, editing and broadcasting. The performance of this segment is not directly impacted by advertising revenue, hence it provides a degree of diversification of Kagiso Media's revenue mix and is well positioned to take advantage of platform convergence driven by technology.

6. Outdoor (discontinued)

The outdoor segment was disposed of during the year under review.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
19. Revenue				
Revenue is derived from the sale of:				
Advertising including trade exchange income	472 055	473 127	-	-
Web income	3 187	-	-	-
Subscriptions to published works	61 690	64 690	-	-
Electronic and online products	55 956	48 306	-	-
Non-subscription products in information services and solutions segment	91 670	94 696	-	-
Production income	153 650	128 317	-	-
Exhibition floor space	5 625	6 142	-	-
Stand building and related services	-	65	-	-
Contract service revenue	32 851	-	-	-
Public viewing revenue	3 623	-	-	-
Entrance fees, commissions, sponsorships and other	25 964	38 332	-	-
	906 271	853 675	-	-
20. Other income				
Income from events and production of advertisements	5 697	5 575	-	-
Profit on sale of investments	-	-	11 497	-
Other	12 939	8 372	-	-
Dividends received from subsidiaries	-	-	85 848	47 573
Dividends received from joint ventures	-	-	45 000	40 909
	18 636	13 947	142 345	88 482
21. Operating profit				
The following items have been charged/(credited) in deriving the operating profit:				
Auditors' remuneration				
Audit fees				
- Current year	5 291	5 272	1 781	1 185
- Adjustment for prior year	295	742	-	-
Fees for professional services				
- Taxation services	266	177	-	17
- Secretarial services	82	47	-	12
- Other services	177	729	-	-
- Technical services	50	-	-	-
	6 160	6 967	1 781	1 214

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
21. Operating profit (continued)				
Depreciation of property, plant and equipment				
– Computer equipment	3 625	3 176	–	–
– Furniture and fittings	972	836	–	–
– Leasehold improvements	1 246	1 196	–	–
– Motor vehicles	704	510	–	–
– Plant and equipment	641	324	–	–
– Office equipment	266	335	–	–
– Studio equipment	7 531	4 491	–	–
	14 985	10 868	–	–
Amortisation of intangible assets				
– Trademarks, titles and copyright	11 449	10 665	–	–
– Development expenditure	1 143	1 078	–	–
– Transmitter split facility	2 402	2 402	–	–
– Customer relationships	9 835	8 327	–	–
– Computer software	1 205	452	–	–
	26 034	22 924	–	–
Repairs and maintenance expenditure on property, plant and equipment	616	701	–	–
Loss on disposal of property, plant and equipment	85	892	–	–
Loss on disposal of intangible assets	767	–	–	–
Profit on disposal of investments	–	–	(11 497)	–
Directors' emoluments				
– For services as non-executive directors	1 077	971	1 077	971
– For services as executive directors				
– basic salary	3 724	4 514	–	–
– bonuses and performance-related payments	2 106	34	–	–
– share options	58	58	–	–
– other	114	10	–	10
– pension costs – defined contribution plans	426	468	–	–
	7 447	6 055	1 077	981
Staff costs				
– wages and salaries	124 949	114 924	–	–
– skills development	268	235	–	–
– pension costs–defined contribution plans	3 714	4 003	–	–
– other	1 234	–	–	–
– bonuses	10 097	–	–	–
	140 262	119 162	–	–
Total employment costs	147 709	125 217	1 077	981

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
21. Operating profit (continued)				
Total average monthly number of persons employed during the year	849	721	-	-
Company and subsidiaries	447	508	-	-
Full time	397	457	-	-
Part time	50	51	-	-
Joint ventures	402	213	-	-
Full time	397	210	-	-
Part time	5	3	-	-
Operating lease expenses	28 373	30 474	-	-
Foreign exchange losses	955	6 734	-	-
Trade receivables – provision for impairment of receivables	15 115	(1 076)	-	-
Research and development expenditure	-	120	-	-
Impairment of goodwill	-	8 226	-	-
Impairment of PPE	-	332	-	-
Impairment of loans	-	-	-	24 433
22. Finance income				
Interest income				
– funds on call	12 449	11 768	1 455	900
– preference dividends	481	1 444	-	-
– current accounts	380	911	34	-
– other	1 385	1 727	-	-
	14 695	15 850	1 489	900
23. Finance expenses				
Interest expense				
– bank borrowings	287	2 776	-	-
– finance lease liabilities	1 085	-	-	-
– preference dividends	12 264	20 369	-	-
– deferred liability consideration	1 428	-	-	-
– other	434	760	-	23
	15 498	23 905	-	23
24. Share of results of associates				
The group's share of the results of associates, after tax was derived as follows:				
Seyalemoya Communications (Proprietary) Limited (trading as OFM)	3 574	3 779	-	-
Kaya FM through Thebe Convergent Technologies (Proprietary) Limited	4 335	4 924	-	-
Radio Heart 104.9 and iGagasi 99.5 through Makana Radio Communications (Proprietary) Limited	3 079	3 678	-	-
	10 988	12 381	-	-

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
25. Income tax expense				
Current tax				
– current year	104 677	101 122	2 020	374
– prior year underprovision	2 040	(205)	–	–
Secondary tax on companies	12 579	6 527	2 425	–
Deferred tax – current year	(10 414)	617	–	2
Deferred tax – prior year underprovision	(1 410)	–	–	–
	107 472	108 061	4 445	376
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 income tax	313 678	296 420	138 780	58 948
Tax calculated at a tax rate of 28% (2009: 28%)	87 830	82 998	38 858	16 505
Expenses not deductible for tax purposes	8 219	9 458	1 409	8 508
Unprovided timing differences	1 649	4 714	–	–
Exempt income	(4 631)	–	(36 637)	(24 775)
Previously recognised tax losses written back	–	4 836	–	–
Recognition of previously unrecognised tax losses	–	(87)	–	–
Capital gains	(1 610)	–	(1 610)	–
Prior year underprovision	630	(205)	–	136
Secondary tax on companies	12 579	6 527	2 425	–
Share of tax of associates	(3 077)	–	–	–
Other	5 883	(180)	–	2
Income tax expense	107 472	108 061	4 445	376

	Group	
	2010 R'000	2009 R'000
26. Earnings per share		
Basic earnings per share		
Basic earnings per share is calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.		
Profit attributable to equity holders from continuing operations	177 906	162 824
Weighted average number of ordinary shares in issue ('000)	133 792	133 726
Basic earnings per share (cents)	133,0	121,8
Diluted earnings per share		
For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all rights to acquire shares in the company pursuant to the Kagiso Media Limited Share Option 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 profits.		
Profit attributable to equity holders from continuing operations	177 906	162 824
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	133 983	133 870
Weighted average number of ordinary shares in issue ('000)	133 792	133 726
Adjustment for rights to acquire shares ('000)	191	144
Diluted earnings per share (cents)	132,8	121,6
Headline earnings per share		
Headline earnings calculation		
Profit attributable to equity holders	199 695	168 929
To which is added back the following items:		
Impairment of goodwill	-	8 226
Impairment of property, plant and equipment	-	332
Profit arising from discontinuance of operations	(17 521)	(8 993)
Loss on disposal of intangible assets	767	-
Loss on disposal of property, plant and equipment	85	892
Headline earnings	183 026	169 386
Headline earnings per share (cents)	136,8	126,7
Diluted headline earnings per share		
(for this purpose the weighted average number of shares in issue is not changed)		
Headline earnings	183 026	169 386
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	133 983	133 870
Diluted headline earnings per share (cents)	136,6	126,5

