THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or the contents of this Document, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank, solicitor, accountant, or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000, as amended ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

If you have sold or transferred your ordinary shares in Blackstar Group SE (the "Company") you should send this Document at once to the purchaser or transferee or the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee as the case may be.

This Document comprises an AIM admission document, which has been drawn up in accordance with the AIM Rules for Companies ("AIM Rules") and has been prepared in connection with, amongst other matters the readmission of the Blackstar Shares to trading on AIM ("Readmission"). This Document does not constitute an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This Document is not an approved prospectus for the purposes of the Prospectus Rules and a copy of it has not been, and will not be, reviewed or approved by the Financial Conduct Authority ("FCA"), the United Kingdom Listing Authority ("UKLA") or the London Stock Exchange. This Document does not constitute or form part of any offer or invitation to sell, or the solicitation of an offer to acquire or subscribe for, any securities or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for such securities by any person in any circumstances in which such offer or solicitation is unlawful.

You should read the whole of this Document and any information incorporated into it by reference including, in particular, the factors described in the "Risk Factors" section of this Document.

The Company, its directors (the "Directors") and the Company's proposed directors (the "Proposed Directors") (whose names appear on page 37 of this Document) accept responsibility for the information contained in this Document. To the best of the knowledge of the Company, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information. No person is authorised to give any information or make any representation other than as contained in this Document and, if given or made, any such information or representation must not be relied upon as having been authorised.

Trading in the Existing Share Capital is expected to recommence on AIM at 8:00 a.m. (BST) on Thursday, 30 April 2015 and on the AltX of the JSE at 9:00 a.m. (SAST) on Thursday, 30 April 2015.

Application will be made to the London Stock Exchange for all of the Shares in the Enlarged Share Capital to be readmitted to trading on AIM. It is expected that Readmission will become effective, that the Acquisitions will complete and that dealings in Shares in the Enlarged Share Capital on AIM will commence at 8:00 a.m. (BST) on Monday 8 June 2015.

Application will also be made to readmit the Blackstar Shares in the Enlarged Share Capital to trading on the AltX of the JSE which will be subject to the JSE's approval. Whereas the implementation of the Acquisitions will result in a reverse takeover of Blackstar for the purposes of the JSE listing requirements, this Document will be submitted by Blackstar to satisfy the JSE that it continues to meet the listing criteria of the JSE post implementation. It is expected that readmission of the Enlarged Share Capital to the AltX will become effective at 9:00 a.m. (SAST) on Monday 8 June 2015.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UKLA ("Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Readmission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UKLA nor the London Stock Exchange have examined or approved the contents of this Document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application has been made, or is being made, for readmission of these securities to the Official List or to trading on the London Stock Exchange's market for listed securities.

BLACKSTAR GROUP SE

(to be renamed TISO BLACKSTAR GROUP SE)

(a company registered in Malta with registered number SE4)

Proposed acquisition of all the ordinary shares in Times Media Group Limited not already owned by it and its subsidiaries and a 22.9% equity interest in Kagiso Tiso Holdings Proprietary Limited, and Readmission to trading on AIM and Notice of Extraordinary General Meeting

ZAI CORPORATE FINANCE

Nominated Adviser and Broker

This Document does not constitute or form part of any offer or invitation to sell, or the solicitation of an offer to acquire or subscribe for, any securities or any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for such securities by any person in any circumstances in which such offer or solicitation is unlawful.

ZAI Corporate Finance Limited ("ZAI") is authorised and regulated in the United Kingdom by the FCA and is acting as Nominated Adviser and Broker to the Company. ZAI is acting on behalf of the Company and no one else in connection with the Readmission and will not be responsible to any person other than the Company for providing the regulatory and legal protections afforded to customers (as defined by the FCA Handbook Rules) of ZAI nor for providing advice in relation to the contents of this Document or any matter, transaction or arrangement referred to herein. The responsibilities of ZAI as Nominated Adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or the Proposed Directors or to any other person in respect of their decision to acquire Blackstar Shares in reliance on any part of this Document. No liability whatsoever is accepted by ZAI for the accuracy of any information or opinions contained in this Document or for the omission of any information from this Document, for which the Company and the Directors and the Proposed Directors are solely responsible. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturday, Sunday and public holidays excepted) at the offices of ZAI Corporate Finance Limited at 1 Hobhouse Court, Suffolk Street, London, SW1Y 4HH, from the date of this document until one month after the date of Readmission in accordance with the AIM Rules.

THE CONTENTS OF THIS DOCUMENT SHOULD NOT BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN LEGAL, FINANCIAL OR TAX ADVISER.

Without limitation, neither the contents of the Company's websites (or any other website) nor the content of any website accessible from hyperlinks on any of the Company's websites (or any other website) is incorporated into, or forms part of this Document.

Capitalised terms have the meanings ascribed to them in the Definitions of this Document.

This Document is dated 30 April 2015.

CONTENTS

This Document is split into five parts. Part A contains a letter from the Chairman. Part B contains information on Blackstar, Part C contains information on Times Media Group Limited, Part D contains information on Kagiso Tiso Holdings Proprietary Limited and Part E contains the financial information in relation to Blackstar and the aforementioned principal investments.

EXPECTED TIMETABLE

Publication of this Document	Thursday, 30 April 2015
Suspension of trading in Blackstar Shares on AIM expected to be lifted	by 08:00 a.m. (BST) on Thursday, 30 April 2015
Suspension of trading in Blackstar Shares on the AltX expected to be lifted on	Thursday, 30 April 2015
Forms of Direction from holders of Depository Interest holders must reach Capita IRG Trustees Limited	by 09:00 a.m. (BST) on Friday, 15 May 2015
CREST message must be received by the issuer's agent RA10	by 09:00 a.m. (BST) on Friday, 15 May 2015
Time by which holders of Depository Interests who wish to attend the Extraordinary General Meeting are requested to provide a copy of their letter of corporate representation to the Depository, Capita IRG Trustees (Nominees) Limited	by 09:00 a.m. (BST) on Friday, 15 May 2015
Signed Forms of Proxy from certificated shareholders who trade their Shares on AIM and are registered on the UK part of the register of members should reach Capita Asset Services	by 09:00 a.m. (BST) on Saturday, 16 May 2015
Time by which dematerialised Shareholders registered on the South African sub-register (other than own-name registered dematerialised shareholders) who wish to attend the Extraordinary General Meeting are requested to provide a copy of their letter of representation to the Company	by 10:00 a.m. (SAST) on Saturday, 16 May 2015
Signed Forms of Proxy from certificated Shareholders and own-name registered dematerialised Shareholders who are registered on the South African part of the register of members should reach Link Market Services South Africa Proprietary Limited	by 10:00 a.m. (SAST) on Saturday, 16 May 2015
For dematerialised Shareholders registered on the South African subregister, the time by which the CSDP or broker must provide all voting instructions to the transfer secretaries	by 10:00 a.m. (SAST) on Saturday, 16 May 2015
Signed Forms of Proxy (other than those referred to above) must reach the Company	by 10:00 a.m. (CEST) on Saturday, 16 May 2015
Record date to participate and vote at the Extraordinary General Meeting	6:00 p.m. (BST) on Friday, 15 May 2015
Extraordinary General Meeting	10:00 a.m. (CEST) on Monday, 18 May 2015
Announcement of results of Extraordinary General Meeting	Monday, 18 May 2015
Announcement of results of TMG Scheme Mix and Match Facility elections	on or around Friday, 29 May 2015
Completion of Acquisitions and admission of New Shares expected to be	Monday, 8 June 2015

* The times and dates set out in the expected timetable of principal events above and mentioned throughout this Document, may be adjusted by the Company and, if appropriate, details of the new times and dates will be notified to Shareholders by an announcement through a Regulatory Information Service.

INDICATIVE STATISTICS

Shares in issue on the Latest Practicable Date (with 791,558 Shares held in treasury)	82,088,500
Shares in issue after the issue of shares in connection with the December 2014 incentive awards which is expected to occur before the Extraordinary General Meeting (with no Shares held in treasury)	83,099,071
Expected New Shares to be issued as consideration for the acquisition of TMG*	90,794,152
Expected New Shares to be issued as consideration for the acquisition of KTH	92,831,798
Expected number of Shares expected to be admitted to AIM (assuming the maximum Cash Consideration is paid for the TMG Shares acquired)*	266,725,021
Expected Enlarged Share Capital at Completion (assuming the maximum Share Consideration is paid for the TMG Shares acquired)*	299,653,430
Intrinsic NAV per Blackstar Share as shown in section 6 of Part A of this Document	R19.29 (£1.07) per share
ISIN	MT 0000 620113
SEDOL code for Blackstar Shares	BBDQDT 1
LSE Ticker	BLCK
JSE Ticker	BCK

* Pursuant to the TMG Scheme, the Company shall provide a Mix and Match Facility to TMG Scheme Participants which will enable them to elect to receive either cash or New Shares or both as consideration. Should a TMG Scheme Participant not make an election under the Mix and Match Facility they will be deemed to have elected to receive only the Cash Consideration. Therefore the number of New Shares to be issued in connection with the TMG Scheme assumes that the maximum Cash Consideration is paid (R500.0 million (£27.2 million)). If elections for more than this amount are made, the maximum Cash Consideration available will be allocated among TMG Scheme Participants in an equitable manner.

IMPORTANT NOTICES

Investors should rely only on the information contained in this Document. No person has been authorised to give any information or to make any representations in connection with the Readmission other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Proposed Directors or ZAI. The delivery of this Document nor any subscription or sale made under this Document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Document or that the information contained in this Document is correct as of any time subsequent to its date.

The contents of this Document are not to be construed as legal, financial, business, investment or tax advice. Each Shareholder should consult his or her own legal adviser, financial adviser or tax adviser for legal, financial or tax advice in relation hereto.

1. Presentation of financial information

The Company publishes its financial statements in South African Rand and Pounds Sterling and prepares its financial statements in accordance with International Financial Reporting Standards. In this Document, references to South African Rand, "R" or "ZAR" are to the lawful currency of South Africa, references to "£", Sterling, Pounds Sterling and "GBP" are to the lawful currency of the United Kingdom.

Any discrepancies in the tables included in this Document between the listed amounts and totals thereof are due to rounding. Where applicable, figures and percentages are rounded to one decimal place.

2. General

No Shareholder should treat the contents of this Document as advice relating to legal, taxation, investment or any other matters. Shareholders should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Blackstar Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Blackstar Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Blackstar Shares. Prospective investors must rely on their own representatives, including their own legal advisers, financial advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Document are based on the law and practice currently in force and are subject to changes therein.

Trading in the Existing Share Capital is expected to recommence on AIM at 8:00 a.m. (BST) on Thursday, 30 April 2015 and on the AltX of the JSE at 9:00 a.m. (SAST) on Thursday, 30 April 2015.

Application will be made to the London Stock Exchange for all the Enlarged Share Capital to be readmitted to trading on AIM. It is expected that Readmission will become effective, that the Acquisitions will complete and that dealings in Shares in the Enlarged Share Capital on AIM will commence at 8:00 a.m. (BST) on Monday, 8 June 2015.

Application will also be made to readmit the Blackstar Shares in the Enlarged Share Capital to trading on the AltX of the JSE which will be subject to the JSE's approval. Whereas the implementation of the Acquisitions will result in a reverse takeover of

Blackstar for the purposes of the JSE listing requirements, this Document will be submitted by Blackstar to satisfy the JSE that it continues to meet the listing criteria of the JSE post implementation. It is expected that readmission to the AltX will become effective at 9:00 a.m. (SAST) on Monday, 8 June 2015.

All times and dates referred to in this Document are, unless otherwise stated, references to London times and dates and are subject to change without further notice.

Capitalised terms contained in this Document shall have the meanings set out in the section headed "Definitions" starting on page 10 of this Document, save where the context indicates otherwise.

3. Restrictions on distribution of this Document

The distribution of this Document in certain jurisdictions may be restricted by law. Persons in possession of this Document are required to inform themselves about and observe any such restrictions. This Document may not be used for, or in connection with, and does not constitute, any offer to sell, or solicitation to purchase, any such securities in any jurisdiction in which solicitation would be unlawful.

4. No incorporation of Company's Website

Without limitation, neither the contents of the Company's website (www.blackstar.eu or any other website) nor the content of any website accessible from hyperlinks on any of the Company's websites (or any other website) is incorporated into, or forms part of this Document.

5. Forward-looking statements

This Document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "projects", "targets", "aims", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Document and include statements regarding the intentions, beliefs or current expectations of the Company, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, prospects, and dividend/distribution policy of the Company, and the markets in which the Company, and its respective portfolios of investments, invest and/or operate. By their nature, forward-looking statements involve risks (including those set out in the section entitled "Risk Factors" in this Document) and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this Document. In addition, even if the investment performance, results of operations, financial condition of the Company, and the development of its financing strategies, are consistent with the forward-looking statements contained in this Document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- changes in economic conditions generally and the Company's ability to achieve its investment objective and target returns and target dividends for Shareholders;

- the success of the Company's investment strategy;
- the availability and cost of capital for future investments;
- the departure of key personnel employed by the Company;
- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company or its Investments; and
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events.

Forward-looking statements speak only as at the date of this Document. Although the Company undertakes no obligation to revise or update any forward-looking statements contained herein (save where required by the AIM Rules), whether as a result of new information, future events, conditions or circumstances, any change in the Company's expectations with regard thereto or otherwise, prospective investors are advised to consult any communications made directly to them by the Company and/or any additional disclosures through announcements that the Company may make through a RIS announcement.

6. Selling Restrictions

This Document does not constitute and may not be used for the purposes of an offer or an invitation to apply for any Blackstar Shares by any person.

DIRECTORS, PROPOSED DIRECTORS, REGISTERED OFFICE, ADVISERS AND SERVICE PROVIDERS

Directors	J Mills (*Independent Non-executive Chairman*)* A Bonamour (*Non-executive Director*) M Ernzer (*Independent Non-executive Director*) R Wight (*Independent Non-executive Director*)
Proposed Directors	D Adomakoh (*Proposed Chairman*) N Sowazi (*Proposed Non-executive Director*)
Registered Office	3rd Floor Avantech Building St Julian's Road San Gwann SGN 2805 Malta
Investment Advisor	Blackstar Group Proprietary Limited 4 Biermann Avenue Rosebank South Africa, 2196
Corporate Adviser	One Capital Advisory Proprietary Limited 17 Fricker Road Illovo Boulevard Johannesburg, 2196
AIM Nominated Adviser and Broker	ZAI Corporate Finance Limited 1 Hobhouse Court Suffolk St London SW1Y 4HH
Nominated Adviser and Broker (South Africa)	PSG Capital Proprietary Limited 1st Floor Ou Kollege Building 35 Kerk Street Stellenbosch 7600
Legal Adviser to the Company (as to English law)	Paul Hastings (Europe) LLP Ten Bishops Square Eighth Floor London E1 6EG
Legal Adviser to the Company (as to South African law)	Edward Nathan Sonnenbergs Inc 150 West Street Sandton 2196
Legal Adviser to the Company (as to Maltese law)	Ganado & Associates Advocates 171 Old Bakery Street Vallette VLT 1455 Malta

* J Mills will become Independent Non-executive Group Deputy Chairman following Completion.

Legal Adviser to ZAI Corporate Finance Limited	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ
Registrars and Receiving Agents (United Kingdom)	Capita Registrars Limited Corporate Actions The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registrars and Receiving Agents (South Africa)	Link Market Services Proprietary Limited 13th Floor Rennie House 19 Ameshoff Street Braamfontein 2000
Reporting Accountant	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA
Auditors	BDO Malta Tower Gate Place Tal-Qroqq Street Msida MSD 1703 Malta
Administrator/Company Secretary	Leanna Isaac 3rd Floor Avantech Building St Julian's Road San Gwann SGN 2805 Malta

DEFINITIONS

The following definitions apply in this Document unless the context otherwise requires

"**2012 Blackstar Accounts**"	the annual report and accounts on the Company for the year ended 31 December 2012
"**2013 Blackstar Accounts**"	the annual report and accounts on the Company for the year ended 31 December 2013
"**2014 Blackstar Accounts**"	the annual report and accounts on the Company for the year ended 31 December 2014
"**2012 KTH Accounts**"	the annual financial statements on KTH for the year ended 30 June 2012
"**2013 KTH Accounts**"	the annual financial statements on KTH for the year ended 30 June 2013
"**2014 KTH Accounts**"	the annual financial statements on KTH for the year ended 30 June 2014
"**2012 TMG Accounts**"	the integrated annual report on TMG for the year ended 30 June 2012
"**2013 TMG Accounts**"	the integrated annual report on TMG for the year ended 30 June 2013
"**2014 TMG Accounts**"	the integrated annual report on TMG for the year ended 30 June 2014
"**Acquisition Finance**"	an amount of no less than R1.05 billion (£57.1 million) to be provided to Blackstar by Rand Merchant Bank, a division of First Rand Limited, and The Standard Bank of South Africa Limited
"**Acquisitions**"	collectively, the Tiso Transaction and the TMG Scheme
"**Administrator**"	the administrator of the Company from time to time
"**AIM**"	AIM, a market of the London Stock Exchange
"**AIM Rules**"	the AIM Rules for companies published by the London Stock Exchange, as amended from time to time, which set out the rules, responsibilities and guidance notes in relation to companies whose shares are admitted to trading on AIM
"**AltX**"	the Alternative Exchange of the JSE
"**Announcement**"	the announcement made by the Company on 8 December 2014 that the Company had expressed an interest to acquire the TMG Scheme Shares and regarding the proposed acquisition of the KTH Interest
"**Articles**"	the articles of association of the Company

"**BCIL**"	Blackstar (Cyprus) Investors Limited (Company No. 177097), a limited liability company incorporated in accordance with the laws of the Republic of Cyprus and a wholly-owned subsidiary of Blackstar
"**BEE Act**"	the Broad Based Black Economic Empowerment Act 53 of 2003 as amended or replaced
"**Blackstar**" or the "**Company**"	Blackstar Group SE, a Societas Europaea registered and incorporated in Malta with Registration Number SE4
"**Blackstar SA**" or "**Investment Advisor**"	Blackstar Group Proprietary Limited (Registration Number 2005/042844/07), a South African wholly-owned subsidiary of Blackstar, which provides investment advisory services to the Group
"**Blackstar Shares**" or "**Shares**"	ordinary shares of €0.76 each in the share capital of the Company
"**BST**"	British Summer Time
"**Business Day**"	a day on which the London Stock Exchange and banks in London and Johannesburg are normally open for business
"**Cash Consideration**"	an amount of R22.00 payable in cash for each TMG Scheme Share
"**certificated**" or "**certificated form**"	not in uncertificated form
"**CEST**"	Central European Summer Time
"**Chairman**"	the chairman of the Board
"**Companies Act**"	the Maltese Companies Act 1995 (Chapter 386 of the Laws of Malta), as amended, extended or replaced and any ordinance, statutory instrument or regulation made thereunder
"**Companies Tribunal**"	the Companies Tribunal established in respect of Section 193 of the SA Act
"**Company Secretary**"	the secretary of the Company from time to time
"**Company**" or "**Blackstar**"	Blackstar Group SE, a Societas Europaea registered and incorporated in Malta with Registration Number SE4
"**Completion**"	completion of the Acquisitions, which is conditional on, amongst other matters, Readmission
"**Corporate Governance Code**"	the UK Corporate Governance Code in the latest form issued by the Financial Reporting Council from time to time
"**CREST**"	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the CREST Regulations
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 of the United Kingdom (S.I. No. 2001/3755)

"**Custodian**"	such person or persons from time to time appointed by the Depository to hold the Shares issued to the Depository in connection with the Depository Interests
"**Depository**"	Capita IRG Trustees Limited
"**Depository Interest**"	the dematerialised depository interest in respect of a Share issued or to be issued by the Depository
"**Directors**" or "**Board**" or "**Board of Directors**"	the directors of the Company whose names appear on page 37 of this Document
"**Disclosure and Transparency Rules**" or "**DTRs**"	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA
"**Document**"	this Readmission document
"**EBITDA**"	earnings before interest, taxes, depreciation and amortisation
"**EEA**"	the European Economic Area being the countries included as such in the Agreement on European Economic Area, dated 1 January 1994, among Iceland, Liechtenstein, Norway, the European Community and the EU Member States, as may be modified, supplemented or replaced
"**Enlarged Share Capital**"	the Blackstar Shares in issue following the Tiso Transaction and the TMG Scheme, amounting to between 266,725,021 Shares upon Completion (if the maximum Cash Consideration is paid pursuant to the Mix and Match Facility for the TMG Shares acquired) and 299,653,430 Shares upon Completion (if the maximum Share Consideration is paid pursuant to the Mix and Match Facility for the TMG Shares acquired)
"**EU Member State**"	a member country of the EU
"**EU**"	the European Union
"**Euro**" or "**€**"	the lawful currency of the EU
"**Euroclear**"	Euroclear UK & Ireland Limited (incorporated in England and Wales under registered number 2878738), the operator of CREST
"**EV/EBITDA**"	enterprise value as a percentage of EBITDA
"**Extraordinary General Meeting**"	the Extraordinary General Meeting of the Company to be held at 10:00 a.m. (CEST) on Monday, 18 May 2015 (and any adjournment thereof) for the purposes of considering the Resolution, notice of which is set out in Annex IV to this Document
"**Financial Conduct Authority**" or "**FCA**"	the UK Financial Conduct Authority and any successor regulatory authority
"**FCA Handbook**"	the handbook of rules and guidance published by the FCA
"**FMCG**"	fast moving consumer goods

"**Form of Direction**"	the form of direction to be used by Depository Interest holders to instruct the Depository how to vote on their behalf
"**Form of Proxy**"	the form of proxy to be used by Shareholders in connection with the Extraordinary General Meeting which accompanies this document
"**Financial Reporting Council**" or "**FRC**"	the UK Financial Reporting Council and any successor regulatory authority
"**FSB**"	the Financial Services Board of South Africa, established by the South African Financial Boards Act No. 97 of 1990, as amended
"**FSMA**"	the Financial Services and Markets Act 2000 of the United Kingdom, as amended
"**FY15 KTH Interim Results**"	the unaudited interim results on KTH for the six months ended 31 December 2014
"**FY15 TMG Interim Results**"	the unaudited interim results on TMG for the six months ended 31 December 2014
"**General Meeting**"	a general meeting of the Company
"**Group**"	the Company and its subsidiary undertakings as at the date of this Document
"**ICASA**"	the Independent Communications Authority of South Africa
"**IFRS**"	the International Financial Reporting Standards as adopted by the EU
"**Implementation Agreement**"	the agreement between TMG, Blackstar and BCIL pursuant to which the TMG Scheme will be implemented
"**Intrinsic NAV**"	a measure of the underlying value of the Group's assets whereby listed investments on recognised stock exchanges are valued using quoted bid prices, unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology
"**Introduction Agreement**"	the agreement dated 30 April 2005 made between the Company, ZAI, the Directors and the Proposed Directors
"**Investment Advisor**"	Blackstar SA, which provides investment advisory services to the Group
"**Investment Entity**"	an investment entity as defined under IFRS 10 Consolidated Financial Statements
"**Investment Team**"	the directors of the Investment Advisor whose details are set out on pages 57 and 58 of this Document
"**ISIN**"	International Securities Identification Number

"**JIBAR**"	Johannesburg Interbank Agreed Rate, a money market rate used in South Africa which is determined as an average of the rates indicated by local and international banks
"**JSE**"	the JSE Limited (Registration Number 2005/022939/06), a public company incorporated in accordance with the laws of South Africa, or the stock exchange which it owns and operates, as the context requires
"**KAM**"	Kagiso Asset Management Proprietary Limited (Registration Number 1998/015218/07), a private company incorporated in accordance with the laws of South Africa
"**KM**"	Kagiso Media Proprietary Limited (Registration Number 2013/055452/07), a private company incorporated in accordance with the laws of South Africa
"**KTH Interest**"	the 213,235 KTH Shares owned by Tiso, representing 22.9% of the ordinary issued share capital of KTH (excluding 68,831 treasury shares held by a KTH subsidiary)
"**KTH Shares**"	ordinary shares in the issued share capital of KTH, specifically excluding the one deferred ordinary share issued by KTH
"**KTH**"	Kagiso Tiso Holdings Proprietary Limited (Registration Number 2011/000848/07), a private company incorporated in accordance with the laws of South Africa
"**KTI**"	Kagiso Trust Investments Proprietary Limited (Registration Number 1993/007845/07), a private company incorporated in accordance with the laws of South Africa
"**Latest Practicable Date**"	close of business on Friday 24 April 2015, being the last practicable date prior to the publication of this Document
"**London Stock Exchange**" or "**LSE**"	London Stock Exchange plc
"**Malta**"	the Republic of Malta
"**Management Incentive Scheme**"	the long term management incentive scheme, as approved by the Shareholders at the Company's annual general meeting in May 2012
"**Memorandum**"	the memorandum of association of the Company
"**MMI**"	MMI Holdings Limited
"**Mix and Match Facility**"	the allocation of R500.0 million (£27.2 million) in an equitable manner to those TMG Scheme Participants electing to receive the Cash Consideration pursuant to the TMG Scheme

"**NAV**"	the gross assets of the Company less its liabilities (including accrued but unpaid fees) determined in accordance with the section entitled "NAV" in Part A of this Document
"**NAV per Share**" or "**NAVPS**"	the NAV per class divided by the number of Blackstar Shares in issue at the relevant time
"**New Shares**"	new ordinary shares of €0.76 each to be issued by Blackstar in connection with the Acquisitions
"**Official List**"	the official list maintained by the UK Listing Authority pursuant to Part VI of FSMA
"**Pounds Sterling**" or "**Sterling**" or "**£**" or "**GBP**"	the lawful currency of the United Kingdom
"**PricewaterhouseCoopers**"	PricewaterhouseCoopers Incorporated, a company duly registered in South Africa with Registration Number 1998/012055/21
"**Proposed Directors**"	David Adomakoh and Nkululeko Sowazi
"**R**" or "**Rand**" or "**South African Rand**"	the lawful currency of South Africa
"**Readmission**"	readmission of the Blackstar Shares to trading on AIM becoming effective in accordance with the AIM Rules
"**Registrars**" or "**Registrar**"	both or either of Capita Registrars Limited and Link Market Services South Africa Proprietary Limited, as the context requires
"**Relationship Agreement**"	the agreement dated 30 April 2015 between David Adomakoh, Nkululeko Sowazi, the Tiso Foundation, TIH, the Company and ZAI, further details of which are set out in section 3 of Part B I of this Document
"**Resolution**"	the proposed resolution set out in the notice of Extraordinary General Meeting
"**RIS**"	a regulatory information service, being any of the regulatory information services set out in Appendix 2 of the FCA's listing rules
"**Risk Factors**"	the risk factors pertaining to the Company set out on pages 19 to 36 of this Document
"**RMB**"	FirstRand Bank Limited (acting through its Rand Merchant Bank division), a company duly registered in South Africa with Registration Number 1929/001225/06
"**SA Act**"	South African Companies Act no. 71 of 2008, as amended
"**SARB**"	the South African Reserve Bank
"**SAST**"	South African Standard Time
"**SEDOL**"	the Stock Exchange Daily Official List of the LSE

"**SENS**"	Stock Exchange News Service is a service that provides access to company announcements as prescribed by the JSE Listing Requirements
"**Shares**" or "**Blackstar Shares**"	ordinary shares of €0.76 each in the share capital of the Company
"**Share Consideration**"	1.44885 New Shares per TMG Scheme Share to be issued at a price of R16.91 per New Share resulting in an aggregate value of R24.50 being allocated per TMG Scheme Share
"**Shared Services Agreement**"	the agreement between the Company and the Investment Advisor dated 3 February 2015 pursuant to which the Investment Advisor has been appointed to provide investment advisory services to the Company
"**Shareholder**"	a holder of Blackstar Shares
"**Shareholding**"	a holding of Blackstar Shares
"**South Africa**"	the Republic of South Africa
"**Standard Bank**"	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division), a company duly registered in South Africa with Registration Number 1962/000738/06
"**TIH**"	Tiso Investment Holdings Proprietary Limited (RF) (Registration Number 2000/027686/07), a private company incorporated in accordance with the laws of South Africa
"**Tiso**"	collectively, TIH and Tiso Foundation as the sellers of the KTH Interest
"**Tiso Agreement**"	the agreement entered into between TIH, Tiso Foundation, Blackstar and BCIL on 5 December 2014 as amended pursuant to which the terms and conditions of the Tiso Transaction were agreed
"**Tiso Blackstar**"	the Company after Completion
"**Tiso Blackstar Group**"	the Company, its subsidiaries and investments from time to time, after Completion including TMG and the KTH Interest
"**Tiso Foundation**"	the trustees for the time being of the Tiso Foundation Charitable Trust (Master's Reference No. IT 2962/02), an *inter vivos* trust registered in accordance with the laws of South Africa
"**Tiso Group**"	Tiso Group Proprietary Limited (Registration Number 1999/010875/07), a private company incorporated in accordance with the laws of South Africa
"**Tiso Transaction**"	the proposed acquisition of the KTH Interest by the Company or one of its subsidiaries in exchange for the Tiso Transaction Consideration

"**Tiso Transaction Consideration**"	the consideration to be paid to Tiso for the KTH Interest comprising approximately 93 million New Shares and up to R500 million in cash
"**TMG**"	Times Media Group Limited (Registration Number 2008/009392/06), a public company incorporated in accordance with the laws of South Africa
"**TMG Incentive Plan**"	the TMG Incentive Plan Arrangement entered into between TMG and certain employees of TMG during January and February 2015
"**TMG Independent Board**"	the independent members of the TMG board of directors who have recommended the TMG Scheme to the holders of TMG Scheme Shares
"**TMG Scheme**"	the scheme of arrangement, proposed by the TMG Independent Board and approved by TMG Shareholders, pursuant to which the Company or one of its subsidiaries proposes to acquire the TMG Scheme Shares
"**TMG Scheme Circular**"	the circular dated 27 February 2015, as distributed to TMG Shareholders in connection with the TMG Scheme
"**TMG Scheme Consideration**"	the aggregate amount to be paid pursuant to the TMG Scheme to TMG Scheme Participants based on R22.00 or 1.44885 New Shares (issued at a price of R16.91 per share) offered for each TMG Scheme Share
"**TMG Scheme Participants**"	the holders of TMG Scheme Shares as at the date upon which the holders of TMG Scheme Shares qualify and are recorded for participation in the TMG Scheme
"**TMG Scheme Shares**"	the 85,393,630 ordinary shares of no par value each, in the share capital of TMG (not already owned by BCIL and/or the Company, and excluding 606,733 treasury shares held by TMG subsidiaries) which Blackstar or BCIL proposes to acquire through the TMG Scheme
"**TMG Shareholders**"	the shareholders of TMG (other than Blackstar and its subsidiaries)
"**TRP**"	the Takeover Regulation Panel established in accordance with section 196 of the SA Act
"**UK**" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**UK Listing Authority**" or "**UKLA**"	the Financial Conduct Authority as the competent authority for listing in the United Kingdom
"**UK Shareholders**"	Shareholders who are resident in, or citizens of, the United Kingdom
"**US Dollar**"	the lawful currency of the United States of America
"**uncertificated**" or "**uncertificated form**"	recorded on the register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST

"**VAT**"	any tax (a) imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (a), or imposed elsewhere
"**ZAI**"	ZAI Corporate Finance Limited, the Company's nominated adviser and broker

RISK FACTORS

INVESTING IN AND HOLDING BLACKSTAR SHARES CARRIES A NUMBER OF RISKS. EACH SHAREHOLDER SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION SET OUT IN THIS DOCUMENT AND THE RISKS RELATING TO THE COMPANY AND THE BLACKSTAR SHARES AND IN PARTICULAR, THE RISKS DESCRIBED BELOW. THE RISKS BELOW MAY NOT BE AN EXHAUSTIVE LIST OR EXPLANATION OF ALL THE RISKS WHICH INVESTORS MAY FACE WHEN MAKING AN INVESTMENT IN THE BLACKSTAR SHARES AND SHOULD BE USED AS GUIDANCE ONLY.

DUE TO THE THEIR SIZE RELATIVE TO THE COMPANY, EACH SHAREHOLDER SHOULD ALSO CONSIDER CAREFULLY ALL THE INFORMATION SET OUT IN THIS DOCUMENT RELATING TO TMG AND KTH.

Only those risks which are believed to be material and currently known to the Company in relation to itself and its industry as at the date of this Document have been disclosed.

Additional risks and uncertainties not currently known to the Directors, or that the Directors deem immaterial at the date of this Document, may also have an adverse effect on the business, results of operations, financial conditions and prospects of the Company, its NAV, and the market price of the Blackstar Shares.

RISKS RELATING TO THE TISO BLACKSTAR GROUP STRATEGY

The Company cannot assure Shareholders that it will be able to accurately predict or effectively react to future changes in the value of investments

The Company's ability to generate attractive returns for Shareholders will depend upon the Investment Team's ability to make a correct assessment as to future values that can be realised in connection with the Company's existing and future investments. The ability to accurately assess future investment values, whether in connection with the making of an investment or the exiting of an investment, while important for all of the Company's investments, may be particularly important in the case of investments that are made in businesses over which the Company and the Investment Team have relatively limited or no control, as is likely to be the case, in particular, with investments in special situations and structured transactions. The securities markets have, in recent years, been characterised by a high degree of volatility and unpredictability and there can be no assurance that the Investment Team will be successful in making assessments regarding future trends in prices, including the timing of any price changes, or that the Investment Team will be able to react effectively to any such changes or that the Company will generate gains on investments.

The Company's financial condition and results of operations will depend on its ability to manage future growth and the effective implementation of the investment strategy by the Investment Team

The Company's ability to achieve its investment objectives will depend on its ability to manage its existing investments and grow its investment base, which will depend, in turn, on the Investment Team's ability to identify, invest in, monitor and achieve exits from a suitable number of companies and implement the various aspects of the Company's investment strategy. Achieving growth on a cost-effective basis will largely be a function of the Investment Teams structuring of the investment process, competence, attentiveness and efficiency and its ability to reinvest the Company's capital and obtain additional capital on acceptable terms, as well as being influenced by factors such as the market opportunities available and prevailing interest rates. Any failure to manage the Company's future growth or to effectively implement the investment strategy could have a material adverse effect on its business, financial condition and results of operations.

The Company's past performance, and the past performance of the members of the Investment Team, is not necessarily indicative of the Company's future performance

The Company's past performance, and the past performance of the members of the internal Investment Team, is not indicative of the future results that you should expect from the Company, and that any unrealised values of the investments presented herein may not be realised in the future. The Company's results may differ substantially from the historical results achieved by the investments made by it for a number of reasons, including the fact that:

- the Company will be required to pay expenses before it is able to make and generate returns from any of its present or future investments;
- the Company may make investments in special situations and structured transactions which have different risks of loss compared to longer-term investments;
- the Company's results will depend on the number and quality of the investments that are available to it and that it is able to execute, consummate and realise; and
- the macroeconomic environment in the future, including the interest rate and exchange rate environment, may vary considerably from the environment that exists when the Company's investments are made and economic downturns in the region, or in the sectors that in future could have a material adverse effect on its results.

Risks relating to the market value of investments and valuations

Returns from the Tiso Blackstar Group's investments will be affected by the price at which they are acquired. The value of these investments will be (amongst other risk factors) a function of the discounted value of their expected future cash flows, and as such will vary with, amongst other matters, movements in interest rates and the competition for such assets. A valuation is only an estimate of value and is not a precise measure of realisable value.

Ultimate realisation of the market value of an asset depends to a great extent on economic and other conditions beyond the control of the Company, and valuations do not necessarily represent the price at which an investment can be sold or that the assets of the Tiso Blackstar Group are saleable readily or otherwise. It follows that some inequality may arise between departing, continuing and new investors.

All calculations made by the Investment Team will be based on financial reports and, where the Company holds minority stakes in investee companies such calculations will be made, in part, on valuation information provided by these companies. Although the Investment Team will evaluate all information and data provided by the companies in which the Company has invested, they may not be in a position to confirm the completeness, genuineness or accuracy of such information or data. Shareholders should bear in mind that the actual NAVs may be materially different from estimates.

Risks relating to modelling future returns

All acquisitions rely on large and detailed financial models to support their valuations. There is a risk that errors may be made in the assumptions or methodology used in a financial model. In such circumstances the returns generated by assets acquired by the Company may be different to those expected. Furthermore, forecasting can be inaccurate due to measurement errors, or errors in the assumptions applied to the forecasting model. In particular, forecasters look at long-term data and there can be short term fluctuations.

As a consequence the returns from operating efficiency improvements and increased revenue could be less attractive than originally anticipated and should the operation and economics of the assets fall short of the Company's expectations, there could be a material adverse effect on the returns to the Company. Furthermore investment decisions are based upon assumptions as to timing and ongoing costs of the Tiso Blackstar Group. To the extent that the actual costs incurred differ from the forecast costs and cannot be passed on, the expected investment returns may be adversely affected.

The illiquidity of investments may have an adverse impact on their selling price and the Company's ability to disinvest and realise the intended return, alternatively it may require significant time for capital gains to materialise

Certain markets may from time to time become less liquid, leading to valuation losses on the investments making it difficult to acquire or dispose of them at prices the Company considers their fair value. Liquidation of portions of the portfolio under these circumstances could produce realised losses. Such illiquidity may result from various factors, such as the nature of the investment, or the nature and/or maturity of the market in which it is being sold, the size of the position being sold. The investment objective of the Company is to provide investors with market related income returns and capital appreciation from exposure to a portfolio of predominantly high yield, cash generative investments in Africa. As a result, there may be a significant period between the date that the Company makes an investment and the date that any capital gain or loss on such investment is realised. Moreover, the sale of restricted and illiquid investment shareholdings may result in higher selling expenses than the sale of unrestricted and liquid investments. Furthermore, the Company may not be able to readily dispose of certain investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time, which could materially and adversely affect the performance of the Company's business, financial condition, results of operations, NAV and/or the market price of the Blackstar Shares.

The value of an investment made by the Company may be affected by fraud, misrepresentation or omission on the part of an investment company, any related parties to such companies or by other parties to the investment transaction (or any related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the investment and/or the value of the collateral underlying the investment in question and may adversely affect the Company's ability to enforce its contractual rights relating to that investment.

Non-performing assets

Recurring market deterioration may materially adversely affect the ability of an issuer whose debt obligations form part of the portfolio to service its debts or refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the investments (and, by extension, on the NAV and/or the market price of the Blackstar Shares), and on the potential for liquidity events involving such investments. In the future, non-performing assets in the Company's portfolio may cause the value of that portfolio to decrease (and, by extension, the NAV and/or the market price of the Blackstar Shares to decrease). Adverse economic conditions may also decrease the value of any security obtained in relation to any of the investments.

Conversely, in the event of sustained market improvement, the Company may have access to a reduced number of attractive potential investment opportunities, which also may result in limited returns to Shareholders.

Expansion, particularly into new jurisdictions, and strategies may not be successful

There is a risk that the Company's expansion, particularly expansion into new geographies, or strategies it may employ in the future (including those described in Part B I), may result in unforeseen costs or require significant management attention or resources, or that its businesses do not otherwise perform as the Company expects and prove to be unsuccessful. The Company will need to familiarise themselves with and in some instances develop banking and merchant solutions in new markets. In addition, the Company may need to expand its infrastructure of people and information systems and train and manage its expanding employee base. The Company's strategies may prove to be more expensive, inefficient or unreliable than currently expected.

Potential requirement for further investment

Any future expansion, activity and/or business development may require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result.

Debt funding may require assets of the Company to be secured in favour of the lender, which security may be exercised if the Company were to be unable to comply with the terms of the relevant debt facility agreement. The level and timing of future expenditure will depend on a number of factors, many of which are outside the Company's control. If the Company is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned expansion, activity and/or business development.

The Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

RISKS RELATING TO THE INVESTMENT PROCESS

Competition

The Company's ability to implement its strategy and achieve its desired returns will depend largely on its ability to identify and invest in suitable assets at satisfactory prices and on satisfactory terms. A growing number of investment holding companies of all descriptions have become active in seeking investment opportunities with a focus on Africa. The Company may face significant competition from domestic investors, other foreign investment funds and strategic investors. Many competitors have greater financial resources than the Company and a greater ability to borrow funds to acquire assets. Competition for attractive investment opportunities may lead to higher asset prices which may affect the Company's ability to invest on terms which the Investment Team considers attractive. Such conditions may have a material adverse impact on the Company's ability to secure attractive investment opportunities and consequently may have an adverse effect on the NAV and the market price of the Blackstar Shares.

Some of the Company's competitors, including major investment holding companies, have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

Sufficiency of due diligence

The due diligence process that the Company undertakes in evaluating specific investment opportunities may not reveal all facts that may be relevant in connection with such investment opportunities and any corporate mismanagement, fraud or accounting irregularities may materially affect the integrity of the Company's due diligence on investment opportunities.

When conducting due diligence and making an assessment regarding an investment, the Company will be required to rely on resources available to it, including internal sources of information as well as information provided by existing and potential investments, any equity sponsor(s), lenders and other independent sources. The due diligence process may at times be required to rely on limited or incomplete information.

The Company selects investments in part on the basis of information and data relating to potential investments filed with various regulators and publicly available or made directly available to the Company by the entities filing such information or third parties. Although the Company will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the Company will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The Company is dependent upon the integrity of the management of the entities filing such information and of such third parties as well as the financial reporting process in general.

Whilst the Investment Team's due diligence process may include engaging professional third party advisers, including financial and legal advisers, valuation and insurance experts to advise the Company in connection with its investments, this may not reveal all facts that may be relevant in connection with an investment and may not highlight issues that could affect the investments' performance, leading to a risk that the return received on investments will be lower than envisaged and that the principal may not be repaid in full, or at all. These factors may adversely affect earnings of the Company and returns to Shareholders. Moreover, there can be no assurance that satisfactory due diligence will result in an investment being successful.

Accordingly, the Company cannot guarantee that the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Company to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the performance of the Company and, by extension, on the Company's business, financial condition, results of operations, NAV and/or the market price of the Blackstar Shares.

Concentration of investments

Upon successful Completion of the Acquisitions, the Company's investments in TMG and KTH will represent 88.1% of the Company's portfolio which is a significant proportion. Although there is an inherent risk to the Company in having such a concentration, KTH is itself an investment company and TMG has three divisions in different industries, which substantially mitigates this risk.

It is likely that the Company will make a limited number of investments from time to time which may lead to the Company having significant exposure to specific portfolio holdings. Greater concentration of investments in any one investment may result in greater volatility in the value of the Company's investments and consequently returns to Shareholders.

RISKS RELATING TO AN INVESTMENT IN THE BLACKSTAR SHARES

Risks relating to the market value of the Blackstar Shares

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment, who understand the potential risk of capital loss for whom an investment in the ordinary shares constitutes part of a diversified investment portfolio, who fully understand and are willing to assume the risks involved in investing in the Company and who have sufficient resources to bear any loss (which may be equal to the whole amount invested) which might result from such investment.

The Blackstar Shares are designed to be held over the long term and may not be suitable as short-term investments. There is no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment.

Any investment objectives of the Company are targets only and should not be treated as assurance or guarantees of performance.

A prospective investor should be aware that the value of an investment in the Company is subject to normal market fluctuations and other risks inherent in investing in securities. There is no assurance that any appreciation in the value of the Blackstar Shares will occur or that the investment objectives of the Company will be achieved.

The value of the Blackstar Shares and income derived from them (if any) can go down as well as up. There is no guarantee that the market price of the Blackstar Shares will fully reflect their underlying NAV. In the event of a winding-up of the Company, Shareholders will rank behind any creditors of the Company and, therefore, any positive return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of any creditors.

The price of a Blackstar Shares may also be affected by speculation in the press or investment community regarding the business or investments of the Company or factors or events (including interest rates) that may directly or indirectly affect their respective investments.

The Blackstar Shares may trade at a discount to the NAV per Share and Shareholders may be unable to realise their Blackstar Shares on the market at the NAV per Share or at any other price

The Blackstar Shares may trade at a discount to the NAV per Share for a variety of reasons, including, but not limited to, market or economic conditions or to the extent investors undervalue the Company.

Subject to the Companies Act, and the Memorandum, the Company may issue additional securities, including Blackstar Shares, for any purpose. Any additional issuances by the Company, or the possibility of such issue, may cause the market price of the Blackstar Shares to decline.

Shareholders have no right to have their Shares redeemed or repurchased by the Company

The Company has been established as a closed-ended vehicle. Accordingly, there is no right or entitlement attaching to the Shares that allows them to be redeemed or repurchased by the Company at the option of the Shareholder.

The existence of a liquid market in the Blackstar Shares cannot be guaranteed

The Blackstar Shares will be readmitted to AIM and the AltX, however there can be no guarantee that a liquid market in the Blackstar Shares will develop or be sustained or that the Blackstar Shares will trade at prices close to the NAV per Blackstar Shares.

Shareholders may be subject to exchange rate risk

The Blackstar Shares are denominated in Euro, and any dividends to be paid in respect of them will be, denominated in Pounds Sterling and South Africa Rands. An investment in ordinary shares by an investor whose principal currency is not Pounds Sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of Pounds Sterling or South African Rands in relation to such foreign currency will reduce the value of the investment in the ordinary shares or any dividends in foreign currency terms and any appreciation of Pounds Sterling or South African Rands will increase the value in foreign currency terms.

Tiso Blackstar's performance will be subject to significant business and economic uncertainties and contingencies

The performance of Tiso Blackstar Group will be subject to a variety of factors including, without limitation, the availability of investment opportunities, asset mix, value, volatility, holding periods, performance of underlying portfolio debt issuers, investment liquidity, borrower default, changes in current market conditions, interest rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances or the occurrence of risks described elsewhere in this Document, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the control of the Company, and which may adversely affect the Company's ability to achieve its target return and target dividend yield.

Such targets are based on market conditions and the economic environment at the time of assessing the proposed targets and the assumption that the Company will be able to implement its investment policy and strategy successfully, and are therefore subject to change. There is no guarantee or assurance that the target return and/or target dividend yield can be achieved at or near the levels set forth in this Document.

As an investment holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally the receipt of sufficient dividends from its subsidiaries. Future financing arrangements that members of the Company may enter into may contain limitations on the payment of dividends to the Company. The ability of the Company's subsidiaries to distribute cash to it in order to support the payment of dividends by the Company is also limited by, among other things, the underlying performance and growth of the Company and the level of free cash reinvested in expansion strategies. In addition, any change in the tax treatment of dividends or interest received by the Company may reduce the level of yield received by Shareholders.

RISKS RELATING TO REGULATION AND TAXATION

Changes in law or regulations, or a failure to comply with any laws or regulations, may adversely affect the respective businesses, investments and performance of the Company

The Company is, the implementation of the Acquisitions are, and the Tiso Blackstar Group will be subject to laws and regulations enacted by national and local governments in which the Tiso Blackstar Group operates.

These laws and regulations may change and any changes in, or changes in the interpretation of, such laws and regulations may have an adverse effect on the ability of the Company and the Tiso Blackstar Group to carry on their respective businesses or consummate the Acquisitions. Any such changes may also have an adverse effect on the ability of the Company and/or KTH to pursue the investment policies, and may adversely affect the business, financial condition, results of operations, NAV of the Tiso Blackstar Group and/or the market price of the Blackstar Shares.

Change in accounting policies

Any change in the structure of any member of the Tiso Blackstar Group or KTH or any of its underlying investments or in accounting standards and policies could adversely affect the investment return of the Company.

Alternative Investment Fund Managers Directive

The European Commission published the Alternative Investment Fund Managers Directive ("AIFMD"), designed to regulate the managers of private equity, hedge and certain other types of investment funds, on 1 July 2011. Blackstar has obtained a legal opinion from Maltese counsel which concluded that Blackstar does not qualify as an alternative investment fund under Maltese law and accordingly is not subject to AIFMD. If it becomes subject to the AIFMD (whether as a result of change in the implementation of AIFMD in Malta, a change in the business or strategy of the Company or in the event that Blackstar moves its registered office to another European jurisdiction which has implemented AIFMD differently or otherwise) this might materially increase compliance, regulatory, operational and administrative costs on Blackstar.

Taxation

The Company operates in different tax regimes which are subject to interpretation, change and delay. Any change in the Company's tax status or in the relevant taxation legislation could affect the Company's ability to provide returns to Ordinary Shareholders. Statements in this Document concerning the taxation of investors in Blackstar Shares are based on current law and practice, which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investment. The nature and amount of tax which members of the Company expect to pay and the reliefs expected to be available to any member of the Company are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Company. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Company.

RISKS RELATING TO OPERATIONS OF THE TISO BLACKSTAR GROUP

Risks relating to counterparties

The Tiso Blackstar Group will be exposed to third party credit risk in several instances, including, without limitation, with respect to contractors who may be engaged to construct or operate assets held by the Tiso Blackstar Group, property owners or tenants who are leasing ground space to the Company for the locating of assets, banks which may provide guarantees of the obligations of other parties or which may commit to provide leverage to the Tiso Blackstar Group at a future date, insurance companies which may provide coverage against various risks applicable to the Tiso Blackstar Group's assets and other third parties who may owe sums to the Tiso Blackstar Group. In the event that such credit risk crystallises in one or more instances (for instance, an insurer which grants coverage becomes insolvent as a result of claims made due to a natural disaster by several persons insured by it and the investment is, consequently, unable to make substantial recovery under its own insurance policy with such insurer), this may materially adversely impact on the investment returns.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and causes the Company to incur a financial loss in relation to these assets.

The Company deals with creditworthy counterparties as a means of mitigating the risk of financial loss. The Company uses independent credit rating agencies, publicly available financial information and internal trading records to rate customers and potential customers. Exposure to, and credit ratings of, counterparties are regularly monitored and the Company does not have any significant credit risk exposure to a single counterparty or groups of counterparties having similar characteristics.

The Tiso Blackstar 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.

Credit risk could also arise from the decrease in value of an asset because of a deterioration of creditworthiness (which may give rise to the downgrading of counterparties). Credit risk arises from investments in debt securities, funds on deposit and other money market instruments, unit-linked investments, derivative financial instruments, available-for-sale debt securities, held-to-maturity investments, reinsurance debtors, loans to policyholders and other loans and receivables in the shareholder and guaranteed portfolios as well as linked portfolios. Where instruments are held to back investment-linked contract liabilities, the policyholder carries the credit risk. Where instruments are held in cell captive arrangements, where the cell owner takes the risk, the credit risk is also transferred.

Risks relating to third party service providers

The Company expects to use third parties to provide certain administrative services to the Company. Where a service provider needs replacing, whether due to expiry of an existing contract, insolvency, poor performance or any other reason, the Company will be required to appoint a replacement service provider. There is no assurance that contracts can be negotiated on similar terms and less favourable terms could result in increased operation and maintenance costs. Any replacement contractor may be more expensive and there is a further risk that finding a suitable service provider may take a long time, which could potentially lead to downtime for the relevant asset. This could have a material adverse effect on the Company's financial position, results of operation and business prospects.

Adverse litigation judgments or settlement may expose the Company to monetary damages or limit its ability to operate the business

Whilst the Company has taken, and intends to continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Company, the Directors cannot preclude the possibility of litigation being brought against the Company. The Company may become involved from time to time in legal proceedings with employees, suppliers, shareholders, competitors, government agencies or others. Any claims against the Company whether admissible or not, could be time-consuming, result in costly litigation, damage the Company's reputation and require significant amount of management time and divert significant resources. If any of these legal proceedings were to be determined adversely against the Company, or the Company were to enter into a settlement arrangement, the Company could be exposed to monetary damages or limitations on its ability to operate the business which could have a material and adverse effect on its financial condition and financial results. Further details relating to litigation are contained in section 13 of Part B II, section 19 of Part C and section 20 of Part D.

Ability to recruit and retain skilled personnel

The Company relies on its employees to perform their respective jobs and functions. Appropriate training, development, retention initiatives and succession planning have been put in place to ensure the Company employs and retains high performing employees. However it is commonplace for employees to search for alternative employment should they feel they are not compensated sufficiently or they are not mentally enriched by their job, as a result, such training and development programmes are in place to ensure employees are retained.

The ability to continue to attract and retain employees with the appropriate expertise and skills cannot be guaranteed. Finding and hiring any additional personnel and replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results, and there can be no assurance that the Company will have sufficient financial resources. In addition, to expand the Company's investment base and increase potential returns, the Company will need to hire additional qualified investment managers. If the Company is unable to hire, train and retain such personnel in a timely manner, the development and maintenance of the Company's portfolio could be delayed and its ability to acquire the right investments, to disinvest in the incorrect investments and otherwise to grow its business will be impaired and the delay and inability may have a detrimental effect upon the performance of the Company.

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 Rands due to changes in foreign exchange rates. Certain trade receivables, other receivables and borrowings are denominated in foreign currencies, exposing the Tiso Blackstar Group to foreign exchange risk, most notably in respect of the trading in US Dollars and Pounds Sterling.

Reputation

The Company's reputation is vital to its future success, in terms of its investment portfolio, its business relationships, the way in which it conducts its business and the financial results which it achieves. Failure to meet the expectations of its shareholders, suppliers, employees, and other business partners may have a material adverse effect on the Company's reputation and future revenue.

Integration

Unforeseen difficulties in the integration of underlying investments into the Tiso Blackstar Group may result in increased expense, inefficiencies, poor co-operation and communication and ultimately a decline in profitability. For these reasons, the Company may not realise all of the anticipated benefits of the investments, either in a timely manner or at all. In this instance the Company will incur significant costs which could potentially have a material adverse impact on the business of the Tiso Blackstar Group.

The Company may experience fluctuations in its operating results

The Company may experience fluctuations in its operating results due to a number of factors, including changes in the values of its investments, which could be due to changes in values of portfolio companies, changes in the amount of distributions, dividends or interest paid in respect of investments, changes in its operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which it encounters competition, the degree of indebtedness it incurs in any particular financial period and general economic and market conditions. Such variability may lead to volatility in the trading price of Blackstar Shares and cause the Company's results for a particular financial period not to be indicative of its performance in a future period.

Regulatory environment

The media and communications industry in South Africa is regulated by the Independent Communications Authority of South Africa ("ICASA"). ICASA regulates the electronic communications, broadcasting and postal industries. Its key functions are to:

- make regulations and policies that govern electronic communications, broadcasting, and postal industries;
- issue licenses to providers of electronic communications services, broadcasters and postal services;
- monitor the environment and enforce compliance with rules, regulations and policies;
- hear and decide on disputes and complaints brought by industry or members of the public against licensees;
- plan, control and manage the frequency spectrum; and
- protect consumers from unfair business practices, poor quality services and harmful or inferior products.

TMG's businesses depend on certain licences to trade issued by ICASA. ICASA has the authority to revoke a licence to trade in the industry. Should such a licence be revoked, withdrawn or amended, the profitability of the TMG business that requires such licence would be adversely affected and this in turn, would have an adverse effect on the operating results, financial condition and prospects of TMG.

Certain of TMG's businesses must also comply with the Broadcasting Complaints Commission of South Africa ("Broadcasting Complaints Commission"). Failure to comply with the codes issued by the Broadcasting Complaints Commission could result in a sanction and/or fine which in turn could have an adverse effect on the reputation of broadcasters, which in turn could have an adverse effect on advertising revenue of the business.

Technology

The technology used by TMG is rapidly changing and constantly developing. Failure to appropriately invest and/or update such technology has the potential of rendering the current technology utilised by TMG obsolete and out of date. The media and communications industry is heavily dependent on technology facilitating the delivery of its product and services offering to consumers. In the highly competitive markets TMG compete in, the lack of efficient and/or appropriate technology can result in a consumer easily switching to a competitor product offering. The ability of a company to deliver its media/broadcasting/entertainment products swiftly and without error will influence consumer retention and loyalty when faced with competitors vying for attention at every potential opportunity. The failure to retain customers could result in a decrease in advertising revenue which in turn could adversely affect the operating results and financial conditions of TMG.

Digitisation

The increasing use of digital platforms to deliver media content has led to an increase in online subscriptions, e-Books and tablets, streaming and social media, which has been attributed to the decline in the circulation of printed media. The majority of TMG's revenue in the media division currently derives from printed media. Should the market for printed media continue to decline and TMG fail in their strategies to adopt their business models to meet the increasing demand for the delivery of media content via digital platforms the revenue generated from the sale of advertising in, and the sale of, printed media would over the medium to long term be adversely affected. This long term decline in revenue from printed media and the failure to replace such lost revenue from TMG's digital platforms could have an adverse impact on the operating results, financial condition and prospects of TMG.

Improved broadband in South Africa

Improvement in broadband coverage in South Africa and the increase in digital radio stations has increased competition with analogue radio stations because listeners now have the ability to stream music through access to more stations with better sound quality either through a digital audio broadcasting ("DAB") radio or the internet. Analogue radio stations could lose listeners which in turn would adversely affect advertising revenue. Furthermore, interactive car dashboards are enabling and promoting music streaming. This development, though currently in its infancy, is a threat to radio stations which could also reduce listeners and therefore advertising revenue. Reductions in advertising revenue could adversely affect the operating results and financial condition of TMG.

Piracy

Although the majority of TMG's profit is derived from print advertising, its successful continued implementation of its policy to diversify media will expose TMG to risk from piracy.

Illegal downloading of software, books, movies, magazines and other various forms of entertainment has become prevalent in the South African markets as it has in the global market. There is an ongoing improvement in broadband internet coverage, increased exposure of the youth to unrestricted internet access which has resulted in greater access to printed copies of such media content as well as making illegal downloading easier. The perceived lack of prosecutions and sufficient legal and criminal repercussions in South Africa and further increases in piracy will continue to affect sales and the profitability of media content companies.

RISKS RELATING TO KTH

KTH, being an investment holding company, its principal investments are subject to the following risks that the Company is also subject to, which are described in more detail in Section A above under the following headings:

Risks relating to the Investment Strategy

- *KTH cannot assure its shareholders that it will be able to accurately predict or effectively react to, future changes in the value of investments*
- *KTH's financial condition and results of operations will depend on its ability to manage future growth and the effective implementation of its investment strategy*
- *KTH's past performance is not necessarily indicative of its future performance*
- *Risks relating to the market value of investments and valuations*
- *Risks relating to modelling future returns*
- *The illiquidity of investments may have an adverse impact on their selling price and KTH's ability to disinvest and realise the intended return, alternatively it may require significant time for capital gains to materialise*
- *Expansion, particularly into new jurisdictions, and strategies may not be successful*
- *Potential requirement for further investment*

Risks relating to the Investment Process

- *Competition*
- *Sufficiency of due diligence*

Risks relating to regulation and taxation

- *Changes in law or regulations, or a failure to comply with any laws or regulations, may adversely affect the respective businesses, investments and performance of KTH*
- *Change in accounting policies*
- *Taxation*

Risks relating to operations of the Tiso Blackstar Group

- *Risks relating to counterparties*
- *Risks relating to third party service providers*
- *Ability to recruit and retain skilled personnel*
- *KTH may use borrowings*
- *Reputation*
- *Integration*
- *KTH may experience fluctuations in its operating results*

In addition, Shareholders and prospective investors should note the following risks relating to KTH:

Highly regulated markets

KTH holds investments, and are expected to hold future investments, in industries that are highly regulated and non-compliance can result in the investments operations being suspended. In addition failure to comply with regulations imposed can result in the imposition of severe penalties, both financial and non-financial which will impact the profit of the investment and ultimately that of KTH. The stringent regulations imposed by governing bodies may have the effect of limiting or restricting the operations of the investment and therefore the potential return generated by this investment opportunity.

Lock in risk

Certain KTH investments may be subject to a lock-in provision established in the acquisition agreement. This may prevent KTH from disposing of the investment until a certain future date or alternatively may restrict the potential buyers of an investment that KTH wishes to sell. As a result KTH may not sell certain investments despite poor performance, or changes in investment objectives, until such time when the lock-in provision has expired.

South African companies are required and/or encouraged to maintain broad-based Black Economic Empowerment ("BEE") scorecards

Currently, the South African Department of Trade and Industry ("DTI") is responsible for leading government action on the implementation of BEE initiatives under the auspices of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 ("BEE Act") and the Broad-Based Black Economic Empowerment Codes of Good Practice ("Codes of Good Practice"), certain industries have their own transformation charters administered by the relevant government department. The DTI may propose further changes to the BEE Act and/or the Codes of Good Practice which, if implemented, would provide a standard framework for the measurement of BEE compliance across all sectors of the economy.

There is a risk that all of the industry-specific transformation charters, against which South African companies currently measure their compliance, may be superseded, in which case the relevant companies would be required to comply with the criteria set forth under the BEE Act and any new or revised Codes of Good Practice.

The DTI has released proposed changes to the Codes of Good Practice or may alter them in the future. The Company cannot predict the scope or timing of any amendments or modifications to the BEE Act or Codes of Good Practice, nor can the Company predict the impact that these may have on the businesses in which KTH is invested.

If a company is unable to maintain its empowered status under the relevant charter or comply with any other BEE regulations or policies, it may not be able to maintain, amongst other matters, its existing rights, licenses and/or customers which may have a material adverse effect on such company's business, financial condition and results of operations. In addition, in seeking to comply with its enhanced BEE participation obligations in the future, the Company may incur significant costs, be required to enter into a transaction on unfavourable terms or dilute KTH's interest in that company. Companies in the mining sector and companies which service South African government departments are particularly exposed to these risks.

A number of the companies in which KTH is invested rely on KTH's BEE credentials for compliance with the BEE Act, Codes of Good Practice and their specific BEE charters. As a result, it is important for KTH to maintain its BEE scorecard and is also exposed to the risks that would be potentially introduced in seeking to comply with enhanced BEE participation obligations in the future.

KTH's memorandum of incorporation contains provisions which, in certain instances, restrict the disposal or encumbrance of KTH shares, force the disposal of KTH shares and provide the KTH shareholders with certain pre-emptive and participation rights in transactions regarding the sale of KTH shares by other KTH shareholders

KTH's memorandum of incorporation contains various provisions restricting the sale and/or encumbrance of the KTH shares by KTH shareholders or requiring certain actions to be taken by KTH shareholders when, amongst other matters, a KTH shareholder wishes to dispose of its KTH shares, acquires a certain percentage of the KTH shares in issue, undergoes a change of control or is liquidated. These provisions of the memorandum of incorporation may impair Blackstar's ability to dispose of its interest in KTH or require it to dispose of its equity interest in KTH unexpectedly, at an inopportune time or for a diminished value.

The Company has no control over the investments made by KTH

Completion of the Tiso Transaction will result in a significant investment in another fund. While the Directors will review KTH's compliance with its investment objective and investment policy, and the Company will have a degree of influence due to its position as a substantial shareholder in KTH, the Company will not have control over KTH's specific investments and has no right to require the disposal of specific investments by KTH. Instead, the Company will rely on the skills and capabilities of the management of KTH in selecting, evaluating, structuring, negotiating, executing, monitoring and existing trading positions and investments and in appropriately managing any uninvested capital of KTH.

FINANCING RISKS

Long term financing risks relating to the Tiso Blackstar Group

The Tiso Blackstar Group will have substantial debt, the servicing of which will require the allocation of a large proportion of cash flow from investments.

The Board does not consider that the Tiso Blackstar Group's debt service obligations present a material risk in the short to medium term, due to the operating performance of the Tiso Blackstar Group and the Tiso Blackstar Group's ability, if necessary or desirable, to use cash received from its investments.

However, there is a risk that over the longer term, the Tiso Blackstar Group's level of debt could create operational difficulties. The Tiso Blackstar Group's obligation to make scheduled payments on its indebtedness and to maintain its covenants could limit its financial and operational flexibility, for example by restricting its ability to invest. This could, over the longer term, have an adverse impact on the business of the Tiso Blackstar Group, its reputation, financial condition and/or operating results.

The Tiso Blackstar Group may use borrowings

The Tiso Blackstar Group may use borrowings for both investment purposes and/or short term liquidity purposes, as may be necessary for short term bridging purposes, to facilitate share buybacks or to manage working capital requirements, including hedging facilities. While the use of borrowings should enhance the total return on the Blackstar Shares where the return on the Company's investment portfolio is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's investment portfolio is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Blackstar Shares. As a result, the use of borrowings by the Company may increase the volatility of the NAV per Share.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy, borrowing limits or loan covenants, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

Should the Company not be able to service its debt obligations, it could be subject to the debt being recalled by lenders as well as legal proceedings being instigated. The Company ensures cash flows are continually managed and reviewed to maintain its ability to service the debt.

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 Tiso Blackstar Group's cash flow interest rate risk arises from loan receivables, cash and cash equivalents, and borrowings (excluding loans from related parties, which are interest free). The Tiso Blackstar Group is not exposed to fair value interest rate risk as the Tiso Blackstar 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 exposure to interest rate fluctuations is limited.

RISKS ASSOCIATED WITH OPERATING IN AFRICA

Poor state of Africa's physical infrastructure

Much of the physical infrastructure of countries in Africa has not been adequately funded nor maintained. Particularly affected are the rail and road networks, power generation and transmission, communication systems and building stock. Road conditions throughout Africa are poor, with many roads not meeting minimum requirements for use and safety.

The condition of the infrastructure of countries in Africa harms the domestic economies, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. In order to enhance the prospects of infrastructure improvement, the governments in certain African countries may increase charges and tariffs but may not result in the anticipated capital investment that is needed to repair, maintain and improve these systems. Significant increases in charges and tariffs, or further deterioration of infrastructure, may limit economic growth, disrupt the transportation of goods and supplies and as a consequence adversely affect economies in which the Group has or will invest in which could have a material adverse effect on the business and financial condition of the Tiso Blackstar Group and, by extension, the value of the Blackstar Shares.

African markets are subject to greater risks

African markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should note that emerging economies such as the economies of the countries in Africa in which the Company and KTH invest are subject to rapid change and that the information set out in this Document may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect prices in capital markets of all emerging market countries as investors move their money to more stable, developed markets. As has happened both recently and in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Africa and adversely affect the economies of African countries in which the Company and KTH invest. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the economies of the African countries in which the Company and KTH invest remain relatively stable, financial turmoil in any other emerging market country could seriously disrupt the financial position and prospects of the Tiso Blackstar Group and, by extension, the value of the Blackstar Shares.

Economic instability in Africa

As a result of years of war and instability, the economies of many African countries have experienced at various times:

- significant declines in gross domestic product;
- hyperinflation;
- an unstable currency;
- high government budget deficits and government debts relative to gross domestic product;
- a weak banking system providing limited liquidity to domestic enterprises;
- high levels of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings;
- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and grey market economy;

- pervasive capital flight;
- high levels of corruption and the penetration of organised crime into the economy;
- labour and social unrest and significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of the population.

In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, violence, attacks and military conflict, which has brought normal economic activity to a halt in affected countries and disrupted the economies of neighbouring countries. The further intensification of violence, including terrorist attacks and bombings and the resulting heightened security measures may cause disruptions to domestic commerce and could materially adversely affect the Tiso Blackstar Group.

Crime and corruption

The political and economic changes in African countries in recent years have resulted in significant dislocations of authority. The local and international press have reported that significant organised criminal activity has arisen, particularly in large metropolitan centres, while the local press and international press have reported high levels of corruption including the bribing of officials for the purpose of initiating investigations by government agencies. Press reports have also described instances in which government officials have engaged in selective investigations and prosecutions to further the interests of the government and individual officials or business groups. Demands of corrupt officials; claims that the Tiso Blackstar Group, KTH or their respective management or beneficial owners have been involved in corruption or illegal activities; or biased articles and negative publicity, could adversely affect the Tiso Blackstar Group and KTH’s ability to conduct business in Africa and the value of the Blackstar Shares.

High crime levels, including extortion and fraud, are still prevalent in many parts of Africa. Many businesses, particularly in large cities, are subject to the influences of criminal elements. Parts of the African economic system continue to suffer from corruption. The Tiso Blackstar Group may have to cease or alter certain activities or liquidate certain investments as a result of criminal threats or activities. Legal rights may be difficult to enforce in the face of organised crime or corruption. Prospective counterparties to the Tiso Blackstar Group may seek to structure transactions in an irregular fashion, to evade fiscal or legal requirements. They may also deliberately conceal information from the Tiso Blackstar Group and its advisers or provide inaccurate or misleading information which may have a material adverse effect on the Tiso Blackstar Group and the value of Blackstar Shares.

Economic and political risk

The operations of the Tiso Blackstar Group are located in multiple countries where there may be risks over which it will have no, or limited, control. These may include economic, social, or political instability or change, instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, exchange control and custom duties as well as government control over domestic production.

Economic conditions and current economic weakness

Any economic downturn either globally or locally in any area in which the Tiso Blackstar Group operates may have an adverse effect on the Tiso Blackstar Group. A more prolonged economic downturn may lead to an overall decline in the NAV of the portfolio, restricting the Company’s ability to realise a profit. In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain, the Company might see lower levels of growth than in the past, which might have an adverse impact on the Tiso Blackstar Group's operations and business results.

Power outages

In South Africa, electricity is generated by Eskom Holdings SOC Limited, a company incorporated in South Africa, registration number 2002/015527/06 ("Eskom"). Eskom generates approximately 95.0% of the electricity used in South Africa and approximately 45.0% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Towards the end of 2014, Eskom put in place a load shedding initiative whereby different parts of South Africa would be subject to scheduled power outages as a result of Eskom being unable to continuously meet the growing electricity demands of South Africa. These power outages are consistently felt by individuals and businesses throughout South Africa, which has affected the ability for many companies to be productive in a time of a power outage which as a result leads to being unable to generate revenue. The Company has reported that additional generators have been acquired to provide power to critical sites and processes during power outages to minimise the effect of the power outages.

PART A

LETTER FROM THE CHAIRMAN

BLACKSTAR

Directors
John Broadhurst Mills (*Independent Non-executive Chairman*)
Marcel Ernzer (*Independent Non-executive Director*)
Richard Thomson Wight (*Independent Non-executive Director*)
Andrew David Bonamour (*Non-executive Director*)

Proposed Directors
David Adomakoh (*Non-executive Group Chairman*)
Nkululeko Sowazi (*Non-executive Director*)

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Dear Shareholder,

30 April 2015

Proposed Acquisitions of all the ordinary shares in Times Media Group Limited not already owned by Blackstar and its subsidiaries, and a 22.9% interest in Kagiso Tiso Holdings Proprietary Limited

and

Notice of Extraordinary General Meeting to the Company

1. INTRODUCTION

Further to the circular to Shareholders dated 26 February 2015, at a General Meeting of the Company held on 23 March 2015, Shareholders approved resolutions required to implement the Acquisitions, in the context of the proposed move of the Company's primary listing to the Specialist Funds Market of the LSE and of its secondary listing to the main market of the JSE. Following consultation with its advisers, the Board has now decided that it is more appropriate to continue as a company listed on AIM and on AltX at the current time, whilst continuing to explore its options for main board listings in due course. I am therefore writing to you to convene an Extraordinary General Meeting of the Company for the purpose of further approving the Acquisitions in the context of the Company's Readmission to AIM.