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
27. Dividends per share				
The following dividends are reflected in the results for the year:				
Final dividend paid (cents per share)	27	24	27	24
Interim dividend paid (cents per share)	35	35	35	35
Total dividend paid (cents per share)	62	59	62	59
<p>A final dividend of 35 cents per share in respect of the year to 30 June 2010 was declared by the directors on 23 September 2010 and will be reflected in the results for the year to 30 June 2011. This 35 cents (2009: 27 cents) per share will translate into a cash outflow of R46 827 000 (2009: R36 124 000) and a related secondary tax on companies of R4 683 000 (2009: R3 612 000).</p> <p>Over and above the final dividend declared above, the directors have on 23 September 2010, declared a special dividend of 10 cents per share. This 10 cents per share will translate into a cash outflow of R13 379 000 and a related secondary tax on companies of R1 338 000.</p>				
28. Cash flow information				
28.1 Cash generated from operations				
Profit for the year from continuing operations	206 206	188 359	134 335	58 572
Profit/(loss) for the year from discontinued operations	4 268	(2 888)	-	-
Adjustments for:				
- income tax expense	107 472	110 753	4 445	376
- depreciation	14 985	14 802	-	-
- amortisation	26 034	25 503	-	-
- impairment of goodwill	-	11 059	-	-
- impairment of property, plant and equipment	-	332	-	-
- other non-cash items	(834)	139	-	-
- profit on disposal of investments	-	-	(11 497)	-
- loss on disposal of intangible assets	767	-	-	-
- loss on disposal of property, plant and equipment	85	1 060	-	-
- finance income	(14 695)	(16 674)	(1 489)	(900)
- share-based payment expense	70	180	-	-
- finance expenses	3 234	3 636	-	23
- preference share dividends	12 264	20 369	-	-
- preference share issue expenses written off	128	39	-	-
- share of results of associates	(10 988)	(12 381)	-	-
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation):				
- inventories	677	(5 188)	-	-
- trade and other receivables	15 995	(21 983)	(85)	898
- loans receivable	210	(82)	-	18 911
- other financial assets	(7 382)	-	(36)	(29 059)
- trade and other payables	(18 115)	7 431	(649)	1 324
Cash generated from operations	340 381	324 466	125 024	50 145

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
28. Cash flow information (continued)				
28.2 Reconciliation of income tax paid				
Balance at the beginning of the year	18 044	15 895	152	163
Amount charged to the statement of comprehensive income	119 296	110 706	4 445	374
Acquired in subsidiary/joint venture	-	206	-	-
Discontinued operations	15	(941)	-	-
Classified as held-for-sale	-	(1 499)	-	-
Balance at the end of the year	(6 139)	(18 044)	11	(152)
Income tax paid	131 216	106 323	4 608	385
28.3 Reconciliation of dividends paid to preference shareholders				
Balance at the beginning of the year	3 979	5 608	-	-
Amount charged to the statement of comprehensive income	12 264	20 369	-	-
Balance at the end of the year	(2 284)	(3 979)	-	-
Dividends paid to preference shareholders	13 959	21 998	-	-

	Acquiree's carrying amount on acquisition date R'000	Fair value on acquisition date R'000
28.4 Acquisition of subsidiaries, net of cash		
Group 2009		
Urban Brew Studios and Gloo Digital Design		
The assets and liabilities arising from the acquisition are as follows:		

28.4 Acquisition of subsidiaries, net of cash

Group 2009

Urban Brew Studios and Gloo Digital Design

The assets and liabilities arising from the acquisition are as follows:

Property, plant and equipment	28 357	28 357
Intangible assets	798	38 744
Goodwill	2 979	2 979
Net deferred income tax asset	2 389	2 389
Income tax asset	168	168
Trade and other receivables	32 504	32 504
Cash and cash equivalents	15 724	15 724
Deferred tax liabilities on intangibles	-	(10 625)
Trade and other payables	(27 990)	(27 990)
Borrowings	(14 050)	(14 050)
Income tax liabilities	(374)	(374)
Net assets acquired	40 505	67 826
Non-controlling interest	-	(33 813)
Kagiso Media's share in the fair value of net assets acquired	-	34 013
Purchase consideration	-	84 294
Cash and cash equivalents in business acquired	-	(15 724)
Acquisition of subsidiaries, net of cash	-	68 570

Notes to the annual financial statements continued

for the year ended 30 June 2010

28. Cash flow information (continued)

28.5 Acquisition by joint ventures, net of cash

Group 2009

Ergosaf Environmental Occupational Health Services

	Acquiree's carrying amount on acquisition date R'000	Fair value on acquisition date R'000
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	35	139
Intangible assets	-	427
Trade and other payables	(44)	(44)
Cash and cash equivalents	-	-
Kagiso Media's share in the fair value of net assets acquired	(9)	522
Purchase consideration	-	2 500
Cash and cash equivalents in business acquired	-	-
Deferred consideration purchase price	-	(375)
Acquisition by joint ventures, net of cash	-	2 125

28.6 Disposal of investments, net of cash

Group 2010

Inkfly (Proprietary) Limited

	Fair values on disposal date R'000
The assets and liabilities disposed were as follows:	
Property, plant and equipment	99
Income tax asset	15
Trade and other receivables	34
Cash and cash equivalents	116
Trade and other payables	(36)
Kagiso Media's share in the fair value of net assets disposed	228
Loss on sale	(28)
Proceeds	200
Cash and cash equivalents of the investments disposed	(116)
Proceeds from disposal of investments, net of cash	84

28. Cash flow information (continued)

Group 2010

Kagiso Outdoor (Proprietary) Limited and Merafe Outdoor (Proprietary) Limited

	Fair values on disposal date		
	Kagiso Outdoor R'000	Merafe Outdoor R'000	Total R'000
Property, plant and equipment	-	4 693	4 693
Intangible assets	-	17 281	17 281
Goodwill	-	96	96
Trade and other receivables	-	6 760	6 760
Cash and cash equivalents	-	5 619	5 619
Deferred tax liabilities	-	(1 075)	(1 075)
Income tax liabilities	-	(1 499)	(1 499)
Trade and other payables	-	(18 932)	(18 932)
Intergroup borrowings	(28 150)	-	(28 150)
Other borrowings	(15 750)	-	(15 750)
Total value of assets and liabilities disposed	(43 900)	12 943	(30 957)
Kagiso Media's share in the fair value of net liabilities disposed	-	-	(20 122)
Intergroup borrowings settled	-	-	18 298
Goodwill on consolidation at date of sale	-	-	24 868
Profit on sale	-	-	17 549
Proceeds	-	-	40 592
Cash and cash equivalents of the investments disposed	-	-	(5 619)
Proceeds from disposal of investments, net of cash	-	-	34 973

Group 2009

Kagiso Exhibitions (Proprietary) Limited unprofitable businesses

	Fair value on disposal date R'000
The assets and liabilities disposed of were as follows:	
Property, plant and equipment	5 712
Deferred tax assets	154
Trade and other receivables	10 525
Cash and cash equivalents	2 926
Goodwill	1 816
Other borrowings	(131)
Trade and other payables	(5 623)
Income tax liabilities	(941)
Kagiso Media's share in the fair value of net assets disposed	14 438
Loss on sale	(1 056)
Proceeds	13 382
Cash and cash equivalents of the investments disposed	(2 926)
Proceeds from disposal of investments, net of cash	10 456

Notes to the annual financial statements continued

for the year ended 30 June 2010

29. Defined contributions plans

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

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
30. Commitments				
The group leases various offices and other items under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in Note 21.				
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:				
– not later than one year	20 223	18 969	–	–
– later than one year and not later than five years	30 444	40 118	–	–
– later than five years	109	549	–	–
Total future cash flow	50 776	59 636	–	–
The future minimum capital commitments within the following 12 months which have been approved by the board of directors but not contracted for as at balance sheet date and not recognised in the financial statements are as follows:				
Property, plant and equipment	21 365	5 875	–	–
Intangible assets	2 558	5 514	–	–
	23 924	11 390	–	–
Sponsorship commitments				
Other commitments relate to the title sponsorship agreement entered into during the year with the University of the Witwatersrand				
– not later than one year	345	427	–	–
– later than one year and not later than five years	–	345	–	–
Total future cash flow	345	772	–	–

There were no capital commitments extending beyond 12 months as at the end of the financial year. Capital expenditure will be funded from operating cash or from existing funding facilities and where necessary by raising additional facilities.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
31. Contingent liabilities				
Amount outstanding under banking facilities of System Publishers Guarantee	700	474	700	474
Kagiso Media Limited guarantees the banking facilities of Systems Publishers (Proprietary) Limited, previously a subsidiary. 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. The outstanding amount as at the end of the financial year relates to an overdraft and letter of guarantee facilities. A second bond has been registered over the fixed property of a director of Systems Publishers (Proprietary) Limited. This bond ensures that Kagiso Media would suffer no financial loss should Kagiso Media be called on to honour the guarantee. The company therefore did not provide for any liability in the financial statements.				
Preference shares commitments	-	-	129 491	185 479
Kagiso Media Limited and Kagiso Broadcasting (Proprietary) Limited guarantee 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 specific time, the preference shareholders could exercise this put option against any or all of the named entities 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.				
Contingent liability consideration to Urban Brew	-	-	5 548	17 995
On 1 November 2008, Kagiso Media Limited acquired a 50,1% controlling stake in Urban Brew Studios. In terms of the purchase agreement, Kagiso Media will pay the remaining purchase price balance on 31 December 2010. The amount will be determined as the amount by which the sustainable profit after tax (PAT) for financial year (FY) 2010 exceeds the target PAT for FY2010 multiplied by the contingent consideration multiple, as defined in the purchase agreement. The price of the stake will be agreed to by both parties, on the basis of a valuation performed by an external independent valuator. The total purchase consideration shall not in any event exceed R125 000 000.				
	700	474	134 739	203 948

Notes to the annual financial statements continued

for the year ended 30 June 2010

31. Contingent liabilities (continued)

Put options

There is a put option between Mobil Alliance Media and Technology (Proprietary) Limited (Mobil Alliance) and Kagiso Media Limited that should Kagiso Exhibitions and Events (Proprietary) Limited (KEE) be sold out of the Kagiso Media group then Kagiso Media Limited will purchase 50% in Mobil Alliance currently held by KEE with rights and obligations attached to the deal to be transferred to Kagiso Media Limited.

There is a put option between Acceleration Media (Proprietary) Limited (Acceleration Media) and Lagardère Active Radio International Societe Anonyme (LARI) that should Kagiso Media Investments (Proprietary) Limited (KMI) be sold or moved out of Kagiso Trust Investments (Proprietary) Limited stable, then LARI may put its 50% stake in Acceleration Media to KMI at a market-related price at that time.

A put option has been written in favour of Tsiya Radio (Proprietary) Limited. Tsiya Radio (Proprietary) Limited may at any stage put its shares in Victory Parade Trading 55 (Proprietary) Limited to Kagiso Media Investments (Proprietary) Limited. This is deemed to be a liability, but as the par value is R1 the corresponding liability has not been raised. This put option is subject to ICASA approval.

32. Business combinations

Group 2010

There were no acquisitions in the current year.

Group 2009

32.1 Investment in Urban Brew Studios (Proprietary) Limited (Urban Brew)

Kagiso Media Limited purchased 50,1% of the issued share capital of Urban Brew for an initial consideration of R78,0 million, including the direct costs attributable to the acquisition. Urban Brew is involved in, inter alia, the creation and distribution of audio-visual content on any platform, trading in television content, conducting of community television, and in the creation, development and trading of music content. R20,0 million of the purchase price was settled via a six-month loan from a banking institution and the remaining amount from available cash resources.

The acquisition date for financial reporting and consolidation purposes is the date on which control is transferred. The acquisition date of this transaction was 1 November 2008. The purchase price allocation and fair values of the assets and liabilities in Urban Brew were determined at this date.

The revenue, operating profit as well as the profit after tax for the eight-month period till 30 June 2009 are reflected in the segmental analysis under "Content". If the acquisition had occurred on 1 July 2008, the contribution to the group's revenue would have been approximately R176,0 million and the contribution to the profits would have been a net profit after tax of approximately R10,9 million. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming a fair value adjustment to intangible assets had applied from 1 July 2008, together with the consequential tax effects.

Details of the net assets acquired and goodwill are:

	2009 R'000
Purchase consideration	
– cash paid	75 137
– direct costs attributable to the acquisition	2 864
Initial purchase consideration	78 001
Contingent consideration liability as at 30 June 2009	17 995
Total purchase consideration	95 996
Fair value of net identifiable assets acquired (see below)	(29 553)
Goodwill acquired from the entity	1 905
Total goodwill	68 348

The goodwill is attributable to the future benefits of Kagiso Media's diversification into the production of audio-visual content and ancillary services attached thereto.

31. Contingent liabilities (continued)

The assets and liabilities arising from the acquisition are:

	Acquiree's carrying amount on acquisition date R'000	Fair value on acquisition date R'000
Property, plant and equipment	27 996	27 996
Intangible assets	677	33 977
Goodwill	1 905	1 905
Net deferred income tax assets	2 226	2 226
Income tax assets	168	168
Trade and other receivables	28 375	28 375
Cash and cash equivalents	13 960	13 960
Deferred tax liabilities on intangible assets	-	(9 324)
Trade and other payables	(26 309)	(26 309)
Borrowings	(14 050)	(14 050)
Net assets acquired	34 948	58 924
Non-controlling interest (49,9%)	-	(29 371)
Kagiso Media's share in the fair value of net assets acquired	-	29 553
Total purchase consideration as determined at 30 June 2009	-	95 996
Contingent consideration liability	-	(17 995)
Total initial consideration including the direct costs settled in cash	-	78 001
Cash and cash equivalents in business acquired	-	(13 960)
Cash outflow on acquisition	-	64 041

In terms of the purchase agreement, Kagiso Media Limited will pay the remaining purchase price balance on 31 December 2010. The amount will be determined as the amount by which the sustainable profit after tax (PAT) for the financial year (FY) 2010 exceeds the target PAT for FY2010 multiplied by the contingent consideration multiple, as defined in the purchase agreement. The price of the stake will be agreed to by both parties on the basis of a valuation performed by an external independent valuator. The total purchase consideration shall not in any event exceed R125 000 000. As at 30 June 2009, the contingent consideration liability was determined as R17 995 000.

Notes to the annual financial statements continued

for the year ended 30 June 2010

32. Business combinations (continued)

32.2 Investment in Gloop Digital Design (Proprietary) Limited (Gloop)

Kagiso Media Limited, through its wholly owned subsidiary, Kagiso New Media (Proprietary) Limited, purchased 50,1% of the issued share capital of Gloop Digital Design for a consideration of R6,3 million, including the direct costs attributable to the acquisition. Gloop Digital Design is a creative design agency with a digital twist, specialising in the creation of digital campaign solutions for all sectors of business. Services include strategy, design and the technical development of solutions across the relevant digital media space.

The acquisition date for financial reporting and consolidation purposes is the date on which control is transferred. The acquisition date of this transaction was 1 January 2009. The purchase price allocation and fair values of the assets and liabilities in Gloop were determined at this date.

If the acquisition had occurred on 1 July 2008, the contribution to the group's revenue would have been approximately R12,7 million and the contribution to the profits would have been a net profit after tax of approximately R1,7 million. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional amortisation that would have been charged assuming fair value adjustments to intangible assets had applied from 1 July 2008, together with the consequential tax effects. The revenue recorded in 2009 from the entity since acquisition totalled R8,5 million and profit after tax R1,1 million. The results of Gloop are included in the segmental analysis under "New Media".

Details of the net assets acquired and goodwill are:

	2009 R'000
Purchase consideration	
– cash paid	5 974
– direct costs attributable to the acquisition	319
Total purchase consideration	6 293
Fair value of net identifiable assets acquired (see below)	(4 460)
Goodwill acquired from the entity	1 074
Total goodwill	2 907

The goodwill is attributable to the future benefits of Kagiso Media's diversification into the new marketing spend from production services in new media and knowledge and expertise attached thereto.

The assets and liabilities arising from the acquisition are:

	Acquiree's carrying amount on acquisition date R'000	Fair value on acquisition date R'000
Property, plant and equipment	361	361
Intangible assets	121	4 767
Goodwill	1 074	1 074
Net deferred income tax assets	163	163
Trade and other receivables	4 129	4 129
Cash and cash equivalents	1 764	1 764
Deferred tax liabilities on intangible assets	–	(1 301)
Trade and other payables	(1 681)	(1 681)
Income tax liabilities	(374)	(374)
Net assets acquired	5 557	8 902
Non-controlling interest (49,9%)	–	(4 442)
Kagiso Media's share in the fair value of net assets acquired	–	4 460
Total purchase consideration including the direct costs settled in cash	–	6 293
Cash and cash equivalents in business acquired	–	(1 764)
Cash outflow on acquisition	–	4 529

32. Business combinations (continued)

32.3 Investment in Ergosaf Environmental Occupational Health Services (Ergosaf)

LexisNexis (Proprietary) Limited, a 50% owned joint venture purchased 100% of the operating assets and liabilities of Ergosaf, an entity that provides a comprehensive range of services, including evaluation of physical, chemical and biological stressors, health risk assessments, environmental management programmes and training.

The acquisition date of this transaction was 1 June 2009. The purchase price allocation and fair values of the assets and liabilities in Ergosaf were determined at this date.

Details of the net assets acquired and goodwill are:

	2009 R'000
Purchase consideration	
Total purchase consideration	2 500
Fair value of net identifiable assets acquired (see below)	(522)
Goodwill	1 978

The goodwill is attributable to the future benefits of Kagiso Media's asset in the information and other segment.

The assets and liabilities arising from the acquisition are:

	Acquiree's carrying amount on acquisition date R'000	Fair value on acquisition date R'000
Fair value on acquisition date		
Property, plant and equipment	35	139
Intangible assets	-	427
Trade and other payables	(44)	(44)
Cash and cash equivalents	-	-
Kagiso Media's share in the fair value of net assets acquired	(9)	522
Total purchase consideration as determined at 30 June 2009	-	2 500
Deferred consideration purchase price	-	(375)
Total initial consideration including the direct costs settled in cash	-	2 125
Cash and cash equivalents in business acquired	-	-
Cash outflow on acquisition	-	2 125

In terms of the purchase agreement, the deferred consideration of R375 000 is payable in June 2010.