On 8 December 2014, the Company made an announcement (the "Announcement") that it had expressed an interest to acquire all the ordinary shares of Times Media Group Limited ("TMG") that it does not already own ("TMG Scheme Shares") by way of a scheme of arrangement (the "TMG Scheme"). The Announcement stated that the Company and the directors of TMG had agreed the terms of a recommended cash and share offer pursuant to which the Company or Blackstar (Cyprus) Investors Limited ("BCIL"), a wholly owned subsidiary of the Company, would acquire the TMG Scheme Shares for a Cash Consideration of R22.00 (£1.20) or 1.44885 New Shares (which would value a TMG share at R24.50 (£1.33)) per TMG Scheme Share. The aggregate Cash Consideration offered to the holders of TMG Scheme Shares is limited to a maximum amount of R500 million (£27.2 million) with the remaining portion being settled by the issue of New Shares. The total consideration payable under the TMG Scheme is expected to be approximately R2.0 billion (£108.8 million) comprising R500.0 million (£27.2 million) in cash and 90.8 million New Shares. The actual number of New Shares to be issued will depend on the amount of cash elected to be received by the holders of TMG Scheme Shares. In the event that the maximum Cash Consideration is paid, 90,794,152 New Shares will be issued, and if no Cash Consideration is paid, 123,722,561 New Shares will be issued.

In the same Announcement, the Company also announced that it had agreed with Tiso Investment Holdings Proprietary Limited (RF) ("TIH") and the Tiso Foundation Charitable Trust ("Tiso Foundation"), collectively ("Tiso"), the terms of an acquisition pursuant to which the Company or BCIL, will acquire an effective 22.9% interest in Kagiso Tiso Holdings Proprietary Limited ("KTH"), a prominent South African investment holding company, owned by Tiso, for a total purchase price of approximately R2.06 billion (£112.6 million) comprising no more than R500.0 million (£27.2 million) cash and approximately 93.0 million New Shares ("Tiso Transaction").

The completion and implementation of the Acquisitions remain conditional upon the fulfilment or, as the case may be, waiver of certain conditions precedent including the condition for trading in the Blackstar Shares to recommence on the exchanges upon which they are listed or quoted.

Trading in the Existing Share Capital is expected to recommence on AIM at 8:00 a.m. (BST) on Thursday, 30 April 2015 and on the AltX of the JSE at 9:00 a.m. (SAST) on Thursday, 30 April 2015.

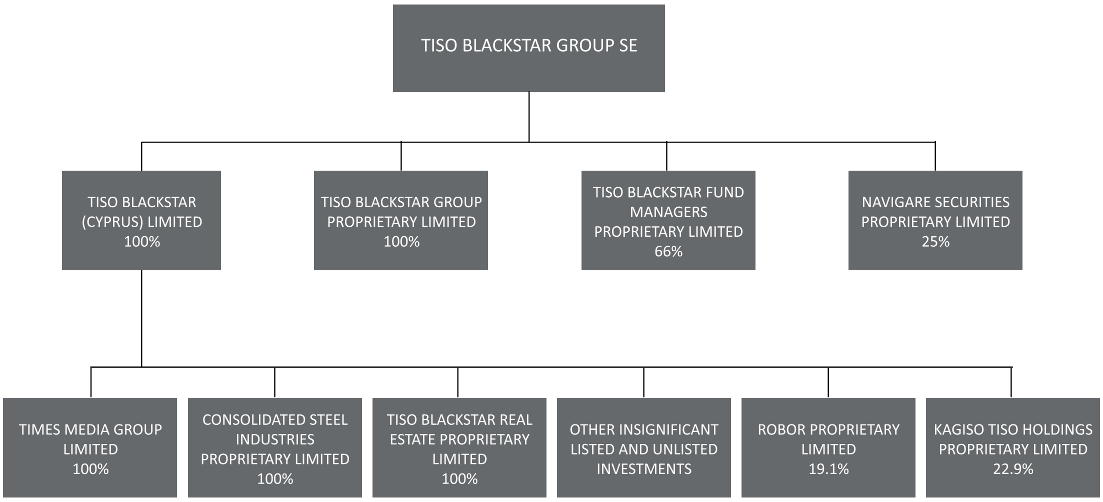
Application will be made to the London Stock Exchange for all of the Shares in the Enlarged Share Capital to be readmitted to trading on AIM at Completion. It is expected that Readmission will become effective, that the Acquisitions will complete and that dealings in Shares in the Enlarged Share Capital on AIM will commence at 8:00 a.m. (BST) on Monday, 8 June 2015.

Application will also be made to readmit the Enlarged Share Capital to trading on the AltX which will be subject to the JSE's approval. Whereas the implementation of the Acquisitions will result in a reverse takeover of Blackstar for the purposes of the JSE listing requirements, this Document will be submitted by Blackstar to satisfy the JSE that it continues to meet the listing criteria of the JSE following implementation. It is expected that readmission of the Enlarged Share Capital to the AltX will become effective at 9:00 a.m. (SAST) on Monday, 8 June 2015.

Upon the Completion of the Acquisitions, the Company will be renamed Tiso Blackstar Group SE ("Tiso Blackstar"). In addition, "Blackstar Group Proprietary Limited" will be renamed "Tiso Blackstar Group Proprietary Limited", "Blackstar (Cyprus) Investors Limited" will be renamed "Tiso Blackstar (Cyprus) Limited", "Blackstar Fund Managers Proprietary Limited" will be renamed "Tiso Blackstar Fund Managers Proprietary Limited" and "Blackstar Real Estate Proprietary Limited" will be renamed "Tiso Blackstar Real Estate Proprietary Limited".

Due to the proportion of the Tiso Blackstar Group's NAV that will be represented by TMG and the overlap in the composition of the board of directors of TMG and the Company, Tiso Blackstar will be technically classified for the purposes of the AIM Rules as an operating company and not as an investing company. After Completion, the Company intends to operate its business in line with its stated strategy and investment policy but will no longer be subject to the AIM Note for Investing Companies, and as a consequence certain significant transactions in accordance with the investment policy that historically would not have needed shareholder approval may now need such consent.

Upon Completion of the Acquisitions, the Tiso Blackstar Group structure will be as follows:



I am writing to you to procure your approval of the Resolution and, in this regard, provide you with further details of the Acquisitions and the Tiso Blackstar Group, the rationale for the Acquisitions and why the Board considers the Acquisitions, together with the Readmission to be in the best interests of the Company and Shareholders.

2. SUMMARY OF THE TERMS OF THE ACQUISITIONS

2.1 The TMG Scheme

As at the date of this Document, the Group owns 41,076,782 TMG Shares, representing approximately 32.5% of TMG's issued share capital, excluding treasury shares held by TMG subsidiaries (which is permitted under South African law). Pursuant to the TMG Scheme, as set out in the TMG Scheme Circular, holders of TMG Scheme Shares will be entitled to receive

for each TMG Share R22.00 in cash or 1.44885 Blackstar Shares

and so in proportion for any number of TMG Shares held.

TMG Shareholders may elect to receive New Shares or cash for each TMG Scheme Share held under the Mix and Match Facility being made available, subject to the aggregate amount of all cash consideration payable by the Company pursuant to the TMG Scheme being limited to a maximum amount of R500.0 million (£27.2 million). Accordingly, the Company's ability to satisfy elections made under the Mix and Match Facility by TMG Scheme Participants will depend on other TMG Shareholders making offsetting elections. The number of New Shares to be issued under the TMG Scheme will range between 90,794,152 New Shares (in the event that the maximum Cash Consideration is paid) and 123,722,561 New Shares (if no elections for Cash Consideration are made).

The TMG Scheme Consideration:

- values each TMG Scheme Share at R22.00 (£1.20) if the Cash Consideration is selected and R24.50 (£1.33) if the Share Consideration is selected;
- assuming that the maximum amount of Cash Consideration is paid, values the TMG Scheme Shares at approximately R2.0 billion in aggregate (£108.8 million), implying a total value of approximately R3.0 billion (£163.1 million) for the entire issued share capital of TMG;

- if a holder of a TMG Scheme Share elects to receive the Cash Consideration, it represents a premium of approximately 10.9% to the 30 Day volume weighted average price of a TMG Share of R19.83 (£1.08) on 20 November 2014, the last Business Day before the first announcement of the possibility of a material event for TMG; and
- if a holder of a TMG Scheme Share elects to receive only the Share Consideration, represents a premium of approximately 23.6% to the 30 Day volume weighted average price of a TMG Share of R19.83 (£1.08) on 20 November 2014, the last Business Day before the first announcement of the possibility of a material event for TMG.

In addition, the TMG Independent Board (being the directors other than the Blackstar-appointed directors of TMG) at a meeting held on 17 February 2015 resolved, subject to the applicable provisions of South African law, to pay a dividend in an amount of R0.30 (thirty South African cents) (£0.02) per TMG Share after the TMG Scheme becomes operative but before it is implemented.

2.2 **Tiso Transaction**

Pursuant to the Tiso Transaction, which is subject to the terms and conditions of the Tiso Agreement, the Group will acquire the KTH Interest from Tiso for approximately R2.06 billion (£112.0 million) comprising 93 million New Shares, with an issue price of R16.91 (£0.92) per New Share, and cash up to R500.0 million (£27.2 million). The Tiso Transaction will result in the Group holding a significant interest in KTH. Based on the audited financial information of KTH as at 30 June 2014, the Directors expect the acquisition of the KTH Interest to more than double the Group's NAV of R1.3 billion (£73.0 million) as at 30 June 2014 to approximately R3.4 billion (£184.9 million) after completion of the Tiso Transaction. This figure excludes the effects on the NAV of the Group following completion of the TMG Scheme although as described in more detail below, the Tiso Transaction is conditional upon the TMG Scheme becoming unconditional in accordance with its terms.

Following completion of the Tiso Transaction, Tiso Blackstar will hold a minority non-controlling share in KTH and Tiso Blackstar will not have control over the day-to-day management of KTH.

The shareholdings of TIH and the Tiso Foundation in Tiso Blackstar are expected to be within the ranges of 18.0% to 20.2% and 13.0% to 14.6% respectively depending on the election made by TMG Scheme Participants under the Mix and Match Facility following the issue of New Shares pursuant to the TMG Scheme. TIH has undertaken to the Company and ZAI not to dispose of its Shares for a period of 6 months following Readmission (save in certain specified circumstances). Further details of this undertaking are set out in section 12.4 of Part B II of this Document.

For so long as the Company remains listed on AIM, neither the City Code on Takeovers and Mergers nor its Maltese equivalent, each derived from the Takeover Directive (Directive 2004/25/EC on takeover bids), apply.

3. BACKGROUND TO, AND REASONS FOR, THE ACQUISITIONS

3.1 **Background to the Acquisitions**

During 2014, the Board challenged the Company's Investment Advisory Team to explore opportunities to reduce the discount that the Company's share price represents to its NAV. The Board believes that the Acquisitions will be beneficial to the Company as it seeks to minimise any such discount.

With regard to TMG, in the face of digital media and the decline of tangible media (i.e. print media), the Directors believe that whilst TMG currently has limited scope for future investment within its business model it has strong operational cash flow. When the TMG Scheme becomes effective and the Acquisitions complete, as a wholly-owned subsidiary of the Tiso Blackstar Group, TMG's future cash flows may be utilised to support Tiso Blackstar's broader strategy allowing for potential reinvestment in other value-yielding companies and sectors.

The opportunity to acquire the remaining portion of TMG not already owned by the Group and the KTH Interest provides the potential for a significant step-change in the scale and ambition of the Group.

3.2 **Reasons for the Acquisitions**

The Directors believe that the creation of Tiso Blackstar will result in a dual listed, Africa-focused, diversified investment company of scale and a company focussed in particular on the pursuit of a growth strategy supported by solid, cash producing assets (in particular through its ownership of TMG).

The Directors believe that Tiso Blackstar will be positioned, potentially in particular through ownership of TMG, further to develop a strategic and mutually beneficial relationship with KTH through co-investment and other business development opportunities.

The Directors also believe that over the short to medium term, the successful completion of the Acquisitions will result in, amongst other matters:

- improved liquidity in Blackstar Shares (when compared with the current liquidity of the existing shares and TMG Shares) resulting from the increased number of shares in issue and shareholders;
- significantly enlarged NAV leading to enhanced market visibility and potentially improved marketability of Blackstar Shares;
- increased black economic empowerment ownership levels;
- head office costs and those associated with the administration of the Company's portfolios being spread over a larger asset base thus reducing their effect on the NAV per Share; and
- recognition of a control premium in relation to TMG, which is currently entrenched and inaccessible in TMG's existing structure.

The Directors believe that the implementation of the Acquisitions will represent an attractive value proposition to Shareholders.

4. BACKGROUND ON TMG AND KTH

4.1 **Information on TMG**

TMG, which listed on the JSE in April 2008, has three divisions: Media, Broadcasting and Content and Retail Solutions.

The Media division is a premier newspaper and magazine publisher including national, regional and community newspapers and magazines in consumer, business and specialist fields. The Broadcasting and Content division houses the group's growing interests in TV, radio, films and music across the African continent. The Retail Solutions division comprises the combined operations of Hirt & Carter and Uniprint, providing full service in the design, manufacturing and distribution of a wide range of commercial print products and services to corporate customers and institutions that have mass consumer markets, branches and networks throughout Africa.

Since first acquiring a significant interest in TMG during September 2012, Blackstar management has assumed key positions within the TMG management team and led numerous value-augmenting initiatives to the benefit of all TMG shareholders. Blackstar has developed significant knowledge and built expertise in the business and operations of TMG and the Directors believe the Company is well positioned to extract further value from TMG in the face of challenging market conditions for the benefit of the Tiso Blackstar shareholders, including those TMG Scheme Participants who receive Share Consideration under the TMG Scheme.

Further details of TMG and its businesses are contained in Part C of this Document.

4.2 **Information on KTH**

KTH was formed from the merger of Tiso Group Proprietary Limited ("Tiso Group") with Kagiso Trust Investments Proprietary Limited ("KTI") in July 2011. Tiso Group, the investment holding company of TIH, was established in 2001 and is jointly owned and managed by co-founders David Adomakoh and Nkululeko Sowazi. TIH has developed a solid reputation amongst a wide range of stakeholders for the manner in which it has conducted its business. A strong adherence to core principles of integrity and professionalism saw Tiso Group steadily evolve into one of South Africa's leading black companies with high quality investments across a wide range of sectors, and the development of a robust network of relationships which TIH continues to enjoy.

The success of TIH was meaningfully shared with the Tiso Foundation, a trust established by TIH through a donation of a significant shareholding in Tiso Group in 2002. TIH continues to play an active role in the Tiso Foundation although the Tiso Foundation has its own board of trustees with primary management responsibility. The Tiso Foundation is today a self-sustaining public benefit organisation and non-profit organisation whose primary focus is the enablement of young South Africans through programmes designed to develop academic and leadership talent.

The successful implementation of the Tiso Transaction will serve to strengthen, underpin and extend the core programmes of the Tiso Foundation as a consequence of the cash component of the proceeds received through the Tiso Transaction.

Further details on David Adomakoh and Nkululeko Sowazi are set out in section 9 of this letter.

As at the Latest Practicable Date, the KTH investment portfolio has an aggregate NAV in excess of R9.0 billion (£489.4 million), comprising established companies principally in South Africa, and increasingly, other parts of the continent. These include investments in the media, resources, infrastructure, power and financial services sectors and include a mix of both listed and private investments, with over 65% of the portfolio comprised of private companies.

KTH focuses on investing in companies in specific sectors with strong, involved management teams and aspire to become active shareholders in their portfolio companies, through participation at board level and the various subcommittees. Investee companies are generally, high growth or cash generative and meet specific investment criteria of inter alia generating market related returns for KTH. KTH maintain a long term horizon and can therefore partner with companies throughout cycles without any pressure to exit. KTH sees the African continent as its primary market and seeks to manage a portfolio spanning across various sectors on the continent with specific focus on a Pan African strategy.

Further details of KTH's current portfolio is contained in Part D of this Document.

The company is managed by a strong, professional and predominantly black management team with a proven track record and the capacity to manage a diverse portfolio. The KTH executive management team comprises Vuyisa Nkonyeni as chief executive officer, Jacob Hinson as chief investment officer and Frencel Gillion as financial director. Further details of KTH's management team are contained in Part D of this Document.

5. FURTHER DETAILS OF THE ACQUISITIONS

5.1 The TMG Scheme

The TMG Scheme remains conditional upon the fulfilment or, as the case may be, waiver of, amongst other matters, certain conditions precedent of which the following remain outstanding as at the date of this Document:

- Readmission;
- the Tiso Transaction becoming unconditional in accordance with its terms, save for any condition pertaining to the TMG Scheme becoming unconditional; and
- a compliance certificate being issued by the TRP.

TMG, Blackstar and BCIL have entered into an Implementation Agreement pursuant to which they have agreed the terms and conditions upon which the firm offer by Blackstar to acquire the TMG Scheme Shares and the TMG Scheme will be implemented.

TMG has agreed, pursuant to the Implementation Agreement, to pay Blackstar a break fee of R15.0 million (£0.8 million) if:

- the TMG Independent Board does not recommend or withdraws its recommendation that the TMG Shareholders vote in favour of the TMG Scheme for reasons other than receipt by the TMG Independent Board of an offer other than Blackstar's offer ("Alternative Proposal") that is superior to Blackstar's offer ("Superior Proposal");
- the TMG Independent Board recommends an Alternative Proposal;
- TMG elects to implement an Alternative Proposal which is not a Superior Proposal;
- Blackstar terminates the Implementation Agreement as a result of TMG breaching any provision of the Implementation Agreement, and (where remedy is possible) fails to remedy such breach; and/or
- TMG breaches any warranty in the Implementation Agreement which causes a material adverse change,

subject to the provision that if the TMG Scheme is implemented in accordance with its terms notwithstanding the occurrence of one or more of the events contemplated above, TMG shall not be obliged to pay Blackstar the break fee or any part thereof.

Blackstar has agreed to pay TMG a break fee of R15.0 million (£0.8 million) if it breaches any material provision, or undertaking contained, in the Implementation

Agreement, including failing to implement the TMG Scheme, provided that no break fee shall be payable by Blackstar in the event that:

- TMG recommends or implements an Alternative Proposal;
- TMG breaches any material provision or undertaking contained in the Implementation Agreement, and, where possible, fails to remedy such breach;
- an Alternative Proposal is announced and implemented; and/or
- Blackstar terminates the Implementation Agreement in accordance with its terms,

subject to the provision that if the TMG Scheme is implemented in accordance with its terms notwithstanding the occurrence of one or more of the events contemplated above, Blackstar shall not be obliged to pay TMG the break fee or any part thereof.

5.2 **Tiso Transaction**

Pursuant to the Tiso Agreement, implementation of the Tiso Transaction remains conditional upon the fulfilment or waiver, as the case may be of the following condition precedent by no later than 30 June 2015:

- the finance agreements which have been entered into by Blackstar in respect of the debt funding for purposes of funding the Acquisitions becoming unconditional save for any condition related to the conditionality of the Acquisitions;
- a special resolution of the KTH shareholders being passed authorising the future encumbrance of the shares to be sold by Tiso in terms of the Tiso Agreement;
- the current KTH shareholders waiving any pre-emptive rights they may have over Tiso's KTH Shares and approving the encumbrance of these shares by Blackstar for purposes of the Acquisition Finance; and
- the TMG Scheme becoming unconditional in accordance with its terms, save for any condition pertaining to the Tiso Transaction becoming unconditional.

The Tiso Agreement includes the following warranties in favour of Blackstar which are typical in transactions of this nature:

- all of the issued ordinary KTH shares will comprise of one class and will rank *pari passu* with each other;
- the sellers (being Tiso Foundation and TIH) will deliver the KTH Shares free of any encumbrance;
- the sellers are the registered and beneficial owners of the KTH Shares and further confirm that to the best of their knowledge there have been no applications, steps, proceedings or orders for the deregistration, winding-up, liquidation, business rescue or administration of KTH or any of its subsidiaries; and
- KTH is not under any obligation to issue any treasury shares in the capital of KTH, including the treasury shares already held.

In addition, the KTH Sellers have agreed that they will consult with the Company in respect of any rights offers that may be undertaken by KTH between the date of the Tiso Agreement and the date of completion of the Tiso Transaction.

6. FINANCIAL EFFECTS OF THE ACQUISITIONS

6.1 Financial effects on the Intrinsic NAV

The Intrinsic NAV is a measure of the underlying value of the Group's assets as calculated by the Administrator and is used by the Investment Advisor and the board of Blackstar to monitor portfolio values.

This information has been prepared for illustrative purposes to provide information about how the Acquisitions may affect the financial position of Blackstar Shareholders.

Blackstar	*Before the Acquisitions*	*After the Acquisitions*	*% Change*
Intrinsic NAV Per Share ("INAVPS") (cents)	1,929	1,700	(12.0)
INAVPS (pence)	107	94	(12.0)

Notes:

a) The figures included in the "Before the Acquisitions" column have been extracted, without adjustment, from Blackstar's INAVPS calculation as at 31 December 2014, as published in Blackstar's final results announcement for the year ended 31 December 2014.

b) The financial effects "After the Acquisitions" are based on the assumption that both Acquisitions became operative on 31 December 2014.

c) The financial effects "After the Acquisitions" include the following adjustments as a result of the Acquisitions:

- The investment in TMG has been reflected at fair value calculated based on a share price of R24.50 per share representing the value ascribed to a TMG share per the TMG Scheme.
- The fair value of the investment in KTH has been determined based on the most recent available KTH Intrinsic NAV. A discount of 16.5% has been applied to the KTH Intrinsic NAV to take into account head office costs and potential CGT liability on assets that may be realised.
- The Intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.
- For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges (other than TMG) are valued using quoted bid prices and unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them.
- All amounts have been translated using the closing exchange rates at 31 December 2014. The ZAR/GBP closing exchange rate at 31 December 2014 was R18.001 for £1.00.

Further information on the pro forma financial effects of the Acquisitions based on the latest reported figures is set out in Part B IV of this Document.

6.2 Other financial effects

One-off transaction costs of approximately R45.5 million (£2.5 million) are expected to be incurred as a result of the Acquisitions which comprise debt raising costs of R9.8 million (£0.5 million), stamp duty of R9.1 million (£0.5 million), and professional fees of R26.6 million (£1.5 million).

6.3 Tiso Blackstar Group Debt

The Tiso Blackstar Group has entered into various agreements pursuant to which it will obtain acquisition finance to fund the TMG Scheme and the Tiso Transaction. The Acquisition Finance comprises:

6.3.1 ***Bridge Facility***

BCIL entered into a bridge facility agreement with RMB and Standard Bank, on 17 February 2015, whereby RMB and Standard Bank have jointly agreed to provide a facility of R500.0 million (£27.2 million) to Blackstar, specifically to fund the payment of the Cash Consideration under the TMG Scheme ("Bridge Facility"). The Bridge Facility will be drawn down on the operative date of the TMG Scheme, following which, on the same day, TMG will declare a dividend of R500.0 million (£27.2 million) to BCIL and this will be used to repay the Bridge Facility.

6.3.2 ***Term Facilities***

Upon settlement of the Bridge Facility, the Tiso Blackstar Group will draw down new debt finance in an amount of approximately R1.05 billion (£57.1 million) (R500.0 million (£27.2 million) of which, as detailed below will be new debt incurred at TMG level and will not be consolidated within Tiso Blackstar) for purposes of settling the cash portions of the amounts payable pursuant to the TMG Scheme and the Tiso Transaction through a series of term facilities provided by RMB and Standard Bank which were entered into on 24 April 2015 ("Term Facilities"):

- R550.0 million (£29.9 million) will be drawn down by BCIL under a senior secured loan facility which is required to be repaid in full 36 months after the advance date. This facility will incur interest on outstanding amounts at a rate equivalent to three month JIBAR plus 5.0% compounded and payable quarterly in arrears;
- R400.0 million (£21.8 million) will be drawn down by TMG under a senior secured sculpted amortising loan facility, repayable over a 60 month term. This facility will incur interest on outstanding amounts at a rate equivalent to three month JIBAR plus 3.0% compounded and payable quarterly in arrears; and
- R400.0 million (£21.8 million), of which R300.0 million (£16.3 million) will be used to refinance existing term debt, to be drawn by TMG under a senior secured loan facility which is required to be repaid in full 60 months after the advance date. This facility will incur interest on outstanding amounts at three month JIBAR plus 3.4% compounded and payable quarterly in arrears.

The respective amounts of each Term Facility will be advanced once all conditions precedent in the relevant funding agreements have been met, which include, amongst others, the following:

TMG:

- execution of the inter-creditor agreement and all security documentation in connection with the term facility agreement to the satisfaction of TMG, RMB and Standard Bank;
- all required regulatory and statutory approvals being obtained, including without limitation any required SARB approvals;
- TMG shareholder and board resolutions providing the necessary constitutional consents where required;
- no event of default or potential event of default having occurred or being expected to occur; and

- all conditions precedent under the TMG Scheme being fulfilled unconditionally or waived or amended with RMB and Standard Bank's prior written consent.

BCIL:

- execution of all security documentation in connection with the term facility agreement to the satisfaction of BCIL, RMB and Standard Bank;
- the Tiso Transaction becoming unconditional;
- the TMG Scheme becoming unconditional;
- the repayment or cancellation of any facilities currently existing within Blackstar and BCIL (if any);
- all required regulatory and statutory approvals being obtained;
- BCIL shareholder and board resolutions providing the necessary constitutional consents where required;
- no event of default or potential event of default having occurred or being expected to occur; and
- no market disruption having occurred.

Blackstar has access to a general banking facility from RMB at an amount not exceeding R50.0 million (£2.7 million) to be made available for a period of 18 months following Completion. The facility may be availed of by way of overdrafts and/or call loans and interest will be charged at a publicly quoted basic rate of interest, compounded monthly in arrears and calculated on a 365 day year as published by RMB as being its prime overdraft rate.

6.4 **Proportionate shareholdings and holdings of principal Shareholders**

Expected shareholdings of the Tiso Blackstar Group are provided below, on the assumption that the minimum number of 183,625,950 New Shares are issued (i.e. the maximum Cash Consideration is paid) resulting in an Enlarged Share Capital of 266,725,021, and secondly on the assumption that the maximum number of 216,554,359 New Shares are issued (i.e. the maximum Share Consideration is paid) resulting in an Enlarged Share Capital of 299,653,430 Shares.

	Assuming the minimum number of New Shares are issued		*Assuming the maximum number of New Shares are issued*	
Name	*Number of Shares (million)*	*%*	*Number of Shares (million)*	*%*
Tiso Investment Holdings Proprietary Limited (RF)[(1)]	53.8	20.2	53.8	18.0
Tiso Foundation Charitable Trust[(2)]	39.0	14.6	39.0	13.0
Public Investment Corporation SOC Limited	23.5	8.8	32.1	10.7
Kagiso Asset Management Proprietary Limited[(3)]	21.3	8.0	34.6	11.5
Coronation Asset Managers Proprietary Limited[(3)]	19.4	7.3	26.4	8.8

Name	*Assuming the minimum number of New Shares are issued* Number of Shares (million)	%	*Assuming the maximum number of New Shares are issued* Number of Shares (million)	%
Blackstar Directors and management:				
Andrew Bonamour	8.5	3.2	8.5	2.8
William Marshall-Smith	5.7	2.1	5.7	1.9
Other directors and management holding less than 3%	3.3	1.3	3.3	1.1
The Mehta Family Trusts(4)	12.5	4.7	17.0	5.7
The Ceejay Trust	10.3	3.9	11.2	3.7
Other – less than 3.0%	69.4	25.9	68.1	22.8
Total	266.7	100.0	299.7	100.0

Notes:

(1) The Proposed Directors are beneficially interested in this shareholding as each of them owns 50% of TIH.

(2) The Proposed Directors are non-beneficially interested in this shareholding.

(3) Includes shares held by these Shareholders on behalf of their clients.

(4) Comprising the HKM Family Trust, The BKM Family Trust, The YKM Family Trust and Meena Harishkumar Mehta Trust, which are all directly or indirectly controlled by the Mehta family.

Upon the successful completion of the Acquisitions, existing Shareholders will hold approximately 31.0% of Tiso Blackstar's expected issued share capital on the assumption that the minimum number of 183,625,950 New Shares are issued (i.e. the maximum Cash Consideration is paid under the Mix and Match Facility) and approximately 27.0% on the assumption that the maximum number of 216,554,359 New Shares are issued (i.e. the maximum Share Consideration is paid under the Mix and Match Facility).

7. INFORMATION ON TISO BLACKSTAR

7.1 Strategy

Tiso Blackstar will be a pan-African investment holding company with its main listing and an office in London and a secondary listing in South Africa. Tiso Blackstar has its roots in Africa, and will bring a solid capital base and an investment and operational focus on growth, return on equity, capital allocation and sustainability. Tiso Blackstar aims to become a long term partner of choice for African business owners looking to expand or exit. Tiso Blackstar will have no limits on investment holding periods.

The management team has a successful long-term investment track record in Africa with strong relationships across the continent, providing know-how and implementation capacity across a range of industries. They have expertise in sourcing investment opportunities and extracting value with proven entrepreneurial ability and aligned underlying management.

The Tiso Blackstar businesses will aim to be positioned at the centre of the high growth African consumer market including media, financial services, industrial and FMCG with strong market positions, high growth potential and strong cash flows. Tiso Blackstar will have investments across Southern Africa, West Africa (Nigeria and Ghana) and East Africa (Kenya, Tanzania, Uganda). Tiso Blackstar will aim to have a capital asset growth of 15.0% per annum over the next five years, improve its operating cost to NAV ratio, and capacity for leverage for the benefit of all stakeholders through both organic and acquisitive growth. The Tiso Blackstar Group's strategy in the short to medium term will be to focus on the following:

- rationalisation of head office costs of the Tiso Blackstar Group, creating overall cost savings;
- cash flow management and reduction of term debt at a Tiso Blackstar level;
- continuing to focus on making investments in West Africa (Nigeria and Ghana) and East Africa (Kenya, Tanzania, Uganda) and meeting the objectives set;
- further cost reduction, and growing the Media portfolio, within TMG;
- growth and generation of positive cash flows in the Broadcasting and Content business of TMG;
- improving the return on capital employed at Hirt & Carter, which is part of the Retail Solutions division of TMG and continue its focus on cash flow management; and
- improving the return on capital employed at Consolidated Steel Industries Proprietary Limited and continues to pursue its African growth strategy.

The Board believes that execution of the above strategy will enable the Tiso Blackstar Group to deliver its objectives of enhancing returns to Shareholders to levels which exceed those offered by comparable investment holding companies.

7.2 **Investments of the existing Group**

The following unaudited information represents all the investments of the Company as at the date of this Document.

These valuations have been sourced from the Company's audited annual financial statements for the year ended 31 December 2014, these being the most recent valuations of the relevant companies.

Intrinsic NAV as at 31 December 2014

	Unaudited 31 December 2014 R'000	*Unaudited 31 December 2014 £'000*
Times Media Group Limited	1,006,381	55,908
Consolidated Steel Industries Proprietary Limited	357,000	19,833
Robor Proprietary Limited	80,000	4,444
Blackstar Real Estate Proprietary Limited and the property subsidiaries	65,324	3,629
Blackstar Special Opportunities Fund	49,014	2,723
Cadiz Holdings Limited	20,813	1,156
Other listed investments	22,634	1,257
Other unlisted investments	24,605	1,367
Net assets of consolidated companies	5,590	311
Cash and cash equivalents	44,050	2,447
Access facility	(72,673)	(4,037)
Intrinsic NAV	1,602,738	89,038

	Unaudited 31 December 2014 R'000	*Unaudited 31 December 2014 £'000*
Actual number of shares in issue net of treasury shares held ('000)	83,099	83,099
Intrinsic NAV per share (in Rands/Pounds Sterling)	19.29	1.07
Ordinary share price on 31 December 2014 (in Rands/Pounds Sterling)	11.85	0.67
Ordinary share price discount to intrinsic NAV	39.0%	38.0%

Notes:

1. The Intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.
2. For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges (other than TMG) are valued using quoted bid prices and unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them. The investment in TMG is calculated based on a share price of R24.50 per share representing the value ascribed to a TMG share per the Scheme of Arrangement.
3. All amounts have been translated using the closing exchange rates at 31 December 2014. The ZAR/GBP closing exchange rate at 31 December 2014 was 18.001.
4. Other unlisted include, amongst other things, the investments in Navigare Securities Proprietary Limited, Blackstar Fund Managers Proprietary Limited, New Bond Capital Limited and the loan to CCPA Properties Proprietary Limited.
5. The ordinary share price is the actual share price reflected on the JSE and the LSE at 31 December 2014, being the closing share price on 8 December 2014 when the share was suspended from trade.

Pursuant to the Company's investment policy, it invests in a portfolio of businesses operating in southern Africa, with a particular focus on South Africa, in order to generate returns, in the form of both capital appreciation and income to shareholders.

As at 31 December 2014, the Company had, in aggregate, investments in 12 companies, with an aggregate valuation of R1.6 billion (£89.0 million).

7.3 **Investments of the enlarged Tiso Blackstar Group**

The Tiso Blackstar Group will focus on four principal areas, comprising Times Media, Industrial, Property, and KTH.

7.3.1 ***Times Media***

Media assets held by TMG are estimated to represent approximately 31.7% of the total estimated NAV of the Tiso Blackstar Group and comprises of newspapers, magazines and digital publishing (Media Division), and Broadcasting and Content. This excludes the current Retail Solutions assets which will be reclassified as part of the Industrial portfolio of Tiso Blackstar after the completion of the Acquisitions.

Media Division

The Media division is a premier newspaper and magazine publisher with some of the most recognised brands in Africa made up of a number of national, regional and community newspapers and magazines in consumer, business and specialist fields.

The Media division's assets deliver a total audience in excess of 14 million readers. It is the largest publisher of English-language daily and weekly newspapers in South Africa. Its flagship title is the country's biggest weekly newspaper, The Sunday Times, but it also has numerous other popular newspaper and magazine publications as well as websites.

The Media division's brands include print titles such as The Sunday Times, The Times, Sowetan, Sunday World, Daily Dispatch, The Herald, Business Class and SA Home Owner as well as online titles such as TimesLive, SowetanLive, and trade and industry specific publications such as MIMS and SA Mining.

Broadcasting and Content Division

The Broadcasting and Content division houses TMG's growing interests in television, radio, films and music across the African continent.

TMG owns three South African television channels as well as one of South Africa's leading TV production houses. TMG also has a wide range of other television and radio assets across Southern and West Africa.

Times Media Films is a leading independent distributor of filmed entertainment in Africa, representing studios such as Warner Bros, Twentieth-Century Fox and many of the major independent studios. It also plays a key role in supporting and developing South Africa's growing local movie industry.

7.3.2 ***Industrial***

The Industrial portfolio is expected to constitute approximately 32.9% of the total estimated NAV of the Tiso Blackstar Group and comprises the following principal investments:

- Consolidated Steel Industries Proprietary Limited (previously Stalcor Proprietary Limited) which comprises the Global Roofing Solutions ("GRS") business subsequent to the restructure of the steel investments which was finalised in January 2015.
  - The GRS group is a leading South African roofing material manufacturer. It consists of GRS (established in 1964) and GRS HH Robertson (established in 1958), making it one of the largest metal roofing manufacturers in South Africa and the African continent.
  - GRS is a dynamic, highly regarded producer, stockist and distributor of stainless steel and aluminium products. GRS services more than 4,000 customers drawn from all economic sectors, in particular the manufacturing, engineering, mining and construction industries.
- A 19.1% interest in Robor Proprietary Limited ("Robor"). Established in 1922, Robor is a manufacturer and supplier of welded steel tube and pipe, cold formed steel profiles and associated value added products. The company also supplies, distributes and adds value to carbon steel coil, plate, sheet and structural profiles.
- The Hirt & Carter division of Times Media Proprietary Limited uses unique state-of-the-art systems and processes to manage the entire print communication process from origination to final distribution, using market innovation, technology and trend monitoring. Hirt & Carter is active at

every link in the production chain, adding value at every stage of the process.

- The Uniprint division of Times Media Proprietary Limited is South Africa's largest empowerment printer and a full-service provider in the design, manufacturing and distribution of a wide range of commercial print products and services to corporate customers and institutions that have consumer mass markets or branch networks throughout Africa.

7.3.3 ***Property***

The property portfolio is expected to constitute 2.3% of the total estimated NAV of the Tiso Blackstar Group.

Blackstar Real Estate Proprietary Limited, a wholly owned subsidiary of the Company, owns eight commercial properties in the office and industrial property sectors. The core property strategy is to acquire properties in strong commercial locations in the industrial and office sectors with an emphasis on blue chip tenants. All of the properties held by the property portfolio are in South Africa with the exception of one property situated in a strong industrial location of Windhoek, Namibia.

7.3.4 ***KTH***

KTH is an investment holding company established in July 2011, following the merger between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited. Following completion of the Tiso Transaction, Tiso Blackstar will hold a minority non-controlling stake in KTH of an effective 22.9% of KTH's issued share capital and consequently Tiso Blackstar will not have control over the day-to-day management of KTH.

KTH's stated investment policy can be summarised as follows:

- KTH focuses on companies in specific sectors with involved management teams. KTH seeks positions of significant influence or control alongside like minded investors with strong management teams to actively:
  - develop and support company strategy; and
  - adhere to a high code of corporate governance and ethical conduct and drive transformation.
- Investee companies are generally high growth or cash generative and meet KTH's investment criteria of, amongst other matters, generating market related returns for KTH. KTH maintains a long term horizon, prioritising those with Black Economic Empowerment credentials and can therefore partner with companies through-out cycles without any pressure to exit.
- KTH sees the African continent as its primary market and seeks to prioritise a pan African growth strategy whereby capital allocation is directed towards pan African investments and portfolios across various sectors on the continent.
- KTH adheres to a strict code of ethical and professional conduct as an organization and through its participation in various corporate governance structures of its investee companies seeks to ensure that the highest standards of corporate governance are adhered to.

KTH's investee entities include market leaders in key sectors including, amongst others, media, resources, infrastructure, power and financial services and include a mix of both listed and private investments. KTH maintains a long-term investment horizon and is therefore able to partner with companies throughout their business cycles, without undue pressure to exit in the short or medium term.

KTH's investments include, amongst others:

Kagiso Media Proprietary Limited ("KM") – 100% shareholding

KM is a wholly owned subsidiary of KTH. KM has interests in substantial media assets in the following segments:

- **Broadcasting**: KM is a successful operator of highly productive radio assets such as wholly owned East Coast Radio which is based in KwaZulu-Natal and Jacaranda FM (80.0% holding), which broadcasts into Gauteng, Limpopo, North West and Mpumalanga. KM has also maintained strategic investment stakes in OFM (Free State) (24.9%), Heart 104.9 (Western Cape) (20.0%) and Gagasi 99.5 (KwaZulu-Natal) (20%) and an economic interest in Kaya FM (Gauteng) (47.4%). These radio assets are complemented by the group's national radio sales house MediaMark (50%), which is jointly controlled in partnership with Lagardère Radio International.

- **Information and Other**: Knowledge Factory (70.0% shareholding), a property and geospatial data company, provides clients with information about their target markets through a number of data sources. KM owns 100% of Juta and Company which is one of the largest local publishers of quality student textbooks in the fields of commerce, accounting, communications, social science, health, education and law. Tivvit Solutions Proprietary Limited, which is 60.0% owned by KM, specialises in the information technology sector and creating Business to Consumer ("B2C") software solutions for the real-estate industry. In addition KM acquired a 90.0% stake in Kaufman Levin Associates ("KLA") in September 2012. KLA is a leading market research and insights agency that specialises in bespoke information solutions aligned with strategic business and brand needs.

- **New Media**: The New Media segment is spearheading KM's presence beyond its traditional radio base. New Media was conceptualised as a strategic intervention to develop KM's capabilities to operate in the "new media" and internet space. Kagiso MSN division (100%) was established in a partnership with Microsoft ("MSN") in 2010 to manage and localise the www.howzit.msn.com portal in South Africa. Under the terms of the agreement, KM also became the sole sales partner for all Microsoft's Windows Live properties – including Hotmail and Windows Live Messenger in South Africa and sub-Saharan Africa, thus increasing KM's market share of the region's online market.

- **Content**: KM holds 50.1% of the shares in Urban Brew Studios, one of the largest independent television studios in Africa, producing television content for all South African broadcasters. Its business model comprises a studio facility offering, distribution platforms through a number of television channels, and the creation of various popular South African television programmes. For over 25 years, Urban Brew has been one of the most prolific audio visual content producers on the African continent, producing a substantial portion of the South African Broadcasting

Corporation (SABC) prime time programmes, including Khumbulhaya, Live and YoTV.

- **It also runs several channels for the MultiChoice/M-Net Group**: community channels, Soweto TV and 1KZN, One Gospel and Dumisa on DSTV, and Lokshin Soapie, Zabalaza on Mzansi Magic, Inkaba.

Exxaro Resources Limited ("Exxaro") – 4.2% shareholding

KTH holds a 9.71% interest in Black Economic Empowerment Holding Company which in turn holds a 52.05% interest in Exxaro. Exxaro is a South African-based mining group, listed on the JSE. Exxaro has a diverse and world-class commodity portfolio in coal, mineral sands, base metals and industrial minerals, with exposure to iron ore through a 20.0% interest in Sishen Iron Ore Company ("SIOC"). As the second-largest South African coal producer with capacity of 45.0 million tonnes per annum and the third-largest global producer of mineral sands, Exxaro is a significant participant in the coal and mineral sands markets and provides a unique listed investment opportunity into these commodities. As one of South Africa's largest, diversified mining companies, Exxaro is well positioned to grow domestically, and its existing operational interests in Namibia, Australia and China and strong project pipeline provide a base for growth in international markets. Exxaro operates in four areas, which are coal, sands, base metals and industrial minerals as well as iron ore.

Fidelity Bank Limited (Ghana) ("Fidelity Bank") – 15.0% shareholding

KTH invested in Fidelity Bank in April 2014 through a 15.0% ordinary equity holding and a 20.0% preference share holding. KTH holds its investment in Fidelity Bank through KTH Africa investments Limited, a Mauritian wholly owned subsidiary of KTH. Fidelity Bank was licensed by the Bank of Ghana under the Banking Act in June 2006. Fidelity Bank is one of Ghana's premier financial institutions offering a comprehensive range of products ranging from banking, investment, asset management and other financial and risk management services to existing and potential clients.

Kagiso Asset Management (Proprietary) Ltd ("KAM") – 50.1% shareholding

KTH holds a 50.1% interest in KAM which is a specialist, empowered asset management company that manages funds across the risk spectrum for institutional and private investors. It offers a range of equity and multi-class funds for institutional and private investor clients. KAM was originally founded by Coronation Fund Managers Ltd ("Coronation") and KTH. Coronation later exited from KAM and KAM management took over Coronation's shareholding.

Actom Proprietary Limited ("Actom") – 18.6% shareholding

Actom is the largest manufacturer, repairer and distributor of electro-mechanical equipment and turnkey solutions in Southern Africa, employing about 7,500 people with an annual order intake in excess of R7.5 billion (£407.9 million). It is a black empowered company with 42 operating units, 43 production, service and repair facilities, and 36 distribution outlets throughout Southern Africa. Actom holds numerous technology, distribution and value added reseller agreements with various partners, both locally and internationally.

MMI Holdings Limited ("MMI") – 7.1% shareholding

MMI is a South African based financial services group listed on the JSE. MMI was formed from the merger of Metropolitan Holdings Limited and Momentum Group Limited. With market capitalisation of R26.7 billion (£1.5 billion) and an embedded value of some R31.1 billion (£1.7 billion), MMI was already the third largest life insurer in South Africa when it listed on the JSE on 1 December 2010.

The core businesses of MMI are long and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits. Product solutions are provided to all market segments. MMI operates in 12 countries outside of South Africa, providing employee benefits, healthcare funding and administration, as well as long-term insurance solutions.

7.4 **Key strengths**

The Directors believe that the Tiso Blackstar Group's key strengths will be:

- pan African investment company providing global investors a gateway to Africa's growth story;
- successful long-term investment track record in Africa;
- strong relationships across the African continent, providing know-how and implementation capacity;
- credentials for sourcing investment opportunities and extracting value;
- proven entrepreneurial ability, aligned management and no limits on investment holding periods;
- Tiso Blackstar incorporates businesses with strong market positions, high growth potential and strong cash flows at the centre of the high growth African consumer market; and
- long term partner of choice for African business owners looking to expand or exit.

8. CURRENT TRADING AND OUTLOOK OF THE TISO BLACKSTAR GROUP

The Blackstar balance sheet remains strong with a balanced investment portfolio, and the Blackstar Group has continued to generate good revenue and satisfying results. The cost base has been considerably reduced in both the South African and Maltese operations and any additional cash generated from investments will continue to be utilised to repay any outstanding debt. Blackstar remains focused on increasing its income streams and facilitating the growth of its balance sheet.

TMG's operating environment has been difficult in the past, but there has been extensive restructuring and repositioning, and the results of this extensive work are starting to come through and will start benefiting the Tiso Blackstar Group over the next two years. TMG has been working hard on making its investments in Africa meet its expectations. Several new initiatives have been launched which are believed to benefit TMG in terms of long-term growth and sustainability. In addition, the hard work done on changing the philosophy and culture of TMG to be more entrepreneurial has had a positive overall effect on the TMG group.

KTH is in the process of streamlining its portfolio in order to focus on the core, large investments. KTH remains focused on investing in companies in specific sectors with strong, involved management teams. The KTH investment portfolio has an aggregate net asset value approaching R10.0 billion (£543.8 million) comprising quality blue chip companies principally in South Africa and, increasingly, other parts of the continent. KTH sees the African continent as its primary market and will seek to manage a portfolio spanning across various sectors on the continent.

Tiso Blackstar will be a dual listed, Africa-focused, diversified investment company with scale, and shall be positioned to potentially further develop a strategic and mutually beneficial relationship with KTH through co-investment and other business development opportunities and shall pursue a growth strategy supported by solid, cash producing assets (in particular through its ownership of TMG).

9. TISO BLACKSTAR BOARD

9.1 Board of Directors, Proposed Directors and Management

The board all have extensive experience in investments in the public and private domain of the type set out in the Group's investing policy, as set out below and demonstrated by the track record of the Group. The addition of the Proposed Directors widens the extent of this experience in particular in relation to African business, and so will strengthen the board and will comprise:

David Adomakoh	Proposed Non-executive Group Chairman
John Mills	Independent Non-executive Group Deputy Chairman
Nkululeko Sowazi	Proposed Non-executive Director
Andrew Bonamour	Non-executive Director
Marcel Ernzer	Independent Non-executive Director
Richard Wight	Independent Non-executive Director

Following Completion, the Tiso Blackstar Group's board will be advised by its wholly-owned investment management subsidiary Blackstar SA, whose management team will comprise:

Nkululeko Sowazi	Proposed Chairman, Blackstar SA
David Adomakoh	Proposed Director, Blackstar SA
Andrew Bonamour	Chief Executive Officer, Blackstar SA
Thomas Bemelman	Director (Investment Advisory), Blackstar SA
William Marshall-Smith	Director (Investment Advisory), Blackstar SA
Sheenagh Grota	Director (Finance), Blackstar SA
Safeera Mayet	Director (Legal), Blackstar SA

9.2 Tiso Blackstar Director Biographies

Profiles of the existing and Proposed Tiso Blackstar Directors are set out below:

David Kwame Tandoh Adomakoh, *aged 49, Proposed Non-executive Group Chairman*

David is the Chairman of TIH, a co-founder of Tiso Group and served as its Group Managing Director. He is a former Director of Chase Manhattan Limited, London; Head of the Chase Manhattan Bank, Southern Africa; Executive Director of Robert Fleming Holdings South Africa Limited; and Head of Africa Corporate Finance at JPMorgan Chase Bank, N.A. Johannesburg branch. He currently serves as a non-executive director of KTH, and Chairman of its Investment and Valuation Committee. David serves as a non-executive director of Nedbank Group Limited and Vanguard Group Limited (Ghana). His experience spans 25 years in executive management and investment banking, and includes principal investing, corporate and project finance advisory work, debt capital raising, and financial derivatives in a number of countries, predominantly in Africa and Europe. He has also served on the boards of a number of South African, Nigerian and Ghanaian companies. He is a founder trustee of The Tiso Foundation, and a World Fellow of the Duke of Edinburgh's International Award.

David holds a BSc (Econs) Hons (London School of Economics) and Diplôme de Langue et de Civilisation (La Sorbonne, Université de Paris).

John Broadhurst Mills, *aged 45, Independent Non-executive Group Deputy Chairman, appointed February 2006, length of service 9 years*

John Mills, a qualified solicitor, is currently a director of Maitland Luxembourg SA and certain Luxembourg and ISE listed investment funds. For the past eight years, he was, and he continues to be a director and a principal in the Maitland Group and a number of other companies. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through both onshore and offshore vehicles.

Nkululeko Leonard Sowazi, *aged 51, Proposed Non-executive Director*

Nkululeko is the Chairman of KTH, a leading South African Investment holding company with significant interests in the media, financial services and resources sectors. KTH was formed in July 2011 following the merger of two leading black owned investment firms, KTI and Tiso Group with combined gross assets of R15 billion. Nkululeko was the Executive Chairman and co-founder of Tiso Group which was formed in 2001 and grew to a multi-billion rand investment company by the time the merger was concluded. He is currently a non-executive director of the JSE listed companies Grindrod Limited and Litha Healthcare Group Limited. He serves as a non-executive director of Actom Holdings Proprietary Limited and Idwala Industrial Holdings Proprietary Limited. Nkululeko also serves on a number of not for profit organizations. He is a founder trustee of Tiso Foundation, Chairman of the Homeloan Guarantee Company and Housing for HIV Foundation based in Washington D.C.

He serves on the board of governors of Michaelhouse College and is a World Fellow of the Duke of Edinburgh's International award.

He holds a BA degree in economics and a MA from the University of California, Los Angeles (UCLA).

Andrew David Bonamour, *aged 43, Non-executive Director, appointed February 2006, length of service 9 years*

Andrew is the founder of Blackstar and the chief executive officer of Blackstar SA and TMG. Andrew previously worked at Brait SA Limited ("Brait") where he held positions in investment banking, principal investment divisions and corporate finance. At Brait, Andrew originated and played a lead role in a variety of transactions ranging from leveraged buyouts, mergers and acquisitions, capital replacements and restructurings. Andrew has an in depth knowledge of, and experience in, corporate finance, private equity and investment banking. Andrew holds a Bachelor of Commerce. Andrew is also a director of several listed and unlisted companies.

Marcel Ernzer, *aged 59, Independent Non-executive Director, appointed February 2006, length of service 9 years*

Marcel Ernzer is an independent consultant within the financial sector. He was an auditor and later a consultant with Price Waterhouse Luxembourg from 1982 to 1986. From 1987 to 1996, he was responsible for setting-up and managing Unico Financial Services, a PSF in Luxembourg, owned by Credit Agricole, DZ Bank, Rabobank, RZB Austria, Cera Bank (later KBC) and Okobank. He is currently a director of Insinger de Beaufort Holdings S.A., Camera di Commercio Italo-Lussemburghese, Pro Fonds

(Lux) Sicav and certain family owned commercial companies including Tetrabat, Taxirent and FAS. Over the previous years he was a director of several financial services companies including Corporate Management Services owned by Commercial Union, EEK Invest owned by Evangelische Kreditgenossenschaft, Piac owned by RZB Austria, UKB owned by Kokusai Securities and Witherthur Financial Services owned by Winterthur. He was also a director of several investment funds and was serving on the board of ALFI, the Association of the Luxembourg Fund Industry until 1998.

Richard Thomson Wight, *aged 56, Independent Non-executive Director, appointed April 2013, length of service 2 years*

Richard Wight has over 30 years experience in financial services. He started his career trading fixed income for Kidder Peabody, Bank of America and S.G Warburg, before running capital protected funds for Credit Suisse Private Bank and traded futures and equities for a privately held hedge fund. He resides in Malta, holds both American and Maltese citizenship and acts as the local non-executive director and investment committee member for several Malta-based financial entities. He is a graduate of Cornell University.

9.3 ***Management Biographies***

Tiso Blackstar's wholly owned-subsidiary Blackstar SA provides investment advisory services to the Company. Profiles of the Blackstar SA directors and proposed directors are set out below:

Nkululeko Sowazi, *aged 51, Proposed Chairman, Blackstar SA*

Please refer to 9.2 above for further details.

David Adomakoh, *aged 49, Proposed Director, Blackstar SA*

Please refer to 9.2 above for further details.

Andrew Bonamour, *aged 43, Chief Executive Officer, Blackstar SA*

Please refer to 9.2 above for further details.

William Marshall-Smith, *aged 36, Director (Investment Advisory), Blackstar SA*

William joined Blackstar in 2005 and has over 12 years experience in corporate finance, public and private investing in Africa. William is a director of Blackstar SA and is the financial director of TMG. He serves on the boards of a number of private and publicly quoted companies and is a chartered accountant.

Thomas Bemelman, *aged 31, Director (Investment Advisory), Blackstar SA*

Thomas joined Blackstar in June 2006 and has over eight years experience in corporate finance, and public and private investing in Africa. Thomas is a director of Blackstar SA and is responsible for managing the financial valuations, modelling and the quantitative side of the business as well as assisting with the investment advisory function and the concluding of investment transactions. Thomas holds a Bachelor of Commerce with Honours in Investment Management from the University of Johannesburg.

Sheenagh Grota, *aged 35, Director (Finance), Blackstar SA*

Sheenagh is a chartered accountant and is responsible for the financial management of Blackstar and its subsidiaries, including group financial reporting, the Group's corporate governance, and listing and tax compliance. She has been with Blackstar for the past six years.

Safeera Mayet, *aged 35, Director (Legal), Blackstar SA*

Safeera completed her articles of clerkship with Tugendhaft Wapnick Banchetti & Partners ("TWB") in Johannesburg and was admitted as an Attorney in 2005. Safeera joined Tiso Group in 2009 as the Head of Legal and Governance and continued on with the merged KTH until 2014 as the Head of Legal. She joined Blackstar SA in February 2015. Safeera holds a BCom and LLB degree from the University of the Witwatersrand and is an admitted attorney in the High Court of South Africa. She also holds an MBA degree from the Gordon Institute of Business Science.

9.4 **Relationship Agreement**

Following Readmission, Tiso and the Proposed Directors will, in aggregate, hold 34.9% of the Enlarged Share Capital. As a result, the Company has entered into the Relationship Agreement with Tiso and the Proposed Directors which governs the relationship between each of the parties to it in order to ensure that the Company is able to carry on its business independently. Further details of the Relationship Agreement are set out in section 3 of Part B I of this Document.

10. DISTRIBUTIONS AND DIVIDEND POLICY

Tiso Blackstar recognises that regular dividends are an important part of shareholder wealth creation. However, following the completion of the Acquisitions, whilst the Board will seek to pay dividends when the circumstances permit, Tiso Blackstar's focus in the short to medium term will be on reducing the amount of Tiso Blackstar's debt. For so long as the acquisition financing remains in place, written consent is required from providers of the Acquisition Finance, namely RMB and Standard Bank, prior to a declaration of dividend.

Dividends per Ordinary Share paid over the last three years in Sterling and Rand are as follows:

Year	*Interim*	*Final*	*Total*
2014	9 cents (0.5 pence)	14 cents (0.8 pence)	23 cents (1.3 pence)
2013	8 cents (0.5 pence)	14 cents (0.8 pence)	22 cents (1.3 pence)
2012	Special dividend of 80.5 cents (6.5 pence)	17 cents (1.2 pence)	97.5 cents (7.7 pence)

11. EXTRAORDINARY GENERAL MEETING AND SUMMARY OF RESOLUTIONS TO BE PROPOSED

Notice of Extraordinary General Meeting of the Company to be held at the offices of the Company at 3rd Floor Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta at 10:00 a.m. (CEST) on Monday, 18 May 2015 is set out at the end of this Document, at which the Resolution will be proposed.

A summary of the Resolution is set out below and the full text of the Resolution is set out in the Notice of Extraordinary General Meeting in Annex IV of this Document.

Shareholders should note that if the Resolution is not passed, Readmission will not proceed and is likely to result in the failure of the Acquisition.

The Resolution is an ordinary resolution to ratify the Acquisitions as reverse takeovers pursuant to Rule 14 of the AIM Rules and approve Readmission.

12. FURTHER INFORMATION

Your attention is drawn to the further information contained in Parts B, C and D of this Document before deciding what action to take in respect of the Extraordinary General Meeting.

You are advised to read this whole document including the risk factors set out herein and not to rely solely on the information contained within this letter.

13. ACTION TO BE TAKEN

Shareholders will find enclosed with this Document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not Shareholders intend to be present at the meeting, Shareholders are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon. To be valid the Form of Proxy must be completed and signed, and the signed Form of Proxy must either reach the Company's registered office at 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu in either case by no later than 10:00 a.m. (CEST) on Saturday, 16 May 2015. In order to assist shareholders:

- certificated Shareholders and own-name registered dematerialised Shareholders who trade their shares on AltX, and are registered on the South African part of the register of members, may also send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa Proprietary Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than Friday 15 May 2015 at 10:00 a.m. (SAST) on Saturday, 16 May 2015; and
- certificated Shareholders who trade their Shares on AIM, and are registered on the AIM part of the register of members, may also send their signed Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 09:00 a.m. (BST) on Saturday, 16 May 2015.

Dematerialised Shareholders registered on the South African sub-register, other than own-name registered dematerialised Shareholders, who wish to attend the Extraordinary General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised Shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Extraordinary General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein by no later than 10:00 a.m. (SAST) on Friday, 15 May 2015. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 10:00 a.m. (SAST) on Saturday, 16 May 2015.

Holders of Depository Interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository using the Form of Direction, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09:00 a.m. (BST) on Friday, 15 May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing the Depository via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations 2001. In any case your Form of Direction must be received by the Company's Registrars no later than 09:00 a.m. (BST) on Friday, 15 May 2015 or 72 hours before the time appointed for holding any adjourned meeting.

Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

The completion and return of a Form of Direction will not preclude you from attending the meeting and voting in person should you subsequently wish to do so providing a Letter of Corporate Representation has been requested from the Depository.

14. CONSENTS

Each of ZAI and KTH has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein and the references to their names in the form and context in which they appear.

15. RECOMMENDATION

The Board considers that the proposals set out in this Document, including the Acquisitions and the Readmission, and the Resolution to be proposed at the Extraordinary General Meeting are in the best interests of the Company and Shareholders as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution as they intend to do or procure in respect of their own beneficial holdings of Shares which in aggregate amount to 9,509,659 Shares representing approximately 11.7% of the Shares in issue as at the date of this Document.

Shareholders should note that notwithstanding the passing of the Resolution, there can be no guarantee that the Acquisitions, and therefore Readmission, will take place.

Yours faithfully,

John Mills
Non-executive Chairman

PART B

INFORMATION ON BLACKSTAR

PART B I: FURTHER INFORMATION ON BLACKSTAR AND ITS INVESTMENT STRATEGY

1. INTRODUCTION

The Company was incorporated in England and Wales on 20 June 1989 with registered number 02396996. It changed its name to Blackstar Investors Plc on 26 January 2006. On 27 June 2011 it converted into a Societas Europaea called Blackstar Group SE (with registered number SE000030) and on 21 May 2012 completed the transfer of its registered office from the UK to Malta and was registered in Malta (with registration number SE4). Prior to this Document, Blackstar was dual listed with a primary listing on AIM and a secondary listing on AltX. Trading of the Company's shares on AIM and AltX has been suspended since 8 December 2014 pending publication of this Document.

The Company is an investment company, whose objective is to gain exposure to the growth on the African continent largely through companies in South Africa with the underlying themes of strategic market position and strong cash flow. The Company focuses on three investment pillars within the Group: property; fund management; and investments (both public and private). Following Readmission, Tiso Blackstar will be technically classified for the purposes of the AIM Rules as an operating company and not as an investing company. After Completion, the Company intends to operate its business in line with its stated strategy and investment policy but will no longer be subject to the AIM Note for Investing Companies, and as a consequence certain significant transactions in accordance with the investment policy that historically would not have needed shareholder approval may now need such consent.

2. CONFLICTS OF INTEREST

The Investment Team and members of the Board may be involved in other financial, investment or professional activities which may, on occasion, give rise to conflicts of interest with the Company. As at the date of this Document no members of the Board or the Investment Team have any interests or duties which would result in a conflict of interest save for Andrew Bonamour and William Marshall-Smith's directorships of TMG.

The members of the Board will have regard to their obligations to act in the best interests of the Company when potential conflicts of interest arise. Certain potential conflicts of interest situations may arise, for example, in respect of the directorships and shareholdings or interests that some of the Directors and/or some members of the Investment Team, subject to the completion of existing investment and advisory commitments, hold in companies or investment funds that carry on similar businesses to the Company's.

3. CORPORATE GOVERNANCE

The Company is classified as a "smaller" company for the purposes of the Corporate Governance Code. The Company supports high standards of corporate governance and complies, and intends to comply with, the Corporate Governance Code, to the extent appropriate and as it applies to smaller companies. Accordingly, the Company has taken the opportunity represented by the Acquisitions and the proposed Board changes set out above to review its corporate governance more widely.

The Company's current corporate governance arrangements include the following:

The Board

The Company supports the concept of an effective Board leading the Company. The Board has collective responsibility for the management of the company and for the achievement of key tasks. The Board ensures that the Group complies with all relevant laws and regulations and ensures that the Group maintain effective operating systems and controls, and a robust and informed investment approval process. The Board has access to complete, accurate and timeous information in order to fulfil its responsibilities.

The Board meets on at least four occasions each year, at which time the Directors review the investment performance, strategy and other significant matters to ensure that overall control and supervision of the business is maintained. Special meetings are convened as and when matters require urgent consideration. All directors have access to advice from the Company Secretary and independent professionals at the Company's expense. The Board consists of four Non-executive Directors. Three of the Non-executive Directors are considered to be independent of any business or other relationship which could interfere with their ability to exercise their independent judgement. The Board considers that the level of shareholdings held by the independent Non-executive Directors is insufficient to affect their independence.

The Board has delegated specific responsibilities to the committees described below:

Audit committee

The audit committee is chaired by Marcel Ernzer and includes John Mills and Andrew Bonamour. The audit committee provides a forum for reporting by the Company's external auditors and is responsible for reviewing a wide range of matters including interim and annual results and for monitoring the controls that are in force to ensure the integrity of information reported to Shareholders. The external auditors of the Company attend the meetings and have unrestricted access to the committee and its chairman.

Remuneration committee

The Remuneration Committee is chaired by John Mills and includes Marcel Ernzer and Andrew Bonamour. The Remuneration Committee sets the remuneration levels for the Directors having regard to market conditions. The Remuneration Committee is also responsible for the review and approval of awards made under the Company's Management Incentive Scheme which was approved by Shareholders at the annual general meeting in May 2012.

Nomination committee

The Nomination Committee is chaired by Marcel Ernzer and includes John Mills and Andrew Bonamour. The Nomination Committee deals with new appointments to the Board.

Relationship agreement

Following Readmission, Tiso and the Proposed Directors will, in aggregate, hold 35.1% of the Enlarged Share Capital. As a result, the Company has entered into the Relationship Agreement with Tiso and the Proposed Directors which governs the relationship between each of the parties to it in order to ensure that the Company is able to carry on its business independently. The Relationship Agreement will terminate upon Tiso (and their associates) ceasing to control directly or indirectly an aggregate shareholding of at least 15% of the Company's issued share capital. In the event of either TIH or the Tiso Foundation ceasing to hold any Ordinary Shares, then such party shall no longer be bound by the Relationship Agreement. In the event that the Tiso Foundation's board (or equivalent controlling body) is no longer composed of a majority of persons connected to the Company then the Tiso Foundation shall no longer be bound by the Relationship Agreement.

4. STRATEGY

The Company's strategy is to gain exposure to the growth on the African continent predominately though listed and unlisted companies in South Africa with the underlying themes of strategic market position and strong cash flow.

The Company targets income return and long term capital appreciation for its Shareholders by actively participating in the underlying investments it acquires to facilitate value creation and ultimately investor returns.

5. INVESTMENT POLICY

Until Readmission, the Company will be an investing company for the purposes of the AIM Rules with an investing policy to generate returns, in the form of both capital appreciation and income to Shareholders, through investing in a portfolio of businesses. While not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in southern Africa, with a particular focus on South Africa. Investments outside southern Africa will be considered where the Board believes the opportunities are particularly attractive.

The Company will look to invest in businesses with underlying themes of strategic market position and strong cash flows.

The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

The Company seeks to be actively involved in setting the strategy of the investee companies and seeks to act as an allocator of capital and resources. When appropriate, the Company will become involved in the day to day management of investee companies either alongside or instead of the management team of the investee company. Over a period of time, Blackstar intends to dispose of its existing investments where it has little management input or influence.

The Company is a long term investor and the Board places no limit on the length of time that any portfolio investment may be held. The Board considers, on a case by case basis, the optimum exit strategy for each portfolio investment.

The Company expects to only hold a small number of portfolio investments at any one time. However, there is no minimum or maximum number of investments that the Company can hold at any one time, nor are there any maximum exposure limits per portfolio investment.

The Company finances its portfolio investments out of its own cash and resources and utilises third party debt funding as appropriate. In addition, investee companies may themselves have gearing.

There is no maximum gearing level for either the Company or on a Group basis. However, the Directors will review the level of gearing in the Group at each Board meeting, which occurs at least four times a year.

Save as set out above, the Company does not have any investment restrictions within its investment policy.

After Readmission, Tiso Blackstar will be an operating company for the purposes of the AIM Rules, but the Directors intend that its strategy and investment approach will remain unchanged.

6. CASH MANAGEMENT

In accordance with the Company's investment policy, the Company's principal use of cash will be to fund investments sourced by the Investment Advisor, as well as the expenses related to the Acquisitions, ongoing operational expenses and payment of dividends and other distributions to Shareholders in accordance with the Company's dividend policy as set out above.

Cash held by the Company pending investment or distribution will be held in either cash or cash equivalents, including but not limited to money market instruments or funds, or other debt obligations with banks or other counterparties having an investment grade credit rating (as determined by any reputable rating agency selected by the Company).

The Company holds cash in different currencies, being South African Rands, Pounds Sterling, Euro and US Dollars, to hedge against currency risk.

7. BORROWINGS

The Group may use borrowings for both investment purposes and/or short term liquidity purposes. To the extent that a fall in the value of the Group's investments causes gearing to rise to a level that is not consistent with the Group's, borrowing limits or loan covenants, the Group may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments. The Group's gearing levels are considered at every Board meeting which occurs at least four times a year.

8. SERVICE PROVIDERS

8.1 Blackstar Group Proprietary Limited

The Company has entered into the Shared Services Agreement dated 3 February 2015 with the Investment Advisor under which the Company receives investment advice and management services from the Investment Advisor.

In consideration of the services performed by the Investment Advisor under the Shared Services Agreement, the Company pays to the Investment Advisor an advisory fee as stated in the Agreement, which is payable quarterly in advance and is set in Pounds Sterling. The Company paid the Investment Advisor an aggregate fee of R8.6 million (£0.5 million) in the 2014 financial year. The agreement can be terminated by either party on three months written notice.

During the year to 31 December 2009, the Company concluded the internalisation of its investment advisory arrangements by acquiring 100% of the shares in Blackstar. Blackstar SA was incorporated in 2007 and is duly regulated in the conduct of its investment business in South Africa by the FSB as an authorised Financial Services Provider, license number 29975. Blackstar SA operates from its offices located at 4 Biermann Avenue, Rosebank, 2196, South Africa.

Blackstar SA, with its team on the ground in South Africa, acts as the Investment Advisor to the Company and will continue to act as Investment Advisor to Tiso Blackstar. Under the Shared Services Agreement, Blackstar SA provides administration services, research and investment advisory services, specific trading and hedging mandate services and client relationship management services to the Company, which will continue to be provided to Tiso Blackstar under the existing agreement.

Refer to pages 57 and 58 for the further information provided on the members of the Investment Team.

In accordance with the provisions of the Shared Services Agreement, working in conjunction with the Administrator, who is responsible for the financial and accounting services of the Company, Blackstar SA undertakes to provide the following services to the Company.

Administration services

To the extent required by the Administrator and subject to the request of the Administrator:

- monitoring foreign exchange exposure levels, along with relevant portfolio management;
- checking stock loan requirements, positions and fee accruals;
- making trade amendments and cancellations when errors occur;
- monitoring failed trades and working with the prime brokers to get resolved;
- checking margin reports;
- assisting to resolve any queries or exceptions;
- assisting with the handling of all public share placement processing and documentation;
- performing investment valuations;
- assisting in external audit of the consolidated Group where required; and
- assisting with preparation and reviewing annual and half yearly consolidated Group financial statements.

Research and advice services

- supplying Blackstar with investment and market research in relation to investments and investment opportunities, which includes notifying Blackstar when material events or activities are occurring in relation to the Investments. These reports are supplied by Blackstar SA to the Board in such format as enables the Board to consider the viability of the relevant investments and investment opportunities and independently assess whether to pursue such investments and investment opportunities in its discretion;
- identifying investments and investment opportunities. Once an investment opportunity has been identified, Blackstar SA will ensure that the Board is duly and expeditiously informed of such investment and investment opportunity in writing which shall include, but not be limited to, the identification of the relevant advantages and disadvantages of such investment and investment opportunity together with Blackstar SA's opinion as to whether it recommends such investment and investment opportunity. The Board shall give full consideration to all investment proposals submitted to it by Blackstar SA as expeditiously as possible and independently make a decision with respect to the recommendations made by Blackstar SA having regard to all the facts and circumstances. Blackstar SA shall supply the Board (or its nominees) as expeditiously as possible with any additional information requested from time to time; and
- preparing quarterly reports to be submitted to the Administrator for inclusion in the Company's Board packs (which are prepared by the Administrator).