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
33. Financial instruments				
The group's financial instruments are categorised as follows:				
Financial assets				
Trade and other receivables (net of provision for impairment)	213 607	225 076	-	-
Loans receivable	2 119	15 979	-	-
Receivables from related parties	13 387	14 574	-	-
Available-for-sale financial asset	7 382	-	-	-
Cash and cash equivalents	274 219	173 427	54 992	9 655
	510 714	429 056	54 992	9 655
Financial liabilities				
Preference shares	129 310	185 170	-	-
Other borrowings	1 825	2 059	-	-
Loans from related parties	-	15 751	208 798	166 899
Contingent consideration liability	10 712	24 161	-	-
Instalment sale agreements	12 599	12 897	-	-
Trade and other payables	107 253	109 580	1 151	1 596
	261 699	349 618	209 949	168 495

34. 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. Note 33 sets out the group's financial instruments which give risk to financial risk.

34.1 Fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the group is the current bid price.

If quoted market prices are unavailable, the fair value of financial assets and financial liabilities are calculated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows is based on management's best estimates and the discount rate used is a market-related rate at the statement of financial position date for an instrument with similar terms and conditions. Where pricing models are used, market-related inputs are utilised to measure fair value at the statement of financial position date.

34.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the group to incur a financial loss.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position (net of impairment losses where relevant), with the exception of financial guarantees granted by the group for which the maximum exposure to credit risk is the maximum amount the group could pay if the guarantees are called upon. As at 30 June 2010 this was R7 524 000 (2009: R7 286 000).

Exposure to credit risk on loans receivable and trade and other receivables are managed by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. The group's cash and 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. Accordingly the group has no significant concentration of credit risk.

Normal trade credit risk

Although bad debts have historically been very low, in the 2010 financial year under review the group made provision for bad debts in West Africa R6,5m and a further R11,5m for Sudanese government debt. The group still considers the risk of non-payment by a customer as a significant risk 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.

34. Risk management (continued)

34.2 Credit risk (continued)

Broadcasting

Some concentrations of credit risk may exist, particularly in the area of radio airtime sales through RadMark (Proprietary) Limited (RadMark). 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 and other

LexisNexis (Proprietary) Limited has more than 35 000 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. Mobil Alliance derives the majority of its revenue from the Sharks Rugby Union and SABC neither is considered a credit risk. Kagiso Exhibitions and Events has no significant debtors as all but one of the exhibition properties have been disposed of.

New Media

Due to the nature of their businesses both Gloo and Acceleration Media have a relatively low exposure to bad credit. The companies' customers are either A grade advertising agencies or large corporates.

Content

Some concentration of credit risk may exist, particularly with the government organisations. These organisations have shown signs of improving their administrative departments which ensures improved payment consistency. Urban Brew Studios has policies in place to assess the credit risk quality of the debtors, taking into account its financial position, past experience and other factors before credit is granted. The individual risk limits are set based on internal and external ratings in accordance with limits set by management. The utilisation of limits is regularly monitored.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
The trade and other receivables are ascribed to the various segments of the group's businesses as follows:				
– Corporate	13 752	14 821	115	30
– Broadcasting	104 344	93 295	–	–
– Information and Other	61 569	85 492	–	–
– New Media	13 327	6 932	–	–
– Content	34 030	39 109	–	–
	226 994	239 650	115	30
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	–	1 504	–	–
– Joint ventures	2 676	11 353	–	–
	2 676	12 857	–	–

Notes to the annual financial statements continued

for the year ended 30 June 2010

34. Risk management (continued)

34.3 Liquidity risk

Liquidity risk is the risk that there will be insufficient funds available to settle obligations when they are due.

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 company dividend policy.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	More than one year but less than five years R'000		More than five years R'000	
Group				
2010				
<i>Non-current liabilities:</i>				
Preference shares		109 322		-
Instalment sale agreements		8 694		-
Contingent consideration liability		6 164		-
		124 549		-
	Less than one month or on demand R'000	Between one and three months R'000	Between three and six months R'000	Between six and 12 months R'000
<i>Current liabilities:</i>				
Bank borrowings	-	-	-	-
Other borrowings	1 825	-	-	-
Preference shares	-	9 559	-	10 429
Contingent consideration liability	-	-	-	4 548
Instalment sale agreements	462	925	1 387	2 775
Trade and other payables	61 077	44 366	-	1 810
	63 364	54 850	1 387	19 562

			More than one year but less than five years R'000	More than five years R'000
34. Risk management (continued)				
34.3 Liquidity risk (continued)				
Group				
2009				
<i>Non-current liabilities</i>				
Preference shares			136 251	-
Instalment sale agreements			9 738	-
			145 989	-
	Less than one month or on demand R'000	Between one and three months R'000	Between three and six months R'000	Between six and 12 months R'000
<i>Current liabilities</i>				
Bank borrowings	-	-	-	-
Preference shares	-	24 459	-	24 460
Loans from related parties	15 751	-	-	-
Instalment sale agreements	3 159	-	-	-
Trade and other payables	188 162	-	-	-
	207 072	24 459	-	24 460
2010				
Company				
<i>Current liabilities</i>				
Trade and other payables	612	-	-	1 025
Loans from related parties	208 798	-	-	-
	209 410	-	-	1 025
2009				
Company				
<i>Current liabilities</i>				
Loans from related parties	166 899	-	-	-
	166 899	-	-	-

The loans from related parties are payable on demand and therefore classified as repayable within a month.

Notes to the annual financial statements continued

for the year ended 30 June 2010

34. Risk management (continued)

34.4 Market risk

34.4.1 Foreign exchange risk

Foreign exchange risk is the risk that the fair value of the future cash flow of a financial instrument will fluctuate in rand due to changes in foreign exchange rates.

Certain trade receivables, other receivables and borrowings are denominated in foreign currencies, exposing the group to foreign exchange risk, most notably in respect of the trading in US dollars, British pounds and Kenyan shillings.

Sensitivity analysis

A R1 strengthening in the rand against the following currencies at 30 June would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for the previous year.

A R1 weakening in the rand against these currencies at 30 June would have the equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
EUR	-	399	-	-
GBP	54	31	-	-
USD	624	2 003	-	-
Kenyan shilling	702	-	-	-
Other	44	284	-	-
	1 424	2 717	-	-

34.4.2 Interest rate risk

Interest rate risk is the risk that the fair value of the future cash flow of a financial instrument will fluctuate due to changes in market interest rates.

The group's cash flow interest rate risk arises from loans receivable, cash and cash equivalents and borrowings (excluding loans from related parties, which are interest free). The group is not exposed to fair value interest rate risk as the group does not have any fixed interest-bearing financial instruments carried at fair value.

Interest rates are constantly monitored and appropriate steps are taken to ensure that the group's exposure to interest rate fluctuations is limited.

Sensitivity analysis

A change of 100 basis points in the South African prime overdraft interest rate at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis was performed on the same basis for the previous year.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Increase of 100 basis points	1 323	(107)	550	97
Decrease of 100 basis points	(1 323)	107	(550)	(97)

34.4.3 Other price risk

The group is not exposed to commodity price risk or equity securities price risk.

34.5 Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust this capital structure, the group may issue new shares, adjust the amount of dividends paid to shareholders, return capital to shareholders, draw down or repay borrowings.

There were no changes to the group's approach to capital management during the year.

The group is subject to externally imposed capital requirements as described in Note 15. The group has complied with these capital requirements during the years under review.

35. Related-party transactions

Shareholding

Kagiso Media's major shareholder is Kagiso Trust Investments (Proprietary) Limited (KTI), which owns 51,1% (2009: 51,1%). The directors of the company own 0,7% (2009: 0,7%) of the shares of the company. The remaining 48,2% (2009: 48,2%) of the shares are widely held between institutions and members of the general public.

Kagiso Trust owns 50,3% (2009: 50,3%) of KTI and is therefore the ultimate holding entity of the Kagiso Media group.

Kagiso Trust Investments (Proprietary) Limited (KTI) owns 69% of Kagiso Asset Management (Proprietary) Limited (KAM), a specialist asset management company. KAM offers a focused range of products to institutional clients which entails holding shares in various entities listed on the JSE including shares in Kagiso Media Limited. There is no direct flow of benefits to Kagiso Media, its directors nor its majority shareholder, KTI from investments made through KAM in Kagiso Media Limited.