Specific trading and hedging mandate services

Subject to the specific mandate issued by the Board from time to time specifying the time period of any trading and hedging mandate, the quantum of any amount to be utilised for this purpose and subject to the independent review of the Board:

- executing buy and sell trade instructions in publicly quoted instruments, pursuant to the mandate granted by the Board from time to time; and
- on request by the Administrator or the Board, attending to capital draw-down requests in relation to Investments.

Client relationship management services

Subject to receipt of instructions from the Board and in conjunction with the Administrator:

- investor management including liaising with investors on behalf of Blackstar;
- fund manager and shareholder management including:
  - liaising with underlying fund managers on ad hoc queries;
  - liaising with Blackstar on ad hoc queries if requested by the Administrator; and
  - service specific queries on request by the Administrator.

Legal services

Subject to requests from the Board or Administrator:

- procure and carry out legal planning initiatives;
- perform or procure risk management functions;
- perform or procure legal and regulatory compliance functions;
- perform or procure legal risk assessment functions; and
- be responsible for procuring the provision of assistance in relation to legal matters affecting the Company including, without limitation, procuring the drafting of commercial contracts for the Company, obtaining advice on the legal risks associated therewith and obtaining advice on the legal implications arising from the contractual relationships which are entered into or to be entered into between the Company with various third parties, as well as any matters ancillary thereto.

Financial and accounting services

- on request by the Board or Administrator, advising on the reduction and optimisation of working capital; and
- the preparation of Group consolidated accounts for audit purposes, which Group accounts will be submitted to the Board for consideration and final approval.

8.2 ***Registrar***

Capita Registrars Limited has been appointed as registrar to the Company for UK Shareholders and Link Market Services South Africa Proprietary Limited as the registrar to the Company for shareholders reflected on the South African share register. Both Capita Registrars Limited and Link Market Services South Africa Proprietary Limited (the "Registrars") will continue to act as registrars of Tiso Blackstar. The Registrars will be responsible for the maintenance of Tiso Blackstar's UK and South African registers of members, the provision of office in Malta for the registration of the issue, transfer and redemption of Blackstar Shares in Tiso Blackstar and the performance of all the usual duties of a registrar, transfer agent and paying agent in relation to the Tiso Blackstar Shares.

8.3 ***Administrator***

The Administrator performs its duties solely for the Company. It has the necessary training and sufficient experience and expertise to conduct the affairs of the Company correctly and in line with relevant legislation. The Administrator is based at the Company's registered office in Malta.

The function of the Administrator includes:

- maintaining cash books and accounting records and calculating the NAV of the Company and subsequently reporting and announcing the NAV to the market on a six monthly basis;
- reconciling details of the Company's investment transactions with the Investment Advisor and the safe kept documents;
- preparing the Company's annual financial accounts in accordance with IFRS, to be submitted to the Maltese Registrar;
- co-ordination of the production of the annual accounts and audit of the Company; co-ordination of the production of the interim accounts;
- calculation and payment of the investment management fee payable out of the assets of the Company to the Investment Advisor;
- preparing dividend payment schedules;
- maintaining schedules of income received by the Company;
- preparing the annual expense budget;
- preparing the half yearly and final tax calculations of the Company, including the submission of tax returns and payment of tax on a timely manner to the relevant tax authorities;
- preparing annual financial projections, including the income statement, balance sheet and cash flows;
- reconciling all bank accounts; and
- maintaining records of transactions entered into by the Company which are or may be classed as "related party" transactions.

The Administrator also performs the function of Company Secretary. The Administrator is located in Malta and has attended various courses and training specific to Maltese company law, as well as performing the function of Company Secretary in Malta.

The following functions, amongst other things, will be provided by the Company Secretary:

- providing and maintaining the statutory books of the Company in accordance with Maltese law and the Memorandum and Articles of the Company or other applicable constituent corporate documents;
- acting as Company Secretary in the arrangement of Board meetings and general meetings of the members; and
- the preparation of minutes of meetings of the Board and the Company.

At Completion, Leanna Isaac will continue this role for Tiso Blackstar.

The auditors of Company are BDO Malta, a Maltese civil partnership, of Tower Gate Place, Tal-Qroqq Street, Msida MSD 1703, Malta. BDO Malta holds a licence to practice as an audit firm in terms of the Accountancy Profession Act of Malta and has been the Company's auditor for the duration of the period dealt with by the historical financial information set out in Part E.

PART B II: ADDITIONAL INFORMATION ON BLACKSTAR

1. RESPONSIBILITY

The Company, the Directors and Proposed Directors whose names appear on page 37 of this Document, accept responsibility for the information contained in this Document. Having taken all reasonable care to ensure that such is the case, the information contained in this Document is to the best of the knowledge of the Company and the Directors and the Proposed Directors, in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION AND ADMINISTRATION

The Company was incorporated and registered in England and Wales on 20 June 1989 under the UK's Companies Act 1985 as a private company limited by shares (with registered number 2396996) with the name Trendvale Limited. On 1 November 1989, the Company's name was changed to The Multimedia Corporation Limited, and it was re-registered as a public company on 14 June 1995 with the name The Multimedia Corporation PLC. On 23 October 2000, the Company's name was changed to Illuminator PLC. On 25 January 2006 the name of the Company was changed to Blackstar Investors PLC and was changed again on 9 June 2009 to Blackstar Group PLC.

In 2011 as part of the Company's strategic review, the decision was made to move both the Company's registered office from the UK and its tax residency and principal establishment from Luxembourg to Malta. Pursuant to this, Shareholders approved the conversion of the Company from a public limited company into a Societas Europaea which became effective on 27 June 2011. The Company then moved its registered office to Malta following the receipt of Shareholder approval in February 2012 and since the completion of the migration on 21 May 2012, the Company has been registered and resident in Malta.

The liability of the Company's members is limited. Its registered office and principal place of business is at 3rd Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta. The Company is administered from its registered office.

3. JURISDICTION AND APPLICABLE LAW

The principal place of business of the Company is Malta and as such the principal legislation under which Blackstar operates is the Malta Companies Act, 1995 (Chapter 386 of the Laws of Malta).

4. SHARE CAPITAL

4.1 Authorised and Issued Share Capital

As at the date of this Document, the authorised share capital of the Company is €304,000,000 divided into 304,000,000 ordinary shares, each having a nominal value of €0.76.

As at the date of this Document, the issued and fully paid up share capital of the Company is €62,387,260 divided into 82,088,500 ordinary shares, each having a nominal value of €0.76.

4.2 Share Capital history

Following approval by Shareholders on 22 June 2011, Blackstar converted from an English law public limited company into a Societas Europaea (European public limited company) with effect from 27 June 2011. Following this conversion, the currency of the Company's share capital changed from Pounds Sterling to Euro and the nominal value of a share in the share capital of Blackstar was converted from £0.67 to €0.76 using the exchange rate prevailing on the conversion date.

In January 2013, the Company purchased 5,900,000 ordinary shares of €0.76 each in the Company at a price of £0.79 (R11.07) per share. These shares were held as treasury shares.

In February 2013, the Company purchased 5,900,000 ordinary shares of €0.76 each in the Company at the price of £0.79 (R11.08) per share. These shares were held as treasury shares.

In May 2013, the Company purchased 1,250,000 ordinary shares of €0.76 each in the Company at the price of £0.79 (R11.73) per share. These shares were held as treasury shares.

In May 2013, the Company undertook a consolidation and sub-division of its share capital, which was approved by Shareholders at the Company's annual general meeting held on 28 May 2013. The share capital was consolidated on the basis of 250 shares for one consolidated share and later subdivided on the same basis. Fractional entitlements were sold to a nominated third party at a price of £0.80 (R11.87) per share to be aggregated into whole consolidated shares. As part of the share split and consolidation, a Group subsidiary acquired a total of 213,660 fractional shares from Shareholders as well as an additional 78 Blackstar Shares issued by the Company. The Company's existing treasury shares were reduced by 197 shares on implementation of the share consolidation.

In July 2013, the Company purchased 78,293 ordinary shares of €0.76 each in the Company at the price of £0.72 (R11.01) per share. These shares were held as treasury shares.

In September 2013, the Company purchased 48,250 ordinary shares of €0.76 each in the Company at the price of £0.67 (R11.32) per share. These shares were held as treasury shares.

In October 2013, the Company purchased 50,000 ordinary shares of €0.76 each in the Company at the price of £0.70 (R11.20) per share.

In November 2013, the Company purchased 20,500 ordinary shares of €0.76 each in the Company at the price of £0.67 (R11.20) per share. These shares were held as treasury shares.

In December 2013, the Company purchased 88,808 ordinary shares of €0.76 each in the Company at the price of £0.66 (R11.20) per share. These shares were held as treasury shares.

In December 2013, the Company purchased 92,098 ordinary shares of €0.76 each in the Company at the price of £0.65 (R11.05) per share. These shares were held as treasury shares.

In December 2013, the Company purchased 500,000 ordinary shares of €0.76 each in the Company at the price of £0.60 (R11.10) per share. These shares were held as treasury shares.

In January 2014, the Company purchased 500,000 ordinary shares of €0.76 each in the Company at the price of £0.64 (R11.17) per share. These shares were held as treasury shares.

In January 2014, the Company purchased 300,000 ordinary shares of €0.76 each in the Company at the price of £0.65 (R11.40) per share. These shares were held as treasury shares.

In May 2014, the Company purchased 1,670,000 ordinary shares of €0.76 each in the Company at the price of £0.67 (R11.87) per share. These shares were held as treasury shares.

In December 2014, the Company transferred 542,318 ordinary shares of €0.76 each in the Company out of the treasury to Bramel Business Solutions (Proprietary) Ltd.

The Company has no convertible securities, exchangeable securities or securities with warrants in issue.

4.3 **Existing Shareholder authorities**

At the annual general meeting of the Company held on 30 June 2014, the following resolutions were approved by Shareholders:

- that the Directors be generally and unconditionally authorised pursuant to article 85 of the Companies Act (Chapter 386 of the laws of Malta) to exercise all the powers of the Company to allot and issue Equity Securities (as defined in the Articles), up to a maximum aggregate nominal amount of €20,795,000.

  Such authority to expire on 30 September 2015 or, if sooner, at the end of the annual general meeting of the Company to be held in 2015.

- that the Directors be authorised to restrict or withdraw the Shareholders' statutory pre-emption rights in respect of the issue of shares for cash and the sale of treasury shares if such statutory pre-emption rights are applicable in relation thereto.

  Such authority to last for as long as the Directors remain authorised to issue Equity Securities.

- that the Company be authorised to repurchase its own ordinary shares, on such terms and in such a manner as the Directors shall determine, of up to a maximum aggregate of 10% of the Company's issued share capital.

  Such authority to expire on 30 September 2015 or, if sooner, at the end of the annual general meeting of the Company to be held in 2015.

4.4 **Shareholder Acquisition authority**

At an extraordinary general meeting of the Company held on 23 March 2015, the following resolutions were approved by Shareholders in connection with the Acquisitions:

- to increase the authorised share capital of the Company to €304,000,000 divided into 400,000,000 ordinary shares having a nominal value of €0.76;

- to (i) grant the Directors authority to issue and allot shares in accordance with the terms of the Acquisitions; and (ii) grant the Directors certainty to issue and allot shares in respect of a maximum aggregate nominal amount of €75,912,202 (representing one third of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 ordinary shares), in addition to those issued pursuant to the Acquisitions;

- to dis-apply statutory pre-emption rights on the issue of shares and sale of treasury shares by the Company, up to an aggregate nominal amount of €11,386,830 (representing 5% of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 ordinary shares);

- to authorise the Company to purchase its own shares up to a maximum aggregate nominal amount of 10% of the Enlarged Share Capital (which is a maximum of 29,965,343 Shares on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 ordinary shares).

5. READMISSION AND SETTLEMENT OF BLACKSTAR SHARES

The ISIN for Blackstar Shares is MT 0000 620113.

The Blackstar Shares will be in registered form and can be held in certificated form. In addition, the Company has entered into arrangements to enable Shareholders to settle and pay for interests in Blackstar Shares through the CREST system by means of dematerialised depository interests representing such shares. Pursuant to a method proposed by Euroclear under which transactions in international securities may be settled through the CREST system, Capita IRG Trustees Limited, a subsidiary of Capita Registrars (which itself is a trading division of Capita IRG Plc), has issued a series of uncertificated depository interests ("DIs") representing entitlements to Blackstar Shares. The DIs will be independent securities constituted under English law which may be held and transferred through the CREST system.

The DIs have been created pursuant to and issued on the terms of a deed poll to be executed by Capita IRG Trustees in favour of the holders of the DIs from time to time (the "Deed Poll"). Holders of DIs should note that they have no rights in respect of the underlying Shares or the DIs representing them against Euroclear, or its subsidiaries.

Blackstar Shares have been and can be transferred to an account of Capita IRG Trustees or its nominated custodian and Capita IRG Trustees will issue DIs to participating members in CREST.

Each DI is treated as one Blackstar Share for the purposes of determining, for example, eligibility for any dividends. Capita IRG Trustees pass on to holders of DIs any stock or cash benefits received by it as holder of Blackstar Shares on bare trust for such DI holder. DI holders are also able to receive notices of meetings of holders of Blackstar Shares and other notices issued by the Company to its Shareholders.

The DIs have the same security code (ISIN) as the underlying Blackstar Shares and do not require a separate listing.

The Deed Poll is available for inspection and DI holders are be able to obtain a copy by emailing custodymgt@capitaregistrars.com. In summary the Deed Poll contains, inter alia, provisions to the following effect:

- The Depository will hold (itself or through its nominated Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities pertaining to the DIs for the benefit of the holders of the relevant DIs.
- Holders of DIs warrant, amongst other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depository or Custodian, as the case may be, are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's constitutional documents or any contractual obligation, law or regulation.
- The Depository and any Custodian must pass on to DI holders and, so far as they are reasonably able, exercise on behalf of DI holders all rights and entitlements received or to which they are entitled in respect of the underlying securities which are

capable of being passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to call for, attend and vote at meetings shall, subject to the Deed Poll, be passed on in the form in which they are received together with amendments and additional documentation necessary to effect such passing-on, or, as the case may be, exercised in accordance with the Deed Poll.

- The Depository will be entitled to cancel DIs in certain circumstances including where a DI holder has failed to perform any obligation under the Deed Poll or any other agreement or instrument with respect to the DIs.
- The Deed Poll contains provisions excluding and limiting the Depository's liability. For example, the Depository shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence, wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depository shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent, Furthermore, the Depository's liability to a holder of DIs will be limited to the lesser of: (i) the value of the shares and other deposited property properly attributable to the DIs to which the liability relates; and (ii) that proportion of £10,000,000 which corresponds to the portion which the amount the Depository would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Depository would otherwise be liable to pay to all such holders in respect of the same act, omission or event or, if there are no such amounts, £10,000,000.
- The Depository is entitled to charge holders of DIs fees and expenses for the provision of its services under the Deed Poll.
- Each holder of DIs is liable to indemnify the Depository and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the property held for the account of DIs held by that holder, other than those resulting from the negligence, wilful default or fraud of the Depository, or the Custodian or any agent if such Custodian or agent is a member of the Depository's group or if, not being a member of the same group, the Depository shall have failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent.
- The Depository may terminate the Deed Poll by giving not less than 30 days' notice. During such notice period holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depository must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depository, together with any other cash held by it under the Deed Poll pro rata to holders of DIs in respect of their DIs.

The Depository or the Custodian may require from any holder information as to the capacity in which DIs are owned or held and the identity of any other person with any interest of any kind in such DIs or the underlying securities in the Company and holders are bound to provide such information requested. Furthermore, to the extent that, amongst other things, the Company's constitutional documents require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Company's securities, the holders of DIs are to comply with such provisions and with the Company's instructions with respect thereto.

It should also be noted that holders of DIs may not have the opportunity to exercise all of the rights and entitlements available to holders of Shares including, for example, the ability to vote on a show of hands. In relation to voting, it will be important for holders of DIs to give prompt instructions to the Depository or its nominated Custodian, in accordance with any voting arrangements made available to them, to vote the underlying shares on their behalf or, to the extent possible, to take advantage of any arrangements enabling holders of DIs to vote such shares as a proxy of the Depository or its nominated Custodian.

Further information on the rights attaching to the Blackstar Shares is set out in section 6 of this Part B II.

Application will be made to the London Stock Exchange for up to 299,653,430 Blackstar Shares to be admitted to trading on AIM at Completion. As at the date of this Document, no Blackstar Shares are admitted to trading on a regulated market. It is expected that Readmission will become effective, that the Acquisitions will complete and that dealings in the Blackstar Shares will commence on AIM at 8:00 a.m. (BST) on 8 June 2015.

Application will also be made for a secondary listing of Blackstar Shares on AltX. It is expected that dealings in the Blackstar Shares will commence on AltX at 9:00 a.m. (SAST) on 8 June 2015.

6. MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

The following is a summary of Blackstar's Memorandum and Articles which are available for inspection on the Company's website.

The Memorandum and Articles which were adopted pursuant to a special resolution with effect from 31 May 2013 contain (among others) provisions to the following effect.

Unrestricted objects

The objects of the Company are unrestricted.

Limited Liability

The liability of the Company's members is limited to the amount, if any, unpaid on the shares in the Company held by them.

Change of Name

The Company may change its name by special resolution of the Shareholders in accordance with the Maltese Companies Act.

Share Rights

Subject to any rights attached to existing shares, or any class of shares, shares may be issued with such rights and restrictions as the Company may, by ordinary resolution, decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

Preference shares in the share capital of the Company may, with the sanction of an ordinary resolution of the Shareholders, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company may by extraordinary resolution determine before the issue of such shares.

Equity shares may be issued, subject to the Company being authorised by an ordinary resolution of the Board, up to the value of the Company's authorised share capital.

Voting Rights

Members will be entitled to vote at a general meeting or class meeting, whether on a show of hands or a poll, as provided in the applicable statutes. The Companies Act provides that members of the Company will vote at a general meeting on a show of hands, unless a poll is (on or before the declaration of the results of the show of hands) directed by the chairman or demanded by: (i) at least three members present in person or proxy, who are entitled to vote; (ii) one or more members present in person or proxy, who are entitled to vote, representing not less than 1/10th of the total voting rights of all members entitled to vote; or (iii) one or more members present in person or proxy holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up to not less than 1/10th of the total sum paid up on all shares conferred on that right.

In the case of joint holders (the maximum number of joint holders is four) of any share conferring a right to vote, each joint holder may vote either personally or by proxy at any meeting in respect of such shares as if he were the sole holder of those shares. If more than one of the joint holders is present at the meeting, either personally or in proxy, the person whose name stands first in the register shall be entitled to vote in respect of the share.

Restrictions on voting

A member is only entitled to vote at a general meeting if all calls, or other sums, presently payable by him in respect of his shares held have been paid.

Dividends and Other Distributions

The Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject to the Companies Act, the Board may pay interim dividends, and any fixed-rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable to holders of shares with preferred or pari passu rights for losses arising from the payment of interim or fixed dividends on other shares.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares.

Upon the recommendation of the Directors, a general meeting declaring a dividend may direct that the dividend is satisfied, wholly or in part, by the distribution of specific assets, and if difficulty arises with respect to the distribution, the Directors may settle this as they think fit and fix the value for distribution of the assets, and may determine that cash shall be paid to any member upon the basis of the fixed value.

The Directors may, subject to the approval of the Company in a general meeting, resolve that the members will have the option to elect to receive, in lieu of their dividend, an allotment of additional shares in the capital of the Company, which will be credited as fully paid provided that: (i) an adequate number of unissued ordinary shares in the capital of the Company is available for this purpose; and (ii) the approval by the Company in the general meeting may not be given for a period exceeding five years.

Any dividend unclaimed after a period of 12 years from the date when it was declared, or became due for payment, shall be forfeited and revert to the Company.

The Company shall stop sending cheques, warrants or similar financial instruments in payment of dividends in respect of any shares or may cease to employ any other means of payment for dividends if: (i) at least two consecutive payments have remained uncashed, are returned undelivered or that means of payment has failed; or (ii) one payment remains uncashed or is returned undelivered or that means of payment has failed and reasonable enquiries have failed to establish any new address of the holder. The Company shall resume sending dividend cheques, warrants or similar financial instruments or employing that means of payment if the holder requests such resumption in writing.

Variation of Rights

If there are different classes of shares, the rights attached to these classes, unless otherwise provided by the terms of the issue of the shares of that class, may be varied or abrogated in such a manner as is provided by those rights, or subject to the Companies Act with the sanction of an extraordinary resolution passed at separate meetings of the holders of the shares of such a class, and of any other class affected thereby.

Transfer of Shares

All transfers of certificated shares shall be in writing. Directors of the Company may refuse to register the transfer of certificated shares, unless the instrument of transfer is deposited at the office or such other place as the Directors may appoint accompanied by the certificate for the shares to which it relates.

Directors of a Company may refuse to register any transfer of a share which is not a fully paid share. The Directors may also refuse to register any transfer of shares unless it is in respect of only one class of shares.

Sub-division of Share Capital

Any resolution authorising the Company to sub-divide any of its shares may determine that, as between the shares resulting from the sub-division, any of them may have a preference or advantage or be subject to any restriction as compared with the others.

General Meetings

An annual general meeting must be called by notice of at least 21 days. Notice of any other general meeting must be called by at least 14 days' notice unless it is proposed to pass an extraordinary resolution, in which case 21 days' notice is required. The notice shall specify the place, day and time of the meeting and, in the case of special business, the general nature of the business and the agenda for the meeting. In the case of an annual general meeting, the notice shall specify the meeting as being an annual general meeting.

Notice of each general meeting shall be given to the auditors, each Director and all members on the register on the close of business on a day determined by the Directors, this day not being more than 21 days before the day on which the notice of the meeting is despatched, other than any those who are not entitled to receive notice of the meeting.

Each member shall be entitled to attend, speak and vote at general meetings, and appoint one or more proxies to attend, speak and vote instead of him. A quorum will consist of two members being personally present.

Directors

(A) *Number of Directors*

Pursuant to the Companies Act, every public company shall have at least two Directors.

Any member of the Company may at any time after the lapse of thirty days make an application to the court for the court to appoint a Director in accordance with the Articles, and without prejudice to the right of the continuing Director, to fill any vacancy, if the number of Directors of the Company falls below two.

(B) *Directors' shareholding qualification*

A Director is not be required to hold any shares in the Company.

(C) *Appointment of Directors*

No person, other than a Director retiring at the meeting or a person who is recommended by the Directors for election, shall be eligible for election as Director at any general meeting unless, not less than seven nor more than 42 days before the day appointed for the meeting, there shall have been left at the office a notice in writing, signed by a member duly qualified to attend and vote at such meeting, of his intention to propose such person for election.

If at an election, the place of the Director is not filled, the retiring Director shall, unless a resolution for his re-election was put to the meeting and was lost, continue in office until the annual general meeting in the next year until his place has been filled.

Directors have the power, at any time, to appoint any other person to be a Director, either to fill a vacancy or as an addition to the board of Directors, provided that the number of Directors does not exceed the maximum number of ten. Any Director appointed in this way shall hold his office until the next annual general meeting where he shall retire and be eligible for re-election.

(D) *Retirement of Directors*

A Director shall be capable of being appointed or re-elected to be a Director notwithstanding that he has attained the age of 70.

Directors are required to retire upon the later of the expiry of their term or appointment or the annual general meeting in the year of the expiry of their term of appointment. A retiring Director may be put forward for re-election by the members.

Directors shall hold office up to six years from the date of their appointment (unless they die, resign or are otherwise removed).

(E) *Removal of Directors*

The Company may by ordinary resolution remove any director before the expiration of his period of office.

(F) *Vacation of office*

The office of a Director shall be vacated if the Director:

- is interdicted or incapacitated or is found bankrupt;
- is subject to a disqualification order under Article 320 of the Companies Act;
- is disqualified from serving on the board or any corresponding organ of a public limited liability company governed by the laws of a member state owing to a judicial or administrative decision delivered in a member state;
- is convicted of any crimes affecting public trust, theft or fraud, or knowingly received property obtained by theft or fraud;
- is absent from meetings of the Directors for a period of six months;
- resigns from his office by notice in writing;

- is removed from office in accordance with Article 140 of the Companies Act, and the provisions in the Articles; or
- is requested, in writing, by all other Directors to resign his office.

(G) *Proceedings of the Board*

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit, and determine the quorum necessary for the transaction of the business. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions vested in or exercisable by the Board. Until otherwise determined, two Directors physically present in Malta (or any other jurisdiction other than Cyprus or South Africa) and constituting a majority of those Directors participating at that meeting shall constitute a quorum.

The Board may appoint a Director to be the chairman or a deputy chairman and determine the period of time for which their office is held.

Any Director may participate in a Directors' meeting, or a committee of the Directors, by means of a conference telephone or similar communications equipment, or by means of electronic communication, provided that all the Directors participating in the meeting can communicate simultaneously and in an interactive manner. The Directors participating in the meeting in such way shall be deemed to be present and shall be counted towards the quorum and will be entitled to vote.

The Board may delegate any of its powers with respect to the daily management to an executive or other committee, whether or not comprising of Directors, managers or other agents, who need not necessarily be members. The Director may grant to such committees, Directors, managers or other agents, the authority to sub-delegate.

(H) *Remuneration of Directors*

The remuneration of the Directors for their services in office shall, in the aggregate, not exceed €283,582 per annum, this remuneration shall be divided amongst the Directors as they shall agree, or in default of an agreement shall be distributed equally. Directors may also be paid additional remuneration as the Company may, from time to time, determine in a general meeting. Any additional remuneration shall be divided among the Directors as they shall agree, or in default of agreement shall be distributed equally.

The Company may repay the Directors for any reasonable expenses they may incur in or about the business of the Company, in attending and returning from meetings of the Directors, committees of the Directors or general meetings.

Any Director who is also appointed to holding an executive office, or who serves on any committee, or who otherwise performs services which are, in the opinion of the Directors, outside the scope of the ordinary duties of a Director, may be paid an additional remuneration, by way of salary, percentage of profits or otherwise as the Directors may determine.

(I) *Directors' interests*

Subject to the provisions of the Articles and the Council Regulation (EC) No 2157/2011, and provided that the Director has disclosed to the Board the nature and extent of his interest, a Director may:

- be party to, or otherwise be interested in, any contract with the Company or in which the Company has a direct or indirect interest; and
- hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms, including remuneration, as the Board may decide.

A Director shall not, by reason of his office, be liable to account to the Company or its members for any benefit realised by reason of having an interest permitted, or by reason of having a conflict of interest authorised by the Board, and no contract shall be liable to be avoided on the grounds of a Director having any such interest.

(J) *Restrictions on voting*

A Director shall not vote on any contract or arrangement in which, to his knowledge, he has a material interest otherwise than by virtue of his interests in shares, debentures or other securities of the Company.

A Director is not counted as being part of the quorum on an issue from which he is barred from voting.

(K) *Indemnity of Directors*

Any indemnity shall apply only to the extent permitted by, and subject to the restrictions of, the Companies Act.

The Company may indemnify any Director or company secretary or other officer (other than an auditor) of the Company, out of the assets of the Company, against any liability incurred by him in defending any proceedings in which judgment is given in favour of him, or in which he is acquitted; and may purchase and maintain insurance at the expense of the Company for the benefit of any such Director, company secretary or other officer and they may provide such person with funds to meet the expenditure incurred, or to be incurred, by him in defending any criminal or civil proceedings.

7. SUBSTANTIAL SHAREHOLDERS

As at the date of this Document, insofar as it is known to the Directors from notifications received by the Company in accordance with the provisions of the Articles and the Disclosure and Transparency Rules, the name of each person other than a Director who, directly or indirectly, is interested in 3 per cent. or more of the voting rights attaching to the issued share capital of the Company, and the amount of such person's interest, is as follows:

Shareholders	*Number of shares*	*% of issued share capital*
The Ceejay Trust	7,879,250	9.7
Lynchwood Nominees Limited (Leventis)	7,076,750	8.7
Kagiso Asset Management Proprietary Limited	5,571,448	6.9
Credit Suisse AG	5,046,750	6.2
Gingko Trading Proprietary Limited	4,883,452	6.0
Henderson Global Investors Limited	3,958,000	4.9
Barclays Private Bank and Trust	3,820,000	4.7
Schroder Investment Management Limited	3,741,500	4.6
Total	41,977,150	51.7

Those persons referred to above do not have voting rights in respect of the Company's share capital which differ from those of any other Shareholder. The Company is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over the Company.

8. DIRECTORS' REMUNERATION AND SERVICE AGREEMENTS

No Director or Proposed Director has entered into a service agreement or letter of appointment with the Company. Each Director has been and the Proposed Directors will be appointed pursuant to the Articles. However, Andrew Bonamour entered into a service agreement with the Investment Advisor on or around 1 June 2009 which was for an initial fixed term of two years which was extended to an initial four year period from 1 June 2009 pursuant to the terms of an amended agreement dated 8 April 2011. The initial fixed term has expired and the agreement is now subject to termination on three months' notice. His current remuneration is set out in this Document and the level of his remuneration is reviewed annually. It is a condition to drawdown of the Acquisition Finance that Andrew Bonamour's service agreement will be amended to provide that neither party may give notice of termination for a period of five years from Completion (which is without prejudice to the right of the Investment Advisor to terminate Mr Bonamour's employment for cause). The service agreement of William Marshall-Smith will also be changed on this basis. These changes were required by the lending banks as one of the conditions of making the Acquisition Finance available to the Tiso Blackstar Group.

The Directors and Proposed Directors shall have a right to remuneration which amount shall be reflected in the annual financial statements of the Company and the approval of such financial statements at the annual general meeting shall be deemed to be approval of the Directors' remuneration.

Directors and Proposed Directors will be paid a fixed non-executive directors fee payable quarterly and will be determined by the Remuneration Committee taking into consideration the existing non-executive directors' fees and market related fees paid by similar companies.

The Directors and Proposed Directors shall be paid for all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company, and if any Director shall be required to perform extra services, or to go or reside abroad, or shall be otherwise specially occupied about the Company's business, he shall be entitled to receive a remuneration to be fixed by the Directors, and such remuneration may be either in addition to or in substitution for his remuneration provided for in the last preceding article.

A summary of director emoluments is provided below. This has been extracted without material adjustment from or derived from the Company's audited financial statements for the year ended 31 December 2014.

2014	Non-executive Directors Fees R'000	£'000	Salary R'000	£'000	Other Benefits R'000	£'000	Total R'000	£'000
John Mills	664	37	–	–	–	–	664	37
Andrew Bonamour^	435	24	1,659**	93**	553*	31*	2,647	148
Marcel Ernzer	536	30	–	–	–	–	536	30
Richard Wight	222	12	–	–	–	–	222	12
	1,857	103	1,659	93	553	31	4,069	227

Amounts awarded through the long term Management Incentive Scheme were as follows:

Management Incentive Scheme Award £'000	*Andrew Bonamour^*	*Management Incentive Scheme Award R'000*
1,208	2014	21,565

* Other benefits include medical aid, security and motor vehicle allowance.

^ From 1 October 2013, Andrew Bonamour earned the majority of his salary directly from TMG and his Blackstar remuneration is now incentive based and calculated in terms of the rules for the long term Management Incentive Scheme. The figure above includes remuneration received pursuant to his service agreement with the Investment Advisor.

** An amount of R0.3 million (£0.02 million) was recovered by Blackstar SA from TMG in the form of Andrew Bonamour's directors fees earned for the current financial year. This was not taken into account on calculation of the salary cost as disclosed above. Of the direct salary cost incurred in 2013 by the subsidiary for Andrew Bonamour, 42.5% was recovered from TMG.

9. INTERESTS OF DIRECTORS

9.1 Directors Shareholdings

The Directors and Proposed Directors (and persons connected with the Directors and Proposed Directors) hold and will, after Readmission and the Completion of the Acquisitions, hold the number of Shares set out below. Following Readmission and the Completion of the Acquisitions, the Directors and Proposed Directors will beneficially own, in aggregate, between either 21.06% or 23.68% of the enlarged issued share capital of the Company depending on the Cash Consideration paid and number of New Shares issued under the TMG Scheme. There is no restriction on the Directors or Proposed Directors disposing of or transferring any part of their shareholdings, subject to the Company's internal policies on dealing in shares by the Directors and/or save for the Directors' and Proposed Directors' lock in undertaking detailed in section 12.3(a)(iv) of Part B II and the TIH lock in undertaking detailed in section 12.4 of Part B II.

Director	*Number of Shares at the date of this Document*	*%*	*Assuming the minimum number of New Shares are issued*	*%*	*Assuming the maximum number of New Shares are issued*	
John Mills(1)	761,328	0.9	761,328	0.3	761,328	0.3
Andrew Bonamour(2)	8,492,741	10.4	8,500,329	3.2	8,494,760	2.8
Marcel Ernzer	–	–	–	–	–	–
Richard Wight	–	–	–	–	–	–
David Adomakoh(3) (4)	–	–	26,911,073	10.09	26,911,073	8.98
Nkululeko Sowazi(3) (4)	–	–	26,911,073	10.09	26,911,073	8.98

Notes:

(1) These shares are held indirectly.

(2) These shares are held both directly and indirectly.

(3) The Proposed Directors each indirectly hold a 50% stake in TIH and the shareholding reflected is that of TIH.

(4) In addition to the indirect interests disclosed above as a result of their shareholdings in TIH, the Proposed Directors will have a non-beneficial interest in any Shares held by the Tiso Foundation. This interest will be non-beneficial and will only arise as a result of the Proposed Directors being two of the six trustees of the Tiso Foundation. If the minimum number of New Shares is issued in connection with the Acquisitions, Tiso Foundation will hold 14.6% of the Enlarged Share Capital and if the maximum number of Shares is issued in connection with the Acquisitions, it will hold 13.0% of the Enlarged Share Capital.

The above table has been prepared to illustrate the interests of the Directors and the Proposed Directors on the assumption that the minimum number of 183,625,950 New Shares are issued (i.e. the maximum Cash Consideration is paid) resulting in an Enlarged Share Capital of 266,725,021, and to illustrate the interests of the Directors and the Proposed Directors on the assumption that the maximum number of 216,554,359 New Shares are issued (i.e. the maximum Share Consideration is paid) resulting in an Enlarged Share Capital of 299,653,430 shares.

Save as set out above, no Director or Proposed Director has any interest in the share capital of the Company, nor does any person connected with any Director or Proposed Director (so far as is known, or could with reasonable diligence be ascertained by each Director or Proposed Director) have an interest in the share capital of the Company or in any share option in respect of such capital.

None of the Directors or Proposed Directors, nor any member of a Director's or Proposed Director's family, has any related financial product (as defined in the AIM Rules) whose value is in whole or in part determined directly or indirectly by reference to the price of ordinary shares.

Andrew Bonamour is currently a director of the Investment Advisor and on the date of Completion, David Adomakoh and Nkululeko Sowazi will become directors of the Investment Advisor. The Investment Advisor holds no Blackstar Shares. Save as set out in this Part B II ("Additional Information"), section 6.4 of Part A and section 2 of Part B I, none of the Directors has any conflict of interest or potential conflict of interest between any duties to the Company and his private interests and any other duties.

Neither Blackstar nor any other person has paid any amounts nor agreed to pay any amounts in the three years preceding the Last Practicable Date to any Directors or to a related person, or to any company of which a Director is also a director, or in which Directors are beneficially interested, directly or indirectly or to any partnership, syndicate or other association of which the Directors are members, in cash or in securities or otherwise, either as an inducement to become or to qualify a person as a Director or for services rendered by Directors or by the associate company or associate entity in connection with the promotion or formation of the Company. For the purposes of this clause, Director includes a reference to the directors of the subsidiaries.

9.2 The Management Incentive Scheme

Much of Blackstar's success is based on intellectual capital that is within its current management. It is vital that Blackstar align all management incentives with the performance expectations of the Shareholders and thus the Management Incentive Scheme was implemented in 2013 following approval by Shareholders at the 2012 annual general meeting. The Management Incentive Scheme implemented is linked to the Intrinsic NAV per Share. Share prices will fluctuate over time but ultimately NAV per share will drive the Share price. The Management Incentive Scheme is structured so that it is non-dilutive for shareholders of the Company.

The Directors continue to believe that the success of the Tiso Blackstar will be dependent upon the retention and incentivisation of its management and employees. The Company is constantly in competition with other companies and funds who vie for the talent it has. Therefore, the Directors believe that it is imperative that the Tiso Blackstar's share incentive scheme is an attractive proposition while incentivising and aligning management's interests with those of the sustained growth of the Tiso Blackstar's NAV per Share over the medium to long term.

The Company's Management Incentive Scheme is structured so that it is non-dilutive for Shareholders. Participants in the scheme accrue shares based on a portion of the NAV growth per Share that has been created. In order to retain talent over the long term, participants receive the value of their share incentives incrementally, over a defined period of time.

Under the current Management Incentive Scheme, the NAV per Share at the end of each incentive period is compared to the NAV per Share at the beginning of such period and 15.0% of the increase in the NAV per Share is multiplied by the NAV at the beginning of the period and allocated to the incentive pool twice a year. The value in the incentive pool is paid out part in cash and part in Shares approximately within two months after the end of each incentive period.

In order to further align the scheme participants with the performance expectations of the Tiso Blackstar's shareholders, at a General Meeting of the Company held on 23 March 2015, Shareholders approved the following amendments to the current scheme (conditional upon the completion of the Acquisitions):

(a) the percentage of the increase which determines the incentive pool is reduced from 15.0% to 10.0% which the Board believes is a more appropriate percentage in light of the increased size of the Tiso Blackstar;

(b) the size of the incentive pool is to be determined annually instead of twice a year; and

(c) the incentive pool will be paid out solely in Shares.

Benefits to Shareholders

The principal benefits of the revised scheme to Shareholders include:

- Shareholder value is not diluted as the Management Incentive Scheme only pays out when value is created (as with the current management incentive scheme rules);
- 100% of the incentive is settled in Blackstar Shares which are locked up for three years aligning management to focus on growing the NAV per Share. This also limits the cash reduction of the Company as the Company no longer has an obligation to settle half of the incentive pool in cash; and
- management are incentivised to reduce the operating costs (as high operating costs will reduce the NAV per Share) and focus on growing NAV per Share which is the ultimate alignment with Shareholders.

The Management Incentive Scheme including the amendments effective on completion of the Acquisitions can be summarised into has two components:

1. Increase in Intrinsic NAV
   In order to align management with Shareholders, part of the Management Incentive Scheme is linked to the published Intrinsic NAV per Share of the Company, which the Board believes is the ultimate driver of the Company's share price. Intrinsic NAV is determined on an annual basis and is subject to audit/review by the Company's auditors. The NAV at the end of each period is compared to the Intrinsic NAV at the beginning of the period and 10% of the increase in the NAV is allocated to the incentive pool and settled on an annual basis. The hurdle will be the South Africa Short Term Fixed Interest Benchmark Rate ("STEFI") and will be subject to a catch up. Should the NAV decline over a reporting period, the Company would need to recover that decline and the

NAV would need to increase to the high watermark plus hurdle, before any amount would be allocated to the incentive pool. The NAV would be adjusted for corporate events including share buy backs, dividends and capital raisings.

The incentive pool shall be settled entirely in Blackstar Shares. The Shares issued pursuant to the Management Incentive Scheme will have a restriction on selling of three years or such shorter period as the Chairman may determine in his absolute discretion. Unless there are exceptional circumstances, the Chairman will not exercise this discretion save that, if conditions warrant it, he may do so to release one third of the shares from lock-up on the first anniversary of the date of issue or transfer and a further third on the second anniversary of the date of issue or transfer. If a member of Management ceases to be an employee of the Group at a time when any of his shares are still restricted in circumstances in which he is a "bad leaver", the Board may require those shares which are still restricted to be forfeited.

2. Portfolio performance
The Board has the ability to issue up to 0.5% of the Shares in issue per year depending on performance criteria including but not limited to: cost management and control and the extent of the work performed during the period to manage the investment portfolio. The chief executive officer of Blackstar SA will provide the Board with a written recommendation as to the amount of the additional award as well as the motivation behind this allocation.

9.3 **Convictions, Bankruptcy**

As at the date of this document no Director or Proposed Director:

- has any unspent convictions in relation to any indictable offences; or
- has been bankrupt or entered into an individual voluntary arrangement; or
- was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

10. OTHER DIRECTORSHIPS

The present directorships and partnerships, other than those held in the Company, and the past directorships and partnerships of each of the Directors or Proposed Directors (i) as at the date of this Document and (ii) in the five years preceding the date of this Document are as follows:

David Adomakoh

Present Directorships and Partnerships:

Kagiso Tiso Holdings Proprietary Limited, Nedbank Limited, Nedbank Group, Tiso Investment Holdings Proprietary Limited (RF), SAI Holdings Limited, TIH Africa Limited, Vanguard Group Limited

Past Directorships and Partnerships:

Abland Manapa Development Proprietary Limited, Abland Manapa Investments Proprietary Limited, AEL Holdco Limited, Alizay Properties 46 Proprietary Limited, Aveng Africa Proprietary Limited, Aveng Trident Steel Holdings Proprietary Limited, Aveng Limited (previously Grinaker LTA) Business Venture Investments No 851 Proprietary Limited, Business Venture Investments No 884 Proprietary Limited, Clidet No 769 Proprietary Limited, Clidet No 901 Proprietary Limited, Eris Property Group Proprietary Limited, Fasus Investments Proprietary Limited, Four Arrows Investments 39 Proprietary Limited, Idwala Industrial Holdings Limited, Jadeport Investments Proprietary Limited, Little Swift Investments 435 Proprietary Limited, Morning Tide Investments 168 Proprietary Limited, Newmillen 122 Investments Proprietary Limited, Northern Ocean Investments 30 Proprietary Limited, Obo Bettermann Holdings Africa, Qakazana Investment Holdings Proprietary Limited, Tiso Capital Partners No 2 Proprietary Limited, Tiso Capital Partners No 3 Proprietary Limited, Tiso Chemicals Proprietary Limited, Tiso Electrical Proprietary Limited, Tiso Energy Proprietary Limited, Tiso Group Proprietary Limited, Tiso Industries Finance Proprietary Limited, Tiso Industries Proprietary Limited, Tiso Inl Investments I Proprietary Limited, Tiso Investment Holding 2 Proprietary Limited, Tiso Investment Holdings No 3 Proprietary Limited, Tiso Management Company Proprietary Limited, Tiso Nuclear Proprietary Limited, Tiso Power Services Proprietary Limited, Tiso Private Equity Proprietary Limited, Tiso Projects No 1 Proprietary Limited, Tiso Projects No 2 Proprietary Limited, Tiso Repair Services Proprietary Limited, Tiso Resources Proprietary Limited, Tiso Telecom Proprietary Limited, Tiswala Holdings Proprietary Limited

Nkululeko Sowazi

Present Directorships and Partnerships:

Actom Investment Holdings Proprietary Limited, Actom Proprietary Limited. Grindrod Limited, Home Loan Guarantee Company, Housing for HIV, Idwala Industrial Holdings Proprietary Limited, Kagiso Tiso Holdings Proprietary Limited, Piajeh Holdings Proprietary Limited, Roedean School (South Africa), SAI Holdings Limited, TIH Africa Limited, Tiso Investment Holdings Proprietary Limited (RF), Vanguard Group Limited

Past Directorships and Partnerships:

Abland Manapa Development Proprietary Limited, Abland Manapa Investments Proprietary Limited, Acton Repair Services Proprietary Limited, Aveng Limited, AEL Holdco, Alizay Properties 46 Proprietary Limited, Aveng Africa Proprietary Limited, Aveng Trident Steel Holdings Proprietary Limited, Business Venture Investments No 851 Proprietary Limited, Business Venture Investments No 884 Proprietary Limited, Cardona Investments 428 Proprietary Limited (RF), Clidet No 769 Proprietary Limited, Clidet No 901 Proprietary Limited, Ed Trust Inl Investments I Proprietary Limited, Eris Property Group Proprietary Limited, Exxaro Resources Limited, Fasus Investments Proprietary Limited, Four Arrows Investments 39 Proprietary Limited, Jadeport Investments Proprietary Limited, Litha Health Care Holdings Proprietary Limited, Litha Healthcare Group Limited, Little Swift Investments 435 Proprietary Limited, Main Street 333 Proprietary Limited, Manapa Investments Proprietary Limited, Msg Afrika Group Proprietary Limited, Newmillen 122 Investments Proprietary Limited, Northern Ocean Investments 30 Proprietary Limited, Oiliso Proprietary Limited, Qakazana Investment Holdings Proprietary Limited, Sebah Housing (South Africa), Strategic Real Estate Managers Proprietary Limited, Tiso Capital Partners No 2 Proprietary Limited, Tiso Capital Partners No 3 Proprietary Limited, Tiso Chemicals Proprietary Limited, Tiso Electrical Proprietary Limited, Tiso Energy Proprietary Limited, Tiso Group Proprietary Limited, Tiso Industries Finance Proprietary Limited, Tiso Industries Proprietary Limited, Tiso Inl Investments I Proprietary Limited, Tiso Investment Holdings 2 Proprietary Limited, Tiso Investment Holdings No 3 Proprietary Limited, Tiso Logistics Investments Proprietary Limited, Tiso Management Company Proprietary Limited, Tiso Nuclear Proprietary Limited, Tiso Power Services Proprietary Limited, Tiso Private Equity Proprietary Limited, Tiso Projects No 1 Proprietary Limited, Tiso Property Management Proprietary Limited, Tiso Property No 2 Proprietary Limited, Tiso Repair Services Proprietary Limited, Tiso Resources Proprietary Limited, Tiswala Holdings Proprietary Limited, Tiswala Investments Proprietary Limited, Unity Financial Services Limited

Andrew Bonamour

Present Directorships and Partnerships:

African Business Channel Proprietary Limited, Aimeth Capital Holdings Proprietary Limited, Avusa Proprietary Limited, Avusa Entertainment Proprietary Limited, BDFM Publishers Proprietary Limited, Blackstar (Cyprus) Investors Limited, Blackstar Fund Managers Proprietary Limited, Blackstar Group Proprietary Limited, Blackstar Group SE, Blackstar Real Estate Proprietary Limited, Bondom Restaurants Proprietary Limited, Browns Cash And Carry Proprietary Limited, Cadiz Holdings Limited, Consolidated Steel Industries Proprietary Limited, Domel Investments Proprietary Limited, Fantastic Investments 379 Proprietary Limited, Firefly Investments 223 Proprietary Limited, Global Roofing Solutions Proprietary Limited, Main Street 505 Proprietary Limited, Mvelaphanda Treasury And Financial Services Proprietary Limited, Navigare Securities Proprietary Limited, New Bond Capital Limited, Times Media Proprietary Limited, Times Media Group Limited, Times Media Mobile Proprietary Limited

Past Directorships and Partnerships:

Avusa Entertainment Investments Proprietary Limited, Cellcorp Proprietary Limited, Cloudbreak Properties Proprietary Limited, Cointel VAS Proprietary Limited, Dixonville Investments Proprietary Limited, Dunrose Trading 108 Proprietary Limited, Ferro South Africa Proprietary Limited, Fluxrab Investments No 140 Proprietary Limited, Isitali Consortium Proprietary Limited, Lexshell 650 Investments Proprietary Limited, Litha Healthcare Group Limited, Main Street 207 Proprietary Limited, Main Street 488 Proprietary Limited, Main Street 493 Proprietary Limited, Mvelaphanda Capital Proprietary Limited, Mvelaphanda Financial Asset 01 Proprietary Limited, Mvelaphanda Group Five Power Energy Investments Proprietary Limited, Mvelaphanda Private Equity Proprietary Limited, Mvelaphanda Strategic Investments Proprietary Limited, Mvelaphanda Treasury & Financial Services Proprietary Limited, Rietbron Investments Proprietary Limited, Robor Proprietary Limited, Smartphone SP Proprietary Limited, Wonderdeals 38 Proprietary Limited, York Timber Holdings Limited

John Mills

Present Directorships and Partnerships:

AIBC Investcorp Holdings S.A., Akalya Fund Limited, Akalya Management Limited, AKT Holdings S.a.r.l, AKT Investments S.a.r.l, BJ Investments S.a.r.l, Blackstar (Cyprus) Investors Limited, Blackstar Group SE, BR Luxembourg S.a.r.l, Clarity Fund SPC Limited, Cofinance Group S.A., Cofival S.A, Comont S.A., Constantia Fund Limited, Constantia Fund SPC Limited, Crema Holdings S.a.r.l, Crema Investments S.a.r.l, Culross Global SPC Limited, Culross Managed Account Platform SPC Limited, Darter I Holdings S.a.r.l, Darter II Holdings S.a.r.l, Eloa Limited, Euxine Sea Luxembourg S.a.r.l, Evolution One (BVI) L.P., Evolution One

General Partner (BVI) Limited, Evolution One General Partner (SA) Proprietary Limited, Foam Investments I S.a.r.l, Foam Investments II S.a.r.l, Gulf Investors Agro S.a.r.l, Icopal Equity S.a.r.l, Icopal Holdings S.a.r.l, Icopal PIKco S.a.r.l, Inspired Evolution Investment Advisors (BVI) Limited, Josephs Holdings Inc, Maitland Luxembourg S.A., Maitland Trustees Limited, Margin of Safety Fund Sicav, MNR Investments SA, Momo Europe SA, Momo Group Limited, Momo Switzerland, MS Investment Management Limited, MS Investments Limited, MS Management Services SA, MS Yamad Fund L.P., MS Yamad LLC, N&W Holdings S.a.r.l, Perinvest Convertible Fund Limited, Promotions Holdings S.a.r.l, Promotions Investments S.a.r.l, Shenandoah Capital Partners Limited, Shenandoah Global Multi-Strategy Fund SPC, Limited, Shipston Group Limited, Signet Multi-Manager SPC Inc, Signet UCITS, Solon (Management) Limited, Solon (Protector) Limited, Solon Director Limited, Star Convertible Fund Limited, Stonor Group Limited, Theseus Limited, Tortoise Investments Limited, Track Holdings S.a.r.l, Turkish Fashion Investors S.a.r.l, Vending Holdings S.a.r.l, Vending Investments S.a.r.l.

Past Directorships and Partnerships:

ABIDA Fund Limited, ABIDA Management Limited, Above Wealth Funds S.A., SICAV-SIF, AI Fund Limited, Akalya Fund Limited, Akalya Investments limited, Akalya Management Limited, Alabaster Limited, B&D Holdings Limited, Barak Commodity Derivative fund, Barak Structured Trade Finance SP, Boccard Asset Management Limited, Braeburn Investments Limited, Chernoye Morye Luxembourg S.à.r.l., Coconut Palm Properties Limited, Comm - Elec Limited, Consolidated Overseas Trading Inc., Cougar Growth Fund limited, Craton Investment Management Limited, Culross Arbitrage Master Limited, Culross Global Master Limited, Culross H Master Limited, Culross Long Term Alpha Master Limited, DAL Funds Limited, DevCap Holdings S.à r.l., Dirndal Limited, Driftwood Beach Properties Limited, Drover Investments S.à r.l., Dynamic Multi Strategy Fund Limited, Eastnor Limited, Econo Securities S.A, Edinburgh Investments Limited, Euro-African Investments Limited, Fiduciaire T.A. Services Limited, Flagstone Finance S.A., Flooring Industries Limited S.à r.l., GFI Holdings One Limited, GFI Series 2 Holdings Limited, Gladius Investments Limited, Grand Matanzas Limited, Grove Equity Plus Fund Limited, HIFA Holding S.à r.l., Hoggs Hill Limited, IBEX Growth Fund Limited Class A, Ibstone Limited, Icarus Investments S.à r.l., Indelible Inc., International Marketing & Investment Consultants Inc, Javari Limited, JSMC Management Limited, Kensington Management Company, King Air Aviation Limited, Kowitz Inc, Labmex International S.à r.l., LPK Trust Company, Lysandre S.A, Maitland Asset Management (Luxembourg) S.A., Maitland Asset Management Holdings Limited, Maitland FS Holdings International Limited, Maitland Malta Limited, Maitland Nominees Limited, Maryland Corporation, Midocean Management and Trust Services (BVI) Limited, Midocean Nominees Limited, Mohawk Finance S.à r.l., Mohawk Foreign Holdings S.à r.l., Mohawk Global Investments S.à r.l., Mohawk International (Europe) S.à r.l., Mohawk International Holdings S.à r.l., Momats Limited, MS Alpha Fund Limited, MTC Holdings Limited, NetEconomy Luxembourg Newco S.à r.l., O.P.A.M Limited,Ocean Management Holdings Limited, Olympus CEF Limited, Paladin Limited, QF Incorporation Limited, QF Two Incorporation Limited, Quattro Holdings One Limited, Redington Turkey Holdings S.à.r.l., Regan Holdings Enterprises Limited, S & S Aviation Limited, Saratoga Aviation Limited, SEVA Holdings Company Limited, SGL Education Limited, SGL Real Estate Limited, Shenandoah Capital Partners Limited, Shetland Limited, Shipston Electric Vehicle Limited, Shipston EVL Holdings Limited, Shrewsbury Investments S.à r.l., Signet Services Limited, Sky Eagle Aero Limited, Slaney Limited, Splendour Holdings Limited, St. Andrew's Bay Limited, Tavistock Europe S.à r.l., The Green Light Property Fund Limited, Theseus Trustees (Bermuda) Limited, Tobacco Products International Limited, Tontine Inc, Tortoise Services Limited, Trimul Investments Inc., Tropez International S.à r.l., TVP - The Value Partners Fund Limited, Twining Properties Limited, Ubique Funds SPC Limited, Uniq Holdings Limited, U-Tron Research & Development Limited, Vacoas Investments S.à r.l., Venture Incorporation Limited, Veritas

Inc, Vesta Fund Limited, VF Investments Limited, Victory Funds Limited, Wave Investments Inc, Wisteria Holdings Limited, Wycombe Enterprises Limited

Marcel Ernzer

Present Directorships and Partnerships:

Blackstar Group SE, Camera Di Commercio Italo-Lussemburghese, Cofinance Group S.A, Flaskamp Invest S.A, Insinger De Beaufort Holdings S.A, Miscellaneous Insinger De Beaufort Funds, Miscellaneous Wallberg Funds, Wallberg Invest S.A.

Past Directorships and Partnerships:

None

Richard Wight

Present Directorships and Partnerships:

Ais Sicav Plc, Aurelius Sicav Plc, Blackstar Group SE, Bulkara Capital Sicav Plc, Clerkenwell Sicav Plc, Culross Global Holdings Limited, Culross Global Investment Limited, Eurasia Alternative Investment Fund Sicav Plc, Frere Hall Capital Management (Malta) Limited, Heritage Corporate Services (Malta) Limited, Libero International Sicav Plc, Lions Of Africa Segregated Portfolio Company, Neox Capital, Park Lane Capital Sicav Plc, Rascasse Investments Limited, Shannonside Capital Sicav Plc, Trireme Pension Sicav Plc, Trireme Pension Us Sicav Plc

Past Directorships and Partnerships:

Harbourside Capital Proprietary Limited, Hedge Fund Hotel SICAV plc, SCP Remuneration Services Ltd., SCNCM Services Limited.

11. SUBSIDIARIES AND SIGNIFICANT INTERESTS

The Company is the parent company of the Group. The principal activity of the Company is investment holding. Each of the Company's subsidiaries is, directly or indirectly, wholly or substantially owned by the Company and the issued shares of which are fully paid. Following Completion, TMG will be a wholly owned subsidiary of Tiso Blackstar and KTH will represent an investment held for trading carried at fair value through profit and loss, held by the Tiso Blackstar Group.

Upon Readmission the Tiso Blackstar Group will comprise Tiso Blackstar and the following wholly owned subsidiaries:

- Tiso Blackstar (Cyprus) Investors Limited (Registration Number HE177097), domiciled in Cyprus;
- Tiso Blackstar Group Proprietary Limited (Registration Number 2005/042844/07), domiciled in South Africa;
- Tiso Blackstar Real Estate Proprietary Limited (Registration Number 2010/007146/07), domiciled in South Africa;
- Consolidated Steel Industries Proprietary Limited (previously Stalcor Proprietary Limited) (Registration Number 2006/031549/07), domiciled in South Africa; and
- Times Media Group Proprietary Limited (Registration Number 2012/074397/07), domiciled in South Africa,

and the following partially owned subsidiary:

- 66.0% interest in Tiso Blackstar Fund Managers Proprietary Limited (Registration Number 2007/025932/07), domiciled in South Africa.

Upon Readmission the following investment will represent a significant interest held by the Tiso Blackstar Group:

- 25.0% interest in Navigare Securities Proprietary Limited (Registration Number 2008/025723/07), domiciled in South Africa.

Upon Readmission and Completion the following investments will be presented as held for trading (for accounting purposes) held by the Tiso Blackstar Group:

- 22.9% (with a 21.3% voting entitlement due to shares held in treasury) interest in Kagiso Tiso Holdings Proprietary Limited, (Registration Number 2011/000848/07) domiciled in South Africa; and

- 19.1% (with a 19.1% voting entitlement) interest in Robor Proprietary Limited (Registration Number 2006/001412/07), domiciled in South Africa.

The percentage holdings provided above also represent the percentage voting rights.

12. MATERIAL CONTRACTS

The following is a summary of the contracts (not being entered into in the ordinary course of business) that have been entered into by the Group within the two years immediately preceding the date of this Document or which are, or may be, material to the Group at any time and contain obligations or entitlements which are, or may be, material to the Group as at the date of this Document.

12.1 **Depository Agreement**

A depository agreement entered into between the Company and Depository and Capita IRG Trustees on 11 May 2012 (the "Depository Agreement") under which the Company has appointed the Depository to constitute and issue from time to time, upon the terms of the Deed Poll, a series of uncertificated Depository Interests representing securities issued by the Company and to provide certain other services in connection with such Depository Interests with a view to facilitating the indirect holding by participants in CREST.

The Depository agrees that it will comply, and will procure certain other persons comply, with the terms of the Deed Poll and that it and they will perform their obligations in good faith and with all reasonable skill, diligence and care. The Depository assumes certain specific obligations including, for example, to arrange for the Depository Interests to be admitted to CREST as participating securities and to provide copies of and access to, the register of Depository Interests.

The Depository warrants that it is an authorised person under FSMA and is duly authorised to carry out custodial and other activities under the Deed Poll. It also undertakes to maintain that status and authorisation. It will either itself or through its appointed Custodian as bare trustee hold the deposited property (which includes, amongst other things, the securities represented by the Depository Interests) for the benefit of the holders of the Depository Interests as tenants in common, subject to the terms of the Deed Poll.

The Company agrees to provide such assistance, information and documentation to the Depository as is reasonably required by the Depository for the purposes of performing its duties, responsibilities and obligations under the Deed Poll and the

Depository Agreement. In particular, the Company is to supply the Depository with all documents it sends to its shareholders so that the Depository can distribute the same to all holders of Depository Interests. The agreement sets out the procedures to be followed where the Company is to pay or make a dividend or other distribution and in respect of voting at general or other meetings.

The Depository is to indemnify the Company and each of its subsidiaries and subsidiary undertakings against claims made against any of them by any holder of Depository Interests or any person having any direct or indirect interest in any such Depository Interests or the underlying securities which arises out of any breach or alleged breach of the terms of the Deed Poll or any trust declared or arising thereunder. The agreement remain in force for as long as the Deed Poll remains in force.

The Company may terminate the appointment of the Depository if an Event of Default (as defined in the Depository Agreement) occurs in relation to the Depository or if it commits an irremediable material breach of the agreement or the Deed Poll or any other material breach which is not remedied within 30 days. The Depository has the same termination rights in respect of Events of Default occurring or any breach by the Company. Either of the parties may terminate the Depository's appointment by giving not less than 45 days' written notice. If the appointment is terminated on an Event of Default or breach, the Depository must serve notice to terminate the Deed Poll by giving 30 days' notice to all holders of Depository Interests. If the appointment is terminated by 45 days' written notice, the Depository must serve notice to terminate the Deed Poll such that its appointment and the Deed Poll terminate on the same date. In either case if the Depository fails to serve notice to terminate the Deed Poll, the Company may do so on its behalf as its duly authorised attorney. The Depository agrees that it will not without the prior written consent of the Company terminate or take any steps to terminate the Deed Poll other than in accordance with the provisions of the Depository Agreement. The Depository is to ensure that any custodian and any person who maintains the register of Depository Interests is a member of its group and may not subcontract or delegate its obligations under the Deed Poll to a company that is not a member of the same group without the Company's consent.

The Company is to pay certain fees and charges including, inter alia, an annual fee, a fee based on the number of Depository Interests per year and certain CREST related fees. The Depository is also entitled to recover reasonable out of pocket fees and expenses from the Company.

12.2 **Financing arrangements**

Please see section 6 of Part A of this Document for a summary of the financing agreements the Group has entered into, to part finance the Acquisitions and to repay existing indebtedness.

12.3 **Introduction Agreement**

The Introduction Agreement dated 30 April 2015 and made between the Company, ZAI, the Directors and the Proposed Directors pursuant to which, ZAI has agreed to act as Nominated Adviser to the Company for the purposes of effecting the Readmission. The Introduction Agreement is conditional, amongst other matters, on Readmission taking place not later than 15 June 2015 (or such later date as ZAI and the Company may agree), but in any event no later than 30 June 2015.

(a) *Under the Introduction Agreement:*

  (i) the Company has agreed to pay ZAI a corporate advisory fee of £250,000 (plus any applicable Value Added Tax);

  (ii) the Company has agreed to pay all other costs and expenses of the Readmission and the related arrangements together with value added tax on such costs;

  (iii) the Company, the Directors and the Proposed Directors have given certain warranties to ZAI as to the accuracy of the information in this Document and as to other matters relating to the Group and its business and the Company has given an indemnity to ZAI in respect of certain liabilities arising out of or in connection with the readmission; and

  (iv) each of the Directors and Proposed Directors has undertaken to ZAI and the Company that prior to the date falling six months after Readmission he shall not, except in certain specified circumstances, sell, transfer, grant any option over or otherwise dispose of the legal, beneficial or any other interest in any Blackstar Shares held by him at the date of Readmission (or rights arising from any such shares or securities or attached to any such shares);

(b) The Introduction Agreement may be terminated by ZAI if certain circumstances occur prior to Readmission including a material breach of the representations and warranties referred to above.

12.4 **TIH Lock In Undertaking**

The lock in undertaking dated 30 April 2015 and made between TIH, the Company and ZAI pursuant to which TIH has undertaken to the Company and ZAI that prior to the date falling six months after Readmission, it shall not, except in certain specified circumstances, sell, transfer, grant any option over or otherwise dispose of the legal, beneficial or any other interest in Blackstar Shares held by it at the date of Readmission (or rights arising from any such shares or securities or attached to any such shares).

12.5 **The Nominated Adviser and Broker Agreement**

The nominated adviser and broker agreement dated 30 April 2015 and made between the Company and ZAI pursuant to which the Company has appointed ZAI to act as nominated adviser and broker to the Company commencing on Readmission. The Company has agreed to pay to ZAI a fee of £50,000 per annum (plus any applicable VAT). The appointment of ZAI is for an initial term of 12 months, after which time either party may terminate the appointment on three months' written notice. ZAI has reserved the right to terminate the agreement forthwith in certain circumstances. Under the agreement, the Company has given certain customary indemnities to ZAI in connection with its engagement as the Company's nominated adviser and broker. This agreement is governed by English law.

12.6 **The Relationship Agreement**

A summary of the Relationship Agreement can be found at section 3 of Part B I of this Document.

12.7 **The Tiso Agreement**

On 5 December 2014, the Company entered into the Tiso Agreement, pursuant to which the Company or one of its subsidiaries would acquire the KTH Interest. The total purchase price will be approximately R2.06 billion (£112.0 million) comprising up to R500.0 million (£27.2 million) cash and approximately 93.0 million new shares.

Representations and Warranties

Tiso gave certain representations and warranties to the Company, reference to which is made in section 5.2 of Part A of this Document. The Tiso Agreement contains certain limitations and qualifications on the ability of the Company to make claims under such warranties and Tiso's total liability is capped at the purchase price paid to TIH in respect of claims against TIH and the purchase price paid to the Tiso Foundation in respect of claims against the Tiso Foundation.

The Company also gave certain representations and warranties to Tiso customary to a transaction of this nature. The Company's total liability is capped at the purchase price paid to TIH in respect of claims made by TIH and the purchase price paid to the Tiso Foundation in respect of claims made by the Tiso Foundation.

Termination Rights

In the event that the Company or Tiso breach any provision of the Tiso Agreement and fail to remedy such breach within 14 days (or three days in the event of failure to pay any amount that is due and payable) of written notice requiring it to do so, then the aggrieved party shall be entitled without notice, in addition to any other remedy available to it, to terminate the Tiso Agreement.

Notwithstanding the aforegoing, after the implementation in full of the sale contemplated in the Tiso Agreement, no party shall have the right to terminate the agreement as a result of a breach thereof.

12.8 **The Implementation Agreement**

The Company entered into the Implementation Agreement on 4 February 2015, pursuant to which the Company would acquire the entire issued ordinary share capital of TMG not already held by Blackstar or the Group, by way of a scheme of arrangement. The parties have agreed, amongst other matters, to co-operate with regard to the process of implementing the TMG Scheme. The Implementation Agreement contains certain assurances and confirmations between the parties.

Break Fee

A summary of the break fee provisions relating to the TMG Scheme can be found at section 5.1 of Part A.

Non solicitation Undertakings

The Implementation Agreement includes an undertaking from TMG that it shall not, and shall procure that no other member of the TMG group, nor any authorised representative of TMG, shall, directly or indirectly during the "Exclusivity Period" (being the period from execution of the Implementation Agreement to Completion or termination of the Implementation Agreement in accordance with its terms):

- solicit, invite or initiate any expression of interest, enquiry, proposal or offer regarding any Alternative Proposal (as defined in section 5.1 of Part A);
- participate in any negotiations regarding any Alternative Proposal, unless the Alternative Proposal has not come about due to a breach of the above section and the TMG board, acting in good faith and in the exercise of its fiduciary duties, believes that it will constitute a Superior Proposal (as defined in section 5.1 of Part A) (the TMG Board will be entitled to engage with the

other party in order to determine if the Alternative Proposal constitutes a Superior Proposal); or

- agree to, approve or recommend an Alternative Proposal, unless the Alternative Proposal has not come about due to a breach of the above section and it constitutes a Superior Proposal,

provided that TMG shall only be entitled to furnish non-public information (including, for the avoidance of doubt, any information to the extent that the potential offeror has requested and is required to be provided with such information under Regulation 92 of the Companies Regulations 2011 (promulgated under the SA ACT) or a similar provision of any other applicable law) to any person in response to a bona fide Alternative Proposal that is submitted by such person after 4 February 2015 (the "Signature Date") and which is not withdrawn, if:

- TMG and the potential offeror have entered into a confidentiality and non-disclosure agreement; and
- the TMG board (or any properly appointed sub-committee thereof) concludes, acting in good faith, that such action is required in order for the TMG board to comply with its fiduciary obligations under applicable law or their obligations under the SA ACT.

Alternative Proposal

The Implementation Agreement contains an undertaking that during the Exclusivity Period, TMG shall not in respect of any Alternative Proposal, enter into any agreement or undertaking to give effect to the Alternative Proposal ("Alternative Proposal Agreement"), unless:

- such Alternative Proposal has not come about as a result of a breach of a non solicitation covenant;
- such Alternative Proposal constitutes a Superior Proposal; and
- the Company is given the right to match the terms and conditions of the Alternative Proposal or otherwise amend its Offer within 20 Business Days, such that, after such revision, the Company's Offer would, if completed substantially in accordance with its terms, in the opinion of an independent expert, be equally or more favourable to TMG Shareholders than the Alternative Proposal, taking into account all the terms and conditions of the Alternative Proposal, and the Company fails to do so.

TMG shall be obliged to notify the Company in writing immediately (within two Business Days) upon receiving an Alternative Proposal.

Management Accounts and Notice of Material Adverse Change

Provisions are included in the Implementation Agreement that obligate TMG to provide the Company with a copy of its management accounts on a monthly basis to enable the Company to determine whether a material adverse change has occurred and consequently give rise to a right for the Company to terminate the Implementation Agreement.

Conduct of Business, access, Cooperation and Integration

The Implementation Agreement contains customary conduct of business, access to information and co-operation provisions between the Signature Date and Completion of the TMG Scheme (or termination of the Implementation Agreement, as the case may be).

Representations and Warranties

The Implementation Agreement contains customary warranties and representations from each of the parties as to title and capacity to enter into the Implementation Agreement. It also contains warranties given by TMG that it was not in discussions with any third party regarding a transaction similar or related to the TMG Scheme at the Signature Date.

Termination Rights

TMG are entitled to terminate the Implementation Agreement in certain circumstances (the "TMG Termination Rights") including:

- if without breaching the non-solicitation covenant, it has received an Alternative Proposal which the TMG Board determines to be a Superior Proposal and such Alternative Proposal has not been matched or improved upon by the Company;
- if the Company breaches any of its obligations, representations or warranties as set out in the Agreement, which are material in the context of the TMG Scheme and if capable of remedy, the Company has failed to remedy such breach within the time period contemplated; or
- if any condition stipulated to be for the sole benefit of TMG has not been fulfilled or waived by the date required for fulfilment or waiver thereof.

The Company is entitled to terminate the Implementation Agreement in certain circumstances (the "Blackstar Termination Rights") including:

- if any member of the TMG group is provisionally or finally liquidated or becomes subject to a business rescue process (or any application is launched in that regard);
- if any interdict, judgment or other order or action of any court or governmental body is in effect restraining, prohibiting or rendering illegal the implementation of the TMG Scheme or any legal proceeding has been instituted by any person or body seeking to prohibit, restrict or delay, declare illegal or to enjoin the implementation of the TMG Scheme contemplated by the Implementation Agreement;
- if at any time between the Signature Date and the date on which the Scheme becomes unconditional a material adverse change as defined in the Implementation Agreement has occurred;
- if any condition stipulated to be for the sole benefit of the Company has not been fulfilled or waived by the date required; or
- if TMG breaches any its obligations, representations or warranties as set out in the Implementation Agreement, which are material in the context of the TMG Scheme and if capable of remedy, TMG has failed to remedy such breach within five Business Days.

13. LITIGATION

Shoprite

In May 2011 the Company acquired 180,700 shares in the capital of Shoprite on the Lusaka Stock Exchange in Zambia. At the time of purchase, these shares traded at a 43% discount to the same shares on the JSE. The Company currently holds 180,700 Shoprite shares and they are held at the closing bid price of the Lusaka Stock Exchange on the date the shares were suspended from trade and as at 30 December 2014.