Directors' shareholding in Kagiso Media Limited shares at 30 June

	2010 Number held directly	2009 Number held directly
HI Appelbaum	72 000	72 000
OC Essack*	186 579	223 179
M Morobe*	581 690	581 690
MJN Njeke^	14 822	14 822
WC Ross	17 400	17 400
	872 491	909 091

* Executive

^ Resigned on 30 June 2010

Directors' share trading information during 2010

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

Director	Type of transaction	Date of transaction	Number of shares	Average price R
OC Essack	Sale	12/11/2009	10 000	13,75
OC Essack	Sale	18/11/2009	16 960	14,00
OC Essack	Sale	18/11/2009	4 640	14,01
OC Essack	Sale	18/11/2009	5 000	14,15

Transactions with directors

Directors' emoluments

Non-executive directors

The non-executive directors were paid the following amounts in cash in the year to 30 June:

	2010 R'000	2009 R'000
HI Appelbaum	85	80
RL Hiemstra*	157	111
WR Jardine^^	-	83
ZJ Matlala*	117	83
RM Motanyane	211	175
MJN Njeke**	117	140
AA Paruk***	85	60
A Patel*	117	83
WC Ross	164	157
	1 053	971

^^ Resigned on 26 November 2008

* Appointed 22 September 2008

** Resigned 30 June 2010

*** Appointed 8 October 2008

Notes to the annual financial statements continued

for the year ended 30 June 2010

35. Related-party transactions (continued)

Transactions with directors

Directors' emoluments

Executive directors

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

R'000	Salary	Bonus	Unrestricted share purchase scheme bonus	Gain made on share options exercised*	Gain (loss) made on sale of shares**	Total
2010						
M Morobe	2 072	1 093	339	–	–	3 504
OC Essack	1 702	661	163	58	284	2 868
MR van Zyl^^	490	352	–	–	–	842
	4 264	2 106	502	58	284	7 214
Average increase						44,2
2009						
M Morobe	1 958	–	–	–	–	1 958
OC Essack	1 598	–	34	58	179	1 869
S Pienaar^	1 436	–	–	–	(260)	1 176
	4 992	–	34	58	(81)	5 003

* Gain made by directors on shares acquired in terms of the Kagiso Media Limited Share Options Scheme is calculated as the difference between the price on exercise date and the price on grant date.

** Gain made on shares acquired in the share purchase scheme and share options scheme is calculated on the day these shares are sold.

^ Resigned on 5 June 2009.

^^ Appointed on 1 April 2010.

Directors' rights

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.

No options were granted during the year. The fair value of the options previously granted was determined using an option pricing model, modelling the particular aspects of the option scheme, the employee turnover and the exercise behaviour of the participants. 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 period 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 until the end of the 2004 financial year, was applied in the valuation model. The benefit expense for the year was calculated as R70 000 (2009: R180 000).

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

35. Related-party transactions (continued)

Directors' rights (continued)

At 30 June 2009 the 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	OC Essack	Average price (cents)
01/01/2008	01/01/2014	106 195	565
01/01/2009	01/01/2014	106 195	565
01/01/2010	01/01/2014	106 194	565
Year ending 30 June 2010		318 584	565
Total		318 584	565

Reconciliation of the movement

The movement in the number of rights to shares as per the share options scheme was:

Number of rights	OC Essack	Total
Opening balance – 1 July 2009	318 584	318 584
Rights exercised	–	–
Rights forfeited	–	–
Closing balance – 30 June 2010	318 584	318 584

The Kagiso Media 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 an offer price. The eligible employees will be entitled to accept the offer within the offer period.

The purpose of the scheme is to allow participants to purchase shares in Kagiso Media Limited 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 bonus payment will be 15% of capital amount of the original loan used to purchase shares still held at the time. 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 prime less 2%, 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 2010, the participants owed the company R13,2m (2009: R12,6m) in terms of this scheme, refer above.

Details of the loans to participants in the unrestricted share purchase scheme at 30 June 2010 were:

	N Hadas*	M Morobe	S Pienaar	OC Essack
2010				
There were no awards made in 2010 financial year				
2009				
Summary of awards				
Date of award	02/12/2008	06/10/2008	06/10/2008	–
Number of shares	17 600	255 300	117 100	–
Share price (R)	10,8	11,8	11,0	–
Summary of shareholding				
Number of shares held – 1 July 2009	17 600	581 690	–	178 997
Shares awarded during the year	–	–	–	–
Shares sold during the year	–	–	–	–
Number of shares held – 30 June 2010	17 600	581 690	–	178 997
Summary of loan balance with the Trust				
Loans outstanding at 30 June 2010 (R'000)	201	9 678	–	3 363

* N Hadas is a participant to the scheme added during the 2009 financial year. He is not a director of Kagiso Media Limited but key to the management of the group.

Notes to the annual financial statements continued

for the year ended 30 June 2010

35. Related-party transactions (continued)

Transactions with related parties

Kagiso Broadcasting (Proprietary) Limited (KBC) a wholly owned subsidiary of Kagiso Media Limited is a sub-tenant of Kagiso Trust Investments (Proprietary) Limited (KTI) a major shareholder of Kagiso Media Limited in respect of the central 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 enter in the ordinary course of business 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	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Transactions during the year				
Purchases to KTI in terms of the sub-lease:				
– Rent	1 047	1 052	–	–
– Costs in respect of common area	475	364	–	–
– Costs for other services	49	46	–	–
Sale of services to Kagiso Trust*	343	–	–	–
Year-end balances arising from the purchase of goods and services				
Kagiso Trust Investments (Proprietary) Limited*				
– Outstanding balance owing to KTI in terms of the sub-lease:				
– Rent	101	93	–	–
– Other	476	124	–	–
Kagiso Ventures Limited**	5	–	–	–
	582	217	–	–
Year-end balances arising from the sale of goods and services				
Radio Heart 104.9 (Proprietary) Limited^	1	546	–	–
Radio iGagasi 99.5 (Proprietary) Limited ^	1	1 211	–	–
Kaya FM (Proprietary) Limited ^	1	7	–	–
Seyalemoya Communications (Proprietary) Limited (trading as OFM)	29	11	–	–
Kagiso Securities Limited**	100	54	–	–
Kagiso Trust Investments (Proprietary) Limited*	8	8	–	–
Kagiso Ventures Limited**	4	102	–	–
	144	1 989	–	–
[^] Associate				
*Shareholder				
**Fellow subsidiary				
Loans to/(from) related parties				
<i>Loans from Kagiso Broadcasting (Proprietary) Limited**</i>				
– At the beginning of the year	–	–	(166 985)	(70 187)
– Loans advanced during the year	–	–	(41 813)	(96 798)
– At the end of the year	–	–	(208 798)	(166 985)
<i>Loans to Kagiso New Media (Proprietary) Limited**</i>				
– At the beginning of the year	–	–	5 055	–
– Loans advanced during the year	–	–	(1 813)	5 055
– At the end of the year	–	–	3 242	5 055
<i>Loans to Kagiso Media Investments (Proprietary) Limited**</i>				
– At the beginning of the year	–	–	351 305	331 154
– Loans advanced (repaid) during the year	–	–	82 951	20 151
– At the end of the year	–	–	434 256	351 305
<i>Loans to Kagiso Exhibitions and Events (Proprietary) Limited**</i>				
– At the beginning of the year	–	–	44 719	44 689
– Loans advanced (repaid) during the year	–	–	(5 030)	30
– At the end of the year	–	–	39 689	44 719

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
35. Related-party transactions (continued)				
Loans to/(from) related parties (continued)				
<i>Loans to Kagiso Outdoor (Proprietary) Limited**</i>				
- At the beginning of the year	-	-	28 113	29 128
- Loans advanced during the year	-	-	(28 113)	(1 015)
- At the end of the year	-	-	-	28 113
<i>Loans to Makana Radio Communications (Proprietary) Limited**</i>				
- At the beginning of the year	101	46	-	-
- Loans advanced during the year	-	55	-	-
- At the end of the year	101	101	-	-
<i>Loans to Radio iGagasi 99.5 (Proprietary) Limited**</i>				
- At the beginning of the year	6 665	9 662	-	-
- Loans repaid during the year	(2 717)	(2 997)	-	-
- At the end of the year	3 948	6 665	-	-
<i>Loans to Radio Heart 104.9 (Proprietary) Limited**</i>				
- At the beginning of the year	10 469	9 719	-	-
- Loans advanced during the year	-	1 250	-	-
- Loans repaid during the year	(500)	(500)	-	-
- At the end of the year	9 969	10 469	-	-
<i>Loans from MSG Afrika Media (Proprietary) Limited**</i>				
- At the beginning of the year	(15 751)	(15 751)	-	-
- Loans repaid during the year	15 751	-	-	-
- At the end of the year	-	(15 751)	-	-
<i>**These loans are interest-free with no fixed terms of repayment and may however be payable on demand.</i>				
Preference share investment in non-controlling shareholder				
<i>Loan to MSG Afrika Media (Proprietary) Limited</i>				
- At the beginning of the year	13 949	14 700	-	-
- Preference share dividends receivable/(paid)	(299)	299	-	-
- Redeemed during the year	(13 650)	(1 050)	-	-
- At the end of the year	-	13 949	-	-
The loan is in the form of preference shares with the same terms as the preference share terms and conditions of those available to the Kagiso Media Group. The dividends on preference shares are payable every six months at 70% of prime rate and payments equal to 5% of the issued value are made into a sinking fund.				
Loans to directors and key management				
Amounts owing on loan accounts by directors				
At the beginning of the year	12 635	9 484	-	-
Loans advanced during the year	-	4 524	-	-
Loans repaid during the year	(483)	(2 832)	-	-
Finance expenses	1 090	1 459	-	-
At the end of the year	13 242	12 635	-	-

Loans are granted to directors and key management 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. These loans are repayable within six years from date of grant and carry interest at prime overdraft rate less two percentage points.