The Company's investment amounted to R20.9 million (£1.1 million). As previously reported within the Blackstar annual reports, the Company had been waiting for Shoprite to commence its litigation against the shareholders in Zambia. In July 2013 Shoprite commenced proceedings in the High Court of Zambia seeking to reverse various trades undertaken by investors, including the Company. Blackstar has considered the statement of claim served by Shoprite, in conjunction with its legal advisers, and concluded that those claims are without merit and the Company should be successful in its defence against those claims. The Company believes that it has full legal title over its Shoprite shares and will take all steps necessary to preserve and protect value for its shareholders. The Company is working with other investors who own shares in Shoprite on the Lusaka Stock Exchange in Zambia to resolve the impasse with Shoprite.

FSB investigation

The FSB registered an investigation under section 84 of the South African Financial Markets Act no. 19 of 2012 ('Financial Markets Act') relating to a possible contravention of section 78 (insider trading) of the act in relation to the share transactions in TMG during February and March 2014. Whilst the investigation is ongoing, on the facts presented, the South African advisors to BCIL (being Arnold Subel SC, as senior counsel and ENSafrica, as advising attorneys) do not believe that there is a case to meet or that there is any merit to the complaint. In the unlikely event that the FSB investigation is found to have merit, the person to whom the contravention relates could be subject to administrative, civil and criminal sanctions. In particular that person could be liable in a criminal court to a fine not exceeding R50.0 million (£2.7 million) or to imprisonment not exceeding 10 years, or both.

Representatives from Blackstar attended a meeting with the Malta Financial Services Authority ("MFSA") on 6 April 2015 and it received a request for information from the MFSA on 7 April 2015 pursuant to the meeting. Blackstar tendered its full co-operation and is in the process of compiling the information requested by the MFSA.

Save as set out above, there are (and, in the 12 months preceding the date of this Document, there have been) no governmental, legal or arbitration proceedings (including any such proceedings which are or were pending or threatened of which the Company is aware) which may have or had in the recent past significant effects on the Company's and/or the Group's financial position or profitability.

14. THIRD PARTY INFORMATION

In respect of the information on TMG and KTH in Parts C and D of this Document, this has been taken from the latest financial year end accounts published (unless stated otherwise) by those companies as referred to ("Third Party Information"). The Third Party Information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published, no facts have been omitted which would render the reproduced information inaccurate or misleading.

15. TAKEOVER BIDS

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

16. WORKING CAPITAL

The Directors and Proposed Directors are of the opinion that having made due and careful enquiry, after completion and having taken into account the available bank facilities, including the new facilities referred to in section 6.3 of Part A of this Document, which will be immediately available upon Completion, the working capital available to Tiso Blackstar is sufficient for its present requirements, that is for at least the 12 month period from the Readmission.

17. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Company since 31 December 2014, being the date to which the last financial information have been prepared.

18. RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 41 (on page 93) of the 2012 Blackstar Accounts, in note 35 (on pages 73 to 76) of the 2013 Blackstar Accounts and in note 34 (on page 66 and 67) of the 2014 Blackstar Accounts.

19. EMPLOYEES

At the end of the period covered by the historical financial information, the Company had 12 employees, none of whom were temporary employees. As at the date of this document, the Company has 14 employees, none of whom are temporary employees. For the avoidance of doubt, this excludes the employees of any part or wholly owned subsidiaries or associates that are held as investments.

20. RELATIONSHIP BETWEEN SHAREHOLDERS, THE COMPANY AND SERVICE PROVIDERS

Blackstar is an investment holding company that pursues listed and unlisted investment opportunities through its network of business associates and its ability to leverage off its strong relationships within the business community. The Company has a successful track record of identifying unusual investment opportunities and seeks to create and enhance value for the benefit of its stakeholders. Blackstar's investment strategy is opportunistic in nature and its investment processes vary, depending on the particular investment opportunity presented, between fundamental bottom-up and macro top-down processes, but are all underpinned by a strong quantitative approach.

Blackstar has concluded a Shared Services Agreement with Blackstar SA, whereby Blackstar SA provides administration services, research and investment advisory services, specific trading and hedging mandate services and client relationship management services to Blackstar. In consideration for the services performed, Blackstar SA is paid an arm's length fee as agreed to by the Board, payable quarterly in advance in Pounds Sterling. For the year ended 31 December 2014, the advisory fee amounted to R8.6 million (£0.5 million).

Other than the investment advisory services provided to Blackstar by its wholly-owned subsidiary, Blackstar SA, as more fully set out above on page 65 of Part B I, no business of the Group is managed or proposed to be managed by a third party under contract.

21. OTHER PROFESSIONAL AND ADVISORY FEES

Save as disclosed in this Document below, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has entered into contractual arrangements to receive, directly or indirectly from the Group on or after Readmission any of the following:

- fees totalling £10,000 or more;
- its securities where these have a value of £10,000 or more calculated by reference to the expected opening price; or
- any other benefit with a value of £10,000 or more at the date of Readmission.

Fees totalling £10,000 or more that have been paid by Tiso Blackstar Group within the twelve months preceding the date of this Document to:

- Baker & McKenzie LLP in respect of South African legal advice: £54,382;
- Webber Wentzel in respect of South African legal advice: £43,506;
- Nortons Inc in respect of South African legal advice: £27,191;
- Liberum Capital Limited in respect of previous role as nominated adviser to the Company: £48,233; and
- Andreas Neocleous & Co LLC in respect of Cypriot legal advice: £10,356.

PART B III: TAXATION

1. MALTA

1.1 **General**

The following summary is provided as a general overview of the Maltese tax implications for the Shareholders of the Company in the case of a transfer of their Shares. The summary is based on an interpretation of Maltese taxation law currently in force at the date of this Document and is subject to changes in tax legislation or its interpretation or application after such date. The summary below does not constitute tax advice and does not purport to be a complete analysis of all the tax considerations that may be applicable to a transfer of Shares in the Company. The Company and its advisors do not assume any responsibility in this regard. The tax consequences for each shareholder may vary depending on the particular tax circumstances or status of each individual Shareholder and the classification of the Shares from a tax perspective. Consequently, each shareholder is urged to consult his or its own tax advisors in respect of the tax implications on the holding and transfer of Shares. Legislative, judicial or administrative changes may be forthcoming that could affect the principles set out below.

1.2 **Taxation of the shareholders in respect of the Shares**

1.2.1 ***Profits and capital gains on the transfer of Shares***

Any gains or profits derived by non-Maltese resident Shareholders on the transfer of Shares in the Company should be exempt from Maltese tax if:

(i) the Company does not: (a) own immovable property situated in Malta; or (b) own any real rights over such property; or (c) hold, directly or indirectly, shares or interest in any entity which owns immovable property situated in Malta or any real rights over such property, provided that if the Company holds any such shares or interests, less than 5% of the total value of the shares or interests so held is attributable to such immovable property or rights thereon; and

(ii) the beneficial owner of the said gain or profit is a person not resident in Malta and not owned and controlled by, directly or indirectly, nor acts on behalf of an individual who is ordinarily resident and domiciled in Malta.

The Company currently complies with the requirements set out in paragraph (i) above and expects to continue to do so for the foreseeable future.

Trading profits or capital gains on the transfer of Shares by Maltese resident Shareholders may be liable to Maltese tax unless they can avail themselves of any specific exemptions applicable to them.

1.2.2 ***Duty on documents and transfers***

Transfers and transmission upon death of Shares in the Company should be exempt from Maltese stamp duty provided that the Company qualifies for, applies for and is issued with a stamp duty exemption.

The Company qualifies for the stamp duty exemption if it proves to the Commissioner that it carries on, or intends to carry on, business or has, or intends to have, business interests to the extent of more than 90% outside Malta. The Company should be able to satisfy such a ground for exemption on the basis that it will carry all of its business activities outside Malta. The exemption will not continue to apply if the Company:

(i) owns immovable property situated in Malta; or

(ii) owns any real rights over such property; or

(iii) holds, directly or indirectly, shares or interest in any entity which owns immovable property situated in Malta or any real rights over such property, (unless where the Company holds any such shares or interests, less than 5% of the total value of the shares or interests so held is attributable to such immovable property or rights thereon).

2. UNITED KINGDOM

2.1 Introduction

The information below, which relates only to UK taxation, summarises the advice received by the Board and is applicable to the Company and (except in so far as express reference is made to the treatment of other persons) to persons who are resident or ordinarily resident in the United Kingdom for taxation purposes and who hold Blackstar Shares as an investment. It is based on current UK tax law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Blackstar Shares in connection with their employment may be taxed differently and are not considered. The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.

If you are in any doubt about your tax position, you should consult your professional adviser.

2.2 The Company

The Directors intend to conduct the affairs of the Company in such a way that it should not be resident in the United Kingdom for United Kingdom tax purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom through a permanent establishment situated in the United Kingdom and is not centrally managed and controlled in the United Kingdom, the Company should not be subject to United Kingdom income tax or corporation tax other than on any United Kingdom source income.

2.3 Shareholders

Tax on chargeable gains

If reporting fund status is obtained, Shareholders (other than those holding Blackstar Shares as dealing stock, who are subject to separate rules) who are resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, will have any gain realised on the disposal of their Blackstar Shares (which will include any disposal by way of a sale of Blackstar Shares to the Company pursuant to the Contractual Quarterly Tender mechanism and on final liquidation of the Company) treated as a capital gain which will be subject to UK chargeable gains tax.

The amount of any gain or loss on any disposal will depend on the Shareholder's circumstances and subject to any available exemption or relief. For such individual Shareholders, capital gains tax at the rate of tax at 18.0% (for basic rate taxpayers) or 28.0% (for higher or additional rate taxpayers) will be payable on any gain and for Shareholders that are bodies corporate any gain will be within the charge to corporation tax. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which presently exempts the first £14,100 of gains from tax for the tax year 2014-15) depending on their circumstances. Shareholders which are bodies corporate resident in the United Kingdom for taxation purposes will benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index.

Any undistributed income that has been subject to tax as income under the reporting fund regulations is treated as capital expenditure for the purpose of computing the amount of any chargeable gain.

If reporting fund status is not obtained, any gain on a disposal of Blackstar Shares would be taxed as an "offshore income gain" subject to UK tax for any relevant Shareholders as income (and not as a capital gain).

Scrip dividends

Any receipt of Blackstar Shares pursuant to any offer of a scrip dividend alternative to Shareholders (if such an offer is made by the Directors) should not give rise to any taxable dividend for Shareholders or any immediate disposal for the purposes of the taxation of chargeable gains. Instead it should be treated as a tax neutral reorganisation of share capital. However, any Shareholder who is subject to income tax on any reportable income under the reporting fund regulations will be taxable on any income reported which would otherwise have been paid out by way of dividend if such a Shareholder had not taken up the offer for a scrip dividend.

Stamp duty and stamp duty reserve tax ("SDRT")

No UK stamp duty, or SDRT, will arise on the issue of Blackstar Shares. No UK stamp duty will be payable on a transfer of Blackstar Shares, provided that all instruments effecting or evidencing the transfer (or all matters or things done in relation to the transfer) are not executed in the United Kingdom and no matters or actions relating to the transfer are performed in the United Kingdom.

Provided that the Blackstar Shares are not registered in any register kept in the United Kingdom by or on behalf of the Company and that the Blackstar Shares are not paired with shares issued by a Company incorporated in the United Kingdom, any agreement to transfer the Blackstar Shares will not be subject to UK SDRT.

Individual savings accounts, small self administered schemes and self invested personal pensions

Investors resident in the United Kingdom who are considering acquiring Blackstar Shares are recommended to consult their own tax and/or investment advisers in relation to the eligibility of the Blackstar Shares for individual savings accounts, small self administered schemes and self invested personal pensions.

2.4 **Other UK tax considerations**

Controlled foreign companies

United Kingdom resident companies having an interest in the Company, such that 25.0% or more of the Company's profits for an accounting period could be apportioned to them, may be liable to UK corporation tax in respect of their share of the Company's undistributed profits in accordance with the provisions of Part 9A of TIOPA relating to controlled foreign companies. These provisions only apply if the Company is controlled by United Kingdom residents. Control for this purpose is established by reference to control of a company's affairs, economic control over a company's income and assets and, in certain cases, where a company is regarded as a parent of a controlled foreign company for accounting purposes.

Transfer of assets abroad

Individuals resident in the United Kingdom should note that Chapter 2 of Part 13 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company. It should be noted that the Finance Bill 2013 (published on 28 March 2013) contains provisions which amend these provisions in order to make the legislation compatible with EU law. The changes limit the scope of the provision.

Close company provisions

The attention of Shareholders resident in the United Kingdom is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10.0% of the Blackstar Shares. It should be noted that the Finance Bill 2013 contains provisions which amend these provisions in order to make the legislation compatible with EU law. The Finance Bill 2013 clauses expand the categories of assets excluded from charge to include those used in genuine economic activity and also introduces a motive test. The Finance Bill 2013 also reduces the scope of the provision to persons who hold, alone or together with associated persons, more than 25.0% of the shares in a company.

If any Shareholder is in doubt as to his or her taxation position, they are strongly recommended to consult an independent professional adviser without delay.

3. SOUTH AFRICA

The statements set out below are intended only as a general and non-exhaustive guide to current South African tax law and practice and apply only to certain categories of persons. The summary does not purport to be a complete analysis or listing of all the potential tax consequences of holding Blackstar Shares. Prospective acquirers of Blackstar Shares are advised to consult their own professional tax advisers concerning the consequences of the acquisition, ownership and disposition of Blackstar Shares. This summary is based upon current South African law and South African Revenue Service published practice, as at the date of this document, each of which may be subject to change, possibly with retroactive effect.

Unless specified otherwise, the statements apply only to holders of Blackstar Shares who are resident solely in South Africa for tax purposes (South African Tax Resident Shareholders), who hold the Blackstar Shares as an investment and who are the absolute beneficial owners of the Blackstar Shares and any dividends paid in respect of them. The statements are not addressed to (i) special classes of Shareholders such as, for example, dealers in securities, broker-dealers, insurance companies and collective investments schemes; (ii) Shareholders who hold Blackstar Shares as part of hedging or conversion transactions; (iii) Shareholders who have (or are deemed to have) acquired their Blackstar Shares by virtue of an office or employment; or (iv) Shareholders who, directly or indirectly, control 10 per cent or more of the voting power of the Company.

Shareholders who are in any doubt about their taxation position and Shareholders who are not resident for tax purposes in South Africa should consult their own profession tax advisers.

Taxation of dividends

Dividends received by South African Tax Resident Shareholders on Blackstar Shares constitute foreign dividends under South African tax law and are exempt from South

African normal income tax on the basis that Blackstar is listed on both the London Stock Exchange and the JSE. The exemption from South African tax applies despite the fact that Malta may not levy withholding tax on dividends payable to South African Tax Resident Shareholders.

3.1 ***Dividend Tax***

Dividends declared off the South African share register to South African resident Shareholders will be subject to 15.0 per cent dividend tax. If the beneficial owner of the dividend is a South African resident company such dividend will be exempt from dividend tax.

3.2 ***Taxation of capital gains***

South Africa will tax capital gains arising on Blackstar Shares sold by South African Tax Resident Shareholders. Tax is payable on the excess of the net proceeds realised on the sale of Blackstar Shares over the cost of acquiring such shares. Where the net proceeds realised are less than the cost of the Blackstar Shares sold, a capital loss will be available to reduce other capital gains realised by the taxpayer in the year of assessment in which the sale takes place. Any remaining loss may be carried forward and set off against capital gains in subsequent years of assessment. In the case of individual taxpayers, 33.3 per cent of the capital gain is liable to income tax at the person's maximum marginal tax rate, which cannot exceed 41.0 per cent, with the result that capital gains are generally taxed at an effective rate of 13.65 per cent. Natural persons are entitled to an annual exclusion of R30,000 for the tax year commencing on 1 March 2015. This amount is deducted from the net capital gain or loss realised in the year of assessment, prior to the 33.3 per cent of the capital gain being included in taxable income, in the case of taxpayers other than natural persons, 66.6 per cent of the capital gain will attract income tax at the taxpayer's applicable tax rate, currently 28.0 per cent for South African companies, and companies therefore pay income tax on capital gains at the rate of 18.6 per cent.

3.3 ***South African Securities Transfer Tax***

Blackstar Shares registered on the UK Register

Blackstar Shares registered on the UK Register and that continue to be registered on the UK Register will not be subject to South African Securities Transfer Tax when such Blackstar Shares are issued or transferred.

If a Shareholder wishes to transfer its Blackstar Shares from the UK Register to the South African Register, (such Blackstar Shares continuing to be held by such Shareholder for itself), then generally (provided the transfer is neither in contemplation of, nor part of a wider transaction involving a sale or transfer of the Blackstar Shares to a third party) no South African Securities Transfer Tax should arise in respect of such transfer.

Blackstar Shares registered on the South African Register

The Transfer of Blackstar Shares that are registered on the South African Register, to any other person will attract South African Securities Transfer Tax. This is payable by the purchaser at the rate of 0.25 per cent of the greater of the consideration paid for those Blackstar Shares or their market value.

3.4 ***Donations Tax***

Where a South African Tax Resident Shareholder donates or transfers Blackstar Shares at less than full market value, donations tax at the rate of 20.0 per cent will generally be payable. There is an annual exemption from South African donations tax of R100,000 per annum available to natural persons.

PART B IV: UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TISO BLACKSTAR GROUP

The unaudited pro forma financial information set out in this Part B IV has been prepared for illustrative purposes only to show the effect of the Acquisitions. Because of its nature, the unaudited *pro forma* financial information addresses a hypothetical situation and does not, therefore, represent the Tiso Blackstar Group's actual financial position.

The unaudited pro forma statement of net assets of the Tiso Blackstar Group has been prepared based on the consolidated statement of financial position of the Group as at 31 December 2014 to illustrate the effect on the statement of financial position of the Acquisitions as if they had taken place as at 31 December 2014.

The unaudited consolidated *pro forma* statement of comprehensive income of the Tiso Blackstar Group has been prepared based on the consolidated statement of comprehensive income of the Group for the year ended 31 December 2014 to illustrate the effect on the statement of comprehensive income of Blackstar of the TMG Scheme and the Tiso Transaction as if they had taken place as at 1 January 2014.

The tables below assume that TMG Shareholders elect to receive the maximum Cash Consideration under the TMG Scheme of R500 million.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	BLACKSTAR	*PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITIONS*				*BLACKSTAR PRO FORMA AFTER THE ACQUISITIONS*
Notes and assumptions	*b Blackstar Audited at 31 December 2014 R'000*	*c1 Blackstar acquires 22.9% interest in KTH for the Tiso Consideration R'000*	*c2 Senior debt raised to finance KTH acquisition and General Banking Facility obtained R'000*	*c3 Blackstar acquires remaining 67.5% interest in TMG for the TMG Scheme Consideration R'000*	*c4 TMG Scheme transaction costs and Pre-acquisition dividend from TMG R'000*	*d Pro forma at 31 December 2014 R'000*
Assets						
Goodwill	875	–	–	–	–	875
Deferred tax assets	2,777	–	–	–	–	2,777
Equipment	1,189	–	–	–	–	1,189
Financial assets at fair value through profit and loss						
Net investments in subsidiaries	468,218	–	–	2,082,292		2,550,510
Net investments in associates	867,612	1,585,639	–	(862,612)	–	1,590,639
Financial assets held for trading	131,809	–	–	–	–	131,809
Investments classified as loans and receivables	7,888	–	–	–	–	7,888
Current tax assets	155	–	–	–	–	155
Trade and other receivables	1,923	–	–	–	–	1,923
Cash and cash equivalents	63,020	(485,582)	600,000	–	(106,157)	71,281
Total assets	1,545,466	1,100,057	600,000	1,219,680	(106,157)	4,359,046
Liabilities						
Deferred tax liabilities	(55)	–	–	–	–	(55)
Other financial liabilities	(15)	–	–	–	–	(15)
Borrowings	(72,673)	–	(600,000)	–	72,673	(600,000)
Trade and other payables	(22,537)	–	–	–	–	(22,537)
Total liabilities	(95,280)	–	(600,000)	–	72,673	(622,607)
Total net assets	1,450,186	1,100,057	–	1,219,680	(33,484)	3,736,439

Notes and assumptions:

The unaudited pro forma statement of net assets has been prepared on the following basis:

a) The pro forma statement of net assets is based on the assumption that the Acquisitions had become operative on 31 December 2014.

b) The Blackstar financial information is reflected in Blackstar's functional and presentational currency, Rands, and has been extracted without adjustment, from the audited consolidated financial statements for the year ended 31 December 2014.

c) The pro forma statement of financial position includes the following pro forma adjustments as a result of the Acquisitions:

c1 The effect of the Tiso Transaction, whereby Blackstar will acquire the KTH Interest from Tiso for the Tiso Consideration;

	Per pro formas Blackstar suspended share price of R11.85 utilised to determine Consideration paid	*Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid*
Notes and assumptions	*1*	*2*
Tiso Consideration (KTH)		
Number of Blackstar Shares to be issued in terms of the Tiso Share Consideration	92,831,798	92,831,798
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	*R'000*
Tiso Share Consideration	1,100,057	1,569,786
Tiso Cash Consideration	485,582	485,582
Tiso Consideration	1,585,639	2,055,368

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement which specifically states that in all cases, if there is a quoted price in an active market for an asset or a liability, an entity shall use that price without adjustment when measuring fair value. Thus in order to comply with IFRS Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being the Blackstar NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar Shares to be issued in exchange for the investments acquired in KTH and TMG

2. For the purposes of this document, the Tiso consideration and TMG Scheme Consideration for TMG has been determined using the specified Blackstar issue price of R16.91 (being Blackstar's NAVPS as at 30 June 2014) which is considered to be the transaction value. The NAVPS as at 30 June 2014 was the latest NAVPS when the transaction was entered into, so does not reflect the NAVPS as shown in the 2014 Blackstar Accounts.

c2 Raising of third party debt funding of R600 million to settle the cash payable for the KTH Interest of R485.6 million, related one-off costs of R45.5 million and additional finance of R50.0 million for the purpose of funding future working capital, if required;

c3 The effect of the TMG Scheme, whereby Blackstar acquires the ordinary shares of TMG that it or its subsidiaries does not already own for the TMG Scheme Consideration, based on the assumption that the maximum amount of cash of R500 million is paid and the remaining portion is settled by the Share Consideration of R1,075.9 million, and the elimination of the Pre-acquisition Dividend from TMG of R500 million which will be used to settle the R500 million bridge facility used to pay the scheme consideration;

Notes and assumptions	*Per pro formas Blackstar suspended share price of R11.85 utilised to determine Consideration paid* *1*	*Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid* *2*
TMG Scheme Consideration		
Number of Blackstar Shares to be issued in terms of the Share Consideration	90,794,152	90,794,152
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	*R'000*
Share Consideration	1,075,911	1,535,329
Cash Consideration	500,000	500,000
TMG Scheme Consideration	1,575,911	2,035,329

Note:

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement which specifically states that in all cases, if there is a quoted price in an active market for an asset or a liability, an entity shall use that price without adjustment when measuring fair value. Thus in order to comply with IFRS Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being the Blackstar NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar Shares to be issued in exchange for the investments acquired in KTH and TMG.

2. For the purposes of this Document, the Transaction Consideration and TMG Scheme Consideration for TMG has been determined using the specified Blackstar issue price of R16.91 (being Blackstar's NAVPS as at 30 June 2014) which is considered to be the transaction value, this being the latest available NAVPS when the transaction was entered into (and so does not reflect the NAVPS as shown in the 2014 Blackstar Accounts).

   i) The transfer of the existing 32.5% investment in TMG from net investments in associates at its fair value of R862.6 million (as stated in the 2014 Blackstar Accounts), to net investments in subsidiaries;

   ii) The revaluation of Blackstar's current 32.5% interest in TMG to a fair value of R24.50 per TMG Share resulting in a fair value gain of R143.8 million;

   iii) The total value of Blackstar's investment in TMG amounting to R2,082.3 million is made up of the following;

      – Blackstar's current 32.5% interest in TMG at a fair value of R1,006.4 million;

      – The TMG Scheme Consideration of R1,575.9 million; and

      – The elimination of the Pre-acquisition Dividend from TMG of R500 million.

c4 i) The payment of the Pre-acquisition Dividend of 30 cents per TMG Share after the TMG Scheme becomes operative but before it is implemented resulting in Blackstar receiving a total dividend of R12.0 million, net of Dividends Tax of R0.3 million;

ii) The settlement of one-off transaction related expenses of R45.5 million arising as a result of the Tiso Transaction and the TMG Scheme;

iii) The settlement of the existing Blackstar debt of R72.7 million on the assumption that the debt is settled on implementation of the TMG Scheme by utilising the new debt referred to in c2 above;

iv) The settlement of one-off related expenses of R45.5 million less the TMG Pre-acquisition Dividend of R12.0 million results in a net change to retained earnings of R33.5 million.

d) This column provides a total, in Rands, of Blackstar's financial information incorporating the pro forma adjustments arising due to the Acquisitions as detailed in note c above.

e) No account has been taken of the financial or trading performance of Blackstar since 31 December 2014, nor of any other event save as disclosed above.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	BLACKSTAR	*PRO FORMA FINANCIAL EFFECTS OF THE ACQUISITIONS*					*BLACK-STAR PRO FORMA AFTER THE ACQUISITIONS*
Notes and assumptions	*b Blackstar Audited at 31 December 2014 R'000*	*c1 Revaluation of existing 32.5% interest in TMG R'000*	*c2 Interest on senior debt raised to finance KTH acquisition and General Banking Facility R'000*	*c3 Dividend received from TMG, on assumption Blackstar held 100% R'000*	*c4 Dividend received from KTH on assumption Blackstar held 22.9% R'000*	*c5 TMG Scheme transaction costs R'000*	*d Pro forma at 31 December 2014 R'000*
Income	245,289	143,769	–	65,613	25,588	–	480,259
Operating expenses	(92,172)	–	–	–	–	(45,520)	(137,692)
Operating profit	153,117	143,769	–	65,613	25,588	(45,520)	342,567
Net finance (costs)/ income	(7,266)	–	(61,802)	–	–	8,724	(60,344)
Finance income	1,458	–	–	–	–	–	1,458
Finance costs	(8,724)	–	(61,802)	–	–	8,724	(61,802)
Profit/(Loss) before taxation	145,851	143,769	(61,802)	65,613	25,588	(36,796)	282,223
Taxation	137	–	–	–	–	–	137
Profit/(Loss) for the period	145,988	143,769	(61,802)	65,613	25,588	(36,796)	282,360
Profit/(Loss) for the period attributable to:							
Equity holders of the parent	146,584	143,769	(61,802)	65,613	25,588	(36,796)	282,956
Non-controlling interests	(596)	–	–	–	–	–	(596)
	145,988	143,769	(61,802)	65,613	25,588	(36,796)	282,360

Notes and assumptions:

The unaudited *pro forma* statement of comprehensive income has been prepared on the following basis:

a) The pro forma statement of comprehensive income is based on the assumption that the Acquisitions had become operative on 1 January 2014.

b) The Blackstar financial information is reflected in Blackstar's functional and presentational currency, Rands, and has been extracted without adjustment, from the audited consolidated financial statements for the year ended 31 December 2013.

c) The pro forma statement of comprehensive income includes the following pro forma adjustments as a result of the Acquisitions:

c1 The effect of the TMG Scheme results in the revaluation of Blackstar's current 32.5% interest in TMG to a fair value of R24.50 per TMG Share resulting in a fair value gain of R143.8 million being recognised as income.

c2 As a result of the raising of third-party debt funding of R600 million the interest arising on this debt over the twelve month period at a rate of JIBAR + 500 basis points (with one basis point being equal to 1/100th of 1.0%) is calculated to be R61.8 million. Finance charges are of a continuing nature.

c3 The recognition of the dividends declared of R65.6 million by TMG for the interim period ended 31 December 2013 of 25 cents per share which was paid in April 2014, and for the year ended 30 June 2014 of 35 cents per share which was paid in October 2014, arising on the remaining 67.5% not already owned by Blackstar on the assumption that Blackstar held all of the shares in TMG as at 1 January 2013.

c4 The recognition of the dividends declared of R25.6 million by KTH for the interim period ended 31 December 2013 of R60 per share which was paid in April 2014, and for the year ended 30 June 2014 of R60 per share which was paid in October 2014, arising on the assumption that Blackstar held the 22.9% interest in KTH as at 1 January 2014.

c5 i) The reversal of the interest expense and related finance charges of R8.7 million arising on the existing Blackstar debt on the assumption that the debt is settled on implementation of the TMG Scheme by utilising the new debt referred to in c2 above. Finance charges are of a continuing nature;

ii) The settlement of one-off transaction related expenses of R45.5 million arising as a result of the Tiso Transaction and the TMG Scheme;

iii) The TMG Scheme will also result in the payment of a pre-acquisition dividend of 30 cents per TMG Share after the TMG Scheme becomes operative but before it is implemented resulting in Blackstar receiving a total dividend of R12.0 million, net of Dividends Tax of R0.3 million. As this dividend is non-recurring, it has not been included in the *pro forma* adjustments which include the normal TMG dividend payments at c3 above;

iv) Income of R103.5 million comprises the following:

- Gross Pre-acquisition Dividend of 30 cents per TMG Share of R12.3 million;
- 67.5% share of the dividends declared by TMG for the interim period ended 31 December 2013 and for the year ended 30 June 2014 totalling R65.6 million; and
- 22.9% share of the dividends declared by KTH for the interim period ended 31 December 2013 and for the year ended 30 June 2014 totalling R25.6 million.

d) This column provides a total, in Rands, of Blackstar's financial information incorporating the pro forma adjustments arising due to the Acquisitions as detailed in note c above.

e) No account has been taken of the financial or trading performance of Blackstar since 31 December 2014, nor of any other event save as disclosed above.

PART C

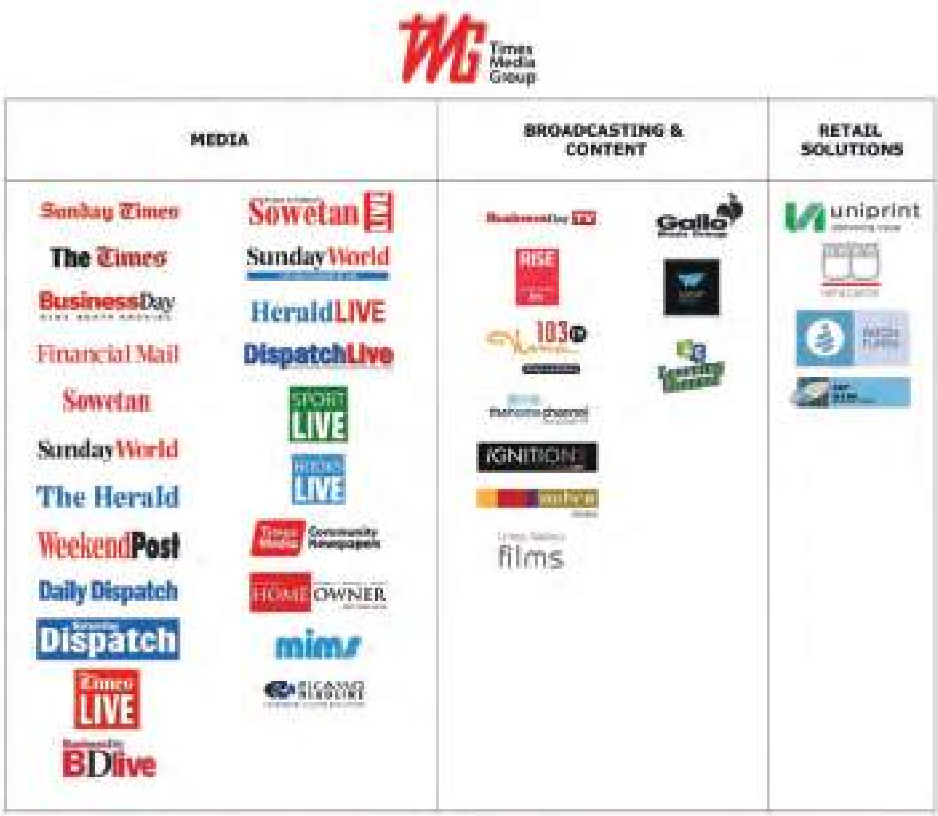
INFORMATION ON TMG

1. INTRODUCTION

Times Media Group Limited is an investment holding company, listed on the JSE which owns media and entertainment assets, principally housed in the main operating company, Times Media Proprietary Limited. The divisions that make up the group are Media, Broadcasting and Content and Retail Solutions.

TMG will terminate its listing on the JSE upon implementation of the TMG Scheme.

Group structure



TMG is a holding company which holds its investments in the following divisions:

- Media – newspapers, magazines and digital publishing.
- Broadcasting and content – television and radio broadcasting, content production, out-of-home, advertising and digital services.
- Retail solutions – retail advertising production systems, related data base management and development, retail printing, home entertainment and platform businesses.

2. SIGNIFICANT SUBSIDIARIES

Significant subsidiaries of TMG, as at the date of this Document are:

No.	*Name of Subsidiary*	*Place of Incorporation*	*Shareholding*
1.	Times Media	South Africa	100%
2.	African Business Channel	South Africa	100%
3.	Deless Trading	South Africa	100%
4.	Hirt & Carter Gauteng	South Africa	100%
5.	Picasso Headline	South Africa	100%
6.	Ochre Media	South Africa	100%
7.	Rise FM	South Africa	65%
8.	Vuma 103 FM	South Africa	66%
9.	Future Publishing	South Africa	100%

3. IMPORTANT EVENTS SINCE INCORPORATION

TMG was incorporated in April 2008 as a wholly owned subsidiary of Mvelaphanda Group Limited ("Mvela Group") with the sole purpose of holding shares in Avusa Limited ("Avusa"), a JSE listed company in the "Media – Publishing" sector. TMG acquired a 21.29% shareholding in Avusa during the first half of 2008. Subsequent to this:

Blackstar purchased 28.0% of Mvela Group in January 2012, becoming the single largest investor in Mvela Group and therefore, indirectly, in TMG.

TMG listed its ordinary shares on the JSE in September 2012. The listing was part of a transaction whereby TMG purchased the entire issued ordinary share capital of Avusa. The transaction was implemented by way of a scheme of arrangement whereby TMG offered a combination of cash and TMG shares as consideration to purchase the Avusa shares. As a result Avusa delisted and became a wholly owned subsidiary of TMG. Subsequently, as part of a group restructuring, TMG ceased to be a wholly owned subsidiary of Mvela Group and as a result Mvela Group shareholders became directly exposed to TMG.

Other key acquisitions by TMG include:

- the acquisition of a 49.0% interest in Radio Africa Limited ("RAG") in Kenya in June 2014 by Times Media Proprietary Limited, a wholly owned subsidiary of TMG. RAG is a leading radio, TV and newspaper business in Kenya and operates three of the top five radio stations in Nairobi, namely Kiss FM, Radio Jambo and Classic 105. RAG is one of the top three media groups in the Kenyan market;
- the acquisition of a 60.0% interest in Vuma FM in South Africa in January 2014 and a further 12.0% from October 2014 to February 2015. Vuma is a commercial radio broadcaster based in Umhlanga, Kwazulu – Natal. The station was launched in November 2012, broadcasting a gospel and inspirational format, mainly in isiZulu, to the major regions of Kwazulu – Natal;
- the acquisition of a 65.0% interest in Rise FM Radio Proprietary Limited in December 2013. Rise FM is a commercial radio broadcaster based in Nelspruit, Mpumalanga, with a satellite studio in Emalahleni; and
- the acquisition of a 32.26% interest in Multimedia Group Limited ("Multimedia") in September 2013 in Ghana through the subscription for ordinary and preference shares in the share capital of Multimedia, for R144 million. Multimedia is a radio and television business and is the largest independent media company in Ghana.

4. PRINCIPAL ACTIVITIES AND MARKETS OF TMG

TMG operates within the media industry, predominantly in print. TMG is well positioned within this market and holds a significant market share. The Board believes that the prevailing market conditions in which TMG operates do not favour new entrants, and TMG is therefore expected to generate good, consistent cash flows in the short to medium term.

TMG's operations can be split across the following divisions: Media, Broadcasting & Content and Retail Solutions.

4.1 Media

The media division is a premier newspaper and magazine publisher. The publications are made up of a number of national, regional and community newspapers, magazines in consumer, business and specialist fields. The brands include:

Newspapers

Sunday Times
The Times
Business Day
Times Media Live (including Times Live, BD Live, Sowetan Live, Herald Live and Dispatch Live)
Sowetan
Sunday World
Daily Dispatch
The Herald
Times Media community newspapers

Magazines

Financial Mail
South African Home Owner
MIMS and other titles
Picasso Headline

The Media division's assets deliver a total audience in excess of 14.0 million readers. It is the largest publisher of English-language daily and weekly newspapers in South Africa. Its flagship title is the country's biggest weekly newspaper, The Sunday Times.

Its general interest daily newspapers include The Times, the country's largest quality national daily, and the iconic Sowetan. TMG is also the publisher of South Africa's most authoritative business paper, Business Day, and a leading weekly financial magazines, The Financial Mail. TMG's total newspaper audience in South Africa is in excess of 8.0 million. TMG has recently acquired a significant stake in The Star, Kenya's third largest daily via its investment in RAG.

TMG publishes several niche magazine titles, including the popular South Africa Homeowner title. Picasso, its contract publisher, has recently experienced strong profit growth by publishing free magazines that are delivered to the company's extensive subscriber database, which is easily the biggest in South Africa.

Times Media news websites reach an audience of over 6.0 million unique browsers each month. Its most popular sites are TimesLive and SowetanLive.

4.2 Broadcasting and Content

Broadcasting and Content contains TMG's interests in radio and broadcast, film production, film distribution, music and out-of-home advertising. The brands include:

Television broadcasting and production

Business Day TV and other channels
Ochre Media

Radio

Rise FM
Vuma 103 FM
Multimedia Group (32.26%) (Ghana) (including Joy FM Adom FM, Luv FM, Nhyira FM, Hitz FM and Asempa FM)
Radio Africa (49.0%) (Kenya) (including Kiss FM, East FM, 105.5 FM, Radio Jambo and Classic 105 FM)

Content

Gallo Record Company
Gallo Music Publishing
Times Media Films

Out-of-home advertising

Airport Media

Digital services

Interactive Junction Holdings
Amorphous

In South African television, TMG owns three television channels being Business Day TV, Homechannel and Ignition, and one of South Africa's leading TV production houses Ochre Moving Pictures which makes, amongst others, Scandal and Takalani Sesame. TMG's radio assets in South Africa are Vuma in KwaZulu-Natal, and Rise FM in Mpumalanga. The major interests across the continent include RAG in Kenya and Multimedia in Ghana. RAG owns and operates five of the top performing radio stations in Kenya and recently launched Bamba TV, a digital terrestrial TV platform. Multimedia Ghana owns six radio stations across Ghana and satellite TV platform Multi TV. It is the country's leading independent radio and TV company and has two of the top radio stations in Accra – Joy FM and Adom FM.

Times Media Films is the leading independent distributor of filmed entertainment in Africa, representing studios such as Warner Bros, Twentieth-Century Fox and many of the major independent studios. It also plays a key role in supporting and developing South Africa's growing local movie industry. Gallo Music Publishers and Gallo Record Company – both divisions of Times Media Proprietary Limited own some of the largest catalogues of South African music and remain a significant presence in the local music industry. Recent catalogue acquisitions have boosted the scale of the music business.

4.3 **Retail Solutions**

The Retail Solutions division is a one-stop retail and FMCG marketing solutions, company that has the largest intellectual capital database of FMCG graphics in the country. The combination of these offerings provides opportunities to link both creative and technical innovation. The brands include:

Retail

Hirt & Carter
Uniprint

Home entertainment

Times Media Home Entertainment

Platform businesses

Compact Disc Technologies (CDT)
Associated Music Distributors (AMD)

4.4 **Capital Resources and Cash Flow**

Details of TMG's capital resources are set out in notes 23 and 25 pages 97 and 98 and the statement of cash flows set out on page 69 of the 2014 TMG Accounts contained in Annex II of this Document.

5. LICENCES, PATENTS AND INTELLECTUAL PROPERTY

TMG operates in an industry which is dependent on certain licences being obtained from ICASA. The Board believes that it has all of the licences TMG requires to operate within the media industry.

The nature of the media industry is such that patents, rights and trade names are regularly acquired and developed as they form part of the daily operations of TMG. Publishing rights and titles are acquired by TMG as intangible assets, and are presumed to have an indefinite useful economic life unless there are indications of a shorter life. Publishing rights and titles are assessed annually regarding estimated useful economic life and impairment. Trade names developed internally by TMG are capitalised and are assessed annually regarding estimated economic useful life and impairment.

TMG purchases content from the film industry, specifically ABC (content for Home Channel) and Ignition TV Soweto as well as general film content.

6. CORPORATE GOVERNANCE

TMG has during the period covered by financial information in relation to TMG contained in this document complied with the South African corporate governance requirements as prescribed by the SA Act and the JSE listing requirements and intends to do so following Readmission.

The board

The directors of TMG are committed to effective corporate governance in conducting its business in line with the ethical values of responsibility, accountability, fairness and transparency espoused in the King Report on Governance for South Africa 2009 ("King III"). TMG has applied the principles set out in King III.

Audit and risk committee

Audit and risk committee members and the chairman are nominated, and shareholders will approve all members at annual general meetings. The committee consists of independent non-executive directors who are all financially literate. The committee is responsible for its statutory duties in terms of the South African Companies Act. In addition, the committee is required to perform other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes within TMG.

The committee is responsible for overseeing the following:

- financial reporting risks;
- internal financial controls;

- fraud and IT risks as they relate to financial reporting;
- evaluating, co-ordinating and monitoring external audit processes;
- overseeing the company's relations with the external auditor, including determination of fees to be paid to the external auditor and their terms of engagement;
- reviewing the annual financial statements, interim reports, preliminary and provisional results announcements, summarised integrated information, any other price-sensitive information, prospectuses, trading statements and similar documents;
- reviewing the disclosure of sustainability issues in the TMG accounts to ensure that it is reliable and does not conflict with the financial information included in the reporting;
- ensuring a combined assurance model is applied to provide a co-ordinated approach to all assurance activities;
- ensuring the combined assurance received is appropriate to address significant risks facing the company;
- monitoring the relationship between external assurance providers and the company;
- reviewing the expertise, resources and experience of the company's financial function, and disclosing the results in the accounts;
- considering and satisfying itself annually on the suitability of the expertise and experience of the financial director;
- providing the financial director and external auditors access to the chairman of the committee or any other member on any matter within the committee's remit;
- duly considering the JSE listing requirements, King III and relevant international requirements;
- overseeing any investigation of activities within its terms of reference; and
- conducting reviews of the committee's work and charter, and making recommendations to the board to ensure the committee is operating at maximum effectiveness.

Audit committee members for the financial year ended 30 June 2014 were:

Audit committee

JHW Hawinkels (*Chairman*)	appointed chairman on 1 October 2013
KD Dlamini	resigned chairmanship on 1 October 2013
R Naidoo	

Remuneration committee

The committee is made up of non-executive directors who are appointed by the board of directors for each financial year. Executive directors attend committee meetings as invitees, but recuse themselves during discussions on their own remuneration and benefits. The committee has access, if required, to external information and research on market data and trends from independent consultants.

The committee is responsible for:

- company policy on executive and senior management remuneration;

- specific remuneration packages for executive directors of the company;
- long-term incentive schemes and allocation of rights and shares; and
- recommending non-executive directors' fees, including fees for chairmen and members of board committees for subsequent approval by shareholders of the company.

Remuneration committee members for the financial year ended 30 June 2014 were:

Remuneration committee	
HK Mehta (*Chairman*)	Appointed chairman on 1 April 2014
R Naidoo	Resigned chairmanship on 1 April 2014
MSM Xayiya	Resigned as a director on 7 October 2014

In addition to the audit and risk and remuneration committees, TMG also has the following committees:

- nominations committee; and
- transformation, social and ethics committee.

7. DIVIDEND AND DISTRIBUTIONS POLICY

TMG has a progressive dividend policy, whereby the company will service debt first and should there be sufficient profits remaining after working capital requirements, dividends will be distributed to shareholders.

Dividends paid over the last three years are as follows:

	South African Cents per share			
Year	*Special*	*Interim*	*Final*	*Total*
2014	–	25	35	60
2013	–	–	–	–
2012	–	–	–	–

8. REGULATORY ENVIRONMENT

TMG complies with all applicable South African laws and regulations, which include:

- South African Revenue Service;
- Income Tax Act;
- JSE Limited listing requirements;
- South African Institute of Directors;
- South African National Credit Regulator;
- South African Advertising Authority;
- Independent Communications Authority of South Africa (ICASA);
- South African Financial Markets Act No.19 of 2012;
- South African Protection of Personal Information Act No.4 of 2013;
- South African Department of Trade and Industry;
- South African National Treasury;
- South African Department of Labour;

- South African Reserve Bank;
- South African Competition Commission; and
- the BEE Act and the Codes of Good Practice on BEE contemplated in section 9 of the BEE Act, as gazetted from time to time.

9. PROPERTY, PLANT AND EQUIPMENT

Disclosure regarding the material property, plant and equipment owned by TMG is provided on pages 76, 91 and 92 of the 2014 TMG Accounts. Other than described in this Document, there are no environmental issues affecting TMG's utilisation of the Tangible fixed assets.

10. EMPLOYEES

The table below shows a summary of the employees at the end of the period:

Division	*June 2014*
Media	1,186
Broadcast & Content	84
Retail Solutions	1,510
Head Office	11
Total	2,791

TMG has policies in place to avoid conflicts of interest, from board level down. These are adapted to suit the requirements of specific business units and their industries. Specifically in the media division, TMG journalists may not work for businesses competing directly with TMG, nor may they hold another full-time job. Any outside, paying work must be approved in writing by the editor or deputy editor. Any approved part-time or temporary work must not infringe on TMG's resources or disrupt the journalist's responsibility to TMG.

There are no actual or potential conflicts of interest between the duties of TMG's directors owed to TMG and any of their private interests or other duties.

11. BACKGROUND

TMG was incorporated in South Africa with registration number 2008/009392/06 in April 2008 as a limited liability public company. The registered office of TMG is 4 Biermann Avenue, Rosebank, Johannesburg, South Africa. The principal place of business of TMG is South Africa. As such the principal legislation under which TMG operates is the South African Companies Act of 2008.

12. TMG AND ADMINISTRATION

Company name	Times Media Group Limited
Registration number	2008/009392/06, registered in South Africa
Telephone number	+27 11 280 3000 (Switchboard)
Registered office	4 Biermann Avenue Rosebank, 2196 Johannesburg PO Box 1746 Saxonwold, 2132
Directors of TMG	K D Dlamini (Chairman) A D Bonamour (chief executive officer) W Marshall-Smith (financial director) J H W Hawinkels H Mehta R Naidoo M M Nhlanhla
TMG company secretary	JR Matisonn
Independent auditors to TMG	Deloitte & Touche Deloitte Place The Woodlands Office Park 20 Woodlands Drive Woodmead, Sandton Private Bag X6 Gallo Manor, 2052

13. DIRECTORS

The TMG directors, whose details are set out below, are responsible for managing the affairs of TMG in accordance with its memorandum of incorporation and have overall responsibility for the company's activities, including the review of investment activity and performance. The directors may delegate certain functions to other parties such as the various committees and its registrar.

13.1 Biographies

KD DLAMINI, BA (Hons) (Cum laude), MPhil – Independent non - executive chairman, Appointed July 2012, Length of service 2.5 years

Kuseni was chief executive officer of Old Mutual South Africa and Emerging Markets, head of Anglo American South Africa, a member of Anglo American's executive committee and executive chairman of Richards Bay Coal Terminal. Kuseni also worked for De Beers in South Africa, and at its London office, and for AngloGold Ashanti's corporate office in Johannesburg. After graduating from Natal University, he went to Oxford University as a Rhodes Scholar, where he read for his MPhil degree. In 2008, Kuseni was named a Young Global Leader by the World Economic Forum ("WEF"). In 2010, the WEF appointed him a member of the Global Agenda Council on Economic Growth and Poverty Alleviation. He presently heads his own investment firm, KDI Holdings, is non-executive chairman of Massmart Holdings and a non-executive director of Aspen Pharmacare Holdings.

JHW HAWINKELS, BSc (Electrical Engineering), BCom, MBA – Independent non - executive director, Appointed August 2012, Length of service 2.5 years

Hans has 10 years of experience in advising local and overseas private equity companies and family offices on their African and Asian investments across all sectors. Prior to that, he was chief executive officer of MultiChoice Africa, a Naspers subsidiary, where he launched DStv across South Africa and sub-Saharan Africa. He spent five years in Hong Kong as chief executive officer of MIH, also a Naspers subsidiary, where he concluded numerous pay-TV and internet deals, notably Tencent.

HK MEHTA, Diploma in Printing Technology (Leeds), BSc (Industrial Engineering), MBA – Independent non - executive director, Appointed August 2012, Length of service 2.5 years

Harish was instrumental in the expansion of Uniprint, which was founded over 80 years ago, to 60 times its original size. Uniprint was acquired by Avusa, now TMG, in 2010. Harish is a non-executive director of Spar, Redefine Income Fund, Wasteman and Cibapac. He is executive chairman of Clearwater Capital, a family fund, and a member of the KZN provincial board of First National Bank.

R NAIDOO, BSc (Hons), MBA – Independent non - executive director, Appointed August 2012, Length of service 2.5 years

Ravi is the founder and managing director of Interactive Africa, a media, marketing and project management company established in 1994. Prior to that, he spent three years as an account director at Young & Rubicam where he managed a number of multinational accounts. Ravi project-managed the First African in Space mission, as well as South Africa's bid campaign for the 2010 FIFA World Cup™ and the African Connection Rally. Among other accomplishments, he is well known for establishing the International Design Indaba, which is recognised as one of the world's leading design institutions. Ravi also sits on the jury of the Index Awards in Copenhagen, the world's richest design prize.

MM NHLANHLA, BSc, MA (Library and Information Science) – Independent non - executive director, Appointed June 2013, Length of service 2.5 years

Manana lectured in information science for 10 years and later joined Thebe Investments to launch its book-publishing business. She served as a non-executive director for various Thebe Investments subsidiaries. Manana played a significant role in a number of major BEE deals, including Batho Bonke, Foskor and Rainbow Chicken. She is currently an executive director of Mion Holdings and a non - executive director of Rainbow Chicken and other unlisted companies.

AD BONAMOUR, BCom – chief executive officer, Appointed January 2012, Length of service 3 years

Andrew is the founder of Blackstar and the chief executive officer of Blackstar SA and TMG. Andrew previously worked at Brait SA Limited ("Brait") where he held positions in investment banking, principal investment divisions and corporate finance. At Brait, Andrew originated and played a lead role in a variety of transactions ranging from leveraged buyouts, mergers and acquisitions, capital replacements and restructurings. Andrew has an in depth knowledge of, and experience in, corporate finance, private equity and investment banking. Andrew holds a Bachelor of Commerce. Andrew is also a director of several listed and unlisted companies.

W MARSHALL-SMITH, BCom, PGDA, CA(SA) – Financial director, Appointed May 2012, Length of service 2.6 years

William joined Blackstar in 2005 and has over 12 years experience in corporate finance, public and private investing in Africa. William is a director of Blackstar SA and is the financial director of TMG. He serves on the boards of a number of private and publicly quoted companies and is a chartered accountant.

13.2 **Director and employee remuneration**

The following information on remuneration is for the year ended 30 June 2014.

Non - executive directors' fees comprise annual retainers. Non-executive directors are not eligible to participate in TMG's share-based incentive plans.

Non - executive directors' fees

Annual retainers	*Chairman R'000*	*Other R'000*
Board	600	200
Audit and risk committee	80	40
Remuneration committee	65	35
Nominations committee	65	35
Transformation, social and ethics committee	65	35

These retainers were effective for both the 2013 and 2014 financial years

The following non - executive directors' fees were paid:

	2014 R'000	*2013 R'000*
KD Dlamini (*Chairman*)	715	559
JHW Hawinkels[1]	760	180
HK Mehta	278	194
R Naidoo	298	229
MM Nhlanhla[2]	235	7
MSM Xayiya	300	225
MR Basel[3]	–	62
	2,586	1,456

Note:

1 2014 fees include payments for consultancy services of R490,000 provided to the Broadcasting and Content division

2 Appointed on 20 June 2013

3 Appointed on 8 November 2012 and resigned on 3 January 2013

Executive directors' remuneration policy comprises of:

Basic salary and benefits

The guaranteed portion of remuneration comprises salary and benefits. Base salaries reflect the role, job size and responsibility of the executive.

Short-term incentive bonuses

Variable remuneration consists of an annual incentive bonus linked to a performance rating of financial and operational objectives. The bonus is settled in cash. The key principles for the short-term incentives are:

- incentives are not guaranteed and are payable at the board's discretion on recommendation by the remuneration committee;
- key performance indicators ("KPIs") are set for individuals, and executives are measured on their achievement of these targets;

- the annual audited performance of TMG as a whole has an effect on each individual's incentives; and
- each executive's KPIs vary depending on their role and responsibility.

The following information has been extracted from the notes to the 2014 TMG Accounts which are set out in Annex II of this Document:

	Salary R'000	*Performance bonus[3] R'000*	*Total R'000*
2014			
AD Bonamour[1]	3,313	2,500	5,813
W Marshall-Smith[1]	2,200	1,400	3,600
Total	5,513	3,900	9,413
2013			
AD Bonamour[2]	1,333	–	1,333
W Marshall-Smith[2]	875	–	875
Total	2,208	–	2,208

Note:

1 Salaries for July to September 2013 were paid to Blackstar Group Proprietary Limited. R500,000 was paid in respect of Mr Bonamour and R325,000 in respect of Mr Marshall-Smith.

2 Paid to Blackstar Group Proprietary Limited from October 2012.

3 Performance bonuses are paid annually in arrears.

Long - term incentive and retention share-based compensation: the TMG Incentive Plan Arrangement

The TMG Incentive Plan is an arrangement entered into between TMG and the option holders pursuant to which all option holders have agreed, in writing, during January and February 2015, subject to the implementation of the TMG Scheme, to cancel their options in accordance with the provisions of the TMG Incentive Plan.

In terms of the Implementation Agreement, it was a pre-condition to the provision of the Firm Intention Letter (defined therein), that all option holders enter into the TMG Incentive Plan, which concluded with all option holders during January and February 2015.

Given that option holders have elected to cancel their options in accordance with the provisions of the TMG Incentive Plan, no offer will be made by Blackstar to option holders.

The TMG Incentive Plan was designed, and was approved on 27 March 2013 by TMG's shareholders in a general meeting. The first tranche of share incentives was granted to eligible employees on 1 July 2013 to be in line with TMG's new financial year. The long-term performance component comprises share-based incentives designed to attract, retain and incentivise management and align management and shareholder interests through share ownership.

The TMG Incentive Plan includes performance conditions set by the remuneration committee at the time the incentives are allocated. The share incentives granted qualify, subject to the performance conditions, for TMG shares at the allocation price. The incentives are accounted for as equity-settled. One third of the incentives vest, to the extent that performance conditions are met, three years after the grant date. A further third vests four years after the grant date, and the final third vests five years after the grant date, to the extent that performance conditions are met. The share incentives lapse to the extent that performance conditions are not met.

The share incentives are valued by Alexander Forbes Financial Services using stochastic models based on the standard binomial options pricing model (and mathematically consistent with the Black-Scholes model), but which allow for the particular features of employee share incentives to be realistically modelled. The valuation models include estimates on expected incentive lives, volatilities, dividend yields and risk-free interest rates.

TMG is currently limited to 12,707,714 shares in settlement of benefits under its share incentive plan. The maximum number of unvested share incentives that may be granted to any one participant is limited to 1,906,157.

Backdating share incentive grants are not permitted.

As at 30 June 2014, 606,733 TMG shares had been acquired by Times Media Proprietary Limited, a wholly-owned subsidiary of TMG, to be used in the settlement of TMG's obligations under the TMG Incentive Plan.

TMG's chief executive officer, financial director, senior executives and key employees are eligible to participate in the TMG Incentive Plan. At year-end, there were approximately 160 incentive holders. Share incentives were allocated based on a multiple of employee salary. The multiple ranged from 0.2 to 4.5 depending on employee roles and responsibilities.

In line with driving a strong culture of performance, all options are conditional on the achievement of a combination of the following performance criteria:

- TMG group target EBITDA (20% allocation);
- maintaining TMG group debt covenants (20% allocation); and
- achieving individual KPIs (60% allocation).

Vesting in terms of criterion 3 depends on achieving at least criterion 1 or criterion 2.

Director	*Number of share incentives granted on 1 July 2013*	*Number of share incentives in issue at 30 June 2014*	*Fair value of share incentives granted R000*
AD Bonamour	1,166,667	1,166,667	7,863
W Marshall-Smith	648,148	648,148	4,369
Total	1,814,815	1,814,815	12,232

Retirement benefit plans

TMG has retirement benefit plans covering substantially all employees. Eligible employees are members of either defined contribution or defined benefit plans administered by TMG, or are members of funds associated with industry or employee organisations. The South African retirement benefit plans are governed by the South African Pension Funds Act No.24 of 1956. The assets of the plans are held separately from those of TMG, in funds under the control of trustees. The cost charged to profit or loss represents contributions payable to the plans at rates specified in the rules of each plan.

- Defined contributions plans

The defined contribution plans are designed to provide a lump sum on retirement or a combination of a lump sum and a pension. The benefits are dependent on the investment performance of the plans. Both employees and TMG companies contribute to the plans on a fixed contribution basis. Apart from contributions paid, TMG has no further obligations in respect of these plans.

- Defined benefit plan

TMG's defined benefit plans are the Times Media Group Limited Pension Fund, which had only 12 in-service members at 30 June 2014 and the Johnnic Entertainment Pension Fund which is in liquidation.

Refer to note 4, on page 80 of the 2014 TMG Accounts set out in Annex II for the amounts paid by the TMG in relation to retirement benefit plans contributions.

13.3 **Director share ownership**

As at the date of this Document, the TMG directors and senior management have the following interests in the share capital of TMG:

- Mr AD Bonamour held no TMG shares directly and 5,237 TMG shares indirectly, Mr W Marshall-Smith held no TMG shares directly or indirectly, and Mr HK Mehta held no TMG shares directly and 4,050,298 TMG shares indirectly.
- No other TMG directors held shares in the issued ordinary share capital of TMG as at 30 June 2014 and at the date of approval of TMG's annual financial statements. Between 30 June 2014 and the sign-off of the 2014 TMG Accounts, Ochinta Investments Proprietary Limited purchased 50,500 contracts for difference in respect of TMG shares. Mr HK Mehta is a director of Ochinta Investments and the trustee and beneficiary of the shareholder of Ochinta Investments.

13.4 **Convictions, Bankruptcy**

As at the date of this document no TMG director:

- has any unspent convictions in relation to any indictable offences; or
- has been bankrupt or entered into an individual voluntary arrangement; or
- was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

14. ADDITIONAL INFORMATION

14.1 Share capital

As at the date of this Document, the authorised share capital of TMG is 500,000,000 ordinary shares of no par value.

The current memorandum of incorporation was adopted on 21 June 2012 and there has been 1 amendment thereof.

As at the date of this Document, the issued and fully paid share capital of TMG is 127,077,145 ordinary shares of no par value.

There have been no changes in the authorised or issued share capital since the 30 June 2014 financial year.

There are no warrants or convertible instruments that have been issued by TMG. TMG does have an employee share scheme in place, but it is now cash sealed.

As at the 30 June 2014 financial year end, shares held as treasury shares by Times Media Proprietary Limited, a wholly-owned subsidiary of TMG, included the following:

- on 19 April 2013, Times Media Proprietary Limited, a wholly-owned subsidiary of TMG, purchased 29,966 shares at R15.59 per share in terms of TMG's odd-lot offer; and
- 576,767 shares were purchased at an average price of R21.43 per share in the market during the year ended 30 June 2014.

A summary of the movement in share capital for the period covered by the consolidated annual financial statements is displayed below:

Group	*No of shares*	*Stated capital (Rm)*
Balance at 30 June 2012	52,013,862	704
Shares issued	75,063,283	1,020
Balance at 30 June 2013	127,077,145	1,724
Shares issued	–	–
Balance as at 30 June 2014	127,077,145	1,724

14.2 Shareholders

As at the date of this Document insofar as it is known to the Directors, the name of each person other than a director who, directly or indirectly, is interested in 5.0% or more of the voting rights attaching to the issued share capital of TMG, and the amount of such person's interest, is as follows.

Major shareholders of TMG	*% of shares held*	*# of shares held*
Blackstar Group SE	32.3	41,076,782
Public Investment Corporation	21.4	27,232,917
Coronation Fund Managers	14.9	18,910,337
Kagiso Asset Management	14.7	18,672,477
Other	16.7	21,184,632
Total	100.0	127,077,145

There are no differences between the voting rights enjoyed by the shareholders described above and those enjoyed by other holders of shares. The Company is not aware of any person or persons who, directly or indirectly, jointly or severally, exercises control of the Company.

Following completion of the Acquisitions and Readmission, it is expected that Blackstar (Cyprus) Investors Limited (to be renamed Tiso Blackstar (Cyprus) Limited) will be the only shareholder of TMG.

14.3 **Memorandum of incorporation**

Company objective

The main object of TMG and the general nature of its main business will be to acquire and hold assets for investment purposes in media.

Rights, preferences and limitations attaching to existing shares

All ordinary shares ranks pari passu in all respects and which entitle the holder to:

- the right to be entered in the securities register of TMG as the registered holder of an ordinary share;
- the rights to attend, participate in, speak at and vote on any matter to be considered at any meeting of ordinary shareholders and in this regard every ordinary shareholder shall be entitled to one vote in respect of every ordinary share held;
- the right to receive any distribution by TMG, if and when declared on the ordinary share, to be made in proportion to the number of ordinary shares held by each ordinary shareholder;
- the right to receive a portion of the total net assets of TMG remaining upon its liquidation; and
- any other rights attaching to the ordinary shares in terms of the SA Act or any other law.

The creation of any class of shares, the variation of any preferences, rights, limitations and other terms attaching to any class of shares, the conversion of one class of shares into one or more other classes or an increase in the number of authorised securities of a class will result in an amendment to the memorandum of incorporation. As such in addition to the specific requirements as set out in the memorandum of incorporation and the SA Act to allow for the transaction, the SA Act sets out certain requirements to allow for an amendment to the memorandum of incorporation.

Share issues and transfers

Shareholders of TMG in a general meeting may authorise the TMG directors by ordinary resolution, subject to the requirements set out in the memorandum of incorporation, to issue unissued shares from time to time and/or to grant options to subscribe for unissued shares, to such person or persons, and on such terms and conditions and with such rights and privileges attached to such shares or options, as the case may be, as the directors in their discretion think fit, provided that such transaction/s has/have been approved by the JSE (if necessary) and comply with the applicable listings requirements, to the extent that such shares are listed on the JSE.

The board may resolve to issue shares to such person or persons, and on such terms and conditions, and with such rights and privileges, at any time, as the directors may in their sole discretion determine, but only within the classes and to the extent that those shares have been authorised by or in terms of the memorandum of incorporation.

Any issue of shares, securities convertible into shares, or rights exercisable for shares in a transaction, or a series of integrated transactions to:

- a director, future director, prescribed officer or future prescribed officer of TMG; and/or
- a person related or inter-related to TMG, or to a director or prescribed officer of TMG,

shall, in accordance with the provisions of the SA ACT and the memorandum of incorporation require the approval of the TMG shareholders by special resolution.

The ordinary shares of TMG are freely transferable and the right of any shareholder to transfer any shares of any class shall be limited or restricted only to the extent provided for in respect of that class of shares or in terms of applicable law.

Director compensation

TMG is not obliged or entitled or required to pay any remuneration to a director for their services as directors (which shall exclude salaries of executive directors) except such remuneration as has been approved by, and in terms of, a special resolution of the ordinary shareholders adopted within the period of two years immediately before the date of any proposed payment of any remuneration.

A director may be employed in any other capacity in the company or as a director or employee of a company controlled by, or itself a subsidiary of, the company and in this event, his appointment and remuneration in respect of such other office must be determined by a disinterested quorum of directors to the extent applicable.

The directors shall be paid all their travelling and other expenses necessarily incurred by them in and about the business of the company, and in attending meetings of the directors or of committees thereof; and if any director is required to perform extra services or to reside abroad or shall be specifically occupied about the company's business, they shall be entitled to receive such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to or in substitution for any other remuneration.

Director election, term of office and removal

Appointment

The board of directors shall comprise not less than 5 directors and not more than 11 directors, the majority of such directors being non-executive directors.

The ordinary shareholders shall be entitled, at a general meeting of TMG, to elect all of the directors of the company (and their alternates) for the time being and from time to time, by a separate ordinary resolution with respect to each such director and each alternate.

If the number of directors falls below the minimum, the remaining directors must, as soon as possible and in any event not later than three months from the date that the number of directors falls below the minimum, fill the vacancies or call a general meeting for the purpose of filling the vacancies.

The directors may, from time to time, appoint a person or persons to be managing director, chief executive officer or joint managing directors/chief executive officers of the company. The directors may determine the period of office of such appointee and may, subject to any contract between him or them and the company, from time to time terminate his or their appointment and appoint another or others in his or their place or places. Such persons appointed in terms of the memorandum of incorporation shall be directors of the company. A managing director, chief executive officer or the holder of any other executive office in the company:

- may be appointed by contract for a maximum period of five years at any one time or for an indefinite period provided the managing director's or chief executive officer's contract may be terminated upon reasonable notice;
- subject to the terms of his contract he shall be subject to the same provisions as to removal as the other directors, and if he ceases to hold the office of director for any cause he shall cease to be managing director or chief executive officer. The managing director or chief executive officer shall be eligible for re-appointment at the expiry of any period of appointment; and
- shall not, while holding such office, be subject to retirement by rotation or taken into account in determining the rotation of retirement of directors.

No person shall be appointed or elected as a director (or his alternate) or be entitled to serve, or continue to serve, as a director (or an alternate director) of the company, if that person is or becomes ineligible or disqualified from being entitled to serve as a director in terms of the SA Act, and if at the time of his appointment or election that person is so ineligible or disqualified then his appointment will be considered a nullity.

Directors Term

At each annual general meeting one third of the directors (not being alternate directors and excluding any director which holds any executive office in the company), or if their number is not a multiple of three then the number nearest to but not less than one third, shall retire from office. The directors so to retire at each annual general meeting shall first be those that have filled a casual vacancy and secondly those who have been longest in office since their last election or appointment. As between directors of equal seniority, the directors to retire shall, in absence of agreement, be selected from among them by lot. The length of time a director has been in office shall, save in respect of directors appointed to fill casual vacancies, be computed from the date of his last election or appointment.

No person shall be eligible for election as a director at any annual general meeting or any other general meeting unless he is eligible to serve as a director in terms of the ineligible and disqualified provisions, and his election or re-election has been recommended by a nominations committee and approved by the majority of the board having regard to his performance and contribution.

Directors Removal

A director may be removed by an ordinary resolution of the ordinary shareholders, following certain procedures set out in the memorandum of incorporation, before the expiry of his period of office, and by ordinary resolution of the ordinary shareholders may elect another person in his place.

If a shareholder or a director contends that a director should be removed as a director of the company on any of the grounds contemplated in the memorandum of incorporation, that shareholder or director will be required to first submit to the board in writing each of its contentions and the specific grounds of each such allegation contemplated in the memorandum of incorporation on which reliance is made, and shall submit to the board all evidence available to that shareholder or director on which such shareholder or director relies for making the contention and each allegation. The board on receipt thereof will study such submission, investigate the allegation(s) and determine the matter by resolution.

Directors Resignation

A director shall be entitled to resign as a director by notice to the company.

Indemnity of directors

The memorandum of incorporation contains provisions allowing for the indemnification of directors in respect of defence of litigation in any proceedings arising out of the director's service or as a director to the company.

Shareholder meetings

TMG will convene an annual general meeting once in every calendar year, but no more than 15 months after the date of the previous annual general meeting, or within an extended time allowed by the Companies Tribunal.

The board or any director or any one or more ordinary shareholders of the company holding at least 10.0% of the voting rights, may call a meeting of any class of shareholders at any time.

The board or any director or any two or more ordinary shareholders, must call a meeting of any class of shareholders if demanded by shareholders subject to and in terms of the SA Act.

The location of any shareholders' meeting must be the registered office of the company and allow for electronic participation by shareholders. Every shareholders' meeting will be called with at least 15 business days' notice delivered by the company to all holders entitled to vote or otherwise entitled to receive notice and to the JSE. A notice of all shareholders' meetings shall also be made available simultaneously on SENS.

Directors, representatives and advisers of the company, such as legal and financial advisers or auditors, are entitled to attend a meeting but have no right to speak (unless invited to speak by the chairman of the meeting) or vote at such meeting.

Every resolution of shareholders is either an ordinary resolution or a special resolution. An ordinary resolution and a special resolution, save to the extent expressly provided in respect of a particular matter contemplated in the memorandum of incorporation or the JSE listing requirements, shall be adopted only with the support of more than 50.0% and at least 75.0% of the voting rights exercised on each resolution respectively.

Quorum for shareholder meetings

In terms of the memorandum of incorporation, in compliance with the SA Act and the JSE listing requirements, the number of shareholders constituting a quorum at any general meeting of shareholders of a company is at least 25.0% of the voting rights that are entitled to be exercised. In addition, if the company has more than two shareholders then a shareholders' meeting may not begin, or a matter begin to be debated, unless at least three shareholders are present or represented at the meeting.

Disclosure of ownership interest

As per the memorandum of incorporation and the SA Act, every company must establish a securities register which keeps a record of all shareholders. As a result, the ownership interest of all shareholders must be disclosed. However there is no legal or contractual requirement for shareholders to disclose their ownership interests in a South Africa limited liability private company to the public and accordingly there is no obligation for the company to disclose this information.

15. PRINCIPAL INVESTMENTS

An associate is an entity over which TMG has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the strategic financial and operating policy decisions of the investee, but does not constitute control. Significant influence has been determined as being shareholdings of 20.0% or more, but less than 50.0%.

The following associates are material to TMG:

Multimedia Group

During the financial year ended 30 June 2014 TMG acquired a 32.26% interest in Multimedia Group, a Ghanaian radio and television group, on 12 September 2013 for Rm 144 million.

Radio Africa

During the financial year ended 30 June 2014 TMG acquired a 49.0% interest in Radio Africa, a Kenyan radio and television group, on 30 June 2014 for Rm 195 million.

Vidi

During the financial year ended 30 June 2014 TMG has also developed a video-on-demand ("VOD") business called Vidi, which launched in September 2014. Vidi helps position TMG at the forefront of changing television and media trends. TMG has a 50.0% interest in this new business initiative.

TMG will launch several digital sites in the coming months, including Sunday Times online and Rand Daily Mail online.

The TMG management has not made any firm commitments for principal future investments.

16. CONFLICTS OF INTEREST

Other than potential conflicts of interest that may arise in respect of Andrew Bonamour and William Marshall-Smith's directorships in TMG and shareholdings in Blackstar, there are no actual or potential conflicts of interest between the duties of TMG's directors owed to TMG and any of their private interests or other duties.

Potential conflicts are addressed in various ways. Andrew Bonamour and William Marshall-Smith, as directors of TMG are bound by their fiduciary duties towards TMG under the SA Act and South African common law. Section 76 of the SA Act in particular sets out the standards of conduct that directors are obliged to comply with, which includes the duty to act in good faith and to always act in the best interest of the company concerned. In addition, section 75 of the SA Act requires directors to disclose any interest they have in any matter being discussed at the board or any matter related to the company. These disclosures are kept by the company secretary and are updated on an annual basis, provided that any changes are notified to the company secretary immediately. Therefore any potential conflicts will be identified and the necessary steps can be taken to mitigate the conflict, including but not limited to the conflicted directors excusing themselves from the meeting or from voting.

17. MATERIAL CONTRACTS

No contracts other than those entered into in the ordinary course of business have been entered into by TMG within the two years immediately preceding the date of this Document and which are, or may be, material to TMG at any time and contain obligations or entitlements which are, or may be, material to TMG as at the date of this Document. On 24 April 2015, TMG entered into term facility agreements with Rand

Merchant Bank (a division of First Rand Limited) and The Standard Bank of South Africa Limited in respect of the Acquisition Finance referred to on page 43.

18. RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 37 (on page 108) of the 2012 TMG Accounts, in note 39 (on page 136) of the 2013 TMG Accounts and in note 40 (on page 114) of the 2014 TMG Accounts.

19. LITIGATION

Save for the following, there are (and, in the 12 months preceding the date of this Document, there have been) no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on TMG's financial position or profitability.

Post-retirement medical aid

Proceedings have been instituted by a number of former executive employees in relation to claims for increases to post-retirement medical aid subsidies. These proceedings are being defended and TMG's position will be set out in detail in the legal proceedings. Further details of the proceedings are set out on page 12 of the 2014 TMG Accounts in Annex II and TMG does not consider it appropriate to comment further while the proceedings are pending, save to state that it is confident that its position will be vindicated in due course.

Vuma licence

The High Court of South Africa's Gauteng Local Division Johannesburg, in a judgement dated 5 August 2014, remitted the award of Vuma's radio licence to the Independent Communications Authority of South Africa ("ICASA") for reconsideration. Pending ICASA's reconsideration, and for a period of 180 calendar days after the announcement of the award of the licence, Vuma is authorised to continue broadcasting. Vuma has lodged a leave to appeal the court's decision.

Video rental kiosks

Legal action has been brought against TMG in respect of an alleged oral agreement to do business with the plaintiffs to set up rental kiosks at garages and similar convenience retail outlets. The legal team defending the claim (which includes Senior Counsel) are of the view that the prospects of any significant award being made against TMG are remote. TMG also has a counter claim against the plaintiffs in respect of the kiosks and the use thereof.

20. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of TMG and its group since 31 December 2014, the date to which the unaudited interim financial statements of TMG and its group were prepared, to the date of this Document.

21. SOURCE OF, AND THIRD-PARTY INFORMATION

No information on TMG's website has been incorporated by reference into this Document.

Where information contained in this Document has been sourced from a third-party, the Company confirms that such information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Document, the source of such information has been identified.

PART D

INFORMATION ON KTH

1. INTRODUCTION

1.1 KTI

KTI was formed in December 1993 by Kagiso Trust as a vehicle to generate sustainable, long-term financial support for Kagiso Trust for community development and to achieve true economic empowerment through active, operational involvement in underlying strategic investments.

KTI's investments performed consistently well over the past 15 years, enabling it to substantially grow its balance sheet. This allowed it to make several acquisitions and to enter into joint arrangements with strong partners.

KTI concentrated on 3 distinct investment sectors; namely financial services (investment banking, life insurance and asset management); resources (power and infrastructure sectors); and ICT (industrial and information communication technology and media).

KTI's investment decisions reflected its objective of being a relevant and dynamic contributor to driving socio-economic transformation. Forging strong partnerships with subsidiary and investee companies were crucial in building long-term relationships that were based on the core values and ethos that were an integral part of its history.

1.2 Tiso Group

Tiso Group, one of South Africa's leading black-controlled and managed investment companies, was established in 2001. Founded by some of Africa's leading entrepreneurs, it remained a business largely owned by its management and staff (54.0%). The Tiso Foundation was an 18.0% shareholder.

Tiso Group also had a successful shareholder relationship with four of Africa's leading financial institutions, namely Standard Bank, Investec Bank Limited, Rand Merchant Bank and Liberty Group Limited who, in aggregate, held 27.0% of its issued share capital.

Powered by a highly competent and experienced senior executive team, with experience from leading international and domestic banking firms, Tiso Group developed a reputation for delivery with the utmost integrity.

An unwavering focus on fundamentals allowed Tiso Group to build a strong and defensive investment portfolio with stakes in blue chip companies in the infrastructure and natural resources sectors and with strategic holdings in construction, steel merchanting, coal, industrial minerals, mining services, power and property development companies. With its strong emphasis on relationships, Tiso Group built a solid platform which positioned the Group for continued growth both in South Africa and the African continent as a whole.

1.3 KTH

KTH was created by the merging of two leading black owned and managed companies in South Africa, KTI and Tiso Group, in 2011. KTH is an investment holding company focusing on infrastructure, media, healthcare, resources, and financial services, across Africa.

The merger of KTI and Tiso Group essentially involved the sale of the underlying investment portfolios of these two companies into KTH. These two companies are being wound up as they no longer hold any investments.

TIH is a co-founder of KTH, one of South Africa's leading privately held investment companies, and was established in 2001. TIH is jointly owned and managed by co-founders David Adomakoh and Nkululeko Sowazi.

Nkululelo Sowazi is chairman of KTH and David Adomakoh is chairman of the KTH investment and valuation committee. In addition to their roles at TIH and KTH, both David Adomakoh and Nkululeko Sowazi hold positions on the boards of directors of a variety of listed and unlisted companies and as trustees on various trusts.

KTH focuses on investing in companies in specific sectors with strong and involved management teams. These companies are generally, high growth or cash generative and meet the investment criteria of, amongst other matters, generating market related returns for KTH. KTH maintains a long-term horizon and can therefore partner with companies throughout cycles without any pressure to exit.

KTH sees the African continent as its primary market and will seek to manage a portfolio spanning across various sectors on the continent.

As at December 2014 the KTH investment portfolio had an aggregate NAV in excess of R9.0 billion (£489.4 million), comprising established companies principally in South Africa, and increasingly in other parts of the continent. These include investments in sectors including, inter alia, media, resources, infrastructure, power and financial services sectors. Larger investments include KM, MMI, Exxaro Resources Limited, Actom Investment Holdings Proprietary Limited, Fidelity Bank Limited Ghana and Idwala Industrial Holdings Proprietary Limited.

2. GROUP STRUCTURE:

KTH's investment structure is comprised of multiple direct subsidiaries which serve the purpose of holding all indirect subsidiaries, indirect associates and other investments. The direct subsidiaries are investment holding vehicles and their main business is to hold KTH investments. The list below displays some of the key direct subsidiaries and the indirect subsidiaries which they hold. KTH is the ultimate holding company within the group.

3. SIGNIFICANT SUBSIDIARIES

3.1 **Direct subsidiaries:**

Name of Company	*Country of Incorporation*	*Effective holding as at 30 June 2014 (%)*
Alizay Properties 46 Proprietary Limited	South Africa	100
Business Ventures Investments No 884 Proprietary Limited	South Africa	100
Business Ventures Investments No 1796 Proprietary Limited	South Africa	100
Business Ventures Investments No 1603 Proprietary Limited	South Africa	100
Cardona Investments 428 Proprietary Limited (RF)	South Africa	100
Clidet No 901 Proprietary Limited	South Africa	100
Fasus Investments Proprietary Limited	South Africa	100
Four Arrows 39 Investments Proprietary Limited	South Africa	100
Firefly Investments Proprietary Limited	South Africa	52.0
Emerald Panther Investments Proprietary Limited	South Africa	54.0
Iridescent Investments Proprietary Limited	South Africa	100
Jadeport Investments Proprietary Limited	South Africa	100
Kaglso Asset Management Proprietary Limited	South Africa	50.1
Kagiso Financial Services Proprietary Limited	South Africa	100
Kagiso Platinum Ventures Proprietary Limited	South Africa	100
Kaglso Property Holdings Proprietary Limited	South Africa	100
Kagiso Risk Solutions Proprietary Limited	South Africa	100
Kagiso Sizanani Capital Limited (RF)	South Africa	100
Kagiso Strategic Investment III Proprietary Limited	South Africa	100
Kagiso Trust Enterprises Proprietary Limited	South Africa	100
Kagiso Ventures Proprietary Limited	South Africa	100
KTH Africa Investments Limited	Mauritius	100
KTH Media Holdings Proprietary Limited	South Africa	100
Main Street 336 Proprietary Limited	South Africa	100
Morning Tide Investments 168 Proprietary Limited	South Africa	82.5
Off The Shelf Investments 109 Proprietary Limited	South Africa	100
Off The Shelf Investments 168 Proprietary Limited	South Africa	100
Tiso Capital Partners No 2 Proprietary Limited	South Africa	100
Tiso Electrical Proprietary Limited	South Africa	100
Tiso Industries Proprietary Limited	South Africa	100
Tiso INL Investments I Proprietary Limited	South Africa	100
Tiso Management Company Proprietary Limited	South Africa	100
Tiso Power Services Proprietary Limited	South Africa	100
Tiso Projects No 1 Proprietary Limited	South Africa	100
Tiso Property Proprietary Limited	South Africa	100
Tiso Property No 2 Proprietary Limited (RF)	South Africa	100
Tiso Repair Services Proprietary Limited	South Africa	100
Tiso Resources Proprietary Limited	South Africa	100
Tiso Telecom Proprietary Limited	South Africa	100
Xanthe Investment Holdings Proprietary Limited	South Africa	100

3.2 **Indirect Subsidiaries:**

Name of Company	*Country of Incorporation*	*Effective holding as at 30 June 2014 (%)*
Active 1 Investments Proprietary Limited	South Africa	100
Active 2 Investments Proprietary Limited	South Africa	100
Blue Falcon 5 Trading Proprietary Limited	South Africa	100
Blue Falcon 7 Trading Proprietary Limited	South Africa	100
Blue Nightingale 218 Proprietary Limited	South Africa	50.3
Gloo Digital Design Proprietary Limited	South Africa	60.1
Jacaranda FM Proprietary Limited	South Africa	80.0
Juta and Company Limited	South Africa	100
Juta Property	South Africa	100
Kagiso Developments Proprietary Limited	South Africa	51
Kagiso Media Proprietary Limited	South Africa	100
Kagiso Media Limited	South Africa	100
Kagiso Media Investments Proprietary Limited	South Africa	100
Kagiso Power Services III Proprietary Limited	South Africa	100
Kagiso Property Developments Proprietary Limited	South Africa	100
Kagiso Property Investments Proprietary Limited	South Africa	100
Kagiso Sisonke Empowerment Trust	South Africa	68.1
Kagiso Strategic Investments II Trust	South Africa	53.51
Kagiso Strategic Investments III Finance Proprietary Limited Financing company	South Africa	100
Kagiso TV Proprietary Limited	South Africa	100
Kagiso Ventures Investment Holdings Proprietary Limited	South Africa	100
Kaufman Levin Associates	South Africa	89.99
Knowledge Factory Proprietary Limited	South Africa	70
Maffra Creative Lab Proprietary Limited	South Africa	51.0
Mercury Publishers Proprietary Limited	South Africa	100
Mtommbo Audio Solutions Proprietary Limited	South Africa	70
Off The Shelf Investments 108 Proprietary Limited	South Africa	100
Off The Shelf Investments 127 Proprietary Limited	South Africa	100
Shanike Investments No. 42 Proprietary Limited	South Africa	100
Southstone Music Proprietary Limited	South Africa	70.0
Southstone Records Proprietary Limited	South Africa	70.0
Tiswala Holdings Proprietary Limited	South Africa	100
Tiswala Investments Proprietary Limited	South Africa	100
Tivvit Solutions Proprietary Limited	South Africa	60.0
Urban Brew Studios Proprietary Limited	South Africa	50.01
Urban Community Television	South Africa	100
Urban Events Proprietary Limited	South Africa	100
Urban Rhythm Factory Proprietary Limited	South Africa	100
Venbat Proprietary Limited	South Africa	100
Venmac Investments Proprietary Limited	South Africa	100
Virtual Buzz Interactive Proprietary Limited	South Africa	51.0
Windfall 12 Properties Proprietary Limited	South Africa	100

In addition, KTH has a number of associates, partnerships and joint ventures that are set out on pages 44 to 50 of the 2014 KTH Accounts in Annex III of this Document.

4. IMPORTANT EVENTS SINCE INCORPORATION

The merger of KTI and Tiso Group was formally concluded on 1 July 2011, representing the most important milestone in the life of KTH.

In 2004, the then KTI acquired a stake in Metropolitan Holdings Limited, a shareholding that was subsequently increased between 2005 and 2007. KTH's shareholding was diluted in 2010 when Metropolitan Holdings Limited merged with Momentum Group Limited to form MMI. The partnership was due to come to an end in 2012 but a new agreement was reached resulting in an effective shareholding in MMI of 7.1%.

In November 2012, KTH announced that, through a wholly-owned subsidiary, Kagiso Sizanani Capital Limited (RF) ("KSC"), using its Domestic Medium Term Note ("DMTN") programme with the JSE, it had raised an additional R600 million senior unsecured note from a range of local investors. This was achieved through a book build process. KSC now has capacity to issue instruments to a maximum of R2.0 billion. The DMTN programme allows KSC to issue a range of instruments including both bonds and preference shares, making it unique in the South African market. Issuances under the programme are guaranteed by KTH.

In December 2013, KTH acquired the remaining shares in Kagiso Media Proprietary Limited ("KM") that it did not already own. KTH initially owned 51.1% of KM.

In May 2014, KTH announced the conclusion of the acquisition of a minority equity investment in Fidelity Bank Ghana Limited, after receiving approval from the Bank of Ghana. KTH is investing alongside Amethis Finance and Edmond de Rothschild Europportunities II and, in addition to the equity investment, has also subscribed for convertible preference shares, which upon conversion will increase its stake over time. This represents KTH's first transaction outside of South Africa.

5. INVESTMENT OBJECTIVE AND POLICY

5.1 Investment Objective

KTH aims to be the leading majority black-owned and managed investment holding Company in South Africa and Africa. The company's investment objective focusses on identifying and acquiring investments across the African continent that will enable the company to realise capital growth over a long term horizon and deliver large returns to all shareholders.

5.2 Investment Strategy

KTH aims to manage and grow a portfolio spanning across various sectors on the African continent. KTH is currently seeking to reposition the business as a pan-African leader in engineering and infrastructure solutions, by acquiring control alongside likeminded co-investors.

KTH seeks to add value by becoming active shareholders of reference in their portfolio companies, through participation at board level and the various sub-committees. Positions of significant influence will be targeted alongside investors with strong management teams.

KTH involvement concentrates on:

- the development of the investee company strategy and support thereof;
- driving transformation; and
- promoting adherence to the highest code of corporate governance and ethical conduct.

5.3 Investment Policy

KTH's investment policy is specifically structured to ensure that the investment objective and strategy is achieved. The investment policy is monitored by applying certain techniques that allow the company to monitor each investment and assess whether the investment policy principles are continually met until such time as they are not and should be disposed of. These techniques include the use and analysis of financial models, an annual independent valuation report and the annual financial statements.

The investment policy is focused on the following principles:

Geography

KTH invests primarily in South Africa, however views the African continent as the ultimate market. Accordingly, investment opportunities are identified, assessed and acquired on this basis.

Term

In line with the objective and strategy of the company to achieve capital growth, KTH focuses its investment policy on long term horizon investments.

A long term horizon ensures that KTH is not impacted by investments that may be affected by a downturn of the economy or the occasional poor performance that would otherwise pressurise investment companies with a shorter term investment policy to exit the investment. It allows KTH to play a role in the development of the portfolio company or asset which ultimately impacts the potential return that can be generated.

Return structure

KTH prioritises investment opportunities that will yield high returns both in terms of capital appreciation and dividend receipts.

Cash generative

KTH seeks to invest in cash generative businesses to ensure the investment is able to grow organically and will not result in poor liquidity/solvency levels which will ultimately impact KTH's business strategy.

Involvement

KTH believes that capital growth is achieved through the successful partnering with a company that is led by a strong management team whereby KTH and the company can leverage combined experience, skills, funding, and networks to grow the company to new levels. KTH maintains an interactive relationship with companies through participation at board level and direct involvement in the operations of the company.

Financial models and investment teams have been put in place to value investments on a regular basis as well as measure investments in terms of the investment criteria to ensure that investments continually satisfy the investment policy envisioned by KTH.

Cash management

Cash and cash equivalents are only held by approved institutions with an acceptable credit-worthiness. The treasury policy sets the limit for each financial institution.

KTH has substantial cash balances at their disposal and substantial long-term debt due to investments made that are funded. The group ensures that adequate credit facilities are available to maintain flexibility in the funding of transactions to ensure adequate liquidity levels.

Cash flow forecasting is performed in the operating entities of KTH. These forecasts are prepared on a rolling basis and are consistently monitored by the KTH finance department to ensure that liquidity requirements are met and sufficient cash is always on hand to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times in order to prevent any breach of borrowing limits on any of its borrowing facilities.

Borrowings

There are no limitations on borrowings in terms of the memorandum of incorporation of the company. The company's borrowing limits are informed by its finance policies and its debt covenants contained in its various funding arrangements. In terms of its debt covenants, KTH has remaining debt capacity of approximately R1.0 billion as at 30 June 2014.

Changes to investment policy

All changes to the KTH investment policy will be approved by the KTH board of directors.

Investment restrictions

Certain investment restrictions have been put in place to manage and monitor the application of the investment policy and the KTH business strategy as a whole. The following transactions have been restricted by the memorandum of incorporation which requires that each type of transaction obtains shareholder approval via a special resolution prior to the transaction taking place.

Types of transactions:

- the acquisition or voluntary disposal (whether directly or through a subsidiary or other vehicle) of any business, share, asset or other investment, at a price in excess of 5.0% of the NAV of at the time;
- the incurring of aggregate indebtedness at any given time which will result in the senior debt to asset cover ratio decreasing to less than 4.1 times or the total debt to asset cover ratio decreasing to less than 3.75 times, whichever is the lower;
- the issue of an individual guarantee, suretyship, letter of comfort or other similar undertaking with an exposure in excess of 5.0% of the NAV of KTH at the time; or
- the disposal of any material intellectual property owned by the company.

Existing Portfolio

All investments, whether material or non-material, are held indirectly by KTH through direct subsidiaries. The direct subsidiaries are merely holding companies. Accordingly KTH's value is attributable to the underlying investments.

5.4 **Capital Resources and Cash Flow**

Details of KTH's capital resources are set out in notes 19, 20 and 23 on pages 59, and 62 to 66 and the statement of cash flows set out on page 16 of KTH's annual consolidated financial statements for the year ended 30 June 2014, contained in Annex III of this Document.

6. PORTFOLIO

The following unaudited information represents all the investments of KTH as at the date of this Document, being the most recent values provided to the Company. The third party information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

		Summary of values per underlying investment		
		Total as at 30 June 2014	*Total as at 30 June 2013*	*Total as at 30 June 2012*
Underlying asset	*Valuation method*	*R'000*	*R'000*	*R'000*
Listed underlying investment				
Adcock Ingram Holdings	Share price	–	204	183
AECI Limited	Quoted price, NAV	356	305	185
Aveng Limited	Quoted price, NAV	224	274	318
Emira Property Fund	Formula per, NAV	290	280	140
Exxaro Resources Limited	Quoted price, NAV	725	845	1,209
FirstRand Empowerment Trust	Quoted price	109	76	562
Investec Limited	Div, NAV	16	7	231
Mix Telematics Limited	Sold	n/a	41	39
MMI Holdings Limited	Quoted price, NAV	2,420	1,883	1,328
Silverbridge Holdings Limited	EV/EBITDA, NAV	6	2	7
Total Listed		**4,146**	**3,917**	**4,202**
Unlisted underlying investment				
Kagiso Media Limited	Price of recent investment	2,440	2,011	1,600
Other Unlisted Investments*	Various	3,006	3,206	2,809
Total Unlisted		**5,446**	**5,217**	**4,409**
Total value of portfolio		**9,592**	**9,134**	**8,611**

* Comprises 28 investments in unlisted entities operating within, inter alia, the financial and industrial sectors.

7. VALUATION

KTH obtains an independent valuation of its investment portfolio and the NAV thereof at the end of each financial year which is performed by an independent valuator selected for this purpose, currently KPMG Incorporated, and KTH management does a further valuation at each half year end on the same basis as the independent valuation is done.

In addition KTH perform ongoing active portfolio management activities for all investee companies through various mechanisms including board representation, periodic portfolio reviews and use of IT portfolio management tools.

Investment valuation principles

KTH's investment portfolio is comprised of multiple investments that will be valued according to different valuation techniques depending on the specific type of investment. The various characteristics of a company will impact the availability and reliability of information to be used in performing a valuation. Accordingly, the following techniques are employed:

Available market prices

Investments that are listed upon an active exchange have quoted prices available from which their closing spot price on the reporting date will be used to perform the valuation.

Price of recent investment

Where the investment being valued has been made recently, its cost may be used as the valuation.

The appropriateness of this methodology depends on a number of factors including the passage of time that has lapsed since the investment was made and the market conditions at the time the investment was made.

Capitalisation of maintainable earnings using appropriate market multiples

The capitalisation of maintainable earnings methodology is based on the assumption that KTH, in purchasing a company, is acquiring a future earnings stream. The expected future maintainable earnings are capitalised at an appropriate price-earnings ratio, having regard to the risks and growth potential particular to the company being valued. This methodology involves the application of an earnings multiple to the earnings of the business being valued in order to derive value for the business.

This methodology is more appropriate for established businesses with an operational history and identifiable stream of continuing cash flows that are considered to be maintainable.

Discounted Cash Flows

The discounted cash flow methodology is based on the anticipated future cash flows projected by the business, which usually have a terminal date. These projected future cash flows are discounted together with the value of the company in perpetuity at a terminal date, at the company's cost of capital, taking into account the risks associated with the business.

Communication of NAV

As discussed in this Part D, KTH perform two types of valuations. An independent valuation of the KTH portfolio as at the financial year end, and an internal interim valuation. The final result of the valuation is subsequently presented to the KTH board of directors and shareholders. In addition, the NAV is communicated in the annual financial statements and the valuation report which is provided to the committees and board, shareholders and funders.

8. PROFILE OF A TYPICAL INVESTOR

KTH expects its investor base to be comprised of mainly corporates, institutions and high net worth individuals that are knowledgeable and fully understand the risks involved in investing in KTH.

9. KTH AND ADMINISTRATION

KTH Directors

Nkululeko Sowazi	*Chairman*
David Adomakoh	*Non-executive director*
Jan du Toit	*Non-executive director*
Paballo Makosholo	*Non-executive director*
Vhonani Mufamadi	*Non-executive director*
Zwoitwaho Nevhutalu	*Non-executive director*
Babalwa Ngonyama	*Independent Non-executive director*
Saamsoodein Pather	*Independent Non-executive director*
Kgotso Schoeman	*Non-executive director*
Pieter Uys	*Non-executive director*
Vuyisa Nkonyeni	*Chief Executive Officer*
Jacob Hinson	*Chief Investment Officer*
Frencel Gillion	*Chief Financial Officer*
Mankone Ntsaba (alternate)	*Alternate non-executive director*

Registered Office	Kagiso Tiso House 100 West Street Wierda Valley Sandton South Africa 2196
Telephone number	+27 11 562 2500
Reporting Accountant and Auditor	PricewaterhouseCoopers Incorporated 2 Eglin Road Sunninghill 2157 South Africa
KTH company secretary	M Manjingolo
Public officer	Frencel Gillion

10. BACKGROUND

KTH was incorporated in South Africa with registration number 2011/000848/07 in July 2011 as a private limited liability company and has been in operation since that date. The registered office of KTH is Kagiso Tiso House, 100 West Street, Wierda Valley, Sandton, South Africa 2196. KTH does not intend to seek registration or licensing in any jurisdiction or with any supervisory or regulatory authority outside of South Africa. The principal place of business of KTH is South Africa as such the principal legislation under which KTH operates is the SA Act, and KTH is not regulated by the Financial Conduct Authority ("FCA") of the United Kingdom or any other overseas regulator. Risk factors relating to KTH are set out at the front of this Document.

11. DIRECTORS

The KTH Directors, set out in section 9 above, are responsible for managing the business affairs of KTH in accordance with KTH's memorandum of incorporation, and have overall responsibility for the company's activities including the review of investment activity and performance. The KTH directors may delegate certain functions to other parties such as its registrar and the administrator of its treasury management activities.

11.1 **Biographies**

The details of the KTH directors are as follows:

Nkululeko Sowazi

Information on Nkululeko is set out in section 9.2 of Part A of this Document.

David Adomakoh

Information on David is set out in section 9.2 of Part A of this Document.

Jan du Toit

Jan joined Remgro Limited 12 years ago as Tax Manager and was subsequently appointed as investment manager for the last 8 years. He previously worked for UBS in the UK and Ernst & Young in Cape Town. He holds directorships in the following companies:

- South Africa Holdings Proprietary Limited;
- PGSI Limited;
- TSB Sugar Holdings Proprietary Limited;
- Wispeco Holdings Limited; and
- MARC Group Limited.

Paballo Makosholo

Paballo is a qualified Chartered Accountant (SA). He completed his Articles at KPMG and is currently the Chief Investment Executive of Kagiso Trust ("KCT"). He has been involved with KCT for over five years. During this time, Paballo has led the KCT team in the refinancing of its investment in FirstRand. Paballo's other qualifications include:

- Cost and Management Accounting Diploma (PE Technikon, now known as Nelson Mandela Metropolitan University);
- CTA (RAU, now known as UJ); and
- M COMM SA and International Tax (RAU, now known as UJ).

Paballo's primary role is to oversee the investments of KCT and its finance operations. He was previously employed at Rothschild SA and KPMG.

He serves on the boards of a number companies including, FirstRand Empowerment Trust and Johannesburg Housing Company.

Vhonani Mufamadi

Vhonani is the founder and Chief Executive Officer of Ideco Group Limited – a biometrics business listed on the AltX board of the JSE. An attorney of the High Court of South Africa, he worked for Edward Nathan & Friedland Inc. in commercial law until 1997. Thereafter he started out in business where he has stayed until now. He serves on the boards of a few companies including, Businessmap Advisors Proprietary Limited and ECD Projects Proprietary Limited.

Vhonani holds a BA LLB from WITS University.

Zwoitwaho Nevhutalu

Zwoitwaho Nevhutalu is currently a trustee of the Kagiso Charitable Trust and has been involved since 1986. He is a pastor by profession and has spent a number of years working as the Superintendent General of the Limpopo Provincial Department of Education. He has an in depth knowledge of the political landscape of education in South Africa.

He has acted as chairperson of the Independent Electoral Commission in Limpopo Province, as chairperson of the Institute of Contextual Theology and Educational Aid Programme, Transvaal branch. His involvement in community programmes includes being chairperson of Ecumenical Confessing Fellowship and also Educational Aid Programme. Zwoitwaho was also involved in the monitoring of the DRC presidential elections. He is a member of the National Project Consolidate Advisory Working Group; chairperson of Kagiso Trust Consultancy and served on the boards of Transitional National Development Trust; CODESA; and Mulweli Counselling Centre.

His qualifications include a Diploma in theology, bachelor of theology; Honours in theology, LLB, LLB masters and certificates in Project Management, Effective Director Management and Public Finance Management Act.

Babalwa Ngonyama

Babalwa Ngonyama is the former Chief Financial Officer of Safika Holdings Proprietary Limited. She sits on the boards and audit committees of Implats Limited and Barloworld Limited. She also sits on the board and chairs the audit committee of Evraz Highveld Steel Limited. She was the Group Chief Internal Auditor of Nedbank Limited, a Chartered Accountant with highly regarded business acumen. In 2008 Babalwa completed the Women in Leadership Programme at Harvard University in Boston.

Having been an audit partner at Nkonki and thereafter in Deloitte's Financial Institutions Services Team ("FIST") division, her clients included banks, treasury, private equity, and stockbrokers as well as divisions of two of the Big Four banks in South Africa. She was also lead partner on the audit of one of the leading women's financial services groups in the country.

Babalwa was the chairperson of the Transformation Advisory Board of the firm which advises the executive committee on transformation issues. She was also the transformation champion for FIST, where she was responsible for setting transformation strategies and monitoring their effective implementation. Her dynamic leadership in this role included the successful organization of a national conference on transformation that dealt with changing perceptions and attitudes toward transformation, and developing a transformation strategy that had a buy-in from the business unit's management. As a result, the strategy was successfully implemented with very tangible results.

Babalwa was the founding chairperson of the African Women Chartered Accountants ("AWCA"), an organization focusing on accelerating the development and advancement of female Chartered Accountants. She currently is a member of its Advisory Board.

Babalwa is a graduate of the University of Transkei. She qualified as a Chartered Accountant in 1999 after serving her article of clerkship at PDB Pretorius Dondashe in Umtata from 1995 to 1998. Her academic qualifications also include an MBA from Bond University in 2002 and a Higher Diploma in Banking law at Rau University (2003).

Saamsoodein Pather

Saamsoodein completed his BBusSci degree in 1973, MBA in 1977 and BCom (Hons) in Business Data Processing at the University of Cape Town in 1982. He has attended various portfolio/asset management courses and programs in South Africa, in London and Geneva. Semi-retired in 2003 for health reasons, his career included being an investment analyst for Norwich Union Life Assurance (1973-1975) and AGM (Investments), Colonial Mutual Life (1975-1987). He was an Executive Director (Investments) of Southern Life Assoc. (1987-1996), and Executive Director of Real Africa Holdings and Chief Executive Officer of Real Africa Asset Management (1996-2003).

Saamsoodein currently serves as the non-executive chairman of Coronation Fund Managers Limited and the Centre for Proteomics and Genomics Research, and as a non-executive director of Oceana Group Limited and Lungisa Holdings Proprietary Limited. He is a Trustee for the UCT Foundation, Ukukhula Trust ("UCT"), Imvula Trust ("Coronation") and a member of the Joint Investment Council of the University of Cape Town.

Kgotso Schoeman

Kgotso is the Chief Executive Officer of Kagiso Charitable Trust. He was part of the team that planned and implemented a successful fund-raising campaign which resulted in partnerships between national and international donor agencies, and the local private sector. The funds raised were used to develop and build a multi-purpose community facility, which is today an integral part of the overall development of Alexandra Township. Mr. Schoeman has worked as a trainer in the non governmental organisation and community based organisation sector for over five years in areas such as proposal wiring, managing community-based organizations, and addressing conflict in communities.

Pieter Uys

Pieter has been a member of the management Board at Remgro Limited since April 1, 2013. Pieter served as chief executive officer of Vodacom Group Limited and of Telkom SA Limited from October 1, 2008 to September 2012. He served as Chief operating officer of Vodacom Group Limited from April 1, 2004 to October 1, 2008 and has also served as Group its Chief operating officer since February 2001. Pieter served as the Managing Director of Vodacom Proprietary Limited of Vodacom Group Proprietary Limited from December 1, 2001 to March 2005.

He joined Vodacom in 1993 as a member of the initial engineering team. He served as Chairman, Managing Director and Director of Vodacom SA Proprietary Limited. He serves as a Director of TSB Sugar Holdings Proprietary Limited and Marc Group, Dark Fibre Africa Proprietary Limited. He also serves as Director of CIV Fibre Network Solutions Proprietary Limited, CIV Power Proprietary Limited and CIE Telecommunication Proprietary Limited, he serves as a Director of Central Lake Trading 77 Proprietary Limited. He has been a non-executive Director of Mediclinic International Limited since April 1, 2013. Pieter served as an Executive Director of Vodacom Group Proprietary Limited from 2004 until September 2012. He holds Bachelor of Sciences and Master of Sciences degrees in Engineering from the University of Stellenbosch and a Master of Business Administration degree from Stellenbosch Business School.

Vuyisa Nkonyeni

Vuyisa has more than 15 years' experience in investment banking and private equity. He is a chartered accountant by training, having served his training contract with PricewaterhouseCoopers. Subsequent to his training, which he completed in 1996, he joined Deutsche Bank in 1997 where he gained investment banking experience, primarily in corporate and project finance advisory work, over a four year period. He has in the past also served as the Financial Director of Worldwide African Investment Holdings Proprietary Limited and Director at Actis LLP, where he was part of a team of three investment professionals responsible for Actis' Black Economic Empowerment funding unit, the Actis Africa Indigenous Fund.

Jacob Hinson

Jacob joined KTH as chief investment officer from September 2011. Prior to joining KTH he was a senior director at Actis LLP based in Johannesburg where he spent the last seven years. In addition to having concluded several transactions in South Africa, Jacob has been involved in transactions across emerging markets, most notably in West Africa where he led one of the first LBO's in that market, East Africa, Brazil and China. While at Actis LLP he was also responsible for managing and co-ordinating the industrial sector focus across the various offices in Africa.

Jacob started his career in corporate finance initially within PricewaterhouseCoopers corporate finance team and subsequently as a senior associate at Deutsche Bank's corporate finance division in Johannesburg.

Jacob currently serves as a non-executive director of Actom South Africa Proprietary Limited and is a director of various KTH investee and group companies. Jacob obtained his BCom degree from the University of Cape Town and completed his training as a chartered accountant with PricewaterhouseCooper. Jacob is a CFA charter holder and is registered with the CFA institute in the United States of America.

Frencel Gillion

Frencel joined Kagiso Tiso Investments in January 2011 as group financial director, a position he has held at KTH since the merger with Tiso Group. He is a chartered accountant and completed his training contract with Ernst & Young in 1995. Frencel previously held positions in investment banking and private equity at various institutions including a four year stint as chief investment officer at the National Empowerment Fund immediately prior to joining KTI. Frencel also held roles with Actis LLP and African Merchant Bank. Frencel leads the financial management team at KTH and is also responsible for management of the KTH bond programme and other KTH central debt obligations. He also serves as a non-executive director on the board of KM and was a member of the deal team responsible for the KM leveraged buy out.

Mankone Ntsaba

Mankone serves as a member of the Kagiso-Shanduka Foundation Trust Advisory Board. She spent a number of years as a researcher and consultant at the Council for Scientific and Industrial Research of South Africa ("CSIR"). She is also a member of the Risima Housing Finance Corporation in Limpopo. She is an independent facilitator at the National School of Government. She was a member of the Ministerial Advisory Council at the then Department of Water Affairs and Forestry ("DWAF"), and also served as a member of the Steering committee of the Global Water Partnership for Southern Africa. She has contributed to the establishment of a number of non governmental organisations and community based organisations whose purpose was to facilitate access to economic empowerment opportunities in rural areas. Mankone holds degrees of BSc. (Environmental Management), BSc. Hons, and MSc. She completed the CSIR's Advanced Leadership Programme, and holds a certificate in Technology for Development.

11.2 **Director and Employee Remuneration**

Director remuneration is approved/determined by the remuneration committee, board of directors and shareholders at the relevant annual general meeting.

A summary of director emoluments is provided below. This has been extracted without material adjustment from or derived from the 2014 KTH Accounts as set out in Annex III.

Figures in thousand (SA Rand)	*Emoluments*	*Performance related payments*	*Other allowances*	*Pension and other contributions*	*Total*
30-Jun-14					
For services as directors Executive directors	30,729	39,027	1,042	2,193	72,991
For services as directors Non-executive directors	5,189	–	–	–	5,189
	35,918	**39,027**	**1,042**	**2,193**	**78,180**

11.3 **Service Contract**

Non-executive directors currently do not have formal written service contracts with KTH. Non-executive directors are bound by KTH's memorandum of incorporation, the relevant charters regulating the board and committees they sit on as well as the SA Act. Executive directors are bound by the aforesaid documents and have employment contracts in place which are standard employment contracts that KTH has with all employees.

Per the memorandum of incorporation of KTH, each director shall serve for an indefinite term as contemplated in the SA Act.

The current length of term in office of the directors is as follows:

Name:	*Appointment date*	*Length of service (approximate years)*
Nkululeko Sowazi	6 June 2011	3.75
David Adomakoh	9 June 2011	3.75
Jan du Toit	31 December 2013	1.25
Paballo Makosholo	12 July 2011	3.66
Vhonani Mufamadi	12 July 2011	3.66
Zwoitwaho Nevhutalu	18 July 2011	3.66
Babalwa Ngonyama	2 April 2013	2
Mankone Ntsaba (alternate)	11 April 2014	1
Saamsoodein Pather	11 August 2011	3.58
Kgotso Schoeman	12 July 2011	3.66
Pieter Uys	31 December 2013	1.25
Vuyisa Nkonyeni	9 June 2011	3.75
Jacob Hinson	9 June 2011	3.75
Frencel Gillion	9 June 2011	3.75

11.4 **Convictions, Bankruptcy**

As at the date of this document no KTH director:

- has any unspent convictions in relation to any indictable offences; or
- has been bankrupt or entered into an individual voluntary arrangement; or
- was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or

arrangement with that company's creditors generally or with any class of its creditors; or

- has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

12. MANAGEMENT OF KTH

12.1 Investment Manager

KTH does not have an investment manager or an investment advisor.

12.2 Administrator of Treasury Management

KTH makes use of an administrator in terms of its treasury management activities. This function is outsourced and managed by Andisa Capital Proprietary Limited ("Andisa Capital").

Andisa Capital is an independent financial services company. The company provides a full spectrum of treasury outsourcing solutions.

12.3 Custodian

KTH does not have a custodian.

13. CORPORATE GOVERNANCE

KTH complies with the South African corporate governance requirements as prescribed by the SA Act.

The board

The board of directors of KTH have the responsibility for the strategic and corporate governance of the company and, amongst other matters, are required to perform duties diligently and in the best interests of the company as a whole. The board therefore monitors the company's compliance with its regulatory and contractual obligations.

The board is entrusted with responsibility for the overall management of the KTH. The board usually meets 4 times per year, and more frequently as required, to review and monitor the company's financial condition and operations. Currently, the board consists of three executive directors and 10 non-executive directors and 1 alternate non-executive director.

Audit and risk committee

The audit and risk committee is currently chaired by Ms Babalwa Ngonyama who is a chartered accountant and an independent board member. Further members are appointed by the nomination of one member by each of the three significant shareholders of the company, namely TIH, the Kagiso Charitable Trust and the Industrial Partnership Investments Limited, for so long as the relevant party remains a shareholder of the company and has nominated a member to the committee. Thereafter members are elected at the annual general meeting of the company and up to three additional members can be elected provided that each of these members shall be a non-executive director of the company. All the committee members are suitably skilled and experienced.

The current composition of the committee is as follows:

- Babalwa Ngonyama;
- Nkululeko Sowazi;
- Paballo Makosholo; and
- Jan du Toit.

In terms of the committee's charter, at least two meetings should be held annually. During the year under review (i.e. the year ended 30 June 2014) the committee met three times. The chief executive officer, chief financial officer, chief investment officer and representatives of the external auditors attended the committee meetings by invitation.

The committee's role and responsibilities include its statutory duties as per the SA Act, as well as the responsibilities assigned to it by the board.

Remuneration and nomination committee

The remuneration committee is chaired by such independent non-executive director as the KTH board of directors may determine from time to time, and is currently Saamsoodein Pather. The Chief Executive Officer of KTH will, although not a member of the remuneration committee, be invited to attend all meetings of the remuneration committee and will have the right to speak thereat, but not to vote.

The current composition of the committee is as follows:

- Saamsoodein Pather (*chairperson*);
- Nkululeko Sowazi;
- David Adomakoh;
- Paballo Makosholo; and
- Pieter Uys.

In addition, KTH have the following committee's in place:

- Social and ethic committee
- Investment and valuation committee

14. DIVIDEND AND DISTRIBUTIONS POLICY

In terms of the KTH memorandum of incorporation, the board shall declare and pay a dividend of not less than 30.0% of the consolidated after tax profit of the company (excluding unrealised gains and losses) for the respective financial year, subject to solvency and liquidity requirements of the SA Act.

KTH's dividend history includes:

Dividend no	*Declaration date*	*Payment date*	*Dividend per share (SA cents)*	*Total value (SA Rands)*
Dividend 1	31-Dec-12	5-Apr-13	8,000	80,000,000
Dividend 2	22-Oct-13	29-Oct-13	7,000	70,000,000
Dividend 3	2-Apr-14	15-Apr-14	6,000	60,000,000

15. REGULATORY ENVIRONMENT

KTH complies with the applicable South African regulatory bodies and codes of practice, including:

- SARB and related regulations regarding exchange control legislation;
- South African Takeover Regulations and all other relevant legislations;
- South African Competition Act No. 89 of 1998; and
- the BEE Act and the Codes of Good Practice on BEE contemplated in section 9 of the BEE Act, as gazetted from time to time.

16. CONFLICTS OF INTEREST

There are no actual or potential conflicts of interest between the duties of KTH's directors owed to KTH and any of their private interests or other duties.

17. ADDITIONAL INFORMATION ON KTH

17.1 Share Capital

As at the date of this Document, authorised share capital was as follows:

- 1,000,000 ordinary shares with no par value;
- 1 deferred ordinary shares with a par value of R1.00; and
- 2,711 cumulative redeemable preference shares of no par value.

The current memorandum of incorporation was adopted in 2011 and as at the date of this Document there have been no amendments thereto. However, a special resolution to make certain amendments to the memorandum of incorporation has been passed, and will be formally documented post completion.

As at the date of this Document, KTH's issued share capital is 1,000,000 ordinary shares with no par value fully paid up. Details of the company's issued share capital as at the date of its initial issue and its issued share capital at the end of each financial period prior to the date of this Document are as follows:

Issued share capital as at the date of the KTH's initial capitalisation	*Number of shares issued (including treasury shares)*	*Paid up share capital (S.A.Rands)*
1 July, 2011	1,000,000	7,396,376
June 30, 2012	1,000,000	7,396,376
June 30, 2013	1,000,000	7,396,376
June 30, 2014	1,000,000	7,396,376

In the 2013 financial year, KTH repurchased and cancelled 1840 shares and subsequently reissued a further 1840 shares. There have been no changes in the authorised or issued share capital since.

As at the date of this Document, there is no indication of any warrants, share options or management shares in existence.

In the 2014 financial year, the board of KTH decided to wind up the original employee share scheme, as the scheme did not achieve its original objectives stated above. The scheme was known by reference to the KTH Participation Trust ("KTH Staff Trust") whereby the vehicle was as formed in order to facilitate the incentive scheme for the employees of KTH as well as employees of two of KTH's shareholders, Tiso Foundation Charitable Trust and Kagiso Charitable Trust. The employees of these entitles could earn units in the KTH Staff Trust which would vest after five years of service, commencing on 1 July 2011.

The holders of these trust units can, at any chosen time thereafter, redeem their trust units for shares in KTH. The KTH Staff Trust held an equivalent number of shares in KTH as there were units in the KTH Staff Trust. These shares were acquired by the KTH Staff Trust using a capital contribution received from Cardona Investments 428 Proprietary Limited (RF) ("Cardona"). Cardona obtained funding for this capital contribution to enable the KTH Staff Trust to purchase the initial KTH shares. The funding of this capital contribution was provided by A and B preference shares issued by Cardona to Nedbank Limited, FirstRand Bank Limited, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited.

The share scheme was wound up and all KTH shares owned by the KTH Participation Trust were distributed to Cardona.

All share options held by employees were forfeited in consequence of the termination of the scheme.

KTH introduced a new share appreciation rights ("SARS") scheme in terms of which management and staff is offered SARS in terms of the rules of the new scheme. The 1st tranche of SARS issued to management and staff will vest in full on 30 June 2016.

As of the end of the reporting period, the number of treasury shares for KTH were as follows:

	2014		*2013*		*2012*	
	R'000	*Number of shares*	*R'000*	*Number of shares*	*R'000*	*Number of shares*
KTH Staff Participation Trust	–	–	482,300	68,831	482,300	68,831
Cardona Investments 428 Proprietary Limited	482,300	68,831	–	–	–	–
Kagiso Trust Investments Share Trust 2008	60,616	10,124	60,616	10,124	60,616	9,179
Tiso Share Trust	–	–	–	–	136,596	21,740
Kagiso Asset Management Employee Share Trust	–	–	5,605	Shares are held through subsidiaries	5,605	Shares are held through subsidiaries
	542,916	**78,955**	**548,521**	**78,955**	**685,117**	**99,750**

17.2 **Shareholders**

As at the date of this Document, the name of each person other than a KTH Director who, directly or indirectly, is interested in 5.0% or more of the voting rights attaching to the issued share capital of KTH, and the amount of such person's interest, is as follows.

Major Shareholders	*Number of shares*	*% interest*
Industrial Partnerships Proprietary Limited (Remgro Limited)	325,892	32.6%
Kagiso Charitable Trust	313,179	31.3%
Tiso Investment Holdings Proprietary Limited (RF)	138,023	13.8%
Tiso Foundation Charitable Trust	75,212	7.5%
Cardona Investments 428 Proprietary Limited (RF) (wholly owned subsidiary of KTH)	68,831	6.9%
Kagiso Trust Strategic Investments Proprietary Limited	67,164	6.7%
Total	**988,301**	**98.8%**

There are no differences between the voting rights enjoyed by the shareholders described above and those enjoyed by other holders of shares. To the extent known by the company, the company is not aware of any person or persons who, directly or indirectly, jointly or severally, exercise control of the company. There are no relationships between the directors and the substantial shareholders other than the Proposed Directors' beneficial ownership of TIH (a substantial shareholder).

KTH prepares its financial statements in accordance with IFRS, which is a financial reporting framework adopted by the IASB and recognised internationally. KTH's annual report and accounts are made up to 30 June in each year and copies are sent to shareholders on or around completion of the reports in the following year. Shareholders also receive an unaudited interim report covering the first six months of each financial year. The annual general meeting of KTH is usually held in November in each year.

17.3 **Memorandum of Incorporation and Articles of Association**

Company Objective

As set out in KTH's memorandum of incorporation, the main object and the general nature of KTH's main business will be that of an investment company.

Rights, preferences and limitations attaching to existing shares

The deferred ordinary shares entitles the holder to the following:

- upon the liquidation of the company, to a return of the par value of the share, prior to the payment of any amount in respect of the ordinary shares, provided that such share shall have no further right to participate in the profits or assets of the company; and
- an irrevocable right to vote on any proposal to amend the preferences, rights, limitations and terms associated with such share.

Ordinary shares entitle the holders to the following:

- vote on any matter to be decided by the shareholders of the company and to one vote in the case of a vote by means of a poll;
- participate proportionately in any distribution made by the company;

- receive proportionately the net assets of the company upon its liquidation; and
- any other rights attaching to the ordinary shares in terms of the SA Act or any other law.

Redeemable preference shares entitle the holders to the following:

- on winding up of the company, the repayment, out of the surplus assets of the company, the subscription price paid together with payments of all arrear dividends;
- upon each allotment and issue of preference shares, the preference share shall be designated as a separate class of preference share;
- be redeemed at the discretion of the directors; and
- subject to the provisions in the memorandum of incorporation and the terms of issue, the holders of the preference shares shall not be entitled to vote, either in person or proxy, at any meeting unless certain conditions are met.

Directors have the authority to issue new shares per class subject to the amount that has been authorised.

Changes to the rights, preferences, limitations, number of authorised, classification and other terms of each class of share as set out in the memorandum of incorporation, may be changed only by an amendment to the memorandum of incorporation by special resolution of the shareholders.

Share issues and transfers

Any shareholder shall be entitled to transfer all or some of its equity to any company or entity controlled by that shareholder, subject to the consent of the board, which consent may not be unreasonably withheld.

Shares may only be disposed of in accordance with the provisions of the memorandum of incorporation, and no disposal of any shares which conflicts with any provision thereof shall be approved nor be permitted to be registered.

Any issue of shares, securities convertible into shares, or rights exercisable for shares in a transaction, or a series of integrated transactions, in accordance with the SA Act, require the approval of the shareholders by special resolution.

Director Compensation

The company may pay remuneration to the directors for their service as a director in accordance with a special resolution approved by the company's shareholders within the previous two years as prescribed by the SA Act.

The directors may also be paid all travelling and other expense incurred in connection with the business of KTH and attending required meetings.

Director election, term of office and removal

The board will consist of at least the minimum members as prescribed by the SA Act and not more than sixteen members.

The election of a director shall be conducted by the following process:

- shareholders shall nominate executive and non-executive directors based on their relevant shareholding whereby, subject to the provisions of the memorandum of incorporation, each full 7.5% of shares held shall entitle a shareholder to nominate one director;

- nominated directors must satisfy eligibility requirements as set out in the SA Act;
- shareholders shall vote in shareholders meetings on the nominated individuals; and
- the voting process shall include a series of votes, each of which relates to the candidacy of a single nomination.

Shareholders may exercise their entitled vote once, and an election requires a majority vote in support of the candidate. Election will take effect from registration of written notice at the company's registered office.

Each director shall serve for an indefinite term as contemplated in the SA Act.

Removal of a director requires the shareholder, which nominated the director, to propose the removal and the remaining shareholders to vote in support of this. A proposal of removal may be prompted by poor performance or a decrease in shareholding of the relevant shareholder to an insufficient level to maintain the relevant appointment.

Indemnity of Directors

The memorandum of incorporation contains provisions allowing for the indemnification of current and former directors in respect of defence of legal proceedings and liabilities as set out in the SA Act.

Shareholder meetings

The company will hold its annual general meeting at least once a calendar year and not more than 15 months after the holding of the previous annual general meeting.

Any director may convene a meeting of shareholders at any such time and in such manner and place, within or outside South Africa, as the directors consider necessary or desirable. Should the company be unable to convene a shareholder meeting because it does not have any directors or all are incapacitated, any shareholder may convene a meeting.

In addition, upon the written request of shareholders entitled to exercise 10% or more of the voting rights attaching to shares in respect of the matter for which the meeting is requested, the directors shall convene a general shareholder meeting.

The notice period for general meetings is set out in the memorandum of incorporation and provides that a general meeting requires not less than 10 days' notice to be made in writing.

In addition, general meetings may be called upon shorter notice if every shareholder, who is entitled to exercise voting rights in respect of any item on the meeting agenda, will be present at the meeting and votes to waive the required minimum notice.

Quorum for shareholder meetings

In terms of the memorandum of incorporation, in compliance with the SA Act, the number of shareholders constituting a quorum at any general meeting of shareholders of a company is at least 65.0% of the voting rights that are entitled to be exercised. Furthermore, if the company has more than two shareholders, at least three must be present in person or by proxy.

Disclosure of ownership interest

As per the memorandum of incorporation and the SA Act, every company must establish a securities register which keeps a record of all shareholders. As a result, the ownership interest of all shareholders must be disclosed. However there is no legal or contractual requirement for shareholders to disclose their ownership interests in a South Africa limited liability private company to the public and accordingly there is no obligation for the company to disclose this information.

18. MATERIAL CONTRACTS

No contracts (other than those being entered into in the ordinary course of business) have been entered into by KTH within the two years immediately preceding the date of this Document or which are, or may be, material to KTH at any time and contain obligations or entitlements which are, or may be, material to KTH as at the date of this Document.

19. RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 45 (on page 61) of the 2012 KTH Accounts, in note 47 on (page 90) of the 2013 KTH Accounts and in note 41 (on page 77) of the 2014 KTH Accounts, which are set out in Annex III of this Document.

20. LITIGATION

There are (and, in the 12 months preceding the date of this Document, there have been) no governmental, legal or arbitration proceedings (including any such proceedings which are, or were, pending or threatened of which KTH is aware) which may have, or had, in the recent past significant effects on KTH's financial position or profitability.

21. SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of KTH and its group since 31 December 2014, the date of the latest unaudited interim financial statements of KTH and its group, to the date of this Document.

22. SOURCE OF, AND THIRD PARTY INFORMATION

No information on KTH's website has been incorporated by reference into this Document.

Where information contained in this Document has been sourced from a third-party, the Company confirms that such information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Document, the source of such information has been identified.

PART E

SELECTED FINANCIAL INFORMATION

PART E I: SELECTED FINANCIAL INFORMATION ON BLACKSTAR

Audited consolidated financial information on the Company is published in the audited annual reports for the three years ended 31 December 2012 ("2012 Blackstar Accounts"), 31 December 2013 ("2013 Blackstar Accounts") and 31 December 2014 ("2014 Blackstar Accounts").

The 2012 Blackstar Accounts, 2013 Blackstar Accounts and 2014 Blackstar Accounts were prepared in accordance with IFRS and audited by BDO Malta, Tower Gate Place Tal-Qroqq Street Msida MSD 1703, Malta (Certified Public Accountants) and were reported on without qualification and contained no statements under the Companies Act.

The 2012 Blackstar Accounts, 2013 Blackstar Report and the 2014 Blackstar Accounts are set out in full in Annex I of this Document.

Selected financial information:

The following selected financial information for the financial years ended 2012, 2013 and 2014 has been extracted without material adjustment from or derived from the Company's financial statements for those periods.

Shareholders should read the following selected financial information in conjunction with the Company's audited financial statements for the financial years ended 31 December 2012, 2013 and 2014 and related notes which have been prepared in accordance with IFRS and have been audited by BDO Malta and are set out in Annex I of this Document.

The following pages refer to the unqualified audit reports.

Page no.	*Unqualified audit opinion*
17	2012 Blackstar Accounts
16	2013 Blackstar Accounts
16	2014 Blackstar Accounts

The Group's results are summarised as follows:

**Restated 31 December 2012 £'000*	*31 December 2013 £'000*	*31 December 2014 £'000*		*31 December 2014 R'000*	*31 December 2013 R'000*	**Restated 31 December 2012 R'000*
					Financial Position	
83,660	75,701	85,856	Total assets	1,545,466	1,319,555	1,152,318
(267)	(897)	(5,293)	Total liabilities	(95,280)	(15,624)	(3,687)
83,393	74,804	80,563	**Total net assets**	1,450,186	1,303,931	1,148,631
83,415	74,782	80,574	Total equity attributable to equity holders of the parent	1,450,392	1,303,566	1,148,925
(22)	22	(11)	Non-controlling interests	(206)	365	(294)
83,393	74,804	80,563	**Total equity**	1,450,186	1,303,931	1,148,631
102	93	99	**Net asset value per share (in cents/pence)**	1,784	1,620	1,400
82,088	80,447	81,297	**Actual number of shares in issue (net of treasury shares, in thousands)**	81,297	80,447	82,088

**Restated 31 December 2012 £'000*	*31 December 2013 £'000*	*31 December 2014 £'000*		*31 December 2014 R'000*	*31 December 2013 R'000*	**Restated 31 December 2012 R'000*
			Operating Results			
12,443	17,287	13,737	Income	245,289	261,025	183,031
(4,888)	(5,070)	(5,162)	Operating expenses	(92,172)	(76,541)	(63,662)
7,555	12,217	8,575	Operating profit	153,117	184,484	119,369
(1,489)	(14)	(407)	Net finance costs	(7,266)	(208)	(19,383)
6,066	12,203	8,168	Profit before taxation	145,851	184,276	99,986
(180)	15	8	Taxation	137	222	(2,342)
5,886	12,218	8,176	Profit for the year	145,988	184,498	97,644
(6,257)	(18,872)	(2,431)	Other comprehensive loss recognised directly in equity		–	–
(371)	(6,654)	5,745	**Total comprehensive income/(loss) for the year**	145,988	184,498	97,644
7.20	15.32	10.18	Basic and diluted headline earnings per ordinary share attributable to equity holders (in cents/pence)	181.77	231.34	119.32
82,088	79,476	80,642	Weighted average number of shares (net of treasury shares, in thousands)	80,642	79,476	82,088

* 31 December 2012 comparatives were restated due to the early adoption of *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement.* Due to this the Company was classified as an Investment Entity and is no longer required to consolidate some of its investments in subsidiaries nor equity account its investments in associates, and requires such entities to recognise all investments at fair value through profit and loss. This change in accounting policy was required to be accounted for retrospectively. Refer below for further details

During 2013, Blackstar met the criteria to be classified as an Investment Entity in terms of *IFRS 10 Consolidated Financial Statements* and elected to early adopt this Standard. IFRS 10 paragraph 31 includes an exemption from consolidation for entities which meet the definition of an Investment Entity, and requires such entities to recognise all investments at fair value through profit and loss and as such does not consolidate or equity account some of its investments. Instead, certain interests in subsidiaries and associates are classified as fair value through profit and loss and measured at their fair value. IFRS 10 paragraph 32 states where the entity controls an investee that provides services that relate only to the entity's own investment activities, it then consolidates that investee. In line with this, Blackstar also adopted the Standard *IFRS 13 Fair Value Measurement*, which provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values. This change in accounting policy was adopted for the year ended 31 December 2013 and as a result, the year ended 31 December 2012 comparative results were restated.

In the Statement of financial position, the investments' fair values are either calculated with reference to their listed share price, or for unlisted investments using a discounted cash flow model. Income in the form of dividends from investments in subsidiaries and associates are recognised in the Statement of comprehensive income as well as any fair value gains or losses arising on the investments.

Blackstar also elected to present the consolidated statement of financial position using the liquidity presentation. This change did not affect the quantitative value of amounts previously presented, however it no longer splits the Statement of financial position between non-current and current assets and liabilities.

PART E II: SELECTED FINANCIAL INFORMATION ON TMG

Audited consolidated financial information on TMG is published in the audited annual reports for the three years ended 30 June 2012 ("2012 TMG Accounts"), 30 June 2013 ("2013 TMG Accounts") and 30 June 2014 ("2014 TMG Accounts") and the unaudited financial information on TMG is published in the interim results for the six months ended 31 December 2014 ("FY15 TMG Interim Results").

The 2012 TMG Accounts, 2013 TMG Accounts and 2014 TMG Accounts were prepared in accordance with IFRS and audited by Deloitte & Touche, (South Africa) (registered auditor) and were reported on without qualification and contained no statements under the SA Act.

The 2012 TMG Accounts, 2013 TMG Accounts, 2014 TMG Accounts and FY15 TMG Interim Results are set out in full in Annex II of this Document.

Selected financial information:

The following selected financial information for the financial years ended 30 June 2012, 2013 and 2014 and the unaudited interim results for the six month period ended 31 December 2014 has been extracted without material adjustment from or derived from TMG's financial statements for those periods.

Shareholders should read the following selected financial information in conjunction with TMG's audited financial statements for the financial years ended 20 June 2012, 2013 and 2014 and related notes which have been prepared in accordance with IFRS and have been audited by Deloitte & Touche (South Africa) and are set out in Annex II of this Document.

The following pages refer to the unqualified audit reports.

Page no.	*Unqualified audit opinion*
65	2012 TMG Accounts
76	2013 TMG Accounts
55	2014 TMG Accounts

TMG Business Segments

	Media Rm	Broad-casting and Content Rm	Retail Solutions Rm	Books Rm	Entertainment Rm	Sub-total Rm	Eliminations Rm	Sub-total Rm	Corporate Rm	Share-based payment Rm	Total Rm
2014											
Revenue	1,917	421	1,657	–	–	3,995	–	3,995	–	–	3,995
Inter-segment revenue*	41	28	123	–	–	192	(192)	–	–	–	–
	1,958	449	1,780	–	–	4,187	(192)	3,995	–	–	3,995
Profit (loss) from operations before exceptional items	162	27	133	–	–	322	–	322	(29)	(21)	272
Depreciation	17	5	52	–	–	74	–	74	–	–	74
Amortisation	5	8	20	–	–	33	–	33	–	–	33
Exceptional items	(21)	(4)	(33)	–	–	(58)	–	(58)	145	–	87
Capital expenditure											
Property, plant and equipment	14	10	60	–	–	84	–	84	4	–	88
Intangible assets	2	3	3	–	–	8	–	8	–	–	8
2013											
Revenue	1,835	325	1,671	–	–	3,831	–	3,831	–	–	3,831
Inter-segment revenue*	284	41	245	–	–	570	(570)	–	–	–	–
	2,119	366	1,916	–	–	4,401	(570)	3,831	–	–	3,831
Profit (loss) from operations before exceptional items	156	1	108	–	–	265	–	265	(40)	–	225
Depreciation	18	3	59	–	–	80	–	80	–	–	80
Amortisation	4	6	22	–	–	32	–	32	–	–	32
Exceptional items	(9)	(19)	(54)	(77)	–	(159)	–	(159)	(39)	–	(198)
Capital expenditure											
Property, plant and equipment	25	8	65	13	17	128	–	128	1	–	129
Intangible assets	11	8	2	–	–	21	–	21	–	–	21
2012*											
Revenue	1,780	188	1,281	–	700	3949	–	3,949	–	–	3949
Inter-segment revenue**	351	2	120	–	122	595	(595)	–	–	–	–
	2,131	190	1,401	–	822	4,544	(595)	3,949	–	–	3949
Profit (loss) from operations before exceptional items	108	(8)	159	–	(35)	224	–	224	(31)	(6)	187
Depreciation	22	1	40	–	15	78	–	78	–	–	78
Amortisation	8	2	24	–	6	40	–	40	–	–	40
Exceptional items	14	–	3	–	(6)	11	–	11	(26)	–	(15)
Capital expenditure											
Property, plant and equipment	31	2	65	42	24	164	–	164	–	–	164
Intangible assets	14	2	3	2	4	25	–	25	–	–	25
Segment assets	900	25	1,234	759	828	3,746	–	3,746	193	–	3939
Segment liabilities	340	52	344	256	686	1,678	–	1,678	54	–	1732

Note:

* Include in Broadcasting and content are the results of BDFM which were reclassified into Media in 2013

** Charged on arm's length terms

- TMG's operating segments are components that engage in business activities from which they earn revenues and incur expenses, whose operating results are regularly reviewed by TMG's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance, and for which discrete financial information is available. In addition, each operating segment is headed up by a segment manager who is directly accountable to, and who maintains regular contact with the chief operating decision maker to discuss operating activities, financial results, forecasts and plans of the operating segment.

- The accounting policies of the reportable segments are the same as TMG's accounting policies.

- The products and services from which each reportable segment derives their revenues are set out in the segmental structure as described above, in the TMG Business Segments Table.

- Operational changes during 2014, including management changes and acquisitions and disposals, have resulted in changes in reportable segments. The relevant 2013 comparative financial information has been re-presented accordingly.

Condensed consolidated statement of profit or loss and other comprehensive income

	Six months ended 31 December 2014 Rm	*Six months ended 31 December 2013 Rm*
CONTINUING OPERATIONS		
Revenue	2,108	2,092
Gross profit	578	562
Profit from operations before exceptional items	172	171
Profit from operations	144	326
Net finance costs	(21)	(22)
Profit before taxation	118	310
Taxation	(38)	(89)
Profit (loss) from continuing operations	80	221
DISCONTINUED OPERATIONS		
Profit from discontinued operations	20	257
Profit after taxation before profit on disposals	(25)	24
Profit on disposals (net of capital gains tax)	45	233
Profit for the period	100	478
Total comprehensive income (loss) for the period	101	466
Earnings (loss) per ordinary share from continuing operations (cents)		
Basic	66	172
Diluted	66	171
Earnings (loss) per ordinary share from continuing and discontinued operations (cents)		
Basic	82	375
Diluted	81	373

Condensed consolidated statement of financial position

	As at 31 December 2014 Rm	*As at 30 June 2014 Rm*	*As at 31 December 2013 Rm*
ASSETS			
Non-current assets	1,740	1,669	1,565
Current assets	1,203	1,249	1,526
Non-current assets classified as held for sale	95	203	162
Total assets	3,038	3,121	3,253
EQUITY AND LIABILITIES			
Total equity	1,564	1,528	1,643
Non-current liabilities	506	514	528
Current liabilities	956	1,047	1,041
Liabilities directly associated with non-current assets classified as held for sale	12	32	41
Total equity and liabilities	3,038	3,121	3,253

The Group's continuing operations are all South African based while the discontinued operations are arranged into two geographical segments, namely South Africa and International. International operations comprise the United Kingdom, Australia and New Zealand.

Revenue from continuing operations	*2014 Rm*	*2013 Rm*	*2012 Rm*
South Africa	3,995	3,831	3,949

TMG has also developed a video-on-demand ("VOD") business called Vidi, which launched in September 2014, Vidi helps position TMG at the forefront of changing television and media trends. TMG has a 50% interest in this new business initiative.

TMG will launch several new digital sites in the coming months, including Sunday Times online and Rand Daily Mail online.

Exceptional factors affecting revenue and operations includes a potential competitor, Netflix, which offers a competitor product to Vidi. This could potentially affect anticipated income in the future if Netflix does in fact start operations in South Africa.

PART E III: SELECTED FINANCIAL INFORMATION ON KTH

Audited consolidated financial information on KTH is published in the audited annual reports for the three years ended 30 June 2012 ("2012 KTH Accounts"), 30 June 2013 ("2013 KTH Accounts") and 30 June 2014 ("2014 KTH Accounts").

The 2012 KTH Accounts, 2013 KTH Accounts and 2014 KTH Accounts were prepared in accordance with IFRS and audited by PricewaterhouseCoopers Incorporated (South Africa) a member of the Independent Regulatory Board of Auditors ("IRBA") of South Africa and were reported on without qualification and contained no statements under the SA Act.

The 2012 KTH Accounts, 2013 KTH Accounts, 2014 KTH Accounts are set out in full in Annex III of this Document.

Selected financial information

The following selected financial information for the financial years ended 30 June 2012, 2013 and 2014 has been extracted without material adjustment from or derived from the KTH's audited financial statements for those years.

Shareholders should read the following selected financial information in conjunction with KTH's audited financial statements for the financial years ended 30 June 2012, 2013 and 2014 and related notes which have been prepared in accordance with IFRS and have been audited by PricewaterhouseCoopers and are set out in Annex III of this Document.

The following pages refer to the unqualified audit reports.

Page no.	*Unqualified Audit Opinion*
6	2012 KTH Accounts
11	2013 KTH Accounts
10	2014 KTH Accounts

The group and company results are summarised as follows:

Financial position

	Group 2014 R'000	*Group restated 2013 R'000*	*Group restated 2012 R'000*
Total assets	13,773,085	14,661,884	14,884,307
Total equity	7,187,869	9,493,271	9,252,659
Total shareholders' equity	6,305,291	7,235,288	6,854,041
Non-current liabilities borrowings	4,669,876	3,783,032	2,558,512
Current liabilities borrowings	272,714	45,770	1,148,598
Liabilities of disposal group classified as held-for-sale	356,084	3,960	–
Total borrowings	5,298,674	3,832,762	3,707,110
Intrinsic value*	8,538,500	8,342,100	7,394,400[1]

* Based on independent valuation

Operating results

	Group 2014 R'000	Group restated 2013 R'000	Group 2012 R'000
Revenue	1,582,607	1,357,614	1,068,133[1]
Operating profit	183,706	122,345	274,297[1]
Other gains/(losses) net	(299,568)	(186,676)	506,622[1]
Net impairments (losses)/recoupments	(274,357)	(36,248)	(350,498)[1]
Finance cost	(435,210)	(389,031)	(429,286)[1]
Income tax expense	(166,548)	10,328	(495,183)[1]
Profit attributable to the owners of the parent	(232,785)	415,064	41,493[1]

1 Figures extracted directly from the 2012 KTH Consolidated Financial Statements which have not been restated.

1. REVIEW OF FINANCIAL PERFORMANCE

The intrinsic value of KTH increased by 13% in 2013 and by 2% in 2014 indicating improved performance. KTH shows solid solvency and liquidity levels and improved revenue levels in the 2012 KTH Accounts, 2013 KTH Accounts and 2014 KTH Accounts that are presented in this Document. KTH is largely happy with the performance in the previous 3 years and confident the company is on track to continue to good news.

a. Summarised consolidated statement of financial position and comprehensive income

Statement of Financial position

	Group 2014 R'000	Group restated 2013 R'000	Group restated 2012 R'000
Total assets	13,773,085	14,661,884	14,884,307
Total equity	7,187,869	9,493,271	9,252,659
Total shareholders' equity	6,305,291	7,235,288	6,854,041
Non-current liabilities borrowings	4,669,876	3,783,032	2,558,512
Current liabilities borrowings	272,714	45,770	1,148,598
Liabilities of disposal group classified as held-for-sale	356,084	3,960	–
Total borrowings	5,298,674	3,832,762	3,707,110
Intrinsic value*	8,538,500	8,342,100	7,394,400[1]

* Based on independent valuation

Statement of comprehensive income

	Group 2014 R'000	Group restated 2013 R'000	Group 2012 R'000
Revenue	1,582,607	1,357,614	1,068,133[1]
Operating profit	183,706	122,345	274,297[1]
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Finance cost	(435,210)	(389,031)	(429,286)[1]
Income tax expense	(166,548)	10,328	(495,183)[1]
Profit attributable to the owners of the parent	(232,785)	415,064	41,493[1]

1 Figures extracted directly from the KTH Consolidated Financial Statements which have not been restated.

As discussed in detail below, there were certain restatements that occurred in the 2013 and 2014 financial years. As such it must be noted the 2012 figures are not comparable.

The statement of financial position:

i. During 2013, KTH raised two new bonds KSB 007 (R250 million) and KSB 008 (R600 million) respectively. The funds raised through the bond programme were used to retire certain preference share debt that was due and to bolster cash resources for future investments.

ii. The KM buy-out transaction comprised the elimination of non-controlling interest (“NCI”) of R1.4 billion as well as a charge to equity of R521 million being the difference between the purchase and the book value of the NCI at the time of the transaction. The KM transaction also included the raising of R1.2 billion in term debt which impacted on the KTH gearing ratios in 2013 and 2014.

iii. The impact of the adoption of revised and new accounting standards IFRS 10, IFRS 13 and IAS 28R. The most significant impact was that brought about by the expanded definition of significant influence in terms of IAS 28R, which resulted in the reclassification of investments in MMI, Methealth and Emira Property Fund from financial assets to associates. The changes resulted in KTH’s profit for 2013 and 2014 being restated.

iv. KTH restructured its management share incentive scheme in 2014, which resulted in the redemption of the Cardona preference shares R600 million and the raising of debt at Cardona and KTH levels to fund the redemption. The shares previously held by the KTH Share Participation Trust are now held by KTH as Treasury Shares.