Notes to the annual financial statements continued

for the year ended 30 June 2010

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
36. Discontinued operations and non-current assets held-for-sale				
The results of the discontinued operations for the year are presented below:				
Revenue and other income	5 122	95 017	-	-
Expenses	(839)	(95 214)	-	-
Profit/(loss) before income tax	4 283	(196)	-	-
Income tax expense	(15)	(2 692)	-	-
Profit/(loss) after tax from discontinued operations	4 268	(2 888)	-	-
The net cash flows incurred by the discontinued operations are as follows:				
Operating cash flow	(37)	5 320	-	-
Investing cash flow	-	1 130	-	-
Financing cash flow	37	(4 253)	-	-
	-	2 197	-	-
Earnings/(loss) per share from discontinued operations				
Basic earnings/(loss) per share (cents)	3,2	(2,2)	-	-
Diluted earnings/(loss) per share (cents)	3,2	(2,2)	-	-
Profit (loss) arising from discontinuance of operations				
Disposal of rights to operating the exhibition shows	-	10 049	-	-
Disposal of a subsidiary – Kagiso Exhibitions and Events Solutions (Proprietary) Limited	-	(6 960)	-	-
Disposal of a joint venture – Johannesburg International Motor Show (Proprietary) Limited	-	5 904	-	-
Disposal of a joint venture – Inkfly (Proprietary) Limited	(28)	-	-	-
Disposal of a subsidiary – Kagiso Outdoor (Proprietary) Limited and its investment in Merafe outdoor, an asset previously held-for-sale	17 549	-	-	-
	17 521	8 993	-	-

36. Discontinued operations and non-current assets held-for-sale (continued)

1. Disposal of Kagiso Outdoor (Proprietary) Limited (K0) and its investment in Merafe Outdoor (Proprietary) Limited (M0), an asset previously held-for-sale

The sale of K0, a 65% owned subsidiary of Kagiso Media Limited and 35% owned by MSG Afrika Media (Proprietary) Limited, was concluded on 14 December 2009.

The fair values of assets and liabilities of the subsidiary at the date of disposal were as follows:

	K0 R'000	M0 R'000	Total R'000
Property, plant and equipment	-	4 693	4 693
Intangible assets	-	17 281	17 281
Goodwill	-	96	96
Trade and other receivables	-	6 760	6 760
Cash and cash equivalents	-	5 619	5 619
Investment in Merafe Outdoor	-	-	-
Deferred tax liabilities	-	(1 075)	(1 075)
Income tax liabilities	-	(1 499)	(1 499)
Trade and other payables	-	(18 932)	(18 932)
Intergroup borrowings	(28 150)	-	(28 150)
Other borrowings	(15 750)	-	(15 750)
Total value of assets and liabilities disposed	(43 900)	12 943	(30 957)
Sale proceeds	-	-	40 592
Less: KM portion of intergroup borrowings settled	-	-	(18 298)
Net proceeds	-	-	22 295
Less: Total value of assets and liabilities disposed	-	-	20 122
Less: Goodwill on consolidation of K0 at the date of sale	-	-	(945)
Less: Goodwill on consolidation of M0 at the date of sale	-	-	(23 923)
Profit on disposal in group's accounts	-	-	17 549

2. Disposal of Inkfly (Proprietary) Limited (Inkfly)

Urban Brew Studios, Kagiso Media's subsidiary disposed its shares in its joint venture, Inkfly. The effective date of the disposal was 1 January 2010. Inkfly was sold for the purchase price of R200 000, payable in the form of provision of future services by the purchaser which is equivalent to the value of the purchase price.

The fair values of assets and liabilities of the subsidiary at the date of disposal were as follows:

	R'000
Property, plant and equipment	99
Trade and other receivables	34
Cash and cash equivalents	116
Income tax asset	15
Trade and other payables	(36)
Total value of assets and liabilities disposed	228
Sale proceeds	200
Less: Total value of assets and liabilities disposed	(228)
Less: Goodwill on consolidation at date of sale	-
Loss on disposal in group's accounts	(28)

Notes to the annual financial statements continued

for the year ended 30 June 2010

36. Discontinued operations and non-current assets held-for-sale (continued)

3. Assets held-for-sale – Merafe Outdoor (Proprietary) Limited (MO)

A memorandum of agreement (MOA) was entered into between the shareholders of MO at the time of the initial investment in 2007. As previously advised, Kagiso Media, through Kagiso Outdoor (Proprietary) Limited (KO), has decided not to purchase shares in INM Proprietary Limited (INM). INM exercised their call on the shares owned by KO on 27 January 2009. The price, according to the MOA, will equal the original amount invested plus interest at prime less two percentage points. The MOA stipulated that the shareholders will, within a period of 180 days after the date on which notice of exercise of the call option was issued, co-operate to find another suitable shareholder. INM will however purchase these shares after 180 days, should this not be possible. As at balance sheet date, a suitable buyer had not been found and Kagiso Media was granted an extension for another 180 days period ending 27 December 2009 to fulfil this purpose, failing which INM will purchase the shares after this date.

The assets and liabilities of Merafe Outdoor were presented as held-for-sale following the above.

On 14 December 2009, the sale was concluded, resulting in the assets and liabilities held for sale being disposed of.

	Group		Company	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
The major classes of assets and liabilities of Merafe Outdoor classified as held-for-sale at 30 June 2009 were as follows:				
Assets				
Property, plant and equipment	-	4 693	-	-
Intangible assets	-	41 300	-	-
Inventories	-	-	-	-
Trade and other receivables	-	6 760	-	-
Cash and cash equivalents	-	5 619	-	-
Assets classified as held-for-sale	-	58 372	-	-
Liabilities				
Trade and other payables	-	18 932	-	-
Deferred tax assets	-	1 075	-	-
Income tax liabilities	-	1 499	-	-
Liabilities directly associated with assets classified as held-for-sale	-	21 506	-	-
Net assets directly associated with discontinued operations	-	36 866	-	-

36. Discontinued operations and non-current assets held-for-sale (continued)

Discontinued operations – 2009

The disposal of the following entities and assets follows Kagiso Media's decision to close all unprofitable and unsustainable business units, shows and exhibitions owned by Kagiso Exhibitions and Events following the continued downward trend in its results.

- 1) Kagiso Exhibitions and Events Solutions (Proprietary) Limited
- 2) Johannesburg International Motor Show (Proprietary) Limited
- 3) Rights and trademarks to the Rand Show, House and Garden Show, Durban Motor Show and SAITEX Show

The existence of a call option in a joint venture, Merafe Outdoor (Proprietary) Limited has resulted in the entity qualifying to be held as an asset for sale at balance sheet date as well as a discontinued operation.

1. Disposal of a subsidiary Kagiso Exhibitions and Events Solutions (Proprietary) Limited (KEES)

Kagiso Exhibitions and Events (Proprietary) Limited (KEE), a wholly owned subsidiary of Kagiso Media Limited, sold its 100% interest in KEES on 31 May 2009.

The fair values of assets and liabilities of the subsidiary at the date of disposal were as follows:

	31 May 2009 R'000
Property, plant and equipment	5 712
Deferred tax asset	154
Trade and other receivables	9 397
Cash and cash equivalents	2 834
Intergroup borrowings	(18 746)
Other borrowings	(131)
Trade and other payables	(5 440)
Total value of assets and liabilities disposed	(6 220)
Sale proceeds	7 382
Less: Impairment of the intergroup loan	(18 746)
Less: Total value of assets and liabilities disposed	6 220
Less: Goodwill on consolidation at date of sale	(1 816)
Loss on disposal in group's accounts	(6 960)

2. Disposal of a joint venture Johannesburg International Motor Show (Proprietary) Limited (JIMS)

Kagiso Exhibitions and Events (Proprietary) Limited (KEE), a wholly owned subsidiary of Kagiso Media Limited, sold its 50% joint venture interest in JIMS on 31 March 2009. The effective date of sale was 1 May 2009.