The statement of comprehensive income:

i. In 2014 and 2013, positive revenue growth was driven by good performances from investments in KM and KAM. Specifically in 2013 the impact of fair value assets and a significantly lower tax charge for the year under review contributed to the improvement.

ii. KTH posted fair values losses of approximately R300m in 2014 mainly due to fair value adjustments relating to its listed assets portfolio comprising Exxaro, Adcock and Aveng which was partly offset by a fair value gain in respect of the MMI convertible preference shares. 2013 saw pleasing fair value gains from MMI, Emira Property Fund and AECI Limited however this was partly offset by fair value losses relating to Exxaro.

iii. In 2014 KTH accounted for impairments relating to associates Actom, Fidelity Bank and Emira Property Fund. The Actom impairment was partly due to valuation accounting pursuant to IFRS 13 informed by the KPMG independent valuation. The Fidelity Bank investment was valued at original transaction price and the impairment is as result of the devaluation of the Ghanaian Cedi.

iv. The strong revenue growth in 2014 contributed to an improvement in operating margins from 9% to 12% year on year. Net profit was impacted in 2012 by a R455m deferred income tax charge as a result of a change in KTH accounting policy for deferred tax as well as impairment charges of R350m.

b. **Factors affecting comparability**

In the KTH annual financial statements presented in this Document there have been certain changes in the accounting policies in the 2013 and 2014 financial years. As per IAS 8, it is required that a company restate comparative information in the event of a change in accounting policy. The statement of financial position is required to be restated to display 2 comparative years whilst the statement of comprehensive income will include only one comparative year restated. In addition IAS 1 does not require the notes of the financial statements to be restated for 2 comparative years. This has a significant impact on the information that has been presented in the annual financial statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 as the 2012 figures will not be comparable to 2013 and 2014.

KTH applied a change in accounting policy, effective 1 July 2012. The new policy specifically related to and catered for investments in joint ventures in accordance with the transition provisions of IFRS 11. IFRS 11 requires equity accounting of joint ventures and eliminates the proportionate consolidation option of accounting. Previously, the Group proportionately consolidated all joint ventures which entailed that it included its share of the assets, liabilities, income and expenses of jointly controlled entities on a line-by-line basis in its financial statements.

Under the equity method, the investments in joint ventures is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group’s share of the profit or loss and movements in other comprehensive income of joint ventures after the date of acquisition. The Group’s share of the profit or loss of joint ventures is recognised in a single line item in profit or loss under the equity method.

In the 30 June 2014 financial year there was an amendment to IAS 28R requiring an entity to apply a consistent accounting policy to all investments held by a Venture Capital organisation; accordingly the Group has, in the 2014 financial year, changed its accounting to equity account all its associates. In addition, the Group has reassessed whether it is a Venture Capital organisation and consistent with the conclusion, the Group will only equity account for its associates.

In addition, the adoption of a standardised policy for deferred tax in relation to all fair value assets acquired as a result of the merger of the Tiso Group and KTI in July 2011 and a number of operations were classified as discontinued operations in accordance with IFRS 5, non-current assets classified as held-for-sale and discontinued operations in the current year.

ANNEX I

FINANCIAL INFORMATION ON BLACKSTAR

BLACKSTAR

Blackstar Group SE
Annual Report and Accounts 2012

Contents

Annual report and accounts 2012

Highlights

During the review period

- Blackstar disposed of half its interest in the Litha Healthcare Group Limited, resulting in a 4.6 times return on investment
- The successful realisation of value in New Bond Capital Limited ("NBC") allowed for a return of capital to NBC shareholders. The calculated return on investment was 27.5% (in South African Rands) and 12.9% (in Pounds Sterling) over the 10 month period that the investment was held by Blackstar
- With the realisation of the NBC investment, Blackstar also repaid the Investec Bank acquisition facility
- The disposal of services derivatives resulted in a 2.28 times return on investment
- Blackstar generated R22.1 million (£1.7 million) in corporate finance and monitoring fees
- Successful launch of the Blackstar Special Opportunities Fund in October 2012

Post the review period

- During 2013, Blackstar increased its interest in Times Media Group Limited to 18.3%
- On 4 March 2013, Blackstar launched an offer to acquire the entire share capital of NBC
- Blackstar bought back 5.9 million shares at 79 pence (R11.07) per share. These shares will be re-issued at 91 pence (R12.47) for the purposes of the NBC transaction
- As at 31 March 2013, the intrinsic Net Asset Value ("NAV") per share was R14.72 (£1.05)
- In April 2013, Blackstar Global Opportunity Fund was launched focusing on global markets
- Blackstar announces its intention to declare a final dividend of 17 South African cents (1.21 pence) per ordinary share

Director's statement

Introduction

The period under review has in many ways been a watershed year for Blackstar Group SE ("Blackstar" or "the Company" or "the Group"), one which we believe has set a solid foundation for the Company.

We concluded three large transactions during the year, including the sale of 50% of Blackstar's shareholding in Litha Healthcare Group Limited ("Litha") at a significant premium relative to its cost.

In November 2012, Blackstar disposed of its listed services derivative investment via a series of on-market sales for cash consideration of R151.6 million (including dividends received), generating a 2.28 times return on investment in South African Rand and 2.04 times money on investment in Pounds Sterling, which equates to a 16% IRR and a 14% IRR, respectively, over the 6 year and 4 month holding period.

In January 2012, the Company acquired a significant shareholder interest in the South African investment company New Bond Capital Limited ("NBC") (formerly Mvelaphanda Group Limited, "MVG"). Following this acquisition we assumed the day-to-day management control of NBC in February 2012. We successfully realised NBC's assets within the year, and the proceeds of the sale were paid out to NBC shareholders. The NBC investment also enabled Blackstar to conclude a transaction for Times Media Group Limited ("TMG"), formerly Avusa Limited whereby TMG shares were distributed in the form of a dividend in specie to NBC shareholders. We arranged, structured, led and concluded this transaction in October 2012 which saw Blackstar receive a direct shareholding in TMG.

In May 2012, the Company completed the transfer of its registered office from the United Kingdom to Malta and its tax residency from Luxembourg to Malta. The move to Malta has already delivered improved efficiencies and reduced the administrative and legal costs which arise from being present in two jurisdictions.

In January 2013 I took over as the hands-on CEO of TMG. Having conceived the opportunity and executed the deal, it made sense for Blackstar to drive the changes required for repositioning TMG.

During 2012, Blackstar generated corporate finance and monitoring fees of R22.1 million (£1.7 million) compared to R5.2 million (£0.4 million) in the prior year. By the end of the year we managed to increase our intrinsic NAV from R1.0 billion (£82.0 million) in December 2011, to R1.1 billion (£82.6 million) as at end December 2012.

Annexure A includes a breakdown of the intrinsic NAV of Blackstar as at 31 March 2013. This provides shareholders with a useful analysis of the current, true inherent value of each investment held.

Investment and Market Review

NBC

In January 2012, Blackstar acquired 28% of NBC (formerly MVG) for a total cash consideration of R470.0 million (£37.4 million), equivalent to R3.21 (£0.26) per NBC share. With this, Blackstar became the largest single investor in NBC.

To fund the acquisition, Blackstar utilised R150.0 million (£12.0 million) of its own cash resources together with R320.0 million (£25.9 million) from a debt facility provided by Investec.

William Marshall-Smith and I were appointed to the NBC Board and assumed the roles of Interim Financial Director and Interim Chief Executive Officer respectively. Our specific objective was to unbundle and further realise the value of NBC's remaining investment portfolio in the most efficient manner possible. Blackstar subsequently realised all the investments and returned the capital to shareholders in January 2013.

Prior to this, in November 2012, Blackstar had sold its investment in NBC for a total return of R194.8 million (£13.7 million). However, Blackstar continues to manage NBC, recovering the costs to do this directly from NBC in the form of fees and salaries.

NBC became a cash shell following the special dividend payment to shareholders in January 2013. NBC continues to retain capital in order to fund liabilities and contingencies which may arise. On 4 March 2013, Blackstar launched an offer to acquire all of the shares in NBC via an issue of Blackstar shares. The terms of the offer are 1.12 Blackstar shares in return for every 100 NBC ordinary shares held. NBC has a NAV of R80.6 million (£5.9 million), which comprises entirely of cash.

We view this transaction as essentially a placing, to enable Blackstar to get additional cash into the Company on an attractive basis. Blackstar will re-issue the shares it recently bought back at 79 pence (R11.07), currently held as treasury shares, at a higher price of 91 pence (R12.47).

The transaction, which is expected to close in early June 2013, will increase Blackstar's asset base whilst reducing the cost base as a percentage of assets. In light of these benefits, Blackstar intends to try and identify similar acquisitions in the future.

Steel investments

Blackstar's steel and infrastructure interests include Global Roofing Solutions (Pty) Limited ("GRS"), Stalcor (Pty) Limited ("Stalcor"), and Robor (Pty) Limited ("Robor"). These businesses represent 22.4% of Blackstar's current gross intrinsic asset value as at 31 March 2013.

We remain conservative in the intrinsic NAV valuation of our steel interests. However, I maintain that these assets will prove very valuable should the promise of increased infrastructure spend become a reality.

GRS

Blackstar currently holds 100% of GRS, with its principle businesses being HH Robertson ("HHR") and Brownbuilt Metal Sections ("Brownbuilt"). These companies have been in existence since 1958 and 1964, respectively. GRS is the largest steel roofing and cladding company in South Africa.

The 2012 financial year was one of rapid change for GRS with the closure of the coil-to-coil coating line, and the consolidation of the Gauteng operations into a single facility. Both events resulted in abnormal costs totalling R14.3 million (£1.1 million) being incurred. We do however expect substantial cost-savings and streamlining of management as a result, and we look forward to improved efficiencies and greater productivity.

The recent Arcelor Mittal breakdown and the Medupi Power Station strike placed pressure on GRS with regard to meeting delivery requirements. However, the recent consolidation of operations has created improved controls and cost-efficiencies which mitigate some of the issues. I remain confident that the numbers will move in the right direction.

GRS's Namibian business continues on its path of strong growth. In 2012 we installed manufacturing facilities in Windhoek to enable a shorter and more cost-effective route to market, to satisfy the fast-growing industries in Angola and the Democratic Republic of Congo ("DRC"). GRS continues to grow its exports into Africa.

Robor

Robor is the largest steel tube and pipe manufacturer in southern Africa, and services the following industries:

- Agriculture
- Automotive
- Building and Construction
- Energy and Power Generation
- Manufacturing
- Mining
- Petrochemical
- Rail and Road
- Water Reticulation

Robor has a large export market with over one million tons of its products exported worldwide.

For the financial year ending 30 September 2012, Robor produced a solid set of financial results despite a tough trading environment. Robor succeeded in reducing group debt, and paid a dividend to shareholders.

The outlook for the remainder of the financial year looks encouraging, with volumes increasing. Robor will continue its African growth strategy by developing the company's businesses in Namibia, Botswana, Zimbabwe, Zambia, DRC and Mozambique.

At year end, Blackstar held 6.1% in Robor after purchasing additional shares at a total price of R5.0 million (£0.4 million) during the year. In February 2013, Blackstar spent a further R2.0 million (£0.1 million) buying Robor shares at an attractive valuation.

Stalcor

Stalcor is a tier-one distributor for both Columbus (stainless steel) and Hulamin (rolled, flat and extruded aluminium) products.

In June 2012, Blackstar brought in an equity partner into Stalcor who injected R5 million into the business. At the same time ordinary shares of Stalcor were allocated to the equity partner, as well as to management and a customer loyalty trust, bringing Blackstar's equity holding down to 50.1%. As the capital providers to Stalcor, Blackstar and its equity partner will be entitled to 18% of retained income (sharing in a ratio of 90:10 in favour of Blackstar) prior to other ordinary shareholders receiving any equity benefits.

At the beginning of 2012, we put in a new management team and this has resulted in Stalcor regaining lost market share, with sales in the second half of the year growing by 27%. The new management has done a superb job of managing working capital and strengthening their regional branches in Kwa Zulu Natal and Cape Town and enhancing their facilities with both banks and trade suppliers. We believe 2013 will remain a difficult macro environment however management are looking at a number of opportunities to enhance the business.

Litha

Following Blackstar's disposal of half of its investment in Litha for R200.6 million (£15.6 million) in June 2012, Blackstar held 13.4% of Litha as at year end. Litha is carried at a value of R260.6 million (£18.6 million) in the intrinsic NAV table and represents 23.3% of intrinsic net assets as at 31 March 2013.

Litha's 2012 financial results were negatively impacted by a number of once-off merger factors, the weakening Rand, and higher operating costs that all reduced Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") – overall a very disappointing year. The physical merger of Litha Pharma and Pharmaplan is complete. However, there are still opportunities to improve efficiencies and reduce operating costs which will come into effect during 2013.

Litha's strategy for shifting into a revenue growth phase includes acquiring new products, signing more agencies, and maintaining organic growth. Litha will continue to broaden its footprint in the SADC region via joint ventures and licensing agreements with regional distributors.

TMG

Blackstar obtained its initial 11.5% interest in TMG as a result of a distribution of TMG shares by NBC to its shareholders. Subsequent to year end, Blackstar acquired further shares in TMG and as at 31 March 2013 Blackstar held a 15.6% interest in TMG with a fair value of R312.7 million (£22.3 million), representing 27.9% of Blackstar's total intrinsic net asset value. By April 2013, Blackstar had increased its stake to 18.3% through the purchase of additional TMG shares.

As mentioned previously, I recently assumed the day-to-day running of TMG. TMG is an interesting opportunity. It is a business that has lost its way through the 2000's but owns some of South Africa's most well-known media publications, and is content rich.

TMG produces very strong cash flows and has remained profitable despite various issues. Firstly, TMG is a leverage opportunity: as the acquisition finance is repaid, the equity value will increase and we expect the TMG market capitalisation to rise as a result. To date, TMG has repaid 22% of its acquisition leverage within a five month period. The leverage has allowed TMG to focus the business and bring efficiencies to its underlying operations.

Over the coming months, it is our intention to focus on the business' core operations. We will sell-off the non-core assets to reduce the leverage further, while having little impact on TMG's EBITDA. It is our view that TMG is a potentially very valuable and profitable platform.

In our view TMG is also more than just a newspaper print business, it generates and owns a lot of content. We will be launching live streaming radio in May 2013 and developing our Television assets further utilising the content that TMG currently owns.

Blackstar Real Estate

Blackstar owns a number of commercial properties based in the industrial, retail and commercial sectors of the property market. The most recent acquisition was the commercial property in Midrand, Gauteng, South Africa which was acquired in the first half of 2012 and is now occupied by Litha under a 12 year lease.

Blackstar Fund Managers – Hedge Fund

Over the past seven years, Blackstar has developed a successful and profitable track record making portfolio investments in various listed instruments, and employing its private equity processes and hedge fund strategies. In order to leverage off this track record and establish a fund management platform, Blackstar has launched both a local fund (South African focused) and a global hedge fund. Both funds have been seeded by Blackstar along with some other investors.

Blackstar has partnered with well-known, experienced hedge fund managers with impressive track records to complement Blackstar's existing intellectual capital and created Blackstar Fund Managers (Pty) Limited ("BFM"). Fund management is a scalable business and with relatively small capital investment, reasonable earnings can be produced as funds under management grow.

The Blackstar Special Opportunities Fund ("BSOF") has had a satisfactory start since launching on 1 October 2012, returning 8.3% up to March 2013.

BSOF is a multi-strategy fund with an emphasis on special opportunities within the South African market. Positions will be extensively researched using private equity research and analysis techniques to establish fundamental reasons for a difference between the price and value of a security. Technical analysis will overlay the investment process to maximise entry and exit pricing. Blackstar Group SE invested R20.8 million (£1.5 million) into the fund. BSOF has been consolidated in the 2012 annual financial statements.

The Blackstar Global Opportunities Fund ("BGOF") launched at the beginning of April 2013. The BGOF is a global USD multi-strategy fund holding only highly liquid global securities in a combination of longer term long and short positions, and shorter term trading positions.

Longer-term holdings will be based on fundamental analysis and valuation, while trading will be based on high-risk return propositions. Technical and quantitative analysis will overlay the investment and trading processes. The size and liquidity of the fund universe makes it possible to significantly scale this business.

Other investments

The December 2011 report detailed that by 2012 year-end, Blackstar would hold an investment of R19.1 million (£1.4 million) in Shoprite Holdings Limited ("Shoprite"). At 31 March 2013, the investment had a fair value of R20.7 million (£1.5 million) representing 1.7% of Blackstar's current intrinsic net asset value as at 31 March 2013.

The decision to purchase the Lusaka shares was driven by the fact that Shoprite Lusaka traded at a 43% discount to the JSE share price at the time of acquisition. The discount has persisted and is now at a 38% discount to the Shoprite JSE price. Unfortunately the pending Shoprite litigation has frozen share trading activity.

Shoprite has also suspended all dividends to shareholders on the Zambian exchange pending the outcome of the legal action against Lewis Nathan and Lusaka shareholders. Blackstar, along with other shareholders, has engaged Shoprite on this matter and is working to resolve the shareholder element of the dispute. We maintain our position that Shoprite is mistaken in challenging Lusaka shareholders, and that Blackstar will succeed in any legal proceedings.

Services derivatives which had an underlying exposure to Bidvest Group Limited were sold during November 2012 for R151.6 million (£11.6 million). The realisation generated a 2.28 times return on investment in South African Rands and 2.04 times money on investment in Pounds Sterling.

Financial Review

In light of the fact that a significant portion of Blackstar's shareholders are South African, Blackstar now presents its results in South African Rand in addition to Pounds Sterling. Comparatives have also been provided in Rands. The applicable exchange rates utilised to translate the financial information from Rands to Pounds Sterling are as follows: average ZAR/GBP exchange rate for the 12 months ended 31 December 2012 of 13.015 (2011: 11.629) and a closing ZAR/GBP exchange rate of 13.773 as at 31 December 2012 (12.546 as at 31 December 2011).

The subsidiaries of Blackstar including Blackstar Group (Pty) Limited ("Blackstar SA"), BFM, GRS and its subsidiaries, Stalcor, Blackstar Real Estate (Pty) Limited ("BRE") and its subsidiaries have been consolidated in accordance with IFRS. In addition to these, the hedge fund BSOF has also been consolidated due to the fact that Blackstar has a controlling interest in the General Partner to the fund and also a beneficial interest in BSOF in the form of a direct investment. The associate Navigare Securities (Pty) Limited ("Navigare") has been equity accounted. Litha was also equity accounted up until the date of sale of half of the investment at which point it ceased to be an associate and the remaining investment was transferred to the investments held at fair value through profit and loss category within the balance sheet and fair valued.

Financial performance

The statement of income separately reports profit generated by continuing and discontinued operations. The discontinued operations separately reported includes the results of the associate Litha until June 2012, being the date on which Blackstar disposed of half of its Litha shares, the results of Ferro Industrial Products (Pty) Limited to date of disposal in June 2011 as well as Stalcor's operations discontinued or disposed of during the 2011 financial year. Comparatives have been restated to separately disclose these discontinued operations.

A gross profit of R153.1 million (£11.8 million) was generated by the Group's trading businesses, Stalcor, and GRS and its subsidiaries (2011: R141.5 million, £12.2 million).

Other income of R291.1 million (£22.3 million) comprises mainly of the following: net gains on investments of R19.9 million (£1.7 million); dividends from investments of R212.9 million (£16.4 million), fee income of R22.1 million (£1.7 million), R10.5 million (£0.8 million) of rental income generated by the Group's property portfolio and a R9.5 million (£0.7 million) fair value increase on two of the properties within the Group.

Blackstar was successful in generating additional fee income during the current year and as a result increased fee income by R16.9 million (£1.2 million) to R22.1 million (£1.7 million) when compared to the comparative year.

Dividends of R212.9 million (£16.4 million) include a capital distribution received by Blackstar from NBC in the form of TMG shares which were valued at R209.4 million (£16.1 million) being the closing TMG share price on the date the shares were received.

Gains on investments include a R125.3 million (£9.6 million) gain recognised when the remaining investment in Litha was transferred from the investment in associate category to investments at fair value through profit and loss and fair valued to its closing share price at 31 December 2012, and a R35.1 million (£2.7 million) realised gain recognised during the 2012 year on the services derivative investment.

Operating expenses for the Group have reduced from R351.5 million (£29.4 million) in 2011 to R246.5 million (£18.7 million) for the 2012 financial year mainly as a result of a decline in the total amount of impairment recognised in the current financial year . Included in operating expenses are total impairments of R57.4 million (£4.2 million) recognised on goodwill, intangible assets, plant and equipment, and investment properties (2011: R153.8 million, £12.4 million).

Fee income generated from investments of R22.1 million (£1.7 million) covers operating costs incurred by the investment activities segment excluding legal fees and staff incentive costs which are deal specific of R21.7 million (£1.7 million).

The Group generated an operating profit of R197.7 million (£15.4 million) in the current year compared to a loss of R118.6 million (£16.0 million) in the prior year. The main reasons for this significant improvement was a reduction in operating expenses and additional income generated from investments in the form of fee income and gains on disposals.

Net finance costs increased from R17.9 million (£1.5 million) in 2011 to R33.7 million (£2.6 million) in 2012. This is mainly as a result of the borrowings raised to finance the initial NBC acquisition (this debt was settled prior to year end on disposal of the investment), as well as additional mortgage bonds taken out to fund the new property acquisition.

The profit after tax from continuing operations for the year ended 31 December 2012 amounted to R164.2 million (£12.8 million).

A profit of R128.2 million (£7.7 million) was generated by discontinued operations and comprises equity accounted earnings of Litha amounting to R70.0 million (£5.6 million) to date of disposal of 50% of the Litha investment, a net gain of R63.2 million (£2.5 million) recognised on disposal of the investment, and a R5.0 million (£0.4 million) loss arising as a result of further costs incurred during the current year relating to Stalcor's operations which were discontinued in the prior financial year.

The Group reported a profit attributable to equity holders of the parent of R292.4 million (£20.5 million), and basic and diluted earnings of 356.16 cents (25.03 pence) per share and headline earnings of 273.59 cents (21.11 pence) per share.

Balance sheet changes

Total equity attributable to equity holders amounted to R1.1 billion (£83.1 million) as at 31 December 2012.

Investments at fair value through profit and loss amounted to R610.0 million (£44.3 million) as at 31 December 2012 and mainly comprised the following carried at fair value: investment in Litha carried at R262.8 million (£19.1 million), TMG investment of R195.0 million (£14.2 million), R60.0 million (£4.4 million) investment in Robor, and the BSOF investment portfolio with a fair value of R53.1 million (£3.8 million).

Investments classified as loans and receivables declined by R25.7 million (£2.1 million) to R1.7 million (£0.1 million) mainly due to disposals during the year.

Investment properties increased by R13.5 million (£0.4 million) to R101.6 million (£7.4 million) mainly as a result of the acquisition of the new commercial property for R5.4 million (£0.4 million) which is occupied by Litha under a 12 year lease, as well as fair value increases of R9.5 million (£0.7 million) which were partially offset by an impairment of R4.1 million (£0.3 million).

Goodwill was impaired by a total of R30.4 million (£2.2 million) which includes an impairment of R26.8 million (£1.9 million) on the remaining goodwill relating to Blackstar SA on the internalisation of investment advisory arrangements, and a R3.6 million (£0.3 million) impairment being recognised on goodwill relating to one of GRS's South African subsidiaries. The goodwill recognised on the internalisation of the investment advisory arrangement has now been impaired to nil which is in line with the terms of the investment advisory arrangements. Goodwill is tested for impairment at each reporting date. The remaining goodwill of R9.0 million (£0.6 million) mainly comprises goodwill recognised on the GRS subsidiary in Namibia of R8.1 million (£0.6 million).

As at 31 December 2012, intangible assets of R22.7 million (£1.7 million) comprise acquired marketing-related intangibles (brand names and registered trademarks) that arose on the acquisition of GRS. This is after an impairment of R11.7 million (£0.9 million) was recognised on these intangible assets, as a result of difficult market conditions during the year.

Gross assets increased from R1,2 billion (£95.2 million) in 2011 to R1,5 billion (£106.6 million) as at 31 December 2012. The main reasons for this are the increase in cash generated on successful realisation of investments which was then utilised to grow the investment portfolio as well as an increase in value of the investments held.

Borrowings and other financial liabilities amounted to R180.2 million (£13.1 million) compared to R185.3 million (£14.8 million) at 31 December 2011 and mainly comprises mortgage bonds raised by property companies amounting to R82.4 million (£6.0 million) as well as R71.9 million (£5.2 million) of invoice discounting facilities utilised by Stalcor and GRS. The borrowings raised to finance the acquisition of the interest in NBC were settled on the subsequent realisation of the investment. All debt is ring-fenced within each subsidiary.

Cash and cash equivalents increased by R96.9 million (£5.2 million) during the current financial year to an amount of R351.9 million (£25.5 million) as at 31 December 2012. Significant cash flow movements during the period included a R657.2 million (£50.3 million) cash outflow on purchases of investments, proceeds of R671.1 million (£51.4 million) received in cash on the disposal of investments and a R200.6 million (£15.7 million) cash inflow on disposal of half of the investment in Litha.

Share buy-backs

In January 2013, Blackstar purchased 5.9 million ordinary shares of €0.76 each in the Company at a price of 79 pence (R11.07) per share, representing 7.19% of the issued ordinary share capital prior to such purchases. The shares are currently being held in treasury.

Dividends

As a reflection of the strengthened financial position and cash reserves available to Blackstar, the Board has resolved to declare a final gross dividend of 17 South African cents (1.42 cents in Euros and 1.21 pence in Pounds Sterling) per ordinary share. The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Thursday, 18 April 2013 of EUR 1 = ZAR 11.983 and GBP 1 = ZAR 14.000. The Board recognises that regular dividends are an important part of shareholder wealth creation.

The dividend will be paid in accordance with the salient dates and times set out below:

Last day to trade on the South African register	Friday, 7 June 2013
Trading ex-dividend commences on the South African register	Monday, 10 June 2013
Last day to trade on the UK register	Tuesday, 11 June 2013
Trading ex-dividend commences on the UK register	Wednesday, 12 June 2013
Record date for shareholders recorded on the UK and South African registers	Friday, 14 June 2013
Date of payment	Tuesday, 18 June 2013

Share certificates may not be dematerialized or rematerialized between Monday, 10 June 2013 and Friday, 14 June 2013, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend Tax will be withheld from the amount of the gross dividend of 17 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 14.45 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 82,088,422 shares in issue (which includes 5,900,000 shares held in treasury) at the date on which the dividend was announced, 19 April 2013. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend. There are no Secondary Tax on Companies ("STC") credits available for use.

Blackstar Foundation

Blackstar is committed to reaching out to those less fortunate and giving back to the community. The Blackstar Foundation, a non profit organisation, has been registered and will focus on the education of underprivileged children, providing bursaries, educating, and funding the tools required to assist with their education. Blackstar has donated R1.0 million (£0.08 million) to the Foundation and third parties have donated a further R0.2 million (£0.02 million). These funds have been invested and returns generated will be utilised by the Blackstar Foundation to fund the education of identified individuals. The Blackstar Foundation will continue to source further donations from Corporates and individuals.

Blackstar: Management Incentive Scheme

At present, Blackstar does not have a formalised share incentive scheme in place to remunerate and retain Management. As such the Board is proposing to implement a share incentive scheme that will be presented at the upcoming Annual General Meeting of the Company and put to a Shareholder vote.

Much of Blackstar's success is based on the intellectual capital that is held within its current management. We are constantly in competition with other companies and funds (with share incentive schemes already in place) who vie for the talent we currently hold within our ranks. It has become imperative for Blackstar to introduce a share incentive scheme that levels the playing field, allowing us to retain and attract new talent, and effectively grow the Company.

For Blackstar to align all Management incentives with the performance expectations of our Shareholders is vital. The proposed scheme will therefore be linked to the NAV per share of the Company. Share prices will fluctuate over time but ultimately NAV per share will drive the Company's share price. When making asset allocation decisions, Management will explore all opportunities to create value on a per share basis, which may include share buy backs.

The share incentive scheme will be structured so that it is non-dilutive for Shareholders. This means that participants in the scheme will accrue shares based on a portion of the NAV growth per share that has been created. In order to retain talent over the long-term, participants will receive the value of their share incentives incrementally, over a defined period of time.

The Board believes that through this model, Management will be motivated to drive share performance, and align with our Shareholders' interests.

Outlook

The 2012 period under review has been a busy and successful year for Blackstar. Several investments have been realised with pleasing returns and the remaining investments have been re-assessed and reviewed during the year ensuring they are well-positioned to generate profitable returns going forward. TMG is proving to be an exciting opportunity and the successful finalisation of the NBC transaction will enhance Blackstar's balance sheet placing it in a good position to invest in new, attractive ventures. Blackstar maintains a strong focus on cost control and lowering these as a percentage of total assets.

It is our view that there may be opportunities for Blackstar to potentially absorb some of the operating companies which are currently in realisation mode, have decent assets, and which trade at large discounts to their intrinsic NAV.

It has been well publicised that the Cypriot government has been attempting to push through a levy on all deposits held in the island's banks in return for an EU bailout. This will have no impact on Blackstar as although it has a subsidiary registered in Cyprus, Blackstar (Cyprus) Investors Limited, none of the Group's bank accounts are held with Cypriot banks.

Subject to them being endorsed for use in the EU, Blackstar intends to adopt the Investment Entities amendments to IFRS 10, IFRS 12, and IAS27. These amendments introduce an exception to the principle that all subsidiaries need to be consolidated and instead allows investment entities to measure the investments in particular subsidiaries at fair value through profit and loss. As a result of adopting these amendments the Blackstar consolidated statement of financial position would be more closely aligned with the intrinsic NAV of the Group.

Andrew Bonamour
19 April 2013

Annexure A

Intrinsic NAV as at 31 March 2013

	Unaudited R’000	Unaudited £’000
Times Media Group Limited	312,730	22,278
Litha Healthcare Group Limited	260,571	18,563
Global Roofing Solutions (Pty) Limited	155,000	11,042
Stalcor (Pty) Limited	32,000	2,280
Robor (Pty) Limited	63,931	4,554
Blackstar Real Estate (Pty) Limited	30,260	2,156
Other listed	102,021	7,268
Other unlisted	7,487	533
Cash and cash equivalents	156,678	11,233
Intrinsic NAV	**1,120,678**	**79,907**
Actual number of shares in issue net of treasury shares held (‘000)	76,188	76,188
Intrinsic NAV per share (in Rands/Pounds Sterling)	14.71	1.05
Ordinary share price on 31 March 2013 (in Rands/Pounds Sterling)	11.50	0.79
Ordinary share price discount to NAV	22%	25%

Notes:

1 The intrinsic NAV provides a measure of the underlying value of the Group’s assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.

2 For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges are valued using quoted bid prices and unlisted investments are shown at directors’ valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment’s inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them.

3 All amounts have been translated using the closing exchange rates at 31 March 2013. The GBP/ZAR closing exchange rate at 31 March 2013 was 14.037.

4 Other listed include investments in Shoprite Holdings Limited, Blackstar Global Opportunities Fund and Blackstar Special Opportunities Fund.

5 Other unlisted include investments in Navigare Securities (Pty) Limited and Blackstar Fund Managers (Pty) Limited.

Directors' report

The Directors present their report for Blackstar Group SE (registered number SE4) together with the audited financial statements for the year ended 31 December 2012.

Results and dividends
The consolidated statement of income as set out on page 18 shows the profit/loss for the year.

The Directors recommended the payment of a final dividend of 17 South African cents (1.42 cents in Euros and 1.21 pence in Pounds Sterling) per ordinary share (2011: special dividend of 80.53 South African cents, 6.5 pence in Pounds Sterling, per ordinary share).

Principal activities, business review and future developments
Blackstar Group SE ("the Company") was incorporated in England and Wales and has its registered office and principal place of business at 4th Floor Avantech Building, St Julian's Road, San Gwam, SGN 2805, Malta.

Through two capital raisings in 2006, the Company successfully raised an aggregate of £80 million (before expenses) to pursue its investing strategy and objectives and engaged BML Limited ("BML"), an offshore management company, to assist with sourcing, evaluating and assessing potential investment opportunities.

In June 2009, the Company concluded the internalisation of its investment advisory arrangements with BML, including the acquisition of Blackstar Fund Managers (Pty) Limited, which subsequently changed its name to Blackstar Group (Pty) Limited ("Blackstar SA"). In acquiring Blackstar SA, the Company secured the services and the intellectual capital of the Blackstar SA team and the ability of the business to generate value for the Group.

In June 2011, the Company converted into a Societas Europaea or European public limited liability company.

In August 2011, the Company completed a secondary listing on the Altx of the JSE Limited. The Company raised R100 million through the issue of new shares to South African investors as part of the secondary listing process.

In February 2012, Shareholders approved the transfer of the Company's registered office from the United Kingdom to Malta. The transfer was effective by the second quarter of 2012.

The Company is an investment company, and its principal activities during the year as well as that of its Cyprus subsidiary were to participate in investment opportunities in South Africa and Sub-Saharan Africa. The principal activity of the Company's Gibraltar subsidiary is that of acting as a treasury vehicle to the Company.

The Company has a 100% interest in Blackstar Real Estate (Pty) Limited, a property company, which explores opportunities in the property sector.

The Company has a 100% interest in Global Roofing Solutions (Pty) Limited ("GRS"), which is a manufacturer and supplier of steel roofing and cladding.

The Company has a 50% controlling interest in Stalcor (Pty) Limited ("Stalcor"), which is a processor, distributor and stockist of stainless steel and aluminium.

The Company has a 50% controlling interest in Blackstar Fund Managers (Pty) Limited ("BFM"), which is a hedge fund management business and responsible for managing the Blackstar Special Opportunities Fund ("BSOF"), a limited partnership also considered to be under the control of the Company.

The requirements of the business review have been included in the Director's statement as set out on pages 3 to 6.

Principal risks and uncertainties
The key principal risks and uncertainties of the Group going forward are described below by segment, including details on the manner in which these risks are monitored and managed. Note 34 to the consolidated financial statements also provides a detailed analysis of the financial risks affecting the Group and the management thereof.

The Group's overall risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying businesses maintaining an entrepreneurial focus. The risks within the underlying trading businesses (being GRS and Stalcor) are managed by their local management teams who are responsible for their own operations.

The Board of Directors ensure that the investee companies are well staffed with strong and experienced management teams who are responsible for designing, implementing and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately.

Investment activities segment
Foreign exchange risk arises because the Group makes investments in currencies which differ from its functional currency (Rands) and presentational currencies (Pounds Sterling and Rands). The Board of Directors meet at least on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Market price risk arises because the Group's listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and, in the case of listed investments, uncertainties about future prices. The Board of Directors meet at least on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Industrial metals segment (GRS and Stalcor)
GRS uses steel in the manufacture of its products and Stalcor distributes steel. Both are therefore significantly affected by changes in the steel sector. These businesses also require substantial quantities of electricity and natural gas. The pricing for these raw material inputs is largely determined by international or national factors beyond the Group's control or influence. Short term volatility in the pricing of such inputs can significantly impact both GRS and Stalcor's financial performance. The availability of steel from their main suppliers, Arcelor Mittal South Africa Limited and Columbus Stainless (Pty) Limited, also has a significant impact on their ability to manufacture and trade. Both GRS and Stalcor have developed relationships with key suppliers, and use contractual means where possible to minimise this risk.

Due to the nature of the industries in which GRS and Stalcor operate, the South African government infrastructure spend and the state of the mining and construction industry have an impact on their ability to achieve budgeted volumes and turnover. GRS and Stalcor consistently monitor the government's policies and activities as well as activity within the aforementioned industries to ensure that they are best positioned to capitalise on government and construction industry spend and to avoid over-stocking.

The difficult trading conditions within the steel sector have resulted in Stalcor placing increased reliance on working capital funding provided by their bankers. As a result Stacor interacts regularly with its bankers in order to improve and strengthen their relationship and to ensure that adequate facilities are always in place.

Investment policy
The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses largely in South Africa with the underlying themes of strategic market position, strong cash flows and the ability to exploit the wider African markets from its South African base. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

Consolidated businesses are run on a decentralised manner with local management maintaining an entrepreneurial focus and being responsible for their own operations. The Company usually seeks to be actively involved in setting the strategy of the investee companies and acts as an allocator of capital and resources but does not take day-to-day responsibility for the management of investee companies.

The Company is a long term investor and the Board places no limit on the length of time that any portfolio investment may be held. The Board considers, on a case by case basis, the optimum exit strategy for each portfolio investment.

The Company expects to only hold a small number of portfolio investments at any one time. However, there is no minimum or maximum number of investments that the Company can hold at any one time, nor are there any maximum exposure limits per portfolio investment.

The Company finances its portfolio investments out of its own cash resources and utilises third party debt funding as appropriate. In addition, investee companies may themselves have gearing. There is no maximum gearing level for either the Company or on a Group basis. However the Directors will review the level of gearing in the Group on a regular basis.

Save as set out above, the Company does not have any investment restrictions.

Corporate Governance

The Board and its committees are responsible for maintaining a high standard of corporate governance and for ensuring that the Group's business is conducted with integrity and in an ethical manner.

The Board ensures that the Group complies with all relevant laws and regulations and ensures that the Group maintains effective operating systems and controls and a robust and informed investment approval process.

The Board has access to complete, accurate and timeous information in order to fulfill its responsibilities and is assisted by the following committees:

Audit Committee

The Audit Committee is chaired by Wolfgang Baertz and comprises John Mills, Andrew Bonamour and Marcel Ernzer. The Audit Committee provides a forum for reporting by the Company's external auditors and is responsible for reviewing a wide range of matters, including interim and annual results and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders.

Remuneration Committee

The Remuneration Committee is chaired by John Mills and comprises Andrew Bonamour, Wolfgang Baertz and Marcel Ernzer. The Remuneration Committee will set the remuneration levels for the Directors having regard to market conditions and also ensure appropriate incentive schemes are in place for management.

Nominations Committee

The Nominations Committee is chaired by Marcel Ernzer and comprises John Mills, Andrew Bonamour and Wolfgang Baertz. The Nominations Committee deals with new appointments to the Board.

All material matters were reported to the Board of Directors which met four times during the year.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Director's statement on pages 3 to 6. In addition, notes 34 and 35 to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital and its financial risk management objectives and procedures respectively.

The Board of Directors believe that the Group is well placed to manage its business risks successfully. The Board of Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Buy-back and cancellation of shares

In December 2011, the Company purchased 3,200,000 ordinary shares of €0.76 each in the Company at a price of 71 pence per share, representing 3.75% of the issued ordinary share capital prior to such purchases. The shares were cancelled in January 2012.

In January 2013, the Company purchased 5,900,000 ordinary shares of €0.76 each in the Company at a price of 79 pence (R11.07) per share. These shares are held as treasury shares.

Post balance sheet events

These are detailed in note 42 to the consolidated financial statements.

Charitable and political contributions

During the year, no charitable or political contributions were made other than Blackstar's contribution of R1.0 million (£77,000) to the Blackstar Foundation, a registered non profit organisation.

Financial instruments – risk management

Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 34 to the consolidated financial statements.

Directors

The current Directors of the Company, who all held office throughout the year, and their beneficial interests in the ordinary share capital of the Company at year end and as at the date of this report were as follows:

	Number of ordinary shares 2012	Number of ordinary shares 2011
Andrew Bonamour*	**7,523,105**	7,522,105
John Mills	**761,328**	761,328
Wolfgang Baertz	**223,158**	183,158
Marcel Ernzer	**—**	—

Notes:

* These shares are held by funds associated with Andrew Bonamour.

No Director has options to purchase shares in the Company.

No Director has any direct interest in the shares of any of the subsidiary companies.

Qualifying professional liability insurance for the benefit of the Directors was in force during the financial year and at the date of this report.

Charles Taberer was a director of the Company during the year until he resigned effective 31 December 2012.

Biographical details of all current Directors are to be found on page 16.

Directors' responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Directors are required by the Malta Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company at the end of each financial period and of the Group's profit or loss for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and the Altx of the JSE Limited.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Companies Act, 1995. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors
BDO Malta were appointed as auditors to the Company in January 2013 following the transfer of the Company's registered office to Malta. A resolution to confirm their appointment will be proposed at the annual general meeting.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Andrew Bonamour
Director
19 April 2013

John Mills
Director

Directorate

John Broadhurst Mills (Non-executive Chairman)
John Mills, a qualified solicitor, is currently a director of Maitland Luxembourg SA and certain Luxembourg and ISE listed investment funds. Over the previous seven years, he was and continues to be a director and a principal in the Maitland Group and a number of other companies. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through both onshore and offshore vehicles.

Andrew David Bonamour (Non-executive Director)
Andrew Bonamour was the founder of Blackstar Group SE and is the Chief Executive Officer of Blackstar Group (Pty) Limited, the Company's investment advisory subsidiary. Andrew previously worked at Brait S.A. Limited where he held positions in Investment Banking, principal investment divisions and Corporate Finance. At Brait, Andrew originated and played a lead role in a variety of transactions ranging from leveraged buyouts, mergers and acquisitions, capital replacements and restructurings. Andrew has an in depth knowledge of and experience in corporate finance, private equity and investment banking. Andrew holds a Bachelor of Commerce degree. Andrew is also a director of several companies both listed and unlisted.

Wolfgang Andreas Baertz (Non-executive Director)
Wolfgang Baertz has significant experience within the banking sector over the previous 40 years. From 1968, he has been with Dresdner Bank initially in Frankfurt and for most of his career in Luxembourg where he held the positions of Head of Loans and Syndications Department (1970–1979), General Manager (1979–1982), Managing Director and Member of the Executive Committee (1982–1997) and President (1997–2003).

Marcel Ernzer (Non-executive Director)
Marcel Ernzer is an independent consultant within the financial sector. He was an auditor and later a consultant with Price Waterhouse Luxembourg from 1982-1986. From 1987–1996, he was responsible for setting-up and managing Unico Financial Services, a PSF in Luxembourg, owned by Credit Agricole, DZ Bank, Rabobank, RZB Austria, Cera Bank (later KBC) and Okobank. He is currently a director of Insinger de Beaufort Holdings S.A., Camera di Commercio Italo-Lussemburghese, Pro Fonds (Lux) Sicav and certain family owned commercial companies including Tetrabat, Taxirent and FAS. Over the previous years he was a director of several financial services companies including Corporate Management Services owned by Commercial Union, EEK Invest owned by Evangelische Kreditgenossenschaft, Piac owned by RZB Austria, UKB owned by Kokusai Securities and Witherthur Financial Services owned by Winterthur. He was also a director of several investment funds and was until 1998 serving on the board of ALFI, the Association of the Luxembourg Fund Industry.

Independent auditors' report

Independent auditors' report to the shareholders of Blackstar Group SE
We have audited the accompanying Group and Parent Company financial statements (the "financial statements") of Blackstar Group SE set out on pages 18 to 111 which comprise the consolidated and parent company statements of financial position at 31 December 2012 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, and the consolidated and parent company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
As described on page 15, the directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about whether the financial statements are free of 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 auditors' 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 auditors consider internal controls relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion
In our opinion, these financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2012 and of the Group's financial performance and Group and Company's cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the provisions of the Malta Companies Act, 1995.

Report on other legal and regulatory requirements
We also have responsibilities under the Malta Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

BDO MALTA
Certified Public Accountants
19 April 2013

Consolidated statement of income

for the year ended 31 December 2012

2011 R'000	2012 R'000		Notes	2012 £'000	*As restated 2011 £'000
1,058,912	**1,063,016**	Revenue	**5**	**81,676**	91,058
(917,372)	**(909,943)**	Cost of sales		**(69,915)**	(78,887)
141,540	**153,073**	**Gross profit**		**11,761**	12,171
91,369	**291,102**	Other income	**6**	**22,302**	1,176
(351,502)	**(246,488)**	Operating expenses	**7**	**(18,694)**	(29,384)
(118,593)	**197,687**	**Operating profit/(loss)**	**8**	**15,369**	(16,037)
(17,912)	**(33,741)**	Net finance costs	**10**	**(2,592)**	(1,541)
2,220	**6,174**	Finance income		**474**	191
(20,132)	**(39,915)**	Finance costs		**(3,066)**	(1,732)
495	**490**	Share of profit from associate	**18**	**38**	43
(136,010)	**164,436**	**Profit/(loss) before taxation**		**12,815**	(17,535)
(4,935)	**(262)**	Taxation	**11**	**(36)**	(421)
(140,945)	**164,174**	**Profit/(loss) from continuing operations**		**12,779**	(17,956)
		Discontinuing operations			
115,151	**128,198**	Profit from discontinued operations, net of taxation	**12**	**7,741**	10,739
(25,794)	**292,372**	**Profit/(loss) for the year**		**20,520**	(7,217)
		Profit/(loss) for the period attributable to:			
(29,832)	**292,365**	Equity holders of the parent		**20,544**	(7,584)
4,038	**7**	Non controlling interests		**(24)**	367
(25,794)	**292,372**			**20,520**	(7,217)
(37.86)	**356.16**	**Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)**	**13**	**25.03**	(9.62)
(177.29)	**199.99**	**Basic and diluted earnings/(losses) per ordinary share attributable to equity holders from continuing operations (in cents/pence)**	**13**	**15.60**	(22.65)

* Refer note 4

The notes on pages 26 to 98 form part of the Consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2012

2011 R'000	2012 R'000		2012 £'000	2011 £'000
(25,794)	**292,372**	**Profit/(loss) for the year**	**20,520**	(7,217)
		Other comprehensive income/(loss):		
—	**—**	Currency translation differences on translation of Rand denominated Group entities	**(7,681)**	(9,075)
—	**—**	Release of foreign currency translation reserve on disposal of associate/subsidiary	**2,407**	(1,261)
—	**—**	**Net comprehensive loss recognised directly in equity**	**(5,274)**	(10,336)
(25,794)	**292,372**	**Total comprehensive income/(loss) for the year**	**15,246**	(17,553)
		Attributable to:		
(29,832)	**292,365**	Equity holders of the parent	**15,184**	(18,095)
4,038	**7**	Non controlling interests	**62**	542
(25,794)	**292,372**		**15,246**	(17,553)

The notes on pages 26 to 98 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2012

	Share capital R'000	Share premium R'000	Capital redemption reserve R'000	Treasury shares reserve R'000	Retained earnings R'000	Attributable to equity holders R'000	Non controlling interests R'000	Total equity R'000
Balance as at 31 December 2010	519,267	—	29,965	—	392,400	941,632	(25,643)	915,989
Total comprehensive income/(loss) for the period	—	—	—	—	(29,832)	(29,832)	4,038	(25,794)
Income/(loss) for the period	—	—	—	—	(29,832)	(29,832)	4,038	(25,794)
Other comprehensive income/(loss) for the period	—	—	—	—	—	—	—	—
Capital raising	77,612	22,125	—	—	—	99,737	—	99,737
Buy-back of ordinary shares	—	—	—	(29,452)	—	(29,452)	—	(29,452)
Arising on reclassification of investment, now a subsidiary (refer note 33)	—	—	—	—	—	—	75	75
Reduction in non controlling interests arising on subsidiary share buy-back of shares from non controlling shareholders (refer note 36)	—	—	—	—	(50,276)	(50,276)	50,276	—
Reduction in non controlling interests arising on acquisition of additional interests in subsidiary (refer note 36)	—	—	—	—	(4,520)	(4,520)	4,520	—
Arising on disposal of subsidiary (refer note 33)	—	—	—	—		—	(34,020)	(34,020)
Dividend paid	—	—	—	—	(80,175)	(80,175)	—	(80,175)
Balance as at 31 December 2011	596,879	22,125	29,965	(29,452)	227,597	847,114	(754)	846,360

	Share capital R'000	Share premium R'000	Capital redemption reserve R'000	Treasury shares reserve R'000	Retained earnings R'000	Attributable to equity holders R'000	Non controlling interests R'000	Total equity R'000
Balance as at 31 December 2011	596,879	22,125	29,965	(29,452)	227,597	847,114	(754)	846,360
Total comprehensive income for the period	—	—	—	—	292,365	292,365	7	292,372
Income for the period	—	—	—	—	292,365	292,365	7	292,372
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Cancellation of ordinary shares	(22,208)	—	22,208	29,452	(29,452)	—	—	—
Arising on acquisition of investment in subsidiary (refer note 33)	—	—	—	—	—	—	7	7
Reduction in non controlling interests arising on rights issue by subsidiary (refer note 36)	—	—	—	—	(309)	(309)	309	—
Increase in non controlling interests arising on part disposal of subsidiary (refer note 36)	—	—	—	—	5,087	5,087	(5,087)	—
Arising on creation of Blackstar Special Opportunities Fund (refer note 33)	—	—	—	—	—	—	33,379	33,379
Balance as at 31 December 2012	**574,671**	**22,125**	**52,173**	**—**	**495,288**	**1,144,257**	**27,861**	**1,172,118**

Consolidated statement of changes in equity continued
for the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance as at 31 December 2010	50,130	—	2,893	—	22,569	14,604	90,196	(2,474)	87,722
Total comprehensive income/(loss) for the period	—	—	—	—	(7,584)	(10,511)	(18,095)	542	(17,553)
Income/(loss) for the period	—	—	—	—	(7,584)	—	(7,584)	367	(7,217)
Other comprehensive income/(loss) for the period	—	—	—	—	—	(10,511)	(10,511)	175	(10,336)
Capital raising	6,923	1,974	—	—	—	—	8,897	—	8,897
Buy-back of ordinary shares	—	—	—	(2,272)	—	—	(2,272)	—	(2,272)
Arising on reclassification of investment, now a subsidiary (refer note 33)	—	—	—	—	—	—	—	6	6
Reduction in non controlling interests arising on subsidiary share buy-back of shares from non controlling shareholders (refer note 36)	—	—	—	—	(4,577)	—	(4,577)	4,577	—
Reduction in non controlling interests arising on acquisition of additional interests in subsidiary (refer note 36)	—	—	—	—	(415)	—	(415)	415	—
Arising on disposal of subsidiary (refer note 36)	—	—	—	—	—	—	—	(3,126)	(3,126)
Release of foreign currency translation reserve on disposal of investments	—	—	—	—	815	(815)	—	—	—
Dividend paid	—	—	—	—	(6,217)	—	(6,217)	—	(6,217)
Balance as at 31 December 2011	57,053	1,974	2,893	(2,272)	4,591	3,278	67,517	(60)	67,457

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance as at 31 December 2011	57,053	1,974	2,893	(2,272)	4,591	3,278	67,517	(60)	67,457
Total comprehensive income/(loss) for the period	—	—	—	—	20,544	(5,360)	15,184	62	15,246
Income for the period	—	—	—	—	20,544	—	20,544	(24)	20,520
Other comprehensive income/(loss) for the period	—	—	—	—	—	(5,360)	(5,360)	86	(5,274)
Cancellation of ordinary shares	(1,706)		1,706	2,272	(2,272)	—	—	—	—
Arising on acquisition of investment in subsidiary (refer note 33)	—	—	—	—	—	—	—	1	1
Reduction in non controlling interests arising on rights issue by subsidiary (refer note 36)	—	—	—	—	(24)	—	(24)	24	—
Increase in non controlling interests arising on part disposal of Subsidiary (refer note 36)	—	—	—	—	397	—	397	(397)	—
Arising on creation of Blackstar Special Opportunities Fund (refer note 33)	—	—	—	—	—	—	—	2,393	2,393
Balance as at 31 December 2012	**55,347**	**1,974**	**4,599**	**—**	**23,236**	**(2,082)**	**83,074**	**2,023**	**85,097**

A final dividend of 10.10 South African cents, 0.90 pence, per ordinary share was declared on 26 May 2011.

A special dividend of 80.53 South African cents, 6.5 pence, per ordinary share was paid on 2 December 2011.

A final dividend of 17 South African cents, 1.21 pence, per ordinary share, has been proposed, to be paid on 18 June 2013.

The notes on pages 26 to 98 form part of the consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2012

2011 R'000	2012 R'000		Notes	2012 £'000	2011 £'000
		Non-current assets			
94,872	**74,631**	Property, plant and equipment	**14**	**5,418**	7,563
88,050	**101,585**	Investment properties	**15**	**7,375**	7,018
36,178	**9,022**	Goodwill	**16**	**656**	2,884
36,972	**22,713**	Intangible assets	**17**	**1,650**	2,947
206,234	**1,870**	Investments in associates	**18**	**136**	16,437
1,799	**1,741**	Investments classified as loans and receivables	**19**	**126**	144
46,260	**517,728**	Investments at fair value through profit and loss	**20**	**37,588**	3,687
—	**—**	Other financial assets	**21**	**—**	—
1,157	**2,405**	Deferred tax assets	**28**	**177**	92
511,522	**731,695**			**53,126**	40,772
		Current assets			
25,628	**—**	Investments classified as loans and receivables	**19**	**—**	2,042
130,457	**92,314**	Investments at fair value through profit and loss	**20**	**6,702**	10,398
23	**917**	Other financial assets	**21**	**67**	2
310	**2,155**	Current tax assets		**155**	24
144,797	**141,009**	Trade and other receivables	**22**	**10,238**	11,540
125,997	**148,117**	Inventories	**23**	**10,753**	10,042
255,124	**352,063**	Cash and cash equivalents	**24**	**25,560**	20,334
682,336	**736,575**			**53,475**	54,382
1,193,858	**1,468,270**	**Total assets**		**106,601**	95,154
		Non-current liabilities			
(88,792)	**(92,366)**	Borrowings	**25**	**(6,705)**	(7,077)
(9,844)	**(2,400)**	Other financial liabilities	**26**	**(175)**	(785)
(2,490)	**(1,939)**	Provisions	**27**	**(141)**	(199)
(18,802)	**(13,305)**	Deferred tax liabilities	**28**	**(969)**	(1,499)
(119,928)	**(110,010)**			**(7,990)**	(9,560)
		Current liabilities			
(7,549)	**(4,528)**	Borrowings	**25**	**(329)**	(602)
(79,150)	**(80,870)**	Other financial liabilities	**26**	**(5,871)**	(6,308)
(1,168)	**(2,500)**	Provisions	**27**	**(182)**	(93)
(1,069)	**(313)**	Current tax liabilities		**(23)**	(85)
(138,569)	**(97,814)**	Trade and other payables	**29**	**(7,101)**	(11,044)
(65)	**(117)**	Bank overdrafts	**24**	**(8)**	(5)
(227,570)	**(186,142)**			**(13,514)**	(18,137)
(347,498)	**(296,152)**	**Total liabilities**		**(21,504)**	(27,697)
846,360	**1,172,118**	**Total net assets**		**85,097**	67,457
		Equity			
596,879	**574,671**	Share capital	**30**	**55,347**	57,053
22,125	**22,125**	Share premium	**30**	**1,974**	1,974
29,965	**52,173**	Capital redemption reserve	**30**	**4,599**	2,893
(29,452)	**—**	Treasury shares reserve	**30**	**—**	(2,272)
—	**—**	Foreign currency translation reserve	**30**	**(2,082)**	3,278
227,597	**495,288**	Retained earnings	**30**	**23,236**	4,591
847,114	**1,144,257**	**Total equity attributable to equity holders**		**83,074**	67,517
(754)	**27,861**	Non controlling interests		**2,023**	(60)
846,360	**1,172,118**	**Total equity**		**85,097**	67,457
993	**1,394**	**Net asset value per share (in cents/pence)**	**31**	**101**	79

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2012 was 0.82 (2011: 0.84) and 11.17 (2011: 10.48) respectively.

The notes on pages 26 to 98 form part of the consolidated financial statements.

The consolidated financial statements were approved by the Board and authorised for issue on 19 April 2013.

Andrew Bonamour
Director

John Mills
Director

Consolidated statement of cash flows
for the year ended 31 December 2012

2011 R'000	**2012 R'000**		Notes	**2012 £'000**	2011 £'000
		Cash flow from operating activities			
71,614	**(46,018)**	Cash generated/(absorbed) by operations	**32**	**(3,048)**	2,013
3,503	**6,174**	Interest received		**348**	310
(16,504)	**(28,688)**	Interest paid		**(2,204)**	(1,627)
2,670	**3,537**	Dividends received		**272**	230
(15,981)	**(9,635)**	Taxation paid		**(740)**	(1,431)
45,302	**(74,630)**	**Cash generated/(absorbed) by operating activities**		**(5,372)**	(505)
		Cash flow from investing activities			
(13,297)	**(11,167)**	Purchase of property, plant and equipment		**(857)**	(1,164)
(58,350)	**(5,405)**	Purchase of investment properties		**(415)**	(5,018)
(21,683)	**(41)**	Additions to investments classified as loans and receivables		**(3)**	(1,883)
(34,042)	**(657,174)**	Purchase of investments at fair value through profit or loss		**(50,336)**	(2,965)
23	**(21,734)**	Acquisition of subsidiaries, net of cash acquired	**33**	**(1,560)**	2
5,186	**2,401**	Proceeds from disposal of property, plant and equipment		**185**	446
37,268	**671,133**	Proceeds from disposal of investments		**51,402**	3,080
272,476	**200,569**	Disposal of discontinued operations, net of cash disposed	**12**	**15,651**	23,006
187,581	**178,582**	**Cash generated by investing activities**		**14,067**	15,504
		Cash flow from financing activities			
54,980	**333,697**	Proceeds from borrowings		**25,639**	4,728
(24,163)	**(333,143)**	Repayment of borrowings		**(25,597)**	(2,181)
(197,582)	**(7,619)**	Movement in other financial liabilities (including short-term funding facilities)		**(585)**	(16,804)
(29,452)	**—**	Buy-back of ordinary shares		**—**	(2,272)
99,737	**—**	Capital raising		**—**	8,897
(80,175)	**—**	Dividends paid to equity holders of the parent		**—**	(6,217)
(176,655)	**(7,065)**	**Cash absorbed by financing activities**		**(543)**	(13,849)
56,228	**96,887**	**Net increase in cash and cash equivalents**		**8,152**	1,150
198,831	**255,059**	Cash and cash equivalents at the beginning of the year		**20,329**	19,195
—	**—**	Exchange losses on cash and cash equivalents		**(2,929)**	(16)
255,059	**351,946**	**Cash and cash equivalents at the end of the year**	**24**	**25,552**	20,329

The notes on pages 26 to 98 form part of the consolidated financial statements.

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements have been consistently applied across all periods presented in the consolidated financial statements, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Company and its subsidiaries (the "Group" or "Blackstar") during the current reporting period. All financial information has been rounded to the nearest thousand unless stated otherwise.

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with the Malta Companies Act, 1995.

The accounting policies that the Group applied in the presentation of the financial statements are set out below and have been consistently applied.

The Group has adopted the amendments to IFRS 7 Disclosures (effective 1 July 2011) and the amendments to IAS 12 Deferred tax (effective 1 January 2012) in preparing these financial statements. This has had no significant impact on the Group.

In light of the Group's dual listing in the United Kingdom and South Africa, and the fact that a significant portion of Blackstar's shareholders are now in South Africa, in addition to Pounds Sterling, the Rand was introduced as a secondary presentational currency during the current financial year. Comparatives in Rands have been included in the current annual report. Refer note 4 for further details.

1.2 Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. These consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non controlling interest's share of changes in equity since the date of the combination.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date. Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquired business' identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

1. Accounting policies (continued)

1.3 Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Self-constructed assets under construction (capital work in progress) are not depreciated until they are available for use.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Residual values and useful lives are reassessed annually.

Depreciation is provided on the straight-line basis so as to write the assets down to their estimated residual values, over the estimated useful lives of the assets.

The estimated useful lives are as follows:

Buildings	20 – 50 years
Plant and machinery	4 – 10 years
Office furniture, fixtures and equipment	3 – 10 years
Vehicles	3 – 5 years

Land is not depreciated.

Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss is reversed, then it is only reversed to the extent that the revised carrying amount of the asset would reflect the depreciation that would have been charged had the impairment not been reflected. Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the assets' revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Surpluses or deficits on the disposal of property, plant and equipment are credited or charged to profit or loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1. Accounting policies (continued)

1.5 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, rather than for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at their cost. Transaction costs are included in the initial measurement. After initial recognition, investment properties are measured at their fair value.

Gains or losses arising from a change in the fair value of investment properties are recognised in profit and loss for the period in which they arise. Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in operating profit.

1.6 Intangible assets other than goodwill

Intangible assets acquired in a business combination are recognised separately from goodwill if they are separable from the acquired entity or give rise to other contractual/legal rights. The cost of such intangible assets is their fair value at the acquisition date arrived at by using appropriate valuation techniques.

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss on the straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortisation for intangible assets:

Marketing related intangibles (brands)	5 and 20 years
Customer related intangibles (customer relationships)	3, 10 and 15 years
Technology related intangibles	20 years
Registered trademarks	20 years

1.7 Leases

1.7.1 Operating leases

Leases where the lessor retains the risk and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

1.7.2 Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful lives of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.8 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. Goodwill is tested at least annually for impairment. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

1. Accounting policies (continued)

1.8 Impairment (continued)

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit and loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

1.9 Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined using the first-in, first-out method for chemical coatings inventory and weighted average cost method for industrial metal inventories. The cost of work in progress, finished goods and contracts in progress includes direct costs and an appropriate allocation of overheads based on normal production levels. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.10 Associates

An associate is an entity over which the Group has the ability to exercise significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Where investments in associates meet the specific criteria for inclusion in the venture capital division, they are carried at fair value even though the Group may have significant influence over those companies (refer note 1.11.1 below). When an associate no longer meets the requirements for inclusion in this investment portfolio, the investment is transferred to the equity accounted investment portfolio. In applying the equity method, associates are initially recognised in the consolidated statement of financial position at cost. The Group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies are included in the equity accounted portfolio are recognised in the consolidated statement of comprehensive income up to the effective dates of disposals. In the events of associates making losses, the Group recognised the losses to the extent of the Group's exposure.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

1.11 Financial instruments

Financial instruments presented in the financial statements include cash and cash equivalents, investments, trade and accounts receivable and trade and accounts payable. Financial instruments are initially recognised at fair value, when the Group becomes party to the contractual provisions of the instrument. Resulting gains or losses are recognised directly in profit or loss. Subsequent to initial recognition, these instruments are measured as follows:

1. Accounting policies (continued)

1.11 Financial instruments (continued)

1.11.1 Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

Investments at fair value through profit and loss – Investments at fair value through profit and loss are financial assets held-for-trading and those designated at fair value through profit and loss at inception. These assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit or loss in the period in which they arise.

Investments in associates which are part of the venture capital division – Associates which meet the specific criteria for inclusion in the venture capital division, are included in the Group's investment portfolio at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit and loss in the period in which they arise. This treatment is permitted by IAS 28 Investment in Associates which allows investments held by venture capital organisations to be excluded from the scope of IAS 28 Investment in Associates provided that those investments upon initial recognition are designated as fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with changes in fair value recognised in profit or loss in the period of change.

Investments classified as loans and receivables – Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

These assets are subsequently carried at amortised cost, using the effective interest rate method.

Trade receivables – trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents – Cash and cash equivalents comprise cash in current accounts, money market funds and short term deposits with original maturities of three months or less.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

1. Accounting policies (continued)

1.11 Financial instruments (continued)

1.11.1 Financial assets (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

De-recognition of financial assets – The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1.11.2 Financial liabilities and equity instruments issued by the Group

Classification as debt or equity – Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Treasury shares – Consideration paid/(received) for the purchase/(sale) of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve. Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to the share premium account. The cancellation of treasury shares reduces the share capital and increases the capital redemption reserve by an amount corresponding to the nominal value of the shares.

Trade and other payables – Trade and other payables are stated at amortised cost.

Other financial liabilities – all other financial liabilities with the exception of derivatives are accounted for at amortised cost using the effective interest rate method.

De-recognition of financial liabilities – Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortised costs, and the amount paid for it is recognised directly in profit or loss.

Effective interest method – the effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

1. Accounting policies (continued)

1.11 Financial instruments (continued)

1.11.2 Financial liabilities and equity instruments issued by the Group (continued)

Offset – Where a legally enforceable right of set off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the assets simultaneously, all related financial effects are offset.

1.12 Derivative financial instruments

Certain Group entities enter into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risk, namely foreign exchange contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to the fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets and liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non current liability if the remaining maturity of the hedge relationship is more than twelve months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than twelve months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or current liability.

1.13 Provisions and contingent liabilities

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Group discloses a contingent liability when it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Financial guarantees contracts are initially recognised at fair value when the Group becomes party to the contract. Where it becomes probable that there will be an outflow of economic benefits under the financial guarantee contract then outflow of benefits is considered probable and the liability arising is subsequently re-measured at the higher of the best estimate of: the obligation arising under the contract; and the amount initially recognised less cumulative amortisation which has been recognised as revenue.

1.14 Employee benefits

1.14.1 Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount that the Group has a present obligation to pay as a result of employees' services provided to the reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary costs to the Group.

1. Accounting policies (continued)

1.14 Employee benefits (continued)

1.14.2 Retirement benefits

Certain Group companies provide retirement benefits for its employees in the form of provident funds. Contributions to the defined contribution plans are expensed in the year incurred.

1.15 Revenue and investment income

Revenue comprises invoiced sales to customers, net of discounts allowed and excluding Value Added Tax. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer on delivery of the goods, costs can be measured reliably and receipt of the future economic benefits is probable.

Rental income from investment properties are recognised under other income within profit and loss on a straight-line basis over the terms of the lease.

Investment fee income includes corporate finance and advisory fees, which are recognised on an accrual basis when the services are provided and can be reliably estimated. Fee income is measured at the fair value of the consideration receivable.

Realised and unrealised gains and losses arising from changes in the fair value of investments at fair value through profit and loss are recognised in profit or loss in the period in which they arise.

Interest income earned on investments is recognised on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, when it is determined that such income will accrue to the Group.

Dividends are recognised when the right to receive payment has been established and it is determined that such income will accrue to the Group.

All investment related income is included within other income on the face of the statement of income.

1.16 Finance income and finance costs

Finance income comprises interest receivable on current account bank balances, and deposits held on call.

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

Interest is recognised in the statement of income as it accrues using the effective interest rate method.

1.17 Tax

Current tax comprises tax payable calculated on the basis of the taxable profit for the period, using the tax rates and laws enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable for previous years.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or
(b) the initial recognition of an asset or liability in a transaction which:

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

(a) the parent is able to control the timing of the reversal of the temporary difference; and
(b) it is probable that the temporary difference will not reverse in the foreseeable future.

1. Accounting policies (continued)

1.17 Tax (continued)

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit
- nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(a) is not a business combination; and
(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is charged to the statement of income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity.

1.18 Foreign currencies

1.18.1 Functional and presentational currency

The functional currency of the Company is the South African Rand, being the currency of the primary economic environment in which the Company and its subsidiaries operate.

Blackstar is dual listed with a primary listing on the Alternative Investment Market of the London Stock Exchange ("AIM") and a secondary listing on the Altx of the JSE Limited ("JSE") in South Africa. As a result, Blackstar has two presentational currencies being South African Rand ("Rands") and Pounds Sterling ("Pounds").

The Rand was introduced as an additional presentational currency during the current financial year and comparatives in Rands have been included in the current annual report. Note 4 gives further details.

1.18.2 Translation of foreign currency assets and liabilities in the individual entities financial statements

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the exchange rates prevailing on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currency are translated at the exchange rates prevailing when the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the rates of exchange ruling at the date of the transaction. Any exchange differences arising on translation are recognised in the statement of income in the period in which they occur.

1.18.3 Translation of financial statement of entities into the presentational currencies

Assets and liabilities of entities are translated into the Group's presentational currencies of Rands and Pounds Sterling at year end exchange rates. Capital and reserves are translated at historical rates. Items included in the statement of income are translated at average exchange rates for the year.

1. Accounting policies (continued)

1.18 Foreign currencies (continued)

1.18.3 Translation of financial statement of entities into the presentational currencies (continued)

Translation differences arising from the translation of entities are taken directly to the foreign currency translation reserve. On disposal of entities, such translation differences are recognised in profit and loss as part of the gain or loss on disposal.

The principal exchange rates utilised to prepare the financial statements are as follows:

	Closing rate		Average rate	
	2012	2011	**2012**	2011
GBP/ZAR	**13.773**	12.546	**13.015**	11.629
EUR/ZAR	**11.187**	10.480	**10.552**	10.097
EUR/GBP	**0.812**	0.835	**0.810**	0.868

1.19 Operating segments

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 Board of Directors. This committee reviews the Group's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

1.20 Significant judgements and areas of estimation

The preparation of the financial statements requires the use of estimates, assumptions and judgements that affect the amounts reported in the balance sheet and income statement of the Group. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although the estimates are based on management's best knowledge and judgements of current facts as at the balance sheet date, the actual outcome may differ from those estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

During the period, the areas involving higher degree of judgement or complexity, or areas where assumptions and estimates were significant to the financial statements are as follows:

1.20.1 Investments

(Refer note 19 and 20).

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through profit and loss and investments classified as loans and receivables.

In determining the carrying value of investments at fair value through profit and loss, the Group follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

In determining the carrying value of investments classified as loans and receivables, the Group considers whether there have been any events or changes in circumstances which indicate that impairment may have occurred and reduces the carrying value by the estimated extent of the impairment.

1. Accounting policies (continued)

1.20 Significant judgements and areas of estimation (continued)

1.20.2 Asset lives and residual values

(Refer note 14).

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life 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 values.

1.20.3 Impairment of assets

(Refer note 14, 16 and 17).

The carrying values of property, plant and equipment, and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. Factors taken into consideration in reaching such a decision include the economic viability of the asset and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the asset are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using appropriate discount rates, is compared to the current net asset value and if lower, the assets are impaired to the present value.

Goodwill impairment tests are required to be performed on an annual basis. On acquisition, the goodwill is allocated to cash-generating units. A fair value is determined for each of these cash generating units based on a discounted cash flow model using the budgets and forecasts set by management for each cash-generating unit and an appropriate discount rate. Actual outcomes may vary.

2. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2.1 Determination of fair values arising on business combinations

2.1.1 Property, plant and equipment

Business combinations are based on market values which are deemed to represent fair values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

2.1.2 Investment properties

Business combinations are based on market values which are deemed to represent fair values. The market value of investment property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of investment properties is typically determined based on a cash flow valuation model using rentals received from tenants over the lease terms. Valuations by external professional valuers are obtained every three to five years.