The fair values of assets and liabilities of the joint venture at the date of disposal were:

	1 May 2009 R'000
Trade and other receivables	1 128
Cash and cash equivalents	92
Trade and other payables	(183)
Income tax liabilities	(941)
Total value of assets and liabilities disposed	96
Sale proceeds	6 000
Less: Total value of assets and liabilities disposed	(96)
Profit on disposal in group's accounts	5 904

Notes to the annual financial statements continued

for the year ended 30 June 2010

36. Discontinued operations and non-current assets held-for-sale (continued)

Discontinued operations – 2009 (continued)

3. Disposal of rights to operating the exhibition shows

Kagiso Exhibitions and Events (Proprietary) Limited sold the Rand Show on 28 February 2009. The Durban Motor Show, and House and Garden shows were sold in the month of May 2009 and SAITEX in November 2008.

The fair values of assets and liabilities at the date of disposal were:

	November 2008 to May 2009 R'000
Rand Show trademark	3 531
Durban Motor Show trademark	278
Durban Motor Show deferred liability	(493)
House and Garden Show trademark	47
SAITEX trademark	-
Total value of assets and liabilities disposed	3 363
Sale proceeds	14 350
Less: Total value of assets and liabilities disposed	(3 363)
Less: Goodwill at date of sale	(938)
Profit on disposal in group's accounts	10 049

37. Events after the balance sheet date

East Coast Radio

Kagiso Broadcasting (Proprietary) Limited ("KBC"), a wholly owned subsidiary of Kagiso Media Limited, has acquired the assets and liabilities of East Coast Radio (Proprietary) Limited, the wholly owned subsidiary of Kagiso Media Investments (Proprietary) Limited. The assets and liabilities were acquired on 1 July 2010 at net book values. ECR business will operate as a segment of KBC with effect from 1 July 2010.

Analysis of shareholders

The shareholders of the company at 30 June 2010 are analysed as follows:

Shareholders by size of holding	Number of holders	Number of shares	Percentage of shares
Number of shares			
1 – 500	180	37 278	0,03
501 – 2 500	209	282 418	0,21
2 501 – 10 000	155	752 245	0,56
10 001 – 50 000	98	2 481 644	1,85
> 50 001	129	130 238 269	97,34
	771	133 791 854	100
Shareholders by type			
Individuals	433	2 378 011	1,78
Nominee companies	1	9 214	0,01
Investment companies	209	122 589 918	91,63
Other corporate bodies	128	8 814 711	6,59
	771	133 791 854	100

Share performance

	2010	2009
Market price (cents per share)		
– Closing	1 530	1 325
– High	1 600	1 330
– Low	1 205	1 050
– Weighted average traded price	1 415	1 251
Closing price/earnings ratio (times)	12,5	10,0
Liquidity		
Number of shares in issue ('000)	133 792	133 792
Market capitalisation at year-end (R'000)	2 047 015	1 772 742
Volume of shares traded ('000)	16 975	31 550
Volume traded to number in issue (%)	12,7	23,6
Value of shares traded (R'000)	240 662	1 356 990
Number of deals	1 413	2 750

Shareholders' diary

Financial year-end		30 June 2010
Annual general meeting		25 November 2010
Reports and financial statements		
JSE SENS announcement		23 September 2010
Profit announcement	Published	27 September 2010
Annual financial statements*	Posted to shareholders	30 October 2010
Interim report*	Published	18 February 2011

**Please note that these dates may be subject to change.*

Notice of annual general meeting

for the year ended 30 June 2010

Kagiso Media Limited

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

Notice is hereby given that the annual general meeting of ordinary shareholders will be held at Kagiso House, 16 Fricker Road, Illovo, 2196, on Thursday, 25 November 2010 at 14:00 for the following purposes:

1. To conduct the following ordinary business:
 - To receive and adopt the annual financial statements for the year ended 30 June 2010;
 - To reappoint those directors who retire by rotation;
 - To confirm the appointment of directors;
 - To appoint external auditors for the company for the ensuing year; and
 - 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 non-executive directors for the ensuing year;
 - To authorise the directors of the company to issue 318 854 shares in the share capital of the company, representing no more than 0,24% of the number of shares in issue at 30 June 2010, in terms of the company's share option scheme;
 - To authorise the directors of the company to issue 20% of the remaining unissued authorised shares in the capital of the company;
 - 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 2010, together with the report of the directors and auditors, 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. Re-election of retiring directors

Ordinary resolution number 2

OC Essack, RL Hiemstra, AA Paruk and A Patel retire in accordance with section 94 of the company's articles of association but, being eligible, offer themselves for re-election.

OC (Omar) Essack

BA, H Dip Ed

Omar Essack was appointed as Executive Director Broadcasting on 1 January 2004. He is a member of the Witwatersrand Journalism Advisory Board, Executive Committee member of the South African Advertising Research Foundation and a trainer in broadcast management in South East Asia with the Deutsche Welle Academy.

RL (Tak) Hiemstra

CA(SA)

Tak Hiemstra was appointed to the Kagiso Media Board on 22 September 2008. He is serving as an independent non-executive director and chairman of the remuneration committee. He is executive director for strategic planning and investor relations and serves on several boards of Imperial subsidiaries and various other boards.

AA (Ashraff) Paruk

MBA

Ashraff Paruk was appointed to the Kagiso Media board on 8 October 2008. He is the Chief Technical Officer and Deputy Strategy Officer at Altech Group. He was previously Chief Information Officer and Head of Strategy and Product Innovation at the MTN Group Limited.

A (Afzal) Patel

CA(SA)

Afzal Patel was appointed to the Kagiso Media on 22 September 2008. He is Managing Director of Kagiso Ventures (Proprietary) Limited, Executive Director of Kagiso Trust Investments (KTI) and various KTI investee companies including, inter alia, Alstom, Waco, Bytes Technology Group, Mix Telematics and Universal Print Group.

Ordinary resolution number 2(a)

"Resolved that Mr OC Essack be and is hereby re-elected as a 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.

Ordinary resolution number 2(b)

"Resolved that Mr RL Hiemstra be and is hereby re-elected as a 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.

Ordinary resolution number 2(c)

"Resolved that Mr AA Paruk be and is hereby re-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.

Ordinary resolution number 2(d)

“Resolved that Mr A Patel be and is hereby re-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.

3. Confirmation of appointment of directors

Ordinary resolution number 3

KL (Kgomotso) Matseke

BProc, LLB

Kgomotso was appointed to the Kagiso Media board on 1 July 2010. He is the Managing Director of KTI and various KTI investee companies.

MR (Mervyn) van Zyl

FCIMA, ACIS

Mervyn was appointed to the Kagiso Media board on 1 April 2010. He is the Financial Director of Kagiso Media and various subsidiaries.

Ordinary resolution number 3(a)

“Resolved that the appointment of Mr KL Matseke as a director of the company is confirmed.”

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

Ordinary resolution number 3(b)

“Resolved that the appointment of Mr MR van Zyl as a director of the company is confirmed.”

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 the appointment of external auditors for the company for the ensuing year be and is hereby approved.”

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

Special business

5. Non-executive directors’ remuneration

In line with the recommendations of King III, the company’s non-executive fees will comprise a fixed fee of 60% and 40% based on attendance of annual meetings as scheduled. Additional meetings fees will be paid at an hourly rate as per resolution 5(a) hereunder.

Shareholders’ attention is drawn to the low base of the non-executive directors fees which increase the risk profile of the company. This follows a benchmarking exercise which indicated that the fees were extremely low. Accordingly, non-executive directors fees were adjusted by an average of 19%. It is anticipated that further adjustments would be effected in the 2012 financial year to adjust these fees to the median.

Ordinary resolution number 5(a)

“Resolved that the annual remuneration of the non-executive directors of the company, for the year from 1 July 2010 to 30 June 2011, be approved as per the table detailed below:

	Board R	Audit committee R	Remuneration committee R	Investment committee R	Nomination committee R
Chairperson					
Annual fee	102 000	36 000	21 000	9 000	12 000
Meeting fee	17 000	6 000	3 500	3 500	3 500
Member					
Annual fee	60 000	22 500	15 000	6 000	10 000
Meeting fee	10 000	3 750	2 500	2 500	2 500
Ad hoc meeting fee hourly rate					
Chairperson	1 500	1 500	1 500	1 500	1 500
Member	1 000	1 000	1 000	1 000	1 000

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

Notice of annual general meeting continued

for the year ended 30 June 2010

6. Authority over unissued shares

Ordinary resolution number 6

"Resolved that 318 584 of the unissued authorised shares in the company, required to be issued in terms of the company's share option scheme 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) Listings 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. Authority over remaining unissued shares

Ordinary resolution number 7

"Resolved that 20% of the remaining unissued authorised shares in the company be and are hereby placed under the control of the directors until the next annual general meeting of the company for allotment and issue to such persons and upon such terms and subject to such conditions as the directors in their sole discretion may determine from time to time, but at all times subject to the provisions of the Companies Act, No 61 of 1973 (as amended), and to the rules and regulations of the JSE."

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

8. General authority to acquire 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 understanding or arrangement between the company and the counterparty;
- (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, and then thereafter prior to such acquisition, for each 3% in aggregate, 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 the 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 be valid only until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;
- (f) at any point in time, the company may appoint only one agent to effect any repurchase on the company's behalf;
- (g) the company may undertake a repurchase only if, after such repurchase, it still complies with the minimum shareholder spread requirements; and
- (h) the company may not acquire 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 (AGM):

- the company and the group will be able, in the ordinary course of business, to pay its liabilities for a period of 12 (twelve) months after the date of the notice of the AGM;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of the notice of the AGM; and
- the company and the group's ordinary share capital, reserves and working capital will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the AGM.

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 28 and 29;
- Major beneficial shareholders – page 58;
- Directors' interests in ordinary shares – page 60; and
- Share capital of the company – page 58.

Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 28 and 29 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 28 and 29 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.

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.

9. Authorisation

Ordinary resolution number 8

"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 as 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



DS Mtshali

Company secretary

Illovo

23 September 2010

Corporate information

Share code

KGM

ISIN
ZAE000014007

Registration number
1957/000036/06

Registered office

Kagiso Media Limited
1st Floor, Kagiso House, 16 Fricker Road
Illovo Boulevard, Illovo, 2196
(PO Box 724, Northlands, 2116)

Company secretary

DS Mtshali
16 Fricker Road, Illovo, 2196
Illovo Boulevard, Illovo, 2196
(PO Box 724, Northlands, 2116)

Transfer secretaries

Link Market Services South Africa (Proprietary)
Limited
5th Floor, 11 Diagonal Street, Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

Kagiso Trust

27 Scott Street, Waverley
Johannesburg 2090
(PO Box 1878, Johannesburg, 2000)

Kagiso Trust Investments

2nd Floor, Kagiso House, 16 Fricker Road
Illovo Boulevard, Illovo, 2196
(PO Box 55276, Northlands, 2116)

Group operations

■ East Coast Radio

1st Floor, East Coast Radio House
313-315 Umhlanga Rocks Drive
Umhlanga Rocks, 4320
(PO Box 25095, Gateway, Umhlanga Rocks, 4321)
www.ecr.co.za

■ Jacaranda 94.2

Samrand Flagship Building, 1 Samrand Avenue
Kosmosdal Ext 11, Centurion, 0187
(PO Box 11961, Centurion, 0046)
www.jacarandafm.co.za

■ OFM

1st Floor, MTN Building
169 Nelson Mandela Drive, Westdene
Bloemfontein, 9301
(PO Box 7117, Bloemfontein, 9300)
www.ofm.co.za

■ Heart 104.9

3rd Floor, Satbel Centre
Corner Sommerset and De Smidt Streets
Green Point, Cape Town, 8051
(PO Box 211, Green Point, 8051)
www.1049.fm

■ iGagasi 99.5

6 Cnr Solstice and Zenith Road
2nd Floor, Umhlanga Newtown Centre
Umhlanga Ridge, 4319
(PO Box 4995, Durban, 4001)
www.gagasi995.co.za

■ Kaya FM 95.9

1 Central Place, 30 Jeppe Street, Newtown
Johannesburg 2113
(PO Box 434, Newtown, 2113)
www.kayafm.co.za

■ RadMark

Mellis Court, 1-3 Mellis Road, Mellis Park
Rivonia, 2128
(PO Box 5981, Rivonia, 2128)
www.radmark.co.za

■ Acceleration Media

7th Floor, 9 Jamieson Street, Cape Town, 8001
(PO Box 2807, Cape Town, 8000)
www.accelerationmedia.co.za

■ Gloo Digital Design Agency

BBDO Building, No 30, Chiappini Street
Cape Town, 8001
PO Box 4617, Cape Town 8001
www.gloo.co.za

■ LexisNexis

215 North Ridge Road, Morningside, 4001
(PO Box 792, Durban, 4000)
www.lexisnexis.co.za

■ Kagiso Exhibitions and Events

25 Nursery Road, The Gardens
Norwood, 2192
(Private Bag X383, Cresta, 2118)
www.indaba-southafrica.co.za

■ Mobil Alliance Media and Technology

9 Portside Commercial
Cnr Upper Portwood and Main Roads
Green Point
8005

■ Urban Brew Studios

28 Harley Street, Ferndale, Randburg, 2194
(PO Box 16, Melville, 2196)
www.urbanbrew.co.za

Sponsor

Investec Bank Limited
100 Grayston Drive, Sandown, Sandton, 2196
(PO Box 785700, Sandton, 2146)

Auditors

PricewaterhouseCoopers Incorporated
2 Eglin Road, Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Bankers

First National Bank
– a division of FirstRand Bank Limited
Corporate Banking
3rd Floor, 4 First Place, Bank City, Cnr Pritchard and
Simmonds Streets, Johannesburg, 2000
(PO Box 7791, Johannesburg, 2000)

Corporate advisers

Charles Orbach & Company Corporate Finance
(Proprietary) Limited
3rd Floor, 3 Melrose Boulevard, Melrose Arch, 2076
(PO Box 355, Melrose Arch, 2076)

Legal advisers

Barkers Incorporated
8 Rydall Vale Crescent (off Douglas Saunders Drive)
La Lucia Ridge Office Estate, KwaZulu-Natal, 4051
(PO Box 25352, Gateway, Docex 107, Durban, 4321)

Regulatory advisers

Webber Wentzel Incorporating Mallinicks
10 Fricker Road, Illovo, 2196
(PO Box 61771, Marshalltown, 2107)

Public/investor relations advisers

Bastion Graphics (Proprietary) Limited
12 Blandford Road, Parkwood, 2193
(PO Box 52048, Saxonwold, 2132)

Tielle Communications

10 David Street, Sandown Ext 24, Sandton, 2146
(PO Box 78031, Sandton, 2146)

Website

www.kagisomedia.co.za

Form of proxy

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" or "the group")
 Share code: KGM
 ISIN: ZAE000014007



For the annual general meeting, to be held at the offices of Kagiso Media, Kagiso House, 16 Fricker Road, Illovo, 2196, on Thursday, 25 November 2010 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, Kagiso House, 16 Fricker Road, Illovo, 2196, on Thursday, 25 November 2010 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 2010			
2(a) To re-elect Mr OC Essack as director of the company			
2(b) To re-elect Mr RL Hiemstra as director of the company			
2(c) To re-elect Mr AA Paruk as director of the company			
2(d) To re-elect Mr A Patel as director of the company			
3. Ordinary resolution to confirm the appointment KL Matseke and MR van Zyl as directors of the company			
3(a) "Resolved that the appointment of Mr KL Matseke as a director of the company with effect from 1 July 2010 be and is hereby confirmed".			
3(b) "Resolved that the appointment of Mr MR van Zyl as a director of the company with effect from 1 April 2010 be and is hereby confirmed".			
4. The appointment of external auditors of the company for the ensuing year			
Special business			
5. Ordinary resolution to approve the remuneration of the non-executive directors			
6. Ordinary resolution to place 318 584 of the unissued shares under the control of the directors			
7. Ordinary resolution to place 20% of the remaining unissued shares under the control of the directors			
8. Special resolution to authorise the company to acquire its own shares			
9. Ordinary resolution to give any director of the company authority to give effect to ordinary resolutions 1, 5, 6 and 7 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 _____ 2010

Signature(s) of member(s) _____

Assisted by (where applicable) (state capacity and full name) _____

Please read the notes appearing on the reverse hereof

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 no later than 14:00 on Tuesday, 23 November 2010.
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 no later than 14:00 on Tuesday, 23 November 2010.
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 (Proprietary) Limited or at the registered office of the company by no later than 14:00 on Tuesday, 23 November 2010.
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 no later than 14:00 on Tuesday, 23 November 2010.
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.