2. Determination of fair values (continued)

2.1 Determination of fair values arising on business combinations (continued)

2.1.3 Intangible assets

The relief from royalty methodology is utilised to value marketing related intangibles (including brands) and technology related intangible assets. The basis for this method is that the value of an intangible asset is what the owner would have to pay to licence the asset if he did not own it. In other words, the value equates to the avoided cost of not having to pay a royalty.

2.1.4 Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

2.1.5 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For trade and other receivables with a relatively short life span, the carrying value would approximate the fair value.

2.2 Determination of fair values arising on balances carried or disclosed at fair value

2.2.1 Investments

The specific methodologies applied in valuing unrealised investments are described below:

The valuation approach follows the international Private Equity and Venture Capital Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable and willing parties in an arm's length transaction. The nature, facts and circumstances of the investment drive the valuation methodology.

Investments at fair value through profit and loss include listed and unlisted investments:

Listed Equity Investments: All investments listed in recognised stock exchanges have been valued using quoted bid prices at year end.

Unlisted Equity investments: All unlisted equity investments have been valued as follows:

(a) Where applicable, on the basis of a similar recent investment transaction by an independent third-party in the equity of the portfolio of the company. Where the investment being valued was itself made fairly recently (within a period of one year), its costs provide a good indication of fair value; or

(b) Using the discounted cash flow methodology, in which case:

- Enterprise value is apportioned to the enterprise's financial Instruments in order of ranking. The enterprise value is derived, using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment.
- Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations.

2.2.2 Derivatives

- The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

2. Determination of fair values (continued)

2.2 Determination of fair values arising on balances carried or disclosed at fair value (continued)

2.2.3 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements. These are to be applied to financial statements with periods commencing on or after the following dates:

Standards and Interpretations	Effective date
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
IFRS 13 Fair Value Measurement	1 January 2013
IAS 27 Separate Financial Statements (Amendments)	1 January 2014
IAS 28 Investments in Associates and Joint Ventures (Amendments)	1 January 2014
Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*	1 January 2014
IFRS 9 Financial Instruments*	1 January 2015

* These standards and interpretations are not endorsed by the EU at present.

IAS 1 (Amendments)

This amendment requires companies to group together items within Other Comprehensive Income ("OCI") that may be reclassified to the profit or loss section of the statement of income.

IFRS 10

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The new standard replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 also provides a revised definition of control and sets out requirements for situations when control is difficult to assess. The principles of IFRS 10 have to some extent already been adopted by the Group and thus formal adoption is not expected to have any further impact.

IFRS 11

The principle in IFRS 11 is that a party to a joint arrangement recognises its rights and obligations arising from the arrangement rather than focussing on the legal form. Adoption of IFRS 11 is not expected to have any impact on the Group.

IFRS 12

IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

3. New standards and interpretations not yet adopted (continued)

IFRS 13

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies, except in some specified cases (e.g. share-based payments) when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

IAS 27 (Amendments)

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with the applicable financial instruments standard (i.e. IAS 39 or IFRS 9). The amendments update the definitions and wording of the standard to be consistent with the requirements of IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as amended) but the accounting treatment remains unchanged.

IAS 28 (Amendments)

IAS 28 now includes the required accounting for joint ventures as well as the definition and required accounting for associates. Equity accounting is required in consolidated or individual financial statements for both of these types of investment unless the investing group is a venture capital organisation, mutual fund, unit trust or similar entity in which case the entity may account for those investments in accordance with the applicable financial instruments standard (i.e. IAS 39 or IFRS 9). Proportionate consolidation is no longer an option for joint ventures. The adoption of IAS 28 is not expected to have a material impact on the Group.

IFRS 7 (Amendments)

This amendment introduces disclosures intended to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position.

IAS 32 (Amendments)

This amendment to IAS 32 seeks to clarify rather than to change the offsetting requirements previously set out in IAS 32.

IFRS 10, IFRS 12 and IAS 27 (Amendments)

The amendments provide an exception from the requirements for a qualifying entity to consolidate its controlled investees and, instead, requires them to present their investments in subsidiaries as a net investment that is measured at fair value. The exception means that investment entities will be able to measure all of their investments at fair value using the requirements in IFRS.

An investment entity is an entity whose business purpose is to make investments for capital appreciation, investment income, or both. An investment entity also evaluates the performance of those investments on a fair value basis. The most common types of investment entity are likely to be private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

The directors are of the view that Blackstar meets the definition of an investment entity. Subject to them being endorsed for use in the EU, Blackstar intends to adopt these amendments and as a result the Blackstar consolidated statement of financial position would be more closely aligned with the intrinsic NAV of the Group as provided in Annexure A of the Director's statement.

3. New standards and interpretations not yet adopted (continued)

IFRS 9

IFRS 9 Financial instruments will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The impact on the Group of adoption of IFRS 9 has yet to be determined.

4. Comparative figures

4.1 Adoption of a secondary presentational currency

In light of the fact that a significant portion of Blackstar's shareholders are now South African, the decision was taken to add the South African Rand as an additional presentational currency (Blackstar's functional currency is the Rand). Blackstar's financial report is therefore published in both Pounds Sterling and Rands.

An opening consolidated statement of financial position has been prepared in Rands as at 31 December 2010 (being the opening balance sheet of the comparative period). Individual companies' statements of financial position which were maintained in Pounds Sterling were translated at the closing rate at 31 December 2010. Rand packs were prepared for each group company and the group consolidation was reperformed in Rands to obtain the opening consolidated statement of financial position. Consolidation entries were translated into Rands using the actual exchange rate prevailing at the time the original entry was raised.

All statement of financial position line items were translated into Rands using the closing rate as at 31 December 2010. Equity items including retained earnings were also translated into Rands using the 31 December 2010 exchange rate.

4. Comparative figures (continued)

4.1 Adoption of a secondary presentational currency (continued)

	Closing rate at 31 December 2010
GBP/ZAR	10.3584

The opening consolidated statement of financial position as at 31 December 2010 is provided in a summarised form below:

	2010 R'000	2010* £'000
Assets		
Property, plant and equipment	224,431	21,666
Goodwill and intangible assets	340,019	32,116
Investments in associates	151,612	14,637
Investments	144,772	13,976
Deferred tax assets	1,296	125
Trade and other receivables and other financial assets	265,654	25,606
Inventories	279,744	27,006
Cash and cash equivalents	198,837	19,196
Total assets	1,606,365	154,328
Liabilities		
Borrowings and other financial liabilities	(448,620)	(43,310)
Provisions	(5,027)	(485)
Deferred tax liabilities	(49,029)	(4,733)
Trade and other payables	(187,694)	(18,077)
Bank overdrafts	(6)	(1)
Total liabilities	(690,376)	(66,606)
Total net assets	915,989	87,722
Equity		
Total equity attributable to equity holders	941,632	90,196
Non controlling interests	(25,643)	(2,474)
Total equity	915,989	87,722

* Extracted from the Blackstar published Annual Accounts and Report 2011.

4.2 Presentation of the statement of income

The Group elected to change the presentation of its statement of income and certain supporting notes in order to improve disclosures and readability for users. The income and expenditure from the Group's trading businesses and investment activities are now grouped together on the face of statement of income according to the function of the income/expense with further analysis provided in the supporting notes. Comparatives have been restated for these changes. The actual results of the Group have not been impacted in any way by the amendments to the presentation of the figures.

4.3 Restatement of comparative information for discontinued operations

The comparative income statement and relating notes have been re-presented as if the operations discontinued during the current period had been discontinued from the start of the comparative period (refer note 12).

5. Revenue

2011 R'000	2012 R'000		2012 £'000	2011 £'000
1,051,718	**1,063,016**	Sale of goods	**81,676**	90,439
7,194	—	Rendering of services	—	619
1,058,912	**1,063,016**		**81,676**	91,058

6. Other income

2011 R'000	2012 R'000		2012 £'000	*As restated 2011 £'000
394	**19,919**	Net gains on investments (refer note 6.1)	**1,651**	632
10,090	**236,706**	Fees, dividends and interest from loans, receivables and investments (refer note 6.2)	**18,187**	866
3,645	**10,548**	Rental income from investment properties	**810**	313
555	**1,470**	Net profit on sale of property, plant and equipment	**113**	48
7	**147**	Insurance claims and legal fees recovered	**11**	1
—	**9,480**	Fair value adjustment to investment properties	**728**	—
2,841	**5,576**	Other sundry income	**428**	233
69,173	**3,319**	Net foreign exchange gains/(losses)	**72**	(1,318)
4,664	**3,937**	Sale of scrap and bad debt recoveries	**302**	401
91,369	**291,102**		**22,302**	1,176

* Refer note 4

6.1 Net gains on investments

2011 R'000	2012 R'000		2012 £'000	2011 £'000
—	—	Net losses on investments classified as loans and receivables	—	(160)
(12,782)	**18,888**	Net gains/(losses) on investments held at fair value through profit and loss	**1,571**	(1,811)
2,020	**1,031**	Net gains on trading financial instruments at fair value through profit and loss	**80**	174
11,156	—	Gains on derivatives in hedge relationships	—	2,429
394	**19,919**	Net gains on investments	**1,651**	632

6.2 Fees, dividends and interest from loans, receivables and investments

2011 R'000	2012 R'000		2012 £'000	2011 £'000
2,670	**212,903**	Dividends from investments at fair value through profit and loss	**16,358**	230
2,173	**1,701**	Interest income from unimpaired investments classified as loans and receivables	**131**	187
5,247	**22,102**	Fee income	**1,698**	449
10,090	**236,706**		**18,187**	866

7. Operating expenses

2011 R'000	2012 R'000		2012 £'000	*As restated 2011 £'000
18,043	**19,098**	Sales and distribution costs	**1,467**	1,551
333,459	**227,390**	Administrative expenses	**17,227**	27,833
32,743	**19,386**	Depreciation and amortisation	**1,494**	2,840
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
9,869	**11,716**	Impairment of intangible assets	**851**	861
2,345	**11,172**	Impairment of property, plant and equipment	**853**	202
—	**4,050**	Impairment of investment property	**311**	—
2,033	**3,334**	Direct operating expenses relating to investment property	**256**	175
27,607	**8,478**	Exceptional, non recurring costs #	**651**	2,374
117,243	**138,837**	Other administrative expenses	**10,603**	9,999
351,502	**246,488**		**18,694**	29,384

* Refer note 4

\# Once-off exceptional costs in the current year include the costs incurred by Global Roofing Solutions (Pty) Limited ("GRS") to relocate one of its branches and close its paint line in order to improve efficiencies; non recurring costs incurred on the migration of the Company to Malta; legal costs; and a once off donation to the Blackstar Foundation. In the prior year exceptional non recurring costs included costs incurred on the secondary listing on the Altx; conversion of the company to a Societas Europaea and transfer to Malta; and deal costs arising on the aborted offer to acquire the entire share capital of New Bond Capital Limited ("NBC")

8. Operating profit/(loss)

Profit/(loss) from operations has been arrived at after charging/(crediting) the following for both continuing and discontinuing operations.

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Auditor's remuneration		
		Paid to Group auditors and their associates		
756	**946**	– Audit fees of the Group and Company annual accounts	**68**	65
—	**—**	– Other services pursuant to legislation	**—**	—
395	**57**	– Other assurance services	**4**	34
1,837	**1,235**	– Paid to associates of BDO Malta for audit of subsidiaries	**88**	158
2,988	**2,238**		**160**	257
		Staff costs		
133,239	**103,912**	Wages and salaries	**7,984**	11,458
1,387	**429**	Social security costs	**33**	119
18,124	**11,747**	Pension costs	**903**	1,559
152,750	**116,088**		**8,920**	13,136
		Impairment losses arising on financial assets:		
8,954	**1,404**	Trade receivables (raised via provision for impairment)	**102**	771
—	**—**	Investments	**—**	—
8,954	**1,404**		**102**	771

8. Operating profit/(loss) (continued)

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Property, plant and equipment:		
26,025	**16,843**	Depreciation	**1,299**	2,252
2,345	**11,172**	Impairment	**853**	202
28,370	**28,015**		**2,152**	2,454
		Intangible assets:		
6,718	**2,543**	Amortisation	**195**	588
9,869	**11,716**	Impairment	**851**	861
16,587	**14,259**		**1,046**	1,449
		Investment properties		
—	**(9,480)**	Fair value adjustments to investment properties	**(728)**	—
—	**4,050**	Impairment of investment property	**311**	—
2,033	**3,334**	Direct operating expenses relating to investment properties	**256**	175
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
(2,582)	**(5,373)**	Write (up)/down of inventory to net realisable value	**(413)**	(222)
		Foreign exchange losses/(gains) on forward exchange contracts		
883	**104**	Realised	**8**	76
(512)	**(368)**	Unrealised	**(28)**	(44)
371	**(264)**		**(20)**	32
29,129	**14,552**	Operating lease expense	**1,118**	2,505

9. Employees

The average number of employees (excluding Blackstar Group SE Directors) during the year by function were as follows:

	2012	2011
Managerial	**34**	67
Administrative	**39**	152
Operational	**434**	801
	507	1,020

The number of employees has declined from the prior year as a result of Stalcor (Pty) Limited ("Stalcor") disposing of the Baldwins division as well as branch closures in the prior year (refer note 12).

10. Net finance costs

2011 R'000	2012 R'000		2012 £'000	2011 £'000
2,220	**6,174**	Finance income	**474**	191
2,159	**6,124**	Interest income on bank balances	**470**	186
61	**50**	Interest income on trade and other receivables	**4**	5
(20,132)	**(39,915)**	Finance costs	**(3,066)**	(1,732)
(148)	**(272)**	Interest expense on bank overdrafts	**(21)**	(13)
(6,289)	**(30,416)**	Interest expense and finance costs on borrowings from banks	**(2,336)**	(541)
(93)	**(413)**	Interest expense on non controlling shareholder loans	**(32)**	(8)
(591)	**(282)**	Interest expense on capitalised financial leases and instalment sale agreements	**(22)**	(51)
(5,370)	**(4,815)**	Interest expense on inventory financing facilities	**(370)**	(462)
(7,119)	**(3,356)**	Interest expense on debtors invoice discounting facilities	**(258)**	(612)
(522)	**(361)**	Interest expense on other financial liabilities and trade and other payables	**(27)**	(45)
(17,912)	**(33,741)**		**(2,592)**	(1,541)

11. Taxation

2011 R'000	2012 R'000		2012 £'000	2011 £'000
8,838	**7,000**	Current taxation	**538**	760
7,151	**7,000**	Current year	**538**	614
1,687	**—**	Prior years under provision	**—**	146
(4,234)	**(6,771)**	Deferred taxation	**(505)**	(367)
(4,234)	**(8,672)**	Current year	**(651)**	(367)
—	**1,901**	Prior years under provision	**146**	—
331	**33**	Net wealth tax and secondary tax on companies	**3**	28
4,935	**262**		**36**	421

The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in Malta applied to profits of 35% (2011: 28.8% standard rate of corporate tax in Luxembourg) are as follows:

2011 R'000	2012 R'000		2012 £'000	2011 £'000
(4,216)	**306,141**	Profit/(loss) before taxation	**21,595**	(6,375)
(33,744)	**(70,470)**	Add back share of profits of associates	**(5,627)**	(2,902)
(37,960)	**235,671**	Profit/(loss) before taxation and share of profits from associates	**15,968**	(9,277)
(10,932)	**82,485**	Tax at standard rate of corporate tax in Malta (2011: Luxembourg)	**5,589**	(2,672)
3,942	**(6,470)**	Differing foreign tax rates	**(1,151)**	3,695
15,445	**(81,440)**	Income and expenses not subject to tax	**(4,839)**	788
(937)	**3,753**	Tax losses unutilised/(utilised)	**288**	(1,143)
1,687	**1,901**	Under provision from prior years	**146**	146
331	**33**	Net wealth tax and secondary tax on companies	**3**	28
9,536	**262**	Current tax charge for the year for both continuing and discontinued operations	**36**	842

12. Discontinued operations

The following discontinued operations have been disclosed separately from continuing operations:

- In June 2012, Blackstar disposed of half of its 38.96% shareholding in Litha Healthcare Group Limited ("Litha") resulting in its shareholding being reduced from 38.96% to 13.42%. To date of sale, Litha was equity accounted as an associate of the Group. The income from the associate up to this date has been included in profit from discontinued operations and comparatives restated;
- In the prior year, the steel business, Stalcor (Pty) Limited ("Stalcor"), was restructured resulting in the sale of the Baldwins division and closure of two branches; and
- In the prior year, the subsidiary Ferro Industrial Products (Pty) Limited ("Ferro") was sold effective June 2011.

The comparative information for the year ended 31 December 2011 has been restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

12.1 Partial disposal of investment in Litha

In February 2012, Blackstar entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin"). The disposal, for a cash consideration of R200.6 million (£15.7 million), represented 50% of Blackstar's interest in Litha and equated to R2.75 per Litha share. The transaction was completed in June 2012, once all of the suspensive conditions were met and resulted in Blackstar's interest in Litha being reduced from 38.96% to 13.42%.

Blackstar accounted for its 38.96% interest in Litha as an associate and equity accounted the earnings to date of sale, being 25 June 2012. The disposal of half of the investment in associate was recorded and the resulting gain of R63.2 million, £2.5 million was recognised in net profit from discontinued operations. The foreign currency translation reserve previously recognised on the investment in Litha of £2.4 million was released to profit and loss resulting in the net gain on disposal in Pounds Sterling of £2.5 million. Thereafter Litha ceased to be an associate and the carrying value of the remaining investment, amounting to R137.4 million, £10.7 million, was transferred to investments at fair value through profit and loss. It was then fair valued to closing share price at 31 December 2012 with the resulting fair value gain of R125.3 million, £9.8 million being included within the consolidated statement of income as net gains on investments. The remaining investment in Litha is included within investments at fair value through profit and loss at a carrying value of R262.8 million, £19.1 million as at 31 December 2012 (refer note 20).

The results from discontinued operations which have been included in the consolidated statement of income are as follows:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
33,249	**69,980**	Shares of profits of associate	**5,589**	2,859
22,476	**—**	Exceptional gain on dilution of interest in associate	**—**	2,188
—	**63,152**	Gain on disposal of discontinued operation, net of taxation	**2,531**	—
55,725	**133,132**	**Profit for the year**	**8,120**	5,047
		Profit for the year attributable to:		
55,725	**133,132**	Equity holders of the parent	**8,120**	5,047
—	**—**	Non controlling interests	**—**	—
55,725	**133,132**		**8,120**	5,047

12. Discontinued operations (continued)

12.1 Partial disposal of investment in Litha (continued)

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		The profit on disposal of the discontinued operation is calculated as follows:		
—	**200,569**	Cash consideration	**15,651**	—
—	**137,417**	Carrying value of retained investment	**10,712**	—
—	**(274,834)**	Carrying value of 38.96% shareholding	**(21,425)**	—
—	**—**	Release of foreign currency translation reserve relating to associate	**(2,407)**	—
—	**63,152**	**Gain on disposal of discontinued operations, net of taxation**	**2,531**	—
		Earnings per share from discontinued operation		
—	**162.18**	Basic and diluted earnings per share (in cents/pence)	**9.89**	—

12.2 Sale of Baldwins division and branch closures

In the prior period, Stalcor comprised of two main operating divisions, namely Baldwins and Stalcor. Due to overall poor performance of Stalcor, the decision was taken to restructure the steel business. As a result of this decision, the loss making Baldwins division was sold to Robor (Pty) Limited ("Robor") effective 1 June 2011, Stalcor's head office function was restructured and two of its coastal branches were closed. During the current year, further residual costs were incurred by this discontinued operation.

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	Year to 31 December 2011 £'000
		Results of discontinued operation		
364,945	**—**	Revenue	**—**	31,382
(401,998)	**(4,482)**	Expenses other than finance costs	**(344)**	(34,571)
(8,343)	**(452)**	Net finance costs	**(35)**	(717)
(45,396)	**(4,934)**	Loss before taxation	**(379)**	(3,906)
2,236	**—**	Taxation	**—**	193
18,295	**—**	Gain on disposal of discontinued operation, net of taxation	**—**	1,573
(24,865)	**(4,934)**	Loss for the year	**(379)**	(2,140)
		Loss for the year attributable to:		
(23,121)	**(4,934)**	Equity holders of the parent	**(379)**	(1,984)
(1,744)	**—**	Non controlling interests	**—**	(156)
(24,865)	**(4,934)**		**(379)**	(2,140)
		Losses per share from discontinued operation		
(29.34)	**(6.01)**	Basic and diluted losses per share (in cents/pence)	**(0.46)**	(2.52)

12. Discontinued operations (continued)

12.2 Sale of Baldwins division and branch closures (continued)

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	Year to 31 December 2011 £'000
		Cash flows generated/(absorbed) by discontinued operation		
(53,343)	**(4,934)**	Cash absorbed from operating activities	**(379)**	(4,587)
103,572	**—**	Cash generated from investing activities	**—**	8,906
(47,892)	**—**	Cash absorbed from financing activities	**—**	(4,118)
2,337	**(4,934)**	Effect on cash flows	**(379)**	201

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
	Effect of disposal on the financial position of the Group	
	The net assets disposed of were as follows:	
34,540	Property, plant and equipment	2,970
—	Goodwill, net of impairment	—
7,272	Intangible assets	625
122,157	Inventories	10,505
—	Cash and cash equivalents	—
(8,087)	Other financial liabilities	(695)
(2,731)	Trade and other payables	(235)
153,151	Net assets and liabilities	13,170
	Consideration received	
121,072	Cash received	10,231
50,374	Shares in Robor (Pty) Limited at fair value	4,512
18,295	Gain on disposal of discontinued operation	1,573
—	Related tax expense	—
18,295	Gain on disposal of discontinued operation, net of taxation	1,573
121,072	Consideration received, satisfied in cash	10,231
—	Cash and cash equivalents disposed of	—
121,072	Net cash inflow on disposal of discontinued operation	10,231

12.3 Sale of Ferro

Blackstar sold its 54% interest in Ferro during the prior financial year for a total of R200.0 million, £18.2 million, in cash. Of the proceeds received, R160.7 million, £14.6 million, was in respect of the shares in Ferro and the balance was received to settle the shareholder loan. The sale of Ferro was effective from 1 July 2011.

In addition to the sale agreement, Blackstar entered into a forward foreign exchange contract to convert the South African Rand proceeds to Pounds Sterling at a rate of R10.9982:£1. As a result of the forward foreign exchange cover taken out by the Company, a profit of R11.2 million, £2.4 million, was earned on the hedge. This has been included in net gains and losses on investments for continuing operations (refer note 6.1).

12. Discontinued operations (continued)

12.3 Sale of Ferro (continued)

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
	Results of discontinued operation	
202,720	Revenue	18,194
(172,521)	Expenses other than finance costs	(15,484)
(6,149)	Net finance costs	(552)
24,050	Profit before taxation	2,158
(6,837)	Taxation	(614)
67,078	Gain on disposal of discontinued operation, net of taxation	6,288
84,291	Profit for the year	7,832
	Profit for the year attributable to:	
77,262	Equity holders of the parent	7,201
7,029	Non controlling interests	631
84,291		7,832
	Earnings per share from discontinued operation	
98.05	Basic and diluted earnings per share (in cents/pence)	9.14

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
	Cash flows generated by discontinued operation	
16,827	Cash generated from operating activities	1,447
(5,768)	Cash absorbed from investing activities	(496)
(7,989)	Cash absorbed from financing activities	(687)
3,070	Effect on cash flows	264
	Effect of disposal on the financial position of the Group	
	The net assets disposed of were as follows:	
75,965	Property, plant and equipment	6,980
42,209	Goodwill, net of impairment	3,878
76,738	Intangible assets	7,051
56,361	Inventories	5,178
56,629	Trade and other receivables	5,203
34,028	Cash and cash equivalents	3,127
(113,719)	Borrowings	(10,449)
(114)	Other financial liabilities	(10)
(22,292)	Deferred tax liabilities	(2,048)
(813)	Current tax liabilities	(75)
(52,618)	Trade and other payables	(4,834)
152,374	Net assets and liabilities	14,001
(34,020)	Minorities share of net assets and liabilities	(3,126)
	Consideration received	
185,432	Cash received for shares	15,902
67,078	Gain on disposal of discontinued operation	5,027
—	Release of foreign currency translation reserve relating to subsidiary	1,261
—	Related tax expense	—
67,078	Gain on disposal of discontinued operation, net of taxation	6,288

12. Discontinued operations (continued)

12.3 Sale of Ferro (continued)

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
185,432	Consideration received, satisfied in cash	15,902
(34,028)	Cash and cash equivalents disposed of	(3,127)
151,404	Net cash inflow on disposal of discontinued operation	12,775

12.4 Summary of all discontinued operations

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
		Total results of discontinued operations		
567,665	**—**	Revenue	**—**	49,576
(574,519)	**(4,482)**	Expenses other than finance costs	**(344)**	(50,055)
33,249	**69,980**	Share of profit of associates	**5,589**	2,859
22,476	**—**	Exceptional gain on dilution of interest in associate	**—**	2,188
(14,492)	**(452)**	Net finance costs	**(35)**	(1,269)
34,379	**65,046**	Profit before taxation	**5,210**	3,299
(4,601)	**—**	Taxation	**—**	(421)
85,373	**63,152**	Gain on disposal of discontinued operations, net of taxation	**2,531**	7,861
115,151	**128,198**	Profit for the year	**7,741**	10,739
		Profit for the year attributable to:		
109,866	**128,198**	Equity holders of the parent	**7,741**	10,264
5,285	**—**	Non controlling interests	**—**	475
115,151	**128,198**		**7,741**	10,739
		Total earnings/(losses) per share from discontinued operations		
133.84	**156.17**	Basic and diluted earnings/(losses) per share (in cents/pence)	**9.43**	13.03

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
		Total cash flows generated/(absorbed) by discontinued operations		
(36,516)	**(4,934)**	Cash absorbed from operating activities	**(379)**	(3,140)
97,804	**—**	Cash generated from investing activities	**—**	8,410
(55,881)	**—**	Cash absorbed from financing activities	**—**	(4,805)
5,407	**(4,934)**	Effect on cash flows	**(379)**	465

* Refer note 4

12. Discontinued operations (continued)

12.4 Summary of all discontinued operations (continued)

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	Year to 31 December 2011 £'000
		Effect of disposals on the financial position of the Group		
		The net assets disposed of were as follows:		
110,505	**—**	Property, plant and equipment	**—**	9,950
42,209	**—**	Goodwill, net of impairment	**—**	3,878
84,010	**—**	Intangible assets	**—**	7,676
—	**274,834**	Investments in associates	**21,425**	—
178,518	**—**	Inventories	**—**	15,683
56,629	**—**	Trade and other receivables	**—**	5,203
34,028	**—**	Cash and cash equivalents	**—**	3,127
(113,719)	**—**	Borrowings	**—**	(10,449)
(8,201)	**—**	Other financial liabilities	**—**	(705)
(22,292)	**—**	Deferred tax liabilities	**—**	(2,048)
(813)	**—**	Current tax liabilities	**—**	(75)
(55,349)	**—**	Trade and other payables	**—**	(5,069)
305,525	**274,834**	Net assets and liabilities	**21,425**	27,171
—	**(137,417)**	Carrying value of retained investments in Litha	**(10,712)**	—
(34,020)	**—**	Minorities share of net assets and liabilities	**—**	(3,126)
		Consideration received		
306,504	**200,569**	Cash received	**15,651**	26,133
50,374	**—**	Shares in Robor (Pty) Limited at fair value	**—**	4,512
85,373	**63,152**	Gain on disposal of discontinued operations	**4,938**	6,600
—	**—**	Release of foreign currency translation reserve relating to associate/subsidiary	**(2,407)**	1,261
—	**—**	Related tax expense	**—**	—
85,373	**63,152**	Gain on disposal of discontinued operations, net of taxation	**2,531**	7,861
		Earnings per share from discontinued operation		
—	**162.18**	Basic and diluted earnings per share (in cents/pence)	**9.89**	—

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	Year to 31 December 2011 £'000
306,504	**200,569**	Consideration received, satisfied in cash	**15,651**	26,133
(34,028)	**—**	Cash and cash equivalents disposed of	**—**	(3,127)
272,476	**200,569**	Net cash inflow on disposal of discontinued operation	**15,651**	23,006

13. Earnings/(losses) per share
13.1 Basic and diluted earnings/(losses) per share

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
(139,698)	**164,167**	Net profit/(loss) attributable to equity holders of the parent from continuing operations	**12,803**	(17,848)
109,866	**128,198**	Net profit attributable to equity holders of the parent from discontinued operations	**7,741**	10,264
(29,832)	**292,365**	Total net profit/(loss) attributable to equity holders of the parent	**20,544**	(7,584)
78,797	**82,088**	Weighted average number of shares in issue (thousands)	**82,088**	78,797
(37.86)	**356.16**	Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)	**25.03**	(9.62)
(177.29)	**199.99**	Basic and diluted earnings/(losses) per ordinary share attributable to equity holders from continuing operations (in cents/pence)	**15.60**	(22.65)

* Refer note 4

Refer note 42 for share transactions which occurred post 31 December 2012.

13.2 Basic and diluted headline earnings/(losses) per share^

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
(29,832)	**292,365**	Profit/(loss) for the period attributable to equity holders of the parent	**20,544**	(7,584)
		Adjusted for:		
(22,476)	**—**	Exceptional gain on dilution of interest in associate	**—**	(2,188)
(85,373)	**(63,152)**	Gain on disposal of discontinued operation	**(2,531)**	(7,861)
9,869	**11,716**	Impairment of intangible assets	**851**	861
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
2,345	**11,172**	Impairment of property, plant and equipment	**853**	202
—	**4,050**	Impairment of investment properties	**311**	—
(2,885)	**(53,300)**	Non-headline items included in equity accounted profits of associates	**(4,257)**	(248)
(1,055)	**(1,708)**	Profit on disposal of property, plant and equipment	**(131)**	(91)
(3,121)	**(6,674)**	Total tax effects of adjustments	**(498)**	(272)
183	**(295)**	Total non controlling interests' effects of adjustments	**(23)**	15
9,274	**224,591**	Headline earnings/(losses)	**17,327**	(5,784)
11.77	**273.59**	**Basic and diluted headline earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)**	**21.11**	(7.34)

^ Disclosure of headline earnings/(losses) has been provided in accordance with the JSE listing requirements.
* Refer note 4.

14. Property, plant and equipment

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
139,203	**120,585**	Cost	**9,281**	11,550
25,963	**23,123**	Land and buildings	**1,660**	2,060
85,174	**67,109**	Plant and machinery	**5,292**	7,122
6,362	**6,404**	Vehicles	**476**	539
12,912	**13,516**	Office furniture, fixtures and equipment	**1,002**	1,089
8,792	**10,433**	Capital work in progress	**851**	740
(44,331)	**(45,954)**	Accumulated depreciation	**(3,863)**	(3,987)
(713)	**(1,348)**	Land and buildings	**(98)**	(56)
(31,209)	**(31,487)**	Plant and machinery	**(2,776)**	(2,849)
(2,212)	**(2,688)**	Vehicles	**(206)**	(208)
(10,197)	**(10,431)**	Office furniture, fixtures and equipment	**(783)**	(874)
—	**—**	Capital work in progress	**—**	—
94,872	**74,631**	Carrying amount	**5,418**	7,563

14. Property, plant and equipment (continued)

Total R'000	Capital work in progress R'000	Office furniture, fixtures and equipment R'000	Vehicles R'000	Plant and machinery R'000	Land and buildings R'000	2012	Land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Office furniture, fixtures and equipment £'000	Capital work in progress £'000	Total £'000
94,872	**8,792**	**2,715**	**4,150**	**53,965**	**25,250**	Carrying amount at the beginning of the year	**2,004**	**4,273**	**331**	**215**	**740**	**7,563**
11,167	**1,641**	**1,921**	**1,362**	**6,243**	**—**	Additions	**—**	**480**	**105**	**146**	**126**	**857**
(2,700)	**—**	**—**	**—**	**—**	**(2,700)**	Transfer to investment properties	**(207)**	**—**	**—**	**—**	**—**	**(207)**
(693)	**—**	**(59)**	**(127)**	**(507)**	**—**	Disposals	**—**	**(39)**	**(10)**	**(5)**	**—**	**(54)**
(16,843)	**—**	**(1,492)**	**(1,669)**	**(12,907)**	**(775)**	Depreciation	**(60)**	**(997)**	**(128)**	**(114)**	**—**	**(1,299)**
(11,172)	**—**	**—**	**—**	**(11,172)**	**—**	Impairment	**—**	**(853)**	**—**	**—**	**—**	**(853)**
—	**—**	**—**	**—**	**—**	**—**	Currency exchange losses during the year	**(175)**	**(348)**	**(28)**	**(23)**	**(15)**	**(589)**
74,631	**10,433**	**3,085**	**3,716**	**35,622**	**21,775**	Carrying amount at the end of the year	**1,562**	**2,516**	**270**	**219**	**851**	**5,418**

Total R'000	Capital work in progress R'000	Office furniture, fixtures and equipment R'000	Vehicles R'000	Plant and machinery R'000	Land and buildings R'000	2011	Land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Office furniture, fixtures and equipment £'000	Capital work in progress £'000	Total £'000
224,431	9,442	10,783	5,639	148,488	50,079	Carrying amount at the beginning of the year	4,835	14,334	544	1,041	912	21,666
13,297	4,958	769	2,536	3,448	1,586	Additions	138	305	221	67	433	1,164
150	—	150	—	—	—	Arising on reclassification of investment, now a subsidiary	—	—	—	13	—	13
(4,131)	—	(412)	(76)	(3,372)	(271)	Disposals	(23)	(290)	(7)	(35)	—	(355)
(110,505)	(5,384)	(2,448)	(1,990)	(75,100)	(25,583)	On disposal of businesses	(2,349)	(6,701)	(181)	(224)	(495)	(9,950)
(26,025)	—	(3,782)	(1,959)	(19,723)	(561)	Depreciation	(49)	(1,708)	(169)	(326)	—	(2,252)
(2,345)	—	(2,345)	—	—	—	Impairment	—	—	—	(202)	—	(202)
—	(224)	—	—	224	—	Transfers between categories	—	20	—	—	(20)	—
—	—	—	—	—	—	Currency exchange losses during the year	(548)	(1,687)	(77)	(119)	(90)	(2,521)
94,872	8,792	2,715	4,150	53,965	25,250	Carrying amount at the end of the year	2,004	4,273	331	215	740	7,563

For details of property, plant and equipment pledged as security refer note 25 Borrowings and note 26 Other financial liabilities.

During the year ended 31 December 2012, an impairment of R11,172,000, £853,000 was recognised on plant and machinery held by GRS (in 2011 impairment of R2,345,000, £202,000 on office equipment belonging to Stalcor).

15. Investment properties

2011 R'000	2012 R'000		2012 £'000	2011 £'000
88,050	**105,635**	Cost or valuation	**7,669**	7,018
—	**(4,050)**	Accumulated impairment losses	**(294)**	—
88,050	**101,585**	Carrying amount	**7,375**	7,018
—	**88,050**	Carrying amount at the beginning of the year	**7,018**	—
58,350	**5,405**	Additions	**415**	5,018
—	**2,700**	Transfer from property, plant and equipment	**207**	—
—	**9,480**	Fair value adjustments*	**728**	—
—	**(4,050)**	Impairments*	**(311)**	—
29,700	**—**	Arising on reclassification of investment, now a subsidiary	**—**	2,554
—	**—**	Currency exchange losses during the year	**(682)**	(554)
88,050	**101,585**	Carrying amount at the end of the year	**7,375**	7,018

* The properties were valued by independent valuers at the end of the current financial year and fair value adjustments (and an impairment) were recognised. The determination of fair value was supported by reference to market evidence of transaction prices for similar properties.

Investment properties comprises three properties :

- ERF 192 – 195 situated in Richmond, Pietermaritzburg, at a fair value of R26,000,000, £1,888,000 (2011: R30,050,000, £2,395,000). The property earns rentals from various tenants within the commercial building.
- ERF 204 situated in Randjespark, Extension 36 Township, Midrand, at a fair value of R71,385,000, £5,182,000 (2011: R58,000,000, £4,623,000). The property is leased to a company within the Litha group for a twelve year period with rentals escalating at 8% per annum.
- ERF 1813 situated in Richards Bay Extension 9 Kalkerbring Street at a fair value of R4,200,000, £305,000 (2011: nil). This property is let to Stalcor, a subsidiary of the Group. During the current financial year, the property was transferred into the investment properties classification from property, plant and equipment as a result of Stalcor sub-letting the property to an external entity which is not part of the Blackstar Group.

Properties are held by the banks as security for the mortgage loans provided (refer note 25).

16. Goodwill

2011 R'000	2012 R'000		2012 £'000	2011 £'000
256,996	**257,871**	Cost	**20,547**	20,483
(220,818)	**(248,849)**	Accumulated impairment losses	**(19,891)**	(17,599)
36,178	**9,022**	Carrying amount	**656**	2,884
202,448	**36,178**	Carrying amount at the beginning of the year	**2,884**	18,835
—	**875**	On acquisition of Blackstar Fund Managers (Pty) Limited ("BFM")	**63**	—
(42,209)	**—**	On disposal of business	**—**	(3,878)
(23,214)	**(3,625)**	Impairment arising on goodwill in respect of Stalcor and GRS	**(263)**	(1,945)
(118,405)	**(26,792)**	Impairment arising on goodwill in respect of internalisation of investment advisory arrangements	**(1,945)**	(9,437)
17,558	**2,386**	Currency exchange gains/(losses) during the year	**(83)**	(691)
36,178	**9,022**	Carrying amount at the end of the year	**656**	2,884

16. Goodwill (continued)

The aggregate carrying amounts of goodwill allocated by acquisition as at the end of the year are as follows:

2011 R'000	2012 R'000		2012 £'000	2011 £'000
24,406	—	Blackstar Group (Pty) Limited ("Blackstar SA") and internalisation of investment advisory arrangements (net of impairment)	—	1,945
—	875	BFM	64	—
11,772	8,147	Arising on acquisitions made by GRS	592	939
36,178	9,022	Carrying amount at the end of the year	656	2,884

16.1 Impairment testing

The aggregate carrying amounts of goodwill as at year end allocated to each cash-generating unit are as follows:

Carrying amount at 31 December 2012 net of impairment R'000	Impairment raised R'000	Carrying amount at year end prior to impairment R'000	2012	Carrying amount at year end prior to impairment £'000	Impairment raised £'000	Carrying amount at 31 December 2012 net of impairment £'000
			Investment activities segment			
—	(26,792)	26,792	CGU 1	1,945	(1,945)	—
8,147	(3,625)	11,772	**Industrial metals segment (Stalcor and GRS)**	855	(263)	592
—	—	—	CGU 1*	—	—	—
—	—	—	CGU 2*	—	—	—
—	—	—	CGU 3	—	—	—
—	—	—	CGU 4	—	—	—
—	—	—	CGU 5	—	—	—
8,147	—	8,147	CGU 6	592	—	592
—	(3,625)	3,625	CGU 7	263	(263)	—
875	—	875	**Hedge fund and fund management activities**	64	—	64
875	—	875	CGU 1	64	—	64
—	—	—	CGU 2	—	—	—
9,022	**(30,417)**	**39,439**		**2,864**	**(2,208)**	**656**

Carrying amount at 31 December 2011 net of impairment R'000	Impairment raised R'000	Carrying amount prior to impairment R'000	2011	Carrying amount prior to impairment £'000	Impairment raised £'000	Carrying amount at 31 December 2011 net of impairment £'000
			Investment activities segment			
24,406	(118,405)	142,811	CGU 1	11,382	(9,437)	1,945
11,772	(23,214)	34,986	Industrial metals segment (Stalcor and GRS)	2,884	(1,945)	939
—	—	—	CGU 1	—	—	—
—	—	—	CGU 2	—	—	—
—	—	—	CGU 3	—	—	
—	(13,237)	13,237	CGU 4	1,103	(1,103)	—
—	(9,977)	9,977	CGU 5	842	(842)	—
8,147	—	8,147	CGU 6	650	—	650
3,625	—	3,625	CGU 7	289	—	289
36,178	(141,619)	177,797		14,266	(11,382)	2,884

16. Goodwill (continued)

16.1 Impairment testing (continued)

Impairment testing for Investment activities segment

As part of the internalisation of Blackstar's investment advisory arrangements, in 2010 the Group acquired 100% of the ordinary shares of Blackstar SA. In addition, Blackstar and Blackstar SA ended all of their respective investment advisory agreements and as a result, on acquisition of the company, Blackstar also assumed the liability for termination of the investment advisory agreements.

The internalisation gave rise to goodwill of R161,507,000, £14,882,000. The recoverable amount has been determined using a discounted cash flow model using the net asset value of the Group at the end of the year, a growth rate of 0.7% and a weighted average cost of capital of 15.0%. In 2012, the recoverable amount was less than the carrying amount and an impairment of R26,792,000, £1,945,000 (2011: R118,405,000, £9,437,000) was recognised leaving no remaining balance of goodwill as at 31 December 2012.

Impairment testing for Industrial metals segment

The recoverable amounts of all of the cash generating units within the Industrial metals segment has been determined by discounting the estimated future cash flows generated from the use of each cash generating unit. The cash flow projections were based on formally approved budgets for the year ended 31 December 2013. Cash flows for a further three years ending 31 December 2016 were determined by applying revenue and expense growth rates and margins to the 31 December 2013 approved budgets. These rates, which differed for each cash generating unit, were determined based on management's past experience and future expectations in the light of anticipated economic and market conditions.

A weighted average cost of capital of 20.0% was used to determine the recoverable amounts for each cash generating units within the Industrial metals segment and was determined using a South African Government Bond risk free rate, appropriate risk premiums, Betas of industry comparable companies, South African debt rates and tax rates and the debt ratios of industry comparable companies.

An impairment loss of R3,625,000, £263,000 was recognised at 31 December 2012 as the carrying amount of goodwill for CGU 7 within the Industrial metals segment exceeded its recoverable amount (2011: R23,214,000, £1,945,000 for CGU's 4 and 5). These cash generating units manufacture steel roofing and cladding. These units were negatively impacted by difficult market conditions including a decline in demand and weaker prices. This resulted in a lower recoverable amount for these particular cash generating units and the recognition of impairments of goodwill in both the current and prior year.

At 31 December 2012, the Group has one cash generating unit, where the carrying amount of goodwill was significant in comparison to the Group's total carrying amount of goodwill, namely CGU 6 in the Industrial metals segment. No impairment of this goodwill was necessary in the current financial year.

17. Intangible assets

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
62,152	**62,152**	Cost	**4,514**	4,954
51,992	**51,992**	Marketing related intangibles (brands)	**3,776**	4,144
10,160	**10,160**	Customer related intangibles	**738**	810
(25,180)	**(39,439)**	Accumulated amortisation and impairments	**(2,864)**	(2,007)
(15,020)	**(29,279)**	Marketing related intangibles (brands)	**(2,126)**	(1,197)
(10,160)	**(10,160)**	Customer related intangibles	**(738)**	(810)
36,972	**22,713**	Carrying amount	**1,650**	2,947

17. Intangible assets (continued)

Total R'000	Registered trademarks R'000	Technology related intangibles R'000	Customer related intangibles R'000	Marketing related intangibles (brands) R'000	2012	Marketing related intangibles (brands) £'000	Customer related intangibles £'000	Technology related intangibles £'000	Registered trademarks £'000	Total £'000
36,972	**—**	**—**	**—**	**36,972**	Carrying amount at the beginning of the year	**2,947**	**—**	**—**	**—**	**2,947**
(2,543)	**—**	**—**	**—**	**(2,543)**	Amortisation	**(195)**	**—**	**—**	**—**	**(195)**
(11,716)	**—**	**—**	**—**	**(11,716)**	Impairments	**(851)**	**—**	**—**	**—**	**(851)**
—	**—**	**—**	**—**	**—**	Currency exchange losses during the year	**(251)**	**—**	**—**	**—**	**(251)**
22,713	**—**	**—**	**—**	**22,713**	Carrying amount at the end of the year	**1,650**	**—**	**—**	**—**	**1,650**

Total R'000	Registered trademarks R'000	Technology related intangibles R'000	Customer related intangibles R'000	Marketing related intangibles (brands) R'000	2011	Marketing related intangibles (brands) £'000	Customer related intangibles £'000	Technology related intangibles £'000	Registered trademarks £'000	Total £'000
137,571	13,634	13,273	57,892	52,772	Carrying amount at the beginning of the year	5,094	5,589	1,282	1,316	13,281
(84,012)	(13,255)	(12,904)	(51,859)	(5,994)	On disposal of businesses	(531)	(4,741)	(1,186)	(1,218)	(7,676)
(6,718)	(379)	(369)	(2,851)	(3,119)	Amortisation	(268)	(254)	(33)	(33)	(588)
(9,869)	—	—	(3,182)	(6,687)	Impairments	(575)	(286)	—	—	(861)
—	—	—	—	—	Currency exchange losses during the year	(773)	(308)	(63)	(65)	(1,209)
36,972	—	—	—	36,972	Carrying amount at the end of the year	2,947	—	—	—	2,947

The amortisation charges are included in the line item "Operating expenses" in the statement of income.

GRS has experienced difficult trading conditions which has negatively impacted its profitability and resulted in intangible assets within the Industrial metals segment being impaired by an amount of R11,716,000, £851,000 (2011: R9,869,000, £861,000) during the current financial year. The total impairment expense arose as the recoverable amounts of the cash generating units to which these intangible assets were allocated were less than their carrying values and subsequent to impairment of the goodwill, this deficit was allocated to the intangible assets within each cash generating unit (refer note 16 for details of the impairment testing performed on the individual cash generating units within the Industrial metals segment).

There are no individually material intangible assets requiring separate disclosure.

18. Investments in associates

	Principal Activity	31 December 2012	31 December 2011
Litha Healthcare Group Limited *	**Healthcare company**	**#**	39%
Navigare Securities (Pty) Limited *	**Stock broker**	**25%**	25%
Fantastic Investments 379 (Pty) Limited *	**Property investment company**	**25%**	25%

* Incorporated in South Africa
# Now an investment at fair value through profit and loss as a result of the disposal of half of the investment. Refer note 20.

In February 2012, Blackstar entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin"). The disposal, for a cash consideration of R200.6 million (£15.7 million), represented 50% of Blackstar's interest in Litha and equated to R2.75 per Litha share. The transaction was completed in June 2012, once all of the suspensive conditions were met and resulted in Blackstar's interest in Litha being reduced from 38.96% to 13.42%. Litha has been accounted for as a discontinued operation and comparatives restated (refer note 12).

18. Investments in associates (continued)

Blackstar accounted for its 38.96% interest in Litha as an associate and equity accounted the earnings to date of sale, being 25 June 2012. The disposal of half of the investment in associate was recorded and the resulting gain of R63.2 million, £2.5 million was recognised in net profit from discontinued operations. The foreign currency translation reserve previously recognised on the investment in Litha of £2.4 million was released to profit and loss resulting in the net gain on disposal in Pounds Sterling of £2.5 million. Thereafter Litha ceased to be an associate and the carrying value of the remaining investment, amounting to R137.4 million, £10.7 million, was transferred to investments at fair value through profit and loss. It was then fair valued to closing share price at December 2012 with the resulting fair value gain of R125.3 million, £9.8 million being included within the consolidated statement of income as net gains on investments. The remaining investment in Litha is included within investments at fair value through profit and loss at a carrying value of R262.8 million, £19.1 million as at 31 December 2012 (refer note 20).

During the prior financial year, Blackstar's wholly owned subsidiary Blackstar Real Estate (Pty) Limited ("BRE") acquired an interest in a property company Fantastic Investments 379 (Pty) Limited ("Fantastic"). During the latter half of 2011, the investment was reviewed and it was determined on analysis of the shareholders and review of the appointment of directors to the Board of the company, that Blackstar now had a significant influence in Fantastic. The investment in this company was therefore transferred out of the category investments at fair value through profit and loss to investments in associate companies. Fantastic is equity accounted.

Summarised financial information in respect of the Group's associates are set out below:

2011	2012		2012	2011
R'000	**R'000**		**£'000**	£'000
1,471,411	**34,739**	Total assets	**2,522**	117,273
(949,729)	**23,873**	Total liabilities	**1,733**	(75,695)
521,682	**58,612**	Net assets	**4,255**	41,578
206,234	**1,870**	Group's share of associates	**136**	16,437

2011 R'000	2012 R'000		2012 £'000	2011* £'000
22,131	**24,659**	Total revenue	**1,895**	1,903
1,979	**1,961**	Total profit for the period	**151**	170
495	**490**	Group's share of associates	**38**	43

* Comparatives have been restated to exclude the results of Litha which has been included in discontinued operations (refer note 12).

2011	2012		2012	2011
R'000	**R'000**		**£'000**	£'000
		Continuing operations		
495	**490**	Share of profits of associate	**38**	43
55,725	**133,132**	**Discontinued operations**	**8,120**	5,047
33,249	**69,980**	Share of profits of associate	**5,589**	2,859
22,476	**—**	Exceptional gain on dilution of interest in associate	**—**	2,188
—	**63,152**	Gain on disposal of associate, net of taxation	**2,531**	—
56,220	**133,622**		**8,158**	5,090

The Group did not receive any dividends from any of its investments in associates.

19. Investments classified as loans and receivables

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
14,248	**27,427**	Carrying value at the beginning of the year	**2,186**	1,375
23,281	**41**	Additions during the year at cost *	**3**	2,037
(11,927)	**(27,395)**	Disposals during the year at cost	**(2,105)**	(991)
—	**—**	Unrealised losses on disposals recognised in prior years	**—**	4
1,791	**1,668**	Net dividends and interest accrued during the year	**128**	148
34	**—**	Other movements #	**—**	3
—	**—**	Currency exchange losses during the year	**(86)**	(390)
27,427	**1,741**	Carrying value at the end of the year	**126**	2,186

* Additions in the prior year include additions to loans and receivables as well as the reclassification of an amount of R1,598,000, £154,000 from an investment in the associate Navigare Securities (Pty) Limited ("Navigare") to an equity loan and a loan amounting to R363,000, £31,000 which was acquired as part of the acquisition of the associate Fantastic.

\# Other movements represent balances that arose on reclassification of an investment now considered a subsidiary and therefore consolidated.

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
1,799	**1,741**	Non-current portion	**126**	144
25,628	**—**	Current portion	**—**	2,042
27,427	**1,741**		**126**	2,186

Investments classified as loans and receivables comprise the following:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
15,850	**—**	Interest bearing loan to Ukuvula Investments (Pty) Limited which has been repaid in 2012	**—**	1,263
9,704	**—**	Interest bearing loan issued by subsidiary which has been repaid in 2012	**—**	773
1,799	**1,741**	Loans to associates which are interest free and have no fixed dates of repayment	**126**	144
74	**—**	Interest free loan to Adreach (Pty) Limited which has been repaid in 2012	**—**	6
27,427	**1,741**	Carrying value at the end of the year	**126**	2,186

Refer note 34 Financial instruments for further disclosure.

20. Investments at fair value through profit and loss

2011 R'000	2012 R'000		2012 £'000	2011 £'000
130,524	**176,717**	Fair value at the beginning of the year	**14,085**	12,601
88,142	**866,539**	Additions during the year at cost *	**66,423**	7,798
—	**54,219**	Additions arising on creation of the Blackstar Special Opportunities Fund ("BSOF")	**3,886**	—
(49,907)	**(716,342)**	Disposals during the year at cost	**(54,882)**	(3,791)
16,576	**(32,808)**	Unrealised losses/(gains) on disposals recognised in prior years	**(2,521)**	1,249
(5,880)	**123,802**	Unrealised gains/(losses) during the year	**9,638**	(744)
(3,827)	**137,417**	Other movements^	**10,712**	(329)
1,089	**498**	Exchange gains recognised in profit and loss on investments denominated in a foreign currency	**38**	—
—	**—**	Currency exchange losses during the year	**(3,089)**	(2,699)
176,717	**610,042**	Fair value at the end of the year	**44,290**	14,085

* Additions in the current year include a capital distribution received from New Bond Capital Limited ("NBC", previously Muelaphanda Group Limited ("MVG") in the form of Times Media Group Limited ("TMG") shares valued at R209,365,000, £16,086,000. Additions in the prior year include Robor shares with a fair value of R50,374,000, £4,512,000 received on disposal of the Baldwins operation (refer note 12).

^ Other movements in the current year comprise the transfer of the remaining carrying value of the investment in Litha from the investments in associates classification. This is as a result of the sale of half of Blackstar's interest in Litha which reduced the Group's interest in Litha to 13.42%. Other movements in the prior year represent balances that are transferred out of the investments at fair value through profit and loss classification as a result of the investment being considered a subsidiary and therefore consolidated (refer note 36).

2011 R'000	2012 R'000		2012 £'000	2011 £'000
46,260	**517,728**	Non-current portion	**37,588**	3,687
130,457	**92,314**	Current portion	**6,702**	10,398
176,717	**610,042**		**44,290**	14,085

Analysis of gains/(losses) on investments

2011 R'000	2012 R'000		2012 £'000	2011 £'000
25,340	**643,738**	Proceeds on disposals during the year	**49,298**	2,095
(49,907)	**(716,342)**	Investments at cost	**(54,882)**	(3,791)
(24,567)	**(72,604)**	Realised losses on disposals based on historical cost	**(5,584)**	(1,696)
16,576	**(32,808)**	Add unrealised losses/(gains) on disposals recognised in prior years	**(2,521)**	1,249
(7,991)	**(105,412)**	Realised losses recognised in profit and loss on disposals based on carrying value at prior year balance sheet date	**(8,105)**	(447)
—	**—**	Realised exchange gains on disposal of investments released directly to retained earnings	**—**	(620)
1,089	**498**	Exchange gains recognised in profit and loss on investments denominated in a foreign currency	**38**	—
(5,880)	**123,802**	Unrealised gains/(losses) during the year	**9,638**	(744)
(12,782)	**18,888**	Net gains/(losses) on investments	**1,571**	(1,811)

20. Investments at fair value through profit and loss (continued)

The Group does not have a controlling interest in any of the investments at fair value through profit and loss. These investments are monitored on a fair value basis and comprise the following:

2011 R'000	2012 R'000		2012 £'000	2011 £'000
—	**262,761**	Ordinary shares in Litha Healthcare Group Limited*	**19,077**	—
—	**194,967**	Ordinary shares in Times Media Group Limited	**14,155**	—
—	**33,840**	Equity investments held by Blackstar Special Opportunities Fund	**2,457**	—
—	**19,221**	Bonds, funds and other investments held by Blackstar Special Opportunities Fund	**1,395**	—
96,258	**—**	Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company	**—**	7,672
44,000	**60,000**	Ordinary shares in Robor (Pty) Limited	**4,356**	3,507
3,650	**—**	Investment in FBDC Investor Offshore Holdings L.P.	**—**	291
32,809	**39,253**	Other listed shares, funds and fixed income securities	**2,850**	2,615
176,717	**610,042**	Fair value at the end of the year	**44,290**	14,085

* This investment was transferred from investments in associates to investments at fair value through profit and loss as a result of Blackstar disposing of half of the investment in June 2012.

Refer note 34 Financial instruments for further disclosure.

21. Other financial assets

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Derivatives designated and effective as hedging instruments carried at fair value		
23	**917**	Forward exchange contracts	**67**	2
23	**917**		**67**	2
—	**—**	Non-current portion	**—**	—
23	**917**	Current portion	**67**	2
23	**917**		**67**	2

Refer note 34 Financial instruments for further disclosure.

22. Trade and other receivables

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
151,232	**134,476**	Trade receivables	**9,764**	12,053
(10,970)	**(7,963)**	Impairment allowance	**(578)**	(874)
140,262	**126,513**		**9,186**	11,179
2,388	**3,673**	Prepayments and accrued income	**267**	190
2,147	**10,823**	Other receivables	**785**	171
144,797	**141,009**		**10,238**	11,540

For details of trade receivables pledged as security refer note 25 Borrowings and note 26 Other financial liabilities.

Refer note 34 Financial instruments for further disclosure.

23. Inventories

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
73,613	**94,803**	Finished goods	**3,814**	5,867
2,380	**788**	Work in progress	**57**	190
50,004	**52,526**	Raw materials	**6,882**	3,985
125,997	**148,117**		**10,753**	10,042

The cost of inventories recognised as an expense for continuing operations amounts to R909,943,000, £69,915,000 (2011: R917,372,000, £78,887,000 and has been reflected as cost of sales on the face of the statement of income. A provision for obsolescence is raised for specific items identified as slow moving.

For details of inventories pledged as security refer to note 25 Borrowings and note 26 Other financial liabilities.

24. Cash and cash equivalents

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
255,124	**352,063**	Deposits and cash at bank	**25,560**	20,334
(65)	**(117)**	Overdrafts	**(8)**	(5)
255,059	**351,946**	Cash and cash equivalents per the statement of cash flows	**25,552**	20,329

Cash and cash equivalents held by South African subsidiaries of R17,931,000, £1,302,000 (2011: R44,532,000, £3,549,000) are ring-fenced and are not available to other entities within the Group. Transfers of cash are subject to South African exchange control regulations. Cash and cash equivalents held at the centre (comprising Blackstar Group SE, Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus") and Blackstar (Gibraltar) Limited ("Blackstar Gibraltar") amounted to R334,015,000, £24,250,000 (2011: R210,527,000, £16,780,000) at year end.

For details of cash and cash equivalents pledged as security refer to note 25 Borrowings and note 26 Other financial liabilities.

25. Borrowings

Borrowings comprise the following:

2011 R'000	**2012 R'000**		**2011 £'000**	2011 £'000
		Unsecured		
950	**350**	Loan which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013	**25**	76
5,701	**7,244**	Loans to property companies from non controlling shareholders. One of the loans bears interest at South African Prime rate plus 200 basis points whilst the remaining loans are interest free. The loans have no fixed terms of repayment	**526**	454
5,000	**5,000**	Loan which bears no interest and is repayable on demand	**363**	399
1,573	**1,751**	Cumulative redeemable preference shares in subsidiary (property company) held by a non controlling shareholder. Dividends are payable at the South African Prime rate plus 200 basis points nominal annual compounded monthly and the shares are redeemable on date of sale of the property or earlier at the discretion of the issuer	**127**	125
		Secured		
83,117	**82,422**	Mortgage loans taken out by property companies. The loans bear interest at fixed rates ranging between 8% and 12.37% repayable in fixed monthly instalments escalating by between 7% and 10% per annum with the final instalment due in 2022 *	**5,984**	6,625
—	**127**	Acquisition facility which bears interest at the South African Prime rate plus15 basis points nominal annual compounded semi-annually in arrears, with a bullet payment of the capital in January 2014#	**9**	—
96,341	**96,894**		**7,034**	7,679

* The following security has been provided for BRE's mortgage loan: unconditional, irrevocable guarantees from Blackstar Group SE for the full obligations of BRE and for the full rental obligations of Stalcor; shareholder loans in BRE have been subordinated in favour of the lender (the bank); first covering mortgage bonds are registered over the properties (included in property, plant and equipment, and investment properties) in favour of the lender for an aggregate amount of R14.4 million, £1.0 million, plus costs; cession of rental income in respect of any lease agreement concluded or to be concluded in respect of the properties; and cession of all insurance policies over the mortgaged properties. For the remaining mortgage loans the properties with a carrying value of R97.4 million, £7.1 million, included in investment properties, have been provided as security and the shareholders of the respective property companies who took out the mortgage loans have stood surety for the outstanding debt. BRE has also provided suretyship, by binding itself jointly and severally as surety for the mortgage bond taken out by Wonderdeals to acquire the investment property, for an amount not exceeding R10.0 million, £0.7 million. Blackstar Group SE has a limited warranty and indemnity for the obligations of Firefly Investments 223 (Pty) Limited ("Firefly") (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for an investment property acquired.

Blackstar Group SE obtained an acquisition facility from a bank amounting to R320.0 million, £23.2 million, which was used to fund the acquisition of a 28% stake in NBC. On subsequent disposal of this investment the majority of the facility was settled. As at year end the following security has been provided for this facility: 72,989,058 of the Group's ordinary shares in Litha and 14,626,387 of its ordinary shares in TMG.

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
88,792	**92,366**	Non-current portion	**6,705**	7,077
7,549	**4,528**	Current portion	**329**	602
96,341	**96,894**		**7,034**	7,679

26. Other financial liabilities

Other financial liabilities comprise the following:

2011 R'000	2012 R'000		2012 £'000	2011 £'000
76,370	**51,929**	Debtors invoicing discounting facilities. The one facility bears interest at South African Prime rate plus 275 basis points and the other facility bears interest at South Africa Prime rate. Interest is repayable monthly in arrears and capital is repayable on a rolling unspecified period *	**3,770**	6,087
—	**26,263**	Revolving inventory financing facility agreements. The loans bear interest at South African Prime rate plus 275 basis points, are repayable monthly in arrears and capital is repayable on a rolling unspecified period *	**1,907**	—
8,071	**959**	Accrual arising on operating leases as a result of lease payments being recognised as an expense on a straight-line basis over the lease term	**70**	643
4,551	**2,436**	Asset finance loan, which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013^	**177**	363
—	**1,133**	Finance leases and instalment sale agreements.	**82**	—
		Derivatives effective as hedging instruments carried at fair value		
2	**550**	Forward exchange contracts ("FECs")	**40**	—
88,994	**83,270**		**6,046**	7,093

* Stalcor has one agreement with a bank covering the following: an invoice discounting facility amounting to R60.0 million, £4.4 million, of which R29.8 million, £2.2 million, has been utilised as at 31 December 2012; and an inventory consignment facility of R12.5 million, £0.9 million, of which R6.3 million, £0.5 million, was utilised as at 31 December 2012. GRS also has one agreement with a bank which covers the following: an invoice financing facility of R60.0 million, £4.4 million, of which R22.1 million, £1.6 million, has been utilised as at 31 December 2012; an inventory financing facility of R20.0 million, £1.5 million, which was fully utilised at year end; and a guarantees facility of R0.3 million, £0.02 million. Details of the securities provided for both of the aforementioned facilities are provided in note 34.4.2.

^ Assets with a carrying value of R3.8 million, £0.3 million (2011: R5.9 million, £0.4 million), included in property, plant and equipment have been provided as security.

2011 R'000	2012 R'000		2012 £'000	2011 £'000
9,844	**2,400**	Non-current portion	**175**	785
79,150	**80,870**	Current portion	**5,871**	6,308
88,994	**83,270**		**6,046**	7,093

Refer note 34 Financial instruments for further disclosure.

27. Provisions

2011 R'000	2012 R'000		2012 £'000	2011 £'000
2,490	**1,939**	Non-current portion	**141**	199
1,168	**2,500**	Current portion	**182**	93
3,658	**4,439**		**323**	292

27. Provisions (continued)

Provisions comprise the following:

Provision for rectification

A provision for rectification has been raised, where customers have been provided with a guarantee for certain products. This provision is based on the specific problematic products identified at year end.

Provision for redundancies

A provision for redundancies has been raised by the Group and is based on the staff identified to be retrenched and their average wages, working hours and length of service of employment.

Provision for onerous contracts

A provision for onerous contracts has been raised for operating leases for land and buildings which are considered by management to be onerous. The provision is calculated as the present value of the future cash flows identified as onerous net of any cash inflows from sub-letting, discounted using market-related rates.

Provision for contingent consideration

A provision has been raised for the consideration payable by GRS in respect of the acquisition of a subsidiary, which is dependent on the free cash flows generated by the entity over the next one and a half years. The provision is based on the formula per the purchase agreement.

Total R'000	Provision for contingent consideration R'000	Provision for onerous contracts R'000	Provision for redundancies R'000	Provision for rectification R'000		Provision for rectification £'000	Provision for redundancies £'000	Provision for onerous contracts £'000	Provision for contingent consideration £'000	Total £'000
5,027	1,153	2,411	572	891	Balance at 31 December 2010	86	55	233	111	485
2,005	—	687	—	1,318	Created	113	—	59	—	172
(3,374)	(502)	(1,930)	(572)	(370)	Utilised	(32)	(49)	(166)	(43)	(290)
—	—	—	—	—	Currency exchange gains	(20)	(6)	(33)	(16)	(75)
3,658	**651**	**1,168**	**—**	**1,839**	Balance at 31 December 2011	**147**	**—**	**93**	**52**	**292**
3,078	**417**	**2,500**	**—**	**161**	Created	**12**	**—**	**192**	**32**	**236**
(2,297)	**(1,068)**	**(1,168)**	**—**	**(61)**	Utilised	**(5)**	**—**	**(90)**	**(82)**	**(177)**
—	**—**	**—**	**—**	**—**	Currency exchange gains	**(13)**	**—**	**(13)**	**(2)**	**(28)**
4,439	**—**	**2,500**	**—**	**1,939**	Balance at 31 December 2012	**141**	**—**	**182**	**—**	**323**

28. Deferred taxation

28.1 Movement in net deferred taxation

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
(47,733)	**(17,645)**	Net deferred tax liability at the beginning of the year	**(1,407)**	(4,608)
4,234	**8,672**	Recognised in income statement for continuing operations	**651**	367
—	**(1,901)**	Under provision for prior year	**(146)**	—
3,562	**—**	Recognised in income statement under net profit/loss from discontinued operations	**—**	312
—	**(26)**	On acquisition of business	**(2)**	—
22,292	**—**	On disposal of businesses	**—**	2,048
—	**—**	Currency exchange gains during the year	**112**	474
(17,645)	**(10,900)**	Net deferred tax liability at the end of the year	**(792)**	(1,407)

28. Deferred taxation (continued)

28.2 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities at year end are attributable to the following:

Net R'000	Liabilities R'000	Assets R'000	2012	Assets £'000	Liabilities £'000	Net £'000
(13,610)	**(13,610)**	**—**	Property, plant and equipment and investment properties	**—**	**(989)**	**(989)**
(6,360)	**(6,360)**	**—**	Intangible assets	**—**	**(463)**	**(463)**
220	**—**	**220**	Inventories	**17**	**—**	**17**
2,089	**(683)**	**2,229**	Trade and other receivables	**162**	**(50)**	**151**
269	**—**	**269**	Other financial liabilities	**20**	**—**	**20**
3,715	**—**	**4,258**	Trade and other payables	**309**	**—**	**270**
2,777	**—**	**2,777**	Assessed losses utilised	**202**	**—**	**202**
(10,900)	**(20,653)**	**9,753**		**710**	**(1,502)**	**(792)**
—	**7,348**	**(7,348)**	Set-off of assets and liabilities	**(533)**	**533**	**—**
(10,900)	**(13,305)**	**2,405**	Deferred tax assets/(liabilities) per statement of financial position	**177**	**(969)**	**(792)**

Net R'000	Liabilities R'000	Assets R'000	2011	Assets £'000	Liabilities £'000	Net £'000
(13,124)	(13,124)	—	Property, plant and equipment and investment properties	—	(1,038)	(1,038)
(10,822)	(10,822)	—	Intangible assets	—	(870)	(870)
203	—	203	Inventories	16	—	16
771	(171)	942	Trade and other receivables	75	(14)	61
1,595	—	1,595	Other financial liabilities	127	—	127
2,935	(225)	3,160	Trade and other payables	252	(18)	234
797	—	797	Assessed losses utilised	63	—	63
(17,645)	(24,342)	6,697		533	(1,940)	(1,407)
—	5,540	(5,540)	Set-off of assets and liabilities	(441)	441	—
(17,645)	(18,802)	1,157	Deferred tax assets/(liabilities) per statement of financial position	92	(1,499)	(1,407)

28.3 Unrecognised deferred tax assets

At 31 December 2011, Blackstar Group SE had unutilised cumulative losses and capitalised expenses of R152,558,000, £12,159,0000 that were deductible against future taxable earnings arising in Luxembourg. Deferred tax assets were not recognised due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions. Following the transfer of the Company's registration to Malta in the current year, these losses ceased to have any real value.

The Group's subsidiary Stalcor has tax losses of R234,240,000, £17,006,000 (2011: R154,343,000, £12,301,000) on which a deferred tax asset has not been recognised as it is not probable that future taxable profit will be available against which these tax losses can be utilised. The tax losses do not expire.

29. Trade and other payables

2011 R'000	2012 R'000		2012 £'000	2011 £'000
97,034	**60,495**	Trade payables	**4,392**	7,734
8,242	**8,560**	Salary related accruals	**621**	657
33,293	**28,759**	Other payables and accrued expenses	**2,088**	2,653
138,569	**97,814**		**7,101**	11,044

Refer note 34 Financial instruments for further disclosure.

30. Share capital and reserves

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Authorised		
1,553,754	**1,553,754**	150,000,000 ordinary shares of €0.76 each	**100,500**	100,500
		Issued and fully paid		
—	**574,671**	82,088,422 ordinary shares of €0.76 each	**55,347**	—
596,879	**—**	85,288,422 ordinary shares of €0.76 each	**—**	57,053

Number of shares	Number of shares	Movement of the ordinary shares of € 0.76 each for the year	Number of shares	Number of shares
74,821,193	**85,288,422**	Total number of shares in issue at the beginning of the year	**85,288,422**	74,821,193
10,467,229	**—**	Issue of new shares	**—**	10,467,229
—	**(3,200,000)**	Treasury shares cancelled	**(3,200,000)**	—
85,288,422	**82,088,422**	**Total number of shares in issue at the end of the year**	**82,088,422**	**85,288,422**

Share capital
Following approval by Blackstar's shareholders on 22 June 2011, Blackstar converted into a Societas Europaea or European public limited liability company on 27 June 2011. Following this conversion, the base currency changed from Sterling to Euros and thus the share capital of the Company was converted from a par value £0.67 to a par value of €0.76 using the exchange rate on the prevailing date.

In August 2011, the Company raised an additional R100 million (£8.9 million) through the issue of 10,467,229 new ordinary shares.

Share premium
Share premium comprises the amount subscribed for share capital in excess of nominal value.

Capital redemption reserve
The capital redemption reserve comprises amounts transferred from share capital on redemption of issued shares.

Shares held in treasury
In December 2011, Blackstar purchased 3,200,000 ordinary shares of €0.76 each in the Company at a price of 71 pence per share, representing 3.75% of the issued ordinary share capital prior to such purchases. Following a resolution of the shareholders, these shares were cancelled in January 2012 in accordance with the applicable law.

Foreign currency translation reserve
The foreign currency translation reserve comprises exchange differences arising on translation of assets and liabilities denominated in the functional currency (Rands) into one of the presentational currency Pounds Sterling.

Retained earnings
Retained earnings comprise cumulative net gains and losses recognised in the statement of income.

31. Net asset value per share

2011 R'000	2012 R'000		2012 £'000	2011 £'000
847,114	**1,144,257**	Total net assets attributable to equity holders	**83,074**	67,517
85,288	**82,088**	Number of shares in issue (thousands)	**82,088**	85,288
993	**1,394**	Net asset value per share (in cents/pence)	**101**	79

32. Cash generated/(absorbed) by operations

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
(25,794)	**292,372**	Profit/(loss) for the year	**20,520**	(7,217)
		Taxation		
4,935	**262**	Continuing operations	**36**	421
4,601	**—**	Discontinued operations	**—**	421
(16,258)	**292,634**	Profit/(loss) before taxation	**20,556**	(6,375)
		Adjustments for:		
(1,055)	**(1,708)**	Profit on disposal of property, plant and equipment	**(131)**	(91)
28,370	**28,015**	Depreciation and impairment of property, plant and equipment	**2,152**	2,454
—	**4,050**	Impairment of investment property	**311**	—
—	**(9,480)**	Fair value adjustments to investment properties	**(728)**	—
16,587	**14,259**	Amortisation and impairment of intangible assets	**1,046**	1,449
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
(17,558)	**(2,386)**	Foreign exchange losses/(gains) on goodwill not denominated in Rands	**83**	691
(1,089)	**(498)**	Foreign exchange gains on investments not denominated in Rands	**(38)**	—
(10,696)	**(90,995)**	Unrealised gains on investments	**(7,117)**	(509)
24,567	**72,604**	Realised losses on disposal of investments	**5,584**	2,480
(4,843)	**(214,604)**	Dividends and interest from loans and investments	**(16,489)**	(417)
(85,373)	**(63,152)**	Gain on disposal of discontinued operations (refer note 12)	**(4,938)**	(6,600)
—	**—**	Release of foreign currency translation reserve on part disposal of associate/disposal of a subsidiary (refer note 12)	**2,407**	(1,261)
(3,120)	**(6,174)**	Finance income	**(474)**	(271)
35,525	**40,367**	Finance costs	**3,101**	3,081
(33,744)	**(70,470)**	Share of profit of associates	**(5,627)**	(2,902)
(22,476)	**—**	Exceptional gain on dilution of interest in associate	**—**	(2,188)
(1,368)	**780**	Increase/(decrease) in provisions	**60**	(118)
		Changes in working capital		
59,831	**801**	Decrease in trade and other receivables	**398**	4,295
(24,771)	**(22,121)**	Increase in inventory	**(1,700)**	(2,158)
9,943	**(40,901)**	Increase/(decrease) in trade and other payables	**(3,140)**	1,006
(22,562)	**(7,112)**	Decrease in lease accrual	**(546)**	(1,940)
85	**(344)**	Movement in other financial liabilities in respect of FECs and derivatives in hedging relationships	**(26)**	5
71,614	**(46,018)**		**(3,048)**	2,013

33. Acquisition of subsidiaries

For all of the acquisitions in both the prior year and current financial year, the Group has elected to measure non controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

33.1 Acquisitions made during the current reporting year

33.1.1 Creation of hedge fund and acquisition of hedge fund management business

Towards the end of 2012, Blackstar established a fund management platform which necessitated the creation of a hedge fund, a general partner and a fund manager.

Blackstar launched the Blackstar Special Opportunities Fund ("BSOF") in October 2012 which is a multi-strategy fund with an emphasis on special opportunities within the South African market. Blackstar Group SE invested R20.8 million (£1.5 million) into the fund in October 2012.

33. Acquisition of subsidiaries (continued)

33.1 Acquisitions made during the current reporting year (continued)

33.1.1 Creation of hedge fund and acquisition of hedge fund management business (continued)

A new company, Blackstar GP (Pty) Limited ("Blackstar GP"), was created to act as the general partner of the hedge fund and Blackstar holds 100% of the ordinary share capital of Blackstar GP. Blackstar GP is a shell company with no assets and liabilities, earns no income and incurs no expenses. This company performs an administrative role co-ordinating the contracting of suppliers on behalf the hedge fund.

In terms of the definition of control per IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to have the power to govern the financial operating policies of the fund. This is as a result of the role Blackstar GP performs on behalf of the fund (as mentioned above). Blackstar also benefits from its power to govern through the investment it has made in the fund. The BSOF is therefore consolidated into the Blackstar results and a non controlling interest raised for the other limited partners (investors) share of the fund. Blackstar's percentage ownership of the fund of 38.4% as at 31 December 2012 is calculated based on the fair value of Blackstar's direct investment into the BSOF relative to the other limited partners' investment in the fund carried at fair value.

Blackstar also acquired a 50% plus 1 share stake in a hedge fund management business Radcliffe Capital (Pty) Limited and rebranded it as Blackstar Fund Managers (Pty) Limited ("BFM"). BFM is responsible for the management of BSOF and is also consolidated.

The net assets acquired on the acquisition of the ordinary shares in BFM are as follows:

Fair value on acquisition R'000	Fair value adjustments R'000	Book value R'000		Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
197	—	197	Trade and other receivables	14	—	14
(26)	—	(26)	Deferred tax liability	(2)	—	(2)
(145)	—	(145)	Trade and other payables	(10)	—	(10)
(12)	—	(12)	Bank overdrafts	(1)	—	(1)
14	—	14	Total net identifiable assets	1	—	1
(7)			Non controlling interest's proportionate share of the acquiree's identifiable net liabilities			—*
7			Total net identifiable liabilities at fair value attributable to equity holders of the parent			1
882			Cash consideration paid for shares			64
875			Goodwill arising on acquisition			63

* Non controlling interest amounts to £500 and is therefore rounded off to nil for the sake of balancing the above table and maintaining numbers in the nearest thousand.

33.2. Acquisition made during the prior reporting year

33.2.1 Investment reclassified as investment in subsidiary on Blackstar attaining a controlling interest

During the prior year, BRE's interest in Wonderdeals 38 (Pty) Limited ("Wonderdeals") was reviewed and it was determined on analysis of the shareholders and review of the appointment of directors to the Board of the company, that BRE now had a controlling interest in Wonderdeals. The investment was therefore transferred out of the category investments at fair value through profit and loss to investments in subsidiary companies. Wonderdeals has been consolidated during both the current and prior financial year.

33. Acquisition of subsidiaries (continued)

33.2 Acquisition made during the prior reporting year (continued)

33.2.1 Investment reclassified as investment in subsidiary on Blackstar attaining a controlling interest (continued)

The net assets on date of reclassification to investment in subsidiary were as follows:

Fair value on acquisition R'000	Fair value adjustments R'000	Book value R'000		Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
150	—	150	Property, plant and equipment	13	—	13
29,700	3,442	26,258	Investment properties	2,258	296	2,554
34	—	34	Investments classified as loans and receivables	3	—	3
765	—	765	Trade and other receivables	66	—	66
23	—	23	Cash and cash equivalents	2	—	2
(29,641)	—	(29,641)	Borrowings	(2,549)	—	(2,549)
(854)	—	(854)	Trade and other payables	(74)	—	(74)
177	3,442	(3,265)	Total net identifiable assets	(281)	296	15
(75)			Non controlling interest's proportionate share of the acquiree's identifiable net liabilities			(6)
102			Total net identifiable liabilities at fair value attributable to equity holders of the parent			9
2,598			Loan payable by Wonderdeals, assumed as part of the acquisition			223
2,700			Transfer of initial cost from investments at fair value through profit and loss			232
—			Goodwill arising on acquisition			—

33.3 Net cash inflow/(outflow) on acquisition of subsidiaries

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Consideration paid		
—	**(882)**	BFM	**(64)**	—
		Net cash and cash equivalents acquired		
—	**(12)**	BFM	**(1)**	—
23	**—**	Wonderdeals	**—**	2
—	**(20,840)**	Contributions made by Blackstar Group SE to BSOF	**(1,495)**	—
23	**(21,734)**	Net cash inflow/(outflow) on acquisition of subsidiaries	**(1,560)**	2

34. Financial instruments and financial risk management

34.1 Categories of financial instruments

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Financial assets		
176,740	**610,959**	**Financial assets at fair value through profit and loss**	**44,357**	14,087
176,717	**610,042**	Investments at fair value through profit and loss (refer note 20)	**44,290**	14,085
23	**917**	FECs in designated hedge accounting relationships (refer note 21)	**67**	2
433,783	**488,280**	**Loans and receivables**	**35,450**	34,573
27,427	**1,741**	Investments classified as loans and receivables (refer note 19)	**126**	2,186
151,232	**134,476**	Trade receivables (refer note 22)	**9,764**	12,053
255,124	**352,063**	Cash and cash equivalents (refer note 24)	**25,560**	20,334
610,523	**1,099,239**		**79,807**	48,660
		Financial liabilities		
		Financial liabilities at fair value through profit and Loss		
(2)	**(550)**	FECs in designated hedge accounting relationships (refer note 26)	**(40)**	—
(274,361)	**(239,267)**	**Financial liabilities measured at amortised cost**	**(17,370)**	(21,868)
(96,341)	**(96,894)**	Borrowings (refer note 25)	**(7,034)**	(7,679)
(80,921)	**(81,761)**	Other financial liabilities at amortised cost excluding lease accrual (refer note 26)	**(5,936)**	(6,450)
(97,034)	**(60,495)**	Trade payables (refer note 29)	**(4,392)**	(7,734)
(65)	**(117)**	Bank overdrafts (refer note 24)	**(8)**	(5)
(274,363)	**(239,817)**		**(17,410)**	(21,868)

34.2 Financial risk management overview

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprises currency risk, interest rate risk and market price risk).

The Group's major financial risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying business maintaining an entrepreneurial focus. The risks within the underlying businesses are managed by their local management teams who are responsible for their own operations.

The Board of Directors ensure that the investee companies are well staffed with strong, experienced management teams who are responsible for designing, implementing and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately. In addition to this, Blackstar is represented on each of the investee companies' Board of Directors.

Due to the diverse structure and decentralised management of the Group, there is no formal Group policy regarding the management of financial risks. The Board of Directors is responsible for agreeing and reviewing the objectives, policies and processes for managing risks specifically relating to the investment portfolio.

The management of each of the Group's operating subsidiaries are responsible for designing and implementing a risk management strategy. The managing directors, financial directors and divisional heads of the companies are involved in the day-to-day management of the business, thereby enabling them to identify any financial risks. The subsidiary companies have monthly executive management meetings, where areas of concern and risks, and management thereof, are discussed. Any significant issues are further escalated to the Board of Directors of each company where appropriate.

34. Financial instruments and financial risk management (continued)

34.2 Financial risk management overview (continued)

The information provided below for each financial risk has been collated for disclosure based on the way in which the business is managed and what is believed to be useful information for shareholders. This note presents information about the Group's exposure to each of the afore-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. IFRS 7 requires certain information to be disclosed by class of instrument. The classes of instruments for the Company and its subsidiaries are its operating segments being Industrial metals (Stalcor and GRS), Investment activities (which includes Blackstar SA, and the Group's minority investments), Property investments (which includes BRE and its subsidiaries), and Hedge fund and fund management activities (which includes BFM and the BSOF). In the prior year, Baldwins was included in Industrial metals up to date of sale being 1 June 2011, and Ferro was included in the Industrial chemicals segment up to date of sale being July 2011. On disposal of Ferro the Industrial chemicals segment is no longer required.

34.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investments, cash and cash equivalents and guarantees.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. The carrying values, net of impairment allowances, amount to R126,513,000, £9,186,000 (2011: R140,262,000, £11,179,000) for trade receivables (refer note 22), R1,741,000, £126,000 (2011: R27,427,000, £2,186,000) for investments classified as loans and receivables (refer note 19) and R352,063,000, £25,560,000 (2011: R255,124,000, £20,334,000) for cash and cash equivalents (refer note 24).

The impairment allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount which is considered irrecoverable is written off against the financial assets directly.

Similarly, an impairment allowance account is utilised to record impairments of investments classified as loans and receivables and investments at fair value through profit and loss.

34.3.1 Trade receivables

Refer note 22 Trade and other receivables.

Trade receivables by class

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
151,232	**134,476**	Gross trade receivables	**9,764**	12,053
151,033	**133,306**	Industrial metals	**9,678**	12,037
199	**45**	Investment activities	**4**	16
—	**1,125**	Property investments	**82**	—
(10,970)	**(7,963)**	Impairment allowance	**(578)**	(874)
(10,970)	**(7,963)**	Industrial metals	**(578)**	(874)
—	**—**	Investment activities	**—**	—
—	**—**	Property investments	**—**	—
		Net trade receivables		
140,063	**125,343**	Industrial metals	**9,100**	11,163
199	**45**	Investment activities	**4**	16
—	**1,125**	Property investments	**82**	—
140,262	**126,513**		**9,186**	11,179

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.1 Trade receivables (continued)

Trade receivables by class (continued)

Trade receivables by class as at 31 December 2012 comprise debtors arising from the trading subsidiaries included in the Industrial metals, Investments activities and Property investments segments. The trade receivables within the Industrial metals segment consists of a large number of customers, spread across diverse industries. The subsidiaries' operational management perform on-going credit evaluation on the financial position of its customers.

Each segment has a general credit policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. As a result of the decentralised structure of the Group, operational management of each segment are responsible for implementation of policies to meet the above objective. This includes credit policies under which new customers are analysed for credit worthiness before standard payment and delivery terms and conditions are offered, determining whether collateral is required, and if so the type of collateral, and setting of credit limits for individual customers based on their references and credit ratings. Operational management is also responsible for monitoring credit exposure. The Industrial metals segment has a policy of obtaining credit insurance for its debtors. The credit insurance companies set limits for each customer. Transactions with customers for whom the company was unable to obtain credit insurance or transactions which result in the credit limits being exceeded have to be authorised by the financial director and/or managing director of the relevant company. These directors will only provide their approval once other forms of security, such as suretyship, have been obtained.

Each segments' credit controller, together with the financial directors, are responsible for monitoring credit risk which includes detail reviews of the age analysis and the flagging of problematic debtors whose accounts are then placed on hold.

Both Stalcor and GRS have significant credit risk exposure to a single customer. These customers contributed 5% and 2% respectively to Group revenue. Amounts due by these two customers and included in the Group trade receivables as at 31 December 2012 amounted to R5.4 million, £0.4 million (2011: R9.7 million, £0.7 million). No impairments were raised for these debtors.

Each segment establishes an impairment allowance that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Each segment is responsible for determining the impairment allowance in respect of trade receivables. The average credit periods depend on the type of industry in which they operate as well as the credit worthiness of their customers. The majority of the customers are given credit terms ranging from cash on delivery to 90 days from statement. The largest impairment raised for a specific trade receivable was obtained for each reporting operation and calculated as a percentage of the Group's total impairment allowance at year end. It was determined that there were significant impairment allowances raised for two of Stalcor's customers for a total amount of R2.8 million, £0.2 million (2011: R5.0 million, £0.4 million) which represents 36% (2011: 46%) of the total impairment allowance raised by the Group. The total outstanding amount owing by these two debtors at 31 December 2012 was R3.8 million, £0.3 million (2011: R5.7 million, £0.5 million).

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.1 Trade receivables (continued)

Movement in impairment allowance in respect of trade receivables

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
6,752	**10,970**	Balance at the beginning of the year	**874**	652
8,954	**1,404**	Allowance raised during the year	**102**	771
237	**—**	Industrial chemicals	**—**	21
8,717	**1,404**	Industrial metals	**102**	750
		Allowance reversed during the year		
—	**(4,048)**	Industrial metals	**(294)**	—
		On disposal of business		
(2,612)	**—**	Industrial chemicals	**—**	(240)
		Impairment written off against trade receivables		
(2,124)	**(363)**	Industrial metals	**(26)**	(183)
—	**—**	Currency exchange gains during the year	**(78)**	(126)
10,970	**7,963**	Balance at the end of the year	**578**	874

Ageing of trade receivables

Net trade receivables R'000	**Impairment allowance R'000**	**Gross trade receivables R'000**	**2012**	**Gross trade receivables £'000**	**Impairment allowance £'000**	**Net trade receivables £'000**
54,467	**—**	**54,467**	Not past due	**3,955**	**—**	**3,955**
54,422	**—**	**54,422**	Industrial metals	**3,952**	**—**	**3,952**
45	**—**	**45**	Investment activities	**3**	**—**	**3**
72,046	**(7,963)**	**80,009**	Past due	**5,809**	**(578)**	**5,231**
31,335	**—**	**31,335**	0 – 30 days	**2,275**	**—**	**2,275**
31,268	**—**	**31,268**	Industrial metals	**2,270**	**—**	**2,270**
67	**—**	**67**	Property investments	**5**	**—**	**5**
11,785	**—**	**11,785**	31 – 60 days	**855**		**855**
10,727	**—**	**10,727**	Industrial metals	**778**	**—**	**778**
1,058	**—**	**1,058**	Property investments	**77**	**—**	**77**
			61 – 90 days			
9,194	**—**	**9,194**	Industrial metals	**668**	**—**	**668**
			91 + days			
19,732	**(7,963)**	**27,695**	Industrial metals	**2,011**	**(578)**	**1,433**
126,513	**(7,963)**	**134,476**	Total	**9,764**	**(578)**	**9,186**

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.1 Trade receivables (continued)

Ageing of trade receivables (continued)

Net trade receivables R'000	Impairment allowance R'000	Gross trade receivables R'000	2011	Gross trade receivables £'000	Impairment allowance £'000	Net trade receivables £'000
81,932	—	81,932	Not past due	6,530	—	6,530
81,734	—	81,734	Industrial metals	6,514	—	6,514
198	—	198	Investment activities	16	—	16
58,330	(10,970)	69,300	Past due	5,523	(874)	4,649
			0 – 30 days			
32,141	(44)	32,185	Industrial metals	2,565	(3)	2,562
			31 – 60 days			
4,922	(3)	4,925	Industrial metals	393	—	393
			61 – 90 days			
5,129	(153)	5,282	Industrial metals	421	(12)	409
			91 + days			
16,138	(10,770)	26,908	Industrial metals	2,144	(859)	1,285
140,262	(10,970)	151,232	Total	12,053	(874)	11,179

The credit quality of receivables not past due nor impaired is considered by management of each segment to be of reasonable quality.

Collateral held on past due amounts

As previously mentioned, the Industrial metals segment has a policy of taking out credit insurance for its debtors to limit exposure to credit risk. At year end, the Industrial metals segment had taken out credit insurance cover for net trade receivables which were past due with carrying amounts of R60,727,000, £4,409,000 (2011: R43,827,000, £3,493,000). The Industrial metals segment also has collateral in the form of surety for past due trade receivables (net of impairment allowance) amounting to R5,980,000, £434,000 (2011: R6,398,000, £510,000). An accurate fair value cannot be attached to personal surety. In addition to this, security in the form of a pledge of assets for past due trade receivables (net of impairment allowance) amounting to R2,666,000, £194,000 (2011: R5,342,000, £426,000) is also held by the Industrial metals segment.

In certain instances the Group's operations reserve the right to collect inventory sold when the outstanding debt is not settled by the customer.

34.3.2 Investments

All investments classified as loans and receivables (as per note 19) fall under the Investment activities segment (2011: with the exception of the loan issued by a subsidiary within the Industrial metals segment of R9,704,000, £773,000, the remaining investments fell under the Investment activities segment).

Of the carrying value of the investments at fair value through profit and loss of R610,042,000, £44,290,000 as at 31 December 2012 (refer note 20), R53,061,000, £3,852,000 is included in the Hedge fund and fund management activities segment and the balance falls within the Investment activities segment (2011: all investments fell within the Investment activities segment).

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.2 Investments (continued)

Investments within the Investment activities segment

An integral part of the Group's credit risk management process is the approval of all investment and financing transactions by the Board of Directors. The Group manages its credit risk by setting acceptable exposure limits for companies and industry segments. The Group provides financing to companies in which it has invested or to special purpose vehicles established to acquire an equity interest in portfolio companies. This financing is provided on the strength of the underlying companies in which the Group has invested.

The Blackstar Group SE Board meets on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors credit risk on an on-going basis.

Investments within the Hedge fund and fund management activities segment

The hedge fund is managed via an investor memorandum (Mandate) which governs the products, asset classes and various exposure limits that can be taken in the fund. Limits are detailed as a % of net asset value ("NAV") and these limits are monitored internally, by the prime broker and by the risk management third party service Riscura Analytics. Daily risk management reports are delivered to the hedge fund managers and investment committee. Any breaches in mandate limits are highlighted in risk reports and rectified immediately.

At balance sheet date, the Group had no financial assets that were past due and no impairments were raised on investments in both the prior and current year.

An industry analysis of the investment portfolios, including investments at fair value through profit and loss and investments classified as loans and receivables, are set out in the tables below. No single industry is considered to be materially more risky than another.

Investments within the Investment activities and Industrial metals segment

2011		**2012**			**2012**		2011	
Exposure Percentage	Exposure R'000	**Exposure Percentage**	**Exposure R'000**		**Exposure £'000**	**Exposure Percentage**	Exposure £'000	Exposure Percentage
47%	96,258	**0%**	**—**	Support Services	**—**	**0%**	7,672	47%
22%	44,000	**11%**	**60,000**	Industrial (Steel)	**4,356**	**11%**	3,507	22%
16%	32,809	**0%**	**672**	Real Estate	**49**	**0%**	2,649	16%
15%	31,003	**0%**	**1,278**	Other	**93**	**0%**	2,437	15%
0%	—	**48%**	**262,955**	Healthcare	**19,091**	**48%**	—	0%
0%	74	**37%**	**207,769**	Media	**15,084**	**37%**	6	0%
0%	—	**1%**	**7,695**	Financial	**559**	**1%**	—	0%
0%	—	**3%**	**18,353**	Consumer goods	**1,332**	**3%**	—	0%
100%	204,144	**100%**	**558,722**		**40,564**	**100%**	16,271	100%

Investments within the Hedge fund and fund management activities

2011		**2012**			**2012**		2011	
Exposure Percentage	Exposure R'000	**Exposure Percentage**	**Exposure R'000**		**Exposure £'000**	**Exposure Percentage**	Exposure £'000	Exposure Percentage
0%	—	**10%**	**5,463**	Bonds	**397**	**10%**	—	0%
0%	—	**10%**	**5,478**	Retail	**398**	**10%**	—	0%
0%	—	**2%**	**1,308**	Cash	**95**	**2%**	—	0%
0%	—	**3%**	**1,440**	Financial Services	**105**	**3%**	—	0%
0%	—	**29%**	**15,145**	Resources	**1,100**	**29%**	—	0%
0%	—	**46%**	**24,227**	Industrial	**1,757**	**46%**	—	0%
0%	—	**100%**	**53,061**		**3,852**	**100%**	—	0%

For investments classified as loans and receivables, the Group has obtained security in the form of guarantees and in some cases the pledges of shares owned by the borrower. For investments held at fair value through profit and loss, no such securities are held by the Group.

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.3 Cash and cash equivalents

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year end, overdrafts amounted to R117,000, £8,000 (2011: R65,000, £5,000) and cash and cash equivalents amounted to R352,063,000, £25,560,000 (2011: R255,124,000, £20,334,000). Refer note 25 and 26 for details of cash and cash equivalents provided as securities for borrowings and other financial liabilities respectively. Of the carrying value of cash and cash equivalents amounting to R352,063,000, £25,560,000, 9% was held in AAA rated money market funds, 6% with an A rated financial institution and the balance with a BBB+ or lower rated financial institutions. In 2011, of the value of cash and cash equivalents amounting to R255,124,000, £20,334,000, 67% was held in AAA rated money market funds, 17% with an A rated financial institution and the balance with BBB+ or lower rated financial institutions. The credit risk on cash and cash equivalents is limited as a result of the high credit ratings assigned to the funds and financial institutions by international credit-rating agencies.

34.3.4 Guarantees

Refer note 39 Contingents for further details of guarantees issued by the Group. The Group's maximum exposure to credit risk, without taking into account collateral or any other credit enhancements held, in respect of guarantees would be equal to the amounts disclosed in note 39.

34.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Industrial metals segment manages working capital, in particular the collection of trade receivables, on an on-going basis. Management maintain relationships with the companies' bankers and monitor cash reserves on an on-going basis to ensure there are sufficient cash resources to meet liabilities in the short term.

Cash inflows from trade receivables amounting to R134,476,000, £9,764,000 (2011: R151,232,000, £12,053,000) are to be utilised to meet cash outflows on financial liabilities. Cash inflows arising from trade receivables balances are expected within 6 months or less. In addition the segments have undrawn facilities at their disposal to further reduce liquidity risk (refer note 34.4.2).

The Board of Directors is responsible for ensuring the Investment activities segment (other than Blackstar SA) has sufficient funds to meet its operational requirements and financial obligations. The Group has access to cash on hand of R334,015,000, £24,250,000 at the centre as at 31 December 2012. All surplus cash within this segment is invested in liquid cash and money market instruments. The type of instrument and its maturity date depends on the Group's forecasted cash requirements.

The management of Blackstar SA, BRE and BFM are responsible for managing liquidity risk in each of their respective businesses.

BRE's management are involved in managing the property subsidiaries liquidity and cashflows.

The fund management business mitigates liquidity risk in the following ways:

- Business continuity liquidity risk is mitigated by holding no less than R3 million as a capital adequacy requirement as per the category 2A hedge fund regulations;
- Market liquidity risk is mitigated by position size management relative to the underlying securities liquidity profile held by the fund; and
- Investor liquidity is mitigated by a 30 day notice period for withdrawals and no more than 20% of the fund may be withdrawn within a calendar month.

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.1 Contractual maturities of non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements

The table below details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial liabilities. The table includes both interest and principal cash flows. To the extent that interest flows are at a floating rate, the undiscounted amount is derived utilising the interest rate at year end. The contractual maturity is based on the earliest date on which the Group may be required to pay.

2012	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6–12 months R'000	1-2 years R'000	2-5 years R'000	More than 5 years R'000
Borrowings (refer note 25)							
Unsecured borrowings	**14,345**	**14,345**	**3,130**	**—**	**—**	**—**	**11,215**
Secured borrowings	**82,549**	**124,261**	**5,857**	**6,117**	**14,671**	**45,458**	**52,158**
	96,894	**138,606**	**8,987**	**6,117**	**14,671**	**45,458**	**63,373**
Other financial liabilities (refer note 26)							
Debtors Invoice discounting facilities and revolving inventory financing facility	**78,192**	**78,192**	**63,272**	**14,920**	**—**	**—**	**—**
Asset finance loan	**2,436**	**2,436**	**2,436**	**—**	**—**	**—**	**—**
Finance leases and instalment sale agreements	**1,133**	**1,133**	**178**	**184**	**395**	**374**	**—**
	81,761	**81,761**	**65,886**	**15,104**	**395**	**374**	**—**
Trade and other payables (refer note 29)	**60,495**	**60,495**	**60,495**	**—**	**—**	**—**	**—**
Bank overdrafts	**(117)**	**(117)**	**(117)**	**—**	**—**	**—**	**—**

2012	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 6 months or less £'000	6–12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Borrowings (refer note 25)							
Unsecured borrowing	**1,041**	**1,042**	**228**	**—**	**—**	**—**	**814**
Secured borrowings	**5,993**	**9,021**	**425**	**444**	**1,065**	**3,300**	**3,787**
	7,034	**10,063**	**653**	**444**	**1,065**	**3,300**	**4,601**
Other financial liabilities (refer note 26)							
Debtors Invoice discounting facilities and revolving inventory financing facility	**5,677**	**5,677**	**4,594**	**1,083**	**—**	**—**	**—**
Asset finance loan	**177**	**177**	**177**	**—**	**—**	**—**	**—**
Finance leases and instalment sale agreements	**82**	**82**	**13**	**13**	**29**	**27**	**—**
	5,936	**5,936**	**4,784**	**1,096**	**29**	**27**	**—**
Trade and other payables (refer note 29)	**4,392**	**4,392**	**4,392**	**—**	**—**	**—**	**—**
Bank overdrafts	**(8)**	**(8)**	**(8)**	**—**	**—**	**—**	**—**

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.1 Contractual maturities of non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements (continued)

2011	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6–12 months R'000	1-2 years R'000	2-5 years R'000	More than 5 years R'000
Borrowings (refer note 25)							
Unsecured borrowings	13,224	13,224	7,624	300	300	5,000	—
Secured borrowings	83,117	130,866	10,213	5,398	11,424	40,113	63,718
	96,341	144,090	17,837	5,698	11,724	45,113	63,718
Other financial liabilities (refer note 26)							
Debtors Invoice discounting facility	76,370	76,370	58,807	17,563	—	—	—
Asset finance loan	4,551	4,814	1,172	1,172	2,470	—	—
	80,921	81,184	59,979	18,735	2,470	—	—
Trade and other payables (refer note 29)	97,034	97,034	97,034	—	—	—	—
Bank overdrafts	(65)	(65)	(65)	—	—	—	—

2011	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 6 months or less £'000	6–12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Borrowings (refer note 25)							
Unsecured borrowings	1,054	1,054	607	24	24	399	—
Secured borrowings	6,625	10,429	814	430	910	3,197	5,078
	7,679	11,483	1,421	454	934	3,596	5,078
Other financial liabilities (refer note 26)							
Debtors Invoice discounting facility	6,087	6,087	4,687	1,400	—	—	—
Asset finance loan	363	383	93	93	197	—	—
	6,450	6,470	4,780	1,493	197	—	—
Trade and other payables (refer note 29)	7,734	7,734	7,734	—	—	—	—
Bank overdrafts	(5)	(5)	(5)	—	—	—	—

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.2 Undrawn facilities and securities provided

The Group has the following undrawn facilities at its disposal to further reduce liquidity risk:

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Unsecured bank overdraft facility, reviewed annually and payable on call		
—	—	Utilised	—	—
1,000	1,000	Unutilised	73	80
1,000	1,000		73	80
		Secured bank overdraft facility, reviewed annually and payable on call		
—	—	Utilised	—	—
50,000	—	Unutilised	—	3,989
50,000	—		—	3,989
		Secured acquisition facility (refer note 25)		
—	127	Utilised	9	—
—	319,873	Unutilised	23,223	—
—	320,000		23,232	—

Blackstar Group SE obtained an acquisition facility from a bank amounting to R320,000,000, £23,232,000 which was utilised to fund the acquisition of a 28% stake in NBC. On subsequent disposal of this investment the majority of the debt was settled. The facility bears interest at the South African Prime rate plus 15 basis points nominal annual compounded semi-annually in arrears with a bullet payment of capital in January 2014.

The following security has been provided for this facility: 72,989,058 of the Group's ordinary shares in Litha and 14,626,387 of its ordinary shares in TMG.

Stalcor and GRS have the following additional undrawn facilities in terms of their agreements with their bankers ("the Banks"):

Total R'000	Unutilised R'000	Utilised R'000	2012	Utilised £'000	Unutilised £'000	Total £'000
120,000	68,071	51,929	Secured debtors invoicing discounting facilities (refer note 26)	3,770	4,942	8,712
32,500	6,237	26,263	Revolving inventory financing facilities (refer note 26)	1,907	453	2,360
44,917	—	44,917	Overdraft facilities	3,261	—	3,261
2,000	43	1,957	Foreign exchange contract facilities	142	3	145
5,064	3,835	1,229	Other facilities	89	278	367
204,481	78,186	126,295		9,169	5,676	14,845

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.2 Undrawn facilities and securities provided (continued)

GRS has one agreement with a bank which covered its overdraft facilities as well as other facilities which in total amounts to R47,404,000, £3,442,000. Securities provided to the first bank for these facilities include: cession and pledge by GRS of its fixed deposit account; demand guarantee by the second bank with which GRS has its debtors invoice discounting and revolving inventory financing facilities in the amount of R44,9 million, £3.3 million; and unlimited suretyship by Blackstar Group SE (including cession of its loan account). Another agreement with a second bank governs GRS's debtors invoice discounting facility, revolving inventory financing facility and a guarantee facility which amount to R80,304,000, £5,830,000, in total. The following securities have been provided for these facilities: guarantee in favour of the second bank in the amount of R500,000, £36,300; cession of debtors in terms of a banking finance facility; general notarial covering bond of R15,000,000, £1,089,000, over moveable assets, together with a cession of short term insurance for an adequate amount of cover over the said moveable assets; cession of domestic debtor cover held with CGIC; subordination in favour of the first lending bank by Blackstar Gibraltar of its loan account balance as at 31 December 2012 of R39.3 million, £2.9 million; and cession of a fire policy in the amount of R306,046,000, £22,220,000.

Stalcor has one agreement with respect to its debtors invoice discounting facility and inventory consignment facility amounting to R72,500,000, £5,264,000. Securities provided for these facilities include: guarantee and cession signed for and on behalf of each other by Stalcor and certain of its directors; subordination of the shareholder loan account in Stalcor by Blackstar Group SE and the loans from directors (with an undertaking not to reduce below R45.0 million, £3.3 million and R5.0 million, £0.4 million, respectively); first cession of Stalcor's trade receivables; general notarial bond of R65.0 million, £4.7 million, over the moveable assets of Stalcor; and CGIC credit insurance policies.

Total R'000	Unutilised R'000	Utilised R'000	2011	Utilised £'000	Unutilised £'000	Total £'000
105,000	28,630	76,370	Debtors invoice discounting facilities (refer note 26)	6,087	2,282	8,369
15,000	15,000	—	Revolving inventory financing facilities (refer note 26)	—	1,196	1,196
30,339	11,226	19,113	Foreign exchange contract facilities	1,523	895	2,418
158,059	59,378	98,681	Other facilities	7,865	4,732	12,597
308,398	114,234	194,164		15,475	9,105	24,580

GRS had one agreement with a bank which covered its forward exchange contract facilities as well as other facilities which in total amounted to R21,256,000, £1,695,000. Securities provided to the bank for these facilities included: cession and pledge by GRS of its fixed deposit account; demand guarantee by the other bank with which GRS has its debtors invoice discounting and revolving inventory financing facilities in the amount of R5,000,000, £399,000 and unlimited suretyship by Blackstar Group SE (including cession of their loan account). Another agreement with a second bank governed GRS's debtors invoice financing facility, revolving inventory financing facility and a guarantee facility which amounted to R67,200,000 £5,357,000 in total. The following securities had been provided for these facilities: registration of a notarial bond for R15,000,000, £1,196,000 in favour of the bank over the moveable assets of GRS, together with a cession of short term insurance for an adequate cover over the said moveable assets; cession of domestic debtor cover held by GRS with CGIC; subordination by Blackstar Gibraltar of its loan in GRS with a balance of R41,000,000, £3,268,000.

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.2 Undrawn facilities and securities provided (continued)

During the prior financial year, Stalcor entered into an agreement with respect to its debtors invoice discounting facility and consignment facility amounting to R65,000,000, £5,181,000. Securities provided for these facilities included: guarantee and cession signed for and on behalf of each other by Stalcor and certain of its directors; fidelity guarantee in favour of the bank by Blackstar Group SE and two of Stalcor's directors; subordination of the shareholder loan account in Stalcor by Blackstar Group SE and the loans from directors (with an undertaking not to reduce below R45,000,000, £3,587,000 and R5,000,000, £399,000 respectively); first cession of Stalcor's trade receivables; general notarial bond of R65,000,000 over the moveable assets of Stalcor; general pledge and cession of certain bank accounts; CGIC credit insurance policies; and a standing instruction for the second bank to transfer all credit balances to this banks clearing account. Another agreement was entered into with a second bank which covered its forward exchange contract facilities as well as other facilities which in total amount to R4,603,000, £367,000. Securities provided to the bank for these facilities include: a limited recourse guarantee by Blackstar Group SE for all amounts due by Stalcor; and cession of Blackstar's shares in Litha to the value of R9,200,000 (the equivalent of 26,530,612 shares as at 31 December 2011). This agreement with the bank came to an end subsequent to the 2011 year end and Blackstar was released from the guarantees provided.

34.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk has been broken down into currency risk, interest rate risk and market price risk.

34.5.1 Currency risk

The Group’s activities expose it to financial risks of changes in foreign currency. The exposure to currency risk has been discussed in further detail by class. In the prior year, the Industrial chemicals and Industrial metals segments were grouped together due to the fact that the nature of their exposure to currency risk as well as their management thereof was similar.

Investment activities

Currency risk arises because the Group makes investments in currencies which differ from its functional currency Rands and presentational currencies Rands and Pounds Sterling. The value of these assets is exposed to currency risk giving rise to gains or losses on translation into Pounds Sterling and Rands. Currency risk also arises because operations within this segment, incur costs from service providers in various parts of the world whose currency is not the same as the Group’s functional and presentational currencies (Rands and Pounds Sterling). The Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

During the prior financial year, a forward exchange contract was taken out by Blackstar Group SE on behalf of Blackstar to hedge against fluctuations in currency arising on the disposal of its shares and claims in Ferro (the proceeds were received in Rands). The FEC was settled during the prior year on receipt of the proceeds.

Hedge fund and fund management activities

The hedge fund has access to financial products that are easily traded to mitigate currency risk. The underlying fund has a 25% offshore exposure limit which can be attained in various currencies to obtain a diversification of currencies and limit single currency risk factors. The fund trades currency futures and options to hedge out exposure if necessary.

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.1 Currency risk (continued)

Industrial metals, (and Industrial chemicals in the prior year)

Currency risk arises in the Industrial metals and Industrial chemical segments as the subsidiaries in these segments make purchases and sales which are denominated in a currency other than their functional and presentational currency (South African Rand). Both segments have a policy of hedging purchases denominated in foreign currency by taking out forward exchange contracts ("FECs"). Hedges may be taken out for sales in foreign currencies; this decision is taken by the financial director depending on the materiality of the sale. It is the Group's policy not to trade in derivative financial instruments for speculative purposes.

The periods in which the cash flows associated with the forward exchange contracts are expected to occur are detailed below under the heading 'Settlement'. The periods in which the cash flows are expected to impact profit and loss are believed to be in the same time period as when the actual cash flows occur.

	Settlement		**Contract value**	
2012			**Foreign Amount 000's**	**Rand amount 000's**
In respect of FEC relating to foreign liabilities as at 31 December 2012				
– US Dollars	**January 2013**	**May 2013**	**4,406**	**39,190**
– Euro	**June 2013**	**June 2013**	**25**	**292**

	Settlement		Contract value	
2011			Foreign Amount 000's	Rand amount 000's
In respect of FECs relating to foreign liabilities as at 31 December 2011				
– US Dollars	January 2012	February 2012	485	3,961

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.1 Currency risk (continued)

Exposure to currency risk

An analysis of financial assets and liabilities by currency, at the reporting date provides an indication of each of the classes exposure to currency risk:

2012	Hedge fund and fund management activities	Property investments	Industrial metals	Investment activities	Total
Functional currency	**South African Rand R'000**	**South African Rand R'000**	**South African Rand R'000**	**South African Rand R'000**	**R'000**
Trade receivables (gross)					
South African Rand	—	1,125	133,306	45	134,476
	—	1,125	133,306	45	134,476
Trade payables					
South African Rand	36	27	44,124	90	44,277
US dollars	—	—	14,858	—	14,858
Pounds Sterling	—	—	—	1,307	1,307
Euro	—	—	—	53	53
	36	27	58,982	1,450	60,495
Borrowings					
South African Rand	—	91,417	5,350	127	96,894
Other financial liabilities (excluding forward exchange contracts and derivatives)					
South African Rand	—	(4,482)	86,985	217	82,720
Cash and cash equivalents (including overdrafts)					
South African Rand	1,625	1,158	4,816	214,159	221,758
US dollars	33	—	11	2,324	2,368
Pounds Sterling	3	—	—	124,084	124,087
Euro	—	—	—	41	41
Namibian Dollars	—	—	3,692	—	3,692
	1,661	1,158	8,519	340,608	351,946

2012	Hedge fund and fund management activities	Property investments	Industrial metals	Investment activities	Total
Functional currency	**South African Rand £'000**	**South African Rand £'000**	**South African Rand £'000**	**South African Rand £'000**	**£'000**
Trade receivables (gross)					
South African Rand	—	82	9,678	4	9,764
	—	82	9,678	4	9,764
Trade payables					
South African Rand	3	2	3,203	6	3,214
US dollars	—	—	1,079	—	1,079
Pounds Sterling	—	—	—	95	95
Euro	—	—	—	4	4
	3	2	4,282	105	4,392
Borrowings					
South African Rand	—	6,637	388	9	7,034
Other financial liabilities (excluding forward exchange contracts and derivatives)					
South African Rand	—	(325)	6,315	16	6,006
Cash and cash equivalents (including overdrafts)					
South African Rand	118	84	350	15,548	16,100
US dollars	2	—	1	169	172
Pounds Sterling	—	—	—	9,009	9,009
Euro	—	—	—	3	3
Namibian Dollars	—	—	268	—	268
	120	84	619	24,729	25,552

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.1 Currency risk (continued)

Exposure to currency risk (continued)

Total	Investment activities	Industrial metals	Property investments	2011	Property investments	Industrial metals	Investment activities	Total
	South African Rand	South African Rand	South African Rand	Functional currency	South African Rand	South African Rand	South African Rand	
R'000	R'000	R'000	R'000		£'000	£'000	£'000	£'000
				Trade receivables (gross)				
149,484	—	149,285	199	South African Rand	16	11,898	—	11,914
1,748	—	1,748	—	US Dollars	—	139	—	139
151,232	—	151,033	199		16	12,037	—	12,053
				Trade payables				
85,488	5,216	66,504	13,768	South African Rand	1,097	5,300	416	6,813
5,091	20	5,071	—	US Dollars	—	404	2	406
6,282	6,282	—	—	Pounds Sterling	—	—	501	501
173	173	—	—	Euro	—	—	14	14
97,034	11,691	71,575	13,768		1,097	5,704	933	7,734
				Borrowings				
96,341	—	5,950	90,391	South African Rand	7,205	474	—	7,679
				Other financial liabilities (excluding forward exchange contracts and derivatives)				
88,992	185	90,462	(1,655)	South African Rand	(132)	7,210	15	7,093
				Cash and cash equivalents (including overdrafts)				
50,407	17,423	18,402	14,582	South African Rand	1,162	1,467	1,389	4,018
1,041	451	590	—	US Dollars	—	47	36	83
196,851	196,851	—	—	Pounds Sterling	—	—	15,689	15,689
20	20	—	—	Euro	—	—	2	2
6,740	—	6,740	—	Namibian Dollars	—	537	—	537
255,059	214,745	25,732	14,582		1,162	2,051	17,116	20,329

Sensitivity analyses

A 10% strengthening of the Rand against Pounds Sterling at the reporting date, all other variables held constant, would have resulted in an increase of R12,408,000, £7,735,000 (2011: R19,685,000, £4,440,000) in the reported net asset value of the Group. A 10% weakening of the Rand against Pounds Sterling at the reporting date, on the same basis, would have resulted in a decrease of R12,408,000, £9,456,000 (2011: R19,685,000, £3,600,000) in the reported net asset value of the Group.

The following significant exchange rates applied during the year:

	2012	2011
South African Rand/Pounds Sterling		
Opening rate	**12.546**	10.358
Closing rate	**13.773**	12.546

34.5.2 Interest rate risk

Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows associated with financial instruments will fluctuate because of changes in market interest rates. The following financial instruments are exposed to interest rate risk: investments, borrowings, other financial liabilities and cash and cash equivalents.

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.2 Interest rate risk (continued)

At the reporting date the interest rate profile of the Group's interest bearing financial instruments were as follows:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Fixed rate instruments		
		Financial assets		
—	—	Investments classified as loans and receivables (refer note 19)	—	—
		Financial liabilities		
(84,067)	**(82,772)**	Borrowings (refer note 25)	**(6,009)**	(6,701)
(4,551)	**(2,436)**	Other financial liabilities excluding lease accruals and derivatives (refer note 26)	**(177)**	(363)
(88,618)	**(85,208)**		**(6,186)**	(7,064)
		Variable rate instruments		
		Financial assets		
27,427	**1,741**	Investments classified as loans and receivables (refer note 19)	**126**	2,186
255,124	**352,063**	Cash and cash equivalents (refer note 24)	**25,560**	20,334
		Financial liabilities		
(12,274)	**(14,122)**	Borrowings (refer note 25)	**(1,025)**	(978)
(76,370)	**(79,325)**	Other financial liabilities excluding lease accruals and derivatives (refer note 25)	**(5,759)**	(6,087)
(65)	**(117)**	Overdrafts (refer note 24)	**(8)**	(5)
193,842	**260,240**		**18,894**	15,450

Interest income and expenses in respect of assets/(liabilities) not at fair value through profit and loss can be analysed as follows:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
4,393	**7,875**	Total interest income on financial assets (including interest income on investments classified as loans and receivables in note 6 and interest income on cash and receivables in note 10)	**605**	378
(20,132)	**(39,915)**	Total interest expense on financial liabilities (refer note 10)	**(3,066)**	(1,732)
(15,739)	**(32,040)**		**(2,461)**	(1,354)

Investments

The Group's exposure to interest rates on investments is detailed in note 19 Investments classified as loans and receivables. Interest rate risk in respect of investments falling within the Investment activities segment is managed by the Board of Directors, who meet on a quarterly basis to review the investment portfolio and consequently monitors interest rate risk on an on-going basis.

Borrowings and other financial liabilities

The Group adopts a policy of ensuring that its borrowings are at market-related rates. Operational management in each segment is responsible for monitoring borrowing levels and exposure to interest rate risk on an on-going basis. The variable rates are influenced by movements in the South African Prime borrowing rates.

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.2 Interest rate risk (continued)

Cash and cash equivalents

Any excess cash and cash equivalents are invested with banks at short term market interest rates. Overdrafts which arise in the Industrial metals segment are linked to the South African Prime rate.

Sensitivity analyses

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting year. A 1% change has been used as this is what could reasonably be expected as a change in interest rates based on historical movements in interest rates within South Africa.

A 1% decrease in the South African Prime rate effective from the beginning of the year, all other variables held constant, would have resulted in an increase of R681,000, £49,000 (2011: R1,305,000, £104,000) in the reported net asset value of the Group. A 1% increase in the South African Prime rate effective from the beginning of the year, on the same basis, would have resulted in a decrease of R681,000, £49,000 (2011: R1,305,000, £104,000) in the reported net asset value of the Group.

34.5.3 Market price risk

Investments which fall under the Investment activities segment

The Group is exposed to market price risk in its listed and unlisted investments (which fall within the Investment activities segment) as well as country risk as the majority of the investments are in companies operating in South Africa. This is in line with the Group’s investment strategy. Listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and uncertainties about future prices in the case of listed investments. The Board of Directors meet on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Investments which fall under the Hedge fund and fund management activities

The hedge fund is also exposed to market price risk. Hedging tools and products are utilised to reduce market price risk, where necessary, in various markets namely currencies, derivatives, shares and fixed income products.

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the reporting date, all other variables held constant, would have resulted in an increase of R19,492,000, £1,415,000 (2011: R15,659,000, £1,248,000) in the reported net asset value of the Group. A decrease of 10% in the FTSE/JSE Africa All Share Index at the reporting date, on the same basis, would have resulted in a decrease of R29,968,000, £2,176,000 (2011: R15,922,000, £1,269,000) in the reported net asset value of the Group.

34.6 Fair values

The carrying amount of all financial assets and liabilities as reflected in the statement of financial position approximate fair value with the exception of investments classified as loans and receivables, borrowings and other financial liabilities all of which have been accounted for at amortised cost using the effective interest rate method.

34.6.1 Fair value of financial instruments carried at amortised cost

A discounted cashflow basis was utilised to calculate the fair values of financial instruments accounted for at amortised cost. On performance of the calculation, the existing terms and conditions were reviewed for each financial instrument and were found to be reasonable estimates of the terms and conditions that would be offered on such a financial instrument as at 31 December 2012 and 31 December 2011 (refer respective notes for details of the terms). Investments classified as loans and receivables bear interest at rates linked to the South African Prime rate and these rates approximate the market related discount rates used in the fair value calculations. The fair values calculated therefore approximate the carrying values.

34. Financial instruments and financial risk management (continued)

34.6 Fair values (continued)

34.6.2 Fair value of financial instruments carried at fair value in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value adjustments are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

Total	**Level 3**	**Level 2**	**Level 1**	**2012**	**Level 1**	**Level 2**	**Level 3**	**Total**
R'000	**R'000**	**R'000**	**R'000**		**£'000**	**£'000**	**£'000**	**£'000**
				Financial assets at fair value through profit and loss				
610,042	**—**	**60,000**	**550,042**	Investments at fair value through profit and loss (refer note 20)	**39,934**	**4,356**	**—**	**44,290**
917		**—**	**917**	Derivative financial assets (refer note 21)	**67**	**—**	**—**	**67**
610,959	**—**	**60,000**	**550,959**		**40,001**	**4,356**	**—**	**44,357**
Total	Level 3	Level 2	Level 1	2011	Level 1	Level 2	Level 3	Total
R'000	R'000	R'000	R'000		£'000	£'000	£'000	£'000
				Financial assets at fair value through profit and loss				
176,717	—	140,258	36,459	Investments at fair value through profit and loss (refer note 20)	2,906	11,179	—	14,085
23	—	—	23	Derivative financial assets (refer note 21)	2	—	—	2
176,740	—	140,258	36,482		2,908	11,179	—	14,087

There were no transfers between levels during the current or prior financial year.

34.6.3 Significant assumptions used in determining fair value of financial assets and liabilities

Investments at fair value through profit and loss

Investments at fair value through profit and loss include unlisted shares which are measured at fair value (refer note 20). Details of the valuation methodologies utilised to calculate fair values have been provided in note 2 to the consolidated financial statements.

Derivative financial assets

Derivative financial instruments are fair valued utilising quoted prices from listed stock exchanges.

34.7 Hedge accounting

During the prior financial year, Blackstar entered into an agreement to dispose of the shares (held by Blackstar Group SE) and claims (held by Blackstar Gibraltar) in its subsidiary Ferro for a total consideration of R200.0 million, £18.2 million. On behalf of the Group, Blackstar Group SE entered into a forward exchange contract to sell the proceeds in exchange for Pounds Sterling on the date the proceeds were received. A gain of R11.2 million, £2.4 million, was recognised on the FEC and is included in net gains and losses on investments (refer note 6.1). The profit on disposal of the interest in Ferro is included in profit from discontinued operations (refer note 12).

35. Capital management

Through two capital raisings the Company raised £80.0 million (£75.4 million after capital raising expenses) in 2006. In 2011, the Company raised a further R100.0 million (£8.9 million). The capital includes share capital, share premium and all distributable and non-distributable reserves, and is managed in accordance with its investment strategy.

The Group's objective is to develop a substantial business in South Africa with the underlying themes of strategic market position, strong cash flow and the ability to exploit the wider African markets from its South African base. The Company is meeting such objectives by investing the capital that it manages in companies in South Africa and Sub-Saharan Africa.

The Board of Directors meets on a quarterly basis and is responsible for reviewing the capital structure of the Group. The Board seeks to maintain a balance between return on capital, gearing within the Group and usage of the Group's equity capital. The key performance indicator for the Group is return on capital employed.

The Company finances its portfolio of investments out of its own capital resources and utilises third party debt funding as appropriate on a limited basis. In addition, investee companies may themselves have gearing, which is ring-fenced within the companies and is based on the levels of gearing that the companies can sustain. The Directors review the level of gearing in the Group on a regular basis.

From time to time the Company acquires its own ordinary shares in the market. Such buy-backs depend on market prices and available cash resources and reserves. In January 2013 the Company bought back 5,900,000 ordinary shares in the ordinary market which are held as treasury shares. During the prior financial year, the Company bought back 3,200,000 ordinary shares in the market which were subsequently cancelled in January 2012.

The Company looks to maintain a flexible policy regarding the payment of dividends. The Company is of the view that the Group requires a balance between the retention of earnings for investment opportunities and the establishment of consistent dividend declarations as they form an important part of shareholder wealth creation. There are accordingly no fixed dates for declaration and payment of dividends by the Company.

The Company has no externally imposed capital requirements and there have been no other changes in the capital that it manages.

36. Subsidiary companies

Details of the Company's subsidiaries, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and operation	Principal activity	Proportion of ownership 31 December 2012	Proportion of ownership 31 December 2011
Blackstar (Cyprus) Investors Limited	Cyprus	Investment company	100%	100%
Blackstar (Gibraltar) Limited	Gibraltar	Investment company	100%	100%
Blackstar Group (Pty) Limited	South Africa	Investment advisory company	100%	100%
Blackstar Fund Managers (Pty) Limited	South Africa	Fund manager	50.1%	—
Blackstar GP (Pty) Limited	South Africa	General Partner of the hedge fund	100%	—
Blackstar Special Opportunities Fund	South Africa	Hedge fund	38.4%	—
Stalcor (Pty) Limited^	South Africa	Industrial steel company	50.1%	100%
Global Roofing Solutions (Pty) Limited	South Africa	Steel roofing and cladding company	100%	100%
Helm Engineering (Pty) Limited#	South Africa	Steel roofing and cladding company	100%	100%
GRS Namibia – Domel Investments (Pty) Limited#	Namibia	Steel roofing and cladding company	100%	100%
Blackstar Real Estate (Pty) Limited^	South Africa	Investment property company	100%	100%
Firefly Investments 223 (Pty) Limited*	South Africa	Investment property company	70%	70%
Wonderdeals 38 (Pty) Limited*	South Africa	Investment property company	85.9%	57.5%

Subsidiary of GRS.

* Subsidiary of BRE.

^ Subsidiary of Blackstar (Cyprus) Investors Limited.

36. Subsidiary companies (continued)

In June 2012, Blackstar brought in an equity partner into Stalcor who injected R5,000,000, £384,000 into the business. At the same time ordinary shares of Stalcor were allocated to the equity partner, as well as to management and a customer loyalty trust, bringing Blackstar's equity holding down to 50.1%. As the capital providers to Stalcor, Blackstar and its equity partner will be entitled to 18% of retained income (sharing in a ratio of 90:10 in favour of Blackstar) prior to ordinary shareholders receiving any equity benefits. Blackstar believes that this re-aligned structure will be beneficial to the turnaround and success of Stalcor in the future.

During the current year, BRE participated in Wonderdeals' rights offer resulting in an increase in shareholding to 85.9%.

During the second half of 2012, Blackstar acquired a 50% plus 1 share stake in a hedge fund management company which is responsible for the management of the BSOF. Blackstar GP was created to act as the General Partner of the BSOF. This is a shell company with no assets or liabilities and Blackstar Group SE owns 100% of the shares in Blackstar GP. BSOF is also consolidated as the definition of control in terms of IFRS has been met (refer note 33 for further details). The proportional ownership of 38.4% is based on the fair value of Blackstar Group SE's investment in BSOF relative to the total fair value of investments held by the fund.

37. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
59,661	**42,671**	Land and buildings	**3,098**	4,755
17,185	**10,722**	Less than one year	**778**	1,370
23,693	**29,308**	Due between one and five years	**2,128**	1,888
18,783	**2,641**	More than five years	**192**	1,497
13,020	**11,218**	Equipment and vehicles	**814**	1,037
6,478	**5,278**	Less than one year	**383**	516
6,542	**5,940**	Due between one and five years	**431**	521
—	**—**	More than five years	**—**	—
72,681	**53,889**		**3,912**	5,792

38. Capital commitments

As at 31 December 2012, management of Group companies had committed to contracted capital expenditure of R1,239,000, £90,000 (2011: nil). At year end, non contracted capital expenditure of R6,479,000, £470,000 (2011: R7,865,000, £627,000) on property, plant and equipment had been approved.

39. Contingencies and guarantees

Guarantees

Blackstar Group SE has provided suretyship, by binding itself jointly and severally as surety for and co-principal debtor in solidium with GRS to and in favour of two of GRS's suppliers for amounts not exceeding R50.0 million, £4.0 million, and USD2.0 million, R17.0 million, £1.5 million.

The Group has provided 72,989,058 of its ordinary shares in Litha and 14,626,387 of its ordinary shares in TMG as security for its facility of R320,000,000, £23,232,000 of which R127,000, £9,000 was utilised at year end.

Blackstar Group SE has bound itself jointly and severally liable to a landlord as surety in respect of a lease agreement entered into by Blackstar SA.

Blackstar Group SE has provided guarantees to a bank in respect of the mortgage bond taken out by BRE to acquire properties (refer note 25).

39. Contingencies and guarantees (continued)

Guarantees (continued)

Blackstar Group SE has a limited warranty and indemnity for the obligations of Firefly (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for investment property acquired.

BRE has provided suretyship, by binding itself jointly and severally as surety for the mortgage bond taken out by Wonderdeals to acquire the investment property (refer note 25), for an amount not exceeding R10 million (£0.7 million).

Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2012 (2011: nil).

40. Directors' remuneration

Salary earned as employee of a subsidiary of the Group							Salary earned as employee of a subsidiary of the Group			
Total R'000	**Performance bonus R'000**	**Other benefits R'000**	**Salary R'000**	**Non-executive directors fees R'000**	**2012**	**Non-executive directors fees £'000**	**Salary £'000**	**Other benefits £'000**	**Performance bonus £'000**	**Total £'000**
589	**—**	**—**	**—**	**589**	John Broadhurst Mills	**45**	**—**	**—**	**—**	**45**
8,527	**3,338#**	**515***	**4,158**	**516**	Andrew David Bonamour	**40**	**319**	**39***	**256#**	**654**
455	**—**	**—**	**—**	**455**	Wolfgang Andreas Baertz	**35**	**—**	**—**	**—**	**35**
455	**—**	**—**	**—**	**455**	Marcel Ernzer	**35**	**—**	**—**	**—**	**35**
455	**—**	**—**	**—**	**455**	Charles Taberer	**35**	**—**	**—**	**—**	**35**
10,481	**3,338**	**515**	**4,158**	**2,470**		**190**	**319**	**39**	**256**	**804**

* Other benefits include medical aid, security and motor vehicle allowance.

Includes incentive bonus earned on successful realisation of Blackstar's investments in Litha, NBC and the services derivative as well as additional fees and other income generated for the Group.

Salary earned as employee of a subsidiary of the Group							Salary earned as employee of a subsidiary of the Group			
Total R'000	Performance bonus R'000	Other benefits R'000	Salary R'000	Non-executive directors fees R'000	2011	Non-executive directors fees £'000	Salary £'000	Other benefits £'000	Performance bonus £'000	Total £'000
486	—	—	—	486	John Broadhurst Mills	42	—	—	—	42
9,131	4,102#	538*	4,026	465	Andrew David Bonamour	40	346	46*	353#	785
407	—	—	—	407	Wolfgang Andreas Baertz	35	—	—	—	35
407	—	—	—	407	Marcel Ernzer	35	—	—	—	35
407	—	—	—	407	Charles Taberer	35	—	—	—	35
10,838	4,102	538	4,026	2,172		187	346	46	353	932

* Other benefits include medical aid, security and motor vehicle allowance.

Includes incentive bonus earned of R1,600,000, £138,000 for successful realisation of Ferro and conclusion of capital raising and listing on the Altx market of the JSE.

The highest paid director earned fees of R8,527,000 £654,000, (2011: R9,131,000, £785,000).

The Company does not operate a pension scheme for its Directors.

All Directors' fees payable to John Mills are payable to Maitland Luxembourg S.A. ("Maitland").

No Directors of Blackstar Group SE held any share options and no options were granted or exercised during the year (2011: nil).

Details of the Director's beneficial interest in the ordinary share capital of the Company at year end is provided in the Directors' Report.

41. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Group’s associates, Litha (to 30 June 2012 being date of disposal of half of the investment), Navigare and Fantastic, are considered to be related parties. During the current financial year, Blackstar Group SE and Blackstar SA earned underwriting fees totalling R5,000,000, £363,000 (2011: R2,750,000, £239,000) from Litha. Blackstar SA also earned fees amounting to R917,000, £67,000 (2011: R1,800,000, £155,000) from Litha, Fantastic and Navigare in the form of directors, monitoring and accounting fees. There were no amounts outstanding at year end (2011: Blackstar SA reflected a prepayment of fees from Litha of R62,000, £5,000).

At 31 December 2012, the following loans were held with the Group's associates:

- Blackstar Group SE held a loan with Navigare amounting to R1,279,000, £92,000 (2011: R1,368,000, £109,000) included within investments classified as loans and receivables (refer note 19).
- BRE held a loan with Fantastic amounting to R462,000, £34,000 (2011: R390,000, £31,000) included within investments classified as loans and receivables (refer note 19).
- Firefly held a loan with Litha Medical (Pty) Limited (“Litha Medical”), a subsidiary of Litha, amounting to R4,464,000, £324,000 (2011: R2,923,000, £233,000) included within borrowings (refer note 25).
- Firefly also held a preference share loan amounting to R1,751,000, £127,000 (2011: R1,573,000, £125,000) to Litha Medical, included within borrowings (refer note 25).

John Mills is deemed to be a related party, as in addition to being a Director, funds associated with John Mills are interested in 0.89% of the issued share capital of the Company. In addition John Mills is a Director of Maitland. Maitland provide a variety of services to the Company on a commercial, arm’s length basis. In 2012, fees to Maitland for advisory and administrative services amounted to R447,000, £37,000, (2011: R4,593,000, £395,000). At balance sheet date there were no amounts owing to Maitlands (2011: R2,045,000, £163,000 was owing to Maitland).

Andrew Bonamour is deemed to be a related party as in addition to being a Director, funds associated with Andrew Bonamour are interested in 9.2% of the issued share capital of the Company.

Details of Directors' remuneration are provided in note 40 to the consolidated financial statements. There are no other related parties transactions to disclose.

42. Events after the reporting period

Offer to acquire NBC

On 4 March 2013, Blackstar launched an offer to acquire all of the shares in NBC via an issue of Blackstar shares. The terms of the offer are 1.12 Blackstar shares in return for every 100 NBC ordinary shares held. NBC has a net asset value (“NAV”) of R80.6 million, £5.9 million, which comprises entirely of cash.

The transaction is essentially viewed as a rights issue, to enable Blackstar to get additional cash into the Company on an attractive basis. Blackstar will re-issue the shares it recently bought back at 79 pence (R11.07), currently held as treasury shares.

The transaction, which is expected to close in early June 2013, will increase Blackstar’s asset base whilst reducing the cost base as a percentage of assets.

Launch of the Blackstar Global Opportunities Fund

The Blackstar Global Opportunities Fund (“BGOF”) launched at the beginning of April 2013. BGOF is a global USD multi-strategy fund holding only highly liquid global securities in a combination of longer term long and short positions, and shorter term trading positions.

42. Events after the reporting period (continued)

Share buy-back

In January 2013, Blackstar purchased 5.9 million ordinary shares of €0.76 each in the Company at a price of 79 pence (R11.07) per share, representing 7.19% of the issued ordinary share capital prior to such purchases. The shares are currently being held in treasury.

Dividend declaration

As a reflection of the strengthened financial position and cash reserves available to Blackstar, the Board has resolved to declare a final gross dividend of 17 South African cents (1.42 cents in Euros and 1.21 pence in Pounds Sterling) per ordinary share. The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Thursday, 18 April 2013 of EUR 1 = ZAR 11.983 and GBP 1 = ZAR 14.000. The Board recognises that regular dividends are an important part of shareholder wealth creation.

The dividend will be paid in accordance with the salient dates and times set out below:

Last day to trade on the South African register	Friday, 7 June 2013
Trading ex-dividend commences on the South African register	Monday, 10 June 2013
Last day to trade on the UK register	Tuesday, 11 June 2013
Trading ex-dividend commences on the UK register	Wednesday, 12 June 2013
Record date for shareholders recorded on the UK and South African registers	Friday, 14 June 2013
Date of payment	Tuesday, 18 June 2013

Share certificates may not be dematerialized or rematerialized between Monday, 10 June 2013 and Friday, 14 June 2013, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend Tax will be withheld from the amount of the gross dividend of 17 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 14.45 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 82,088,422 shares in issue (which includes 5,900,000 shares held in treasury) at the date on which the dividend was announced, 19 April 2013. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend. There are no Secondary Tax on Companies ("STC") credits available for use.

43. Segmental information

The Group's reporting segments are described below. Each segment operates in a separate industry and is managed by the individual segment's management team. For each of the segments, the Board of Directors review internal management reports to assess performance.

The operating segments have been identified as follows:

Industrial metals segment includes the subsidiaries Stalcor, GRS and its subsidiaries. Stalcor is a processor, distributor and stockist of carbon steel,stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. GRS is a steel roofing and cladding company;

Investment activities includes the holding company Blackstar Group SE, the subsidiaries Blackstar Gibraltar and Blackstar Cyprus (through which all of the investments are made), Blackstar SA and the Group's associate Navigare;

Healthcare segment only included the associate Litha to 30 June 2012, being the date that Blackstar disposed of half of its shares in Litha. Litha then ceased to meet the definition of an associate and the carrying value of the remaining investment held was transferred to investments at fair value through profit and loss. As a result the Litha investment is included within the Investment activities segment at 31 December 2012 and Healthcare is no longer a reporting segment;

43. Segmental information (continued)

Property investments include the subsidiaries BRE, Firefly, Wonderdeals and the Group's associate Fantastic; and

Hedge fund and fund management activities includes the subsidiaries BFM and BSOF. BFM is responsible for managing the hedge fund BSOF which was launched during the current financial year.

The Board of Directors assess the performance of the operating segments based primarily on the measures of revenue and EBITDA. Other information provided, except as noted below, is measured in a manner consistent with that in the financial statements.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

Transactions between reportable segments are included in the segmental information provided and are then eliminated on consolidation (refer to the reconciliations below).

The Baldwins division and the closure of two of Stalcor's branches, which fell within the Industrial metals segment, together with Litha, which comprised the Healthcare segment, are discontinued operations (refer note 12). The comparative information for the year ended 31 December 2011, was restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

In the prior financial year, the Industrial chemicals segment was a discontinued operation as the subsidiary Ferro was sold effective July 2011. There were no other operations to report within this segment and thus it fell away as from 31 December 2011.

43.1 Information about reportable segments

2011 R'000	**2012 R'000**		**2012 £'000**	As restated* 2011 £'000
		Revenue		
		As reported by segment:		
202,720	—	Industrial chemicals	—	18,194
1,423,857	**1,063,016**	Total revenue reported by segments	**81,676**	122,563
1,626,577	**1,063,016**	Consolidated total reported by the Group	**81,676**	140,757
(567,665)	—	Less reported by discontinued operations	—	(49,699)
(202,720)	—	Industrial chemicals	—	(18,194)
(364,945)	—	Industrial metals	—	(31,505)
1,058,912	**1,063,016**	Consolidated total from continuing operations reported by the Group	**81,676**	91,058

* Refer note 4

43. Segmental information (continued)

43.1 Information about reportable segments (continued)

2011 R'000	2012 R'000		2012 £'000	As restated* 2011 £'000
		EBITDA		
		As reported by segment:		
26,480	**—**	Industrial chemicals	**—**	3,559
16,897	**34,230**	Industrial metals	**2,630**	1,445
134,268	**152,028**	Investment activities	**11,555**	2,129
4,666	**9,614**	Property investments	**739**	401
—	**(821)**	Hedge fund and fund management activities	**(59)**	—
55,725	**133,132**	Healthcare	**8,121**	5,047
238,036	**328,183**	Total EBITDA reported by segments	**22,986**	12,581
(56,176)	**(130,868)**	Less EBITDA reported by discontinued operations	**(7,947)**	(6,332)
(26,480)	**—**	Industrial chemicals	**—**	(3,559)
26,029	**2,264**	Industrial metals	**174**	2,274
(55,725)	**(133,132)**	Healthcare	**(8,121)**	(5,047)
181,860	**197,315**	Total EBITDA reported by continuing segments	**15,039**	6,249
(85,775)	**76,605**	Consolidation adjustments	**6,011**	(4,584)
(82,039)	**5,362**	Inter-group transactions and consolidation of subsidiaries	**122**	(3,587)
(4,809)	**490**	Equity account associates	**38**	(63)
1,073	**70,753**	Other	**5,851**	(934)
96,085	**273,920**	Consolidated total reported by the Group for continuing operations	**21,050**	1,665
(32,743)	**(19,386)**	Depreciation and amortisation	**(1,494)**	(2,840)
(153,833)	**(57,355)**	Impairment of goodwill and other non current assets	**(4,223)**	(12,445)
—	**9,480**	Fair value adjustment on investment property	**728**	—
(27,607)	**(8,482)**	Other	**(654)**	(2,374)
(17,912)	**(33,741)**	Finance income and finance costs	**(2,592)**	(1,541)
(136,010)	**164,436**	Profit/(loss) before taxation reported by the Group	**12,815**	(17,535)
		Share of profit of associates		
55,725	**133,132**	Healthcare	**8,120**	5,047
495	**490**	Investment activities	**38**	43
56,220	**133,622**	Total profit of associates	**8,158**	5,090
		Less share of profit of associate reported as a discontinued operation		
(55,725)	**(133,132)**	Healthcare	**(8,120)**	(5,047)
495	**490**	Consolidated total reported by the Group for continuing segments	**38**	43

* Refer note 4

43. Segmental information (continued)

43.1 Information about reportable segments (continued)

2011 R'000	2012 R'000		2012 £'000	As restated* 2011 £'000
		Total assets		
		As reported by segment:		
384,230	**359,421**	Industrial metals	**26,095**	30,624
1,087,165	**1,151,833**	Investment activities	**84,605**	86,699
121,153	**121,522**	Property investments	**8,823**	9,657
—	**58,452**	Hedge fund and fund management activities	**4,244**	—
1,592,548	**1,691,228**	Total assets reported by segments	**123,767**	126,980
		Consolidation adjustments		
(106,906)	**(99,850)**	Inter-group transactions	**(7,249)**	(8,526)
(85,657)	**(121,256)**	On acquisition fair value adjustments and consolidation of subsidiaries	**(9,783)**	(6,871)
(206,127)	**(1,852)**	Equity account associates	**(134)**	(16,429)
1,193,858	**1,468,270**	Consolidated total reported by the Group	**106,601**	95,154
		Investments in associates		
204,854	**—**	Healthcare	**—**	16,327
1,380	**1,870**	Investment activities	**136**	110
206,234	**1,870**	Consolidated total reported by the Group	**136**	16,437
		Total liabilities		
		As reported by segment:		
(358,002)	**(279,891)**	Industrial metals	**(20,321)**	(28,533)
(38,875)	**(3,392)**	Investment activities	**(246)**	(1,388)
(96,752)	**(111,327)**	Property investments	**(8,083)**	(9,426)
—	**(3,096)**	Hedge fund and fund management activities	**(225)**	—
(493,629)	**(397,706)**	Total liabilities reported by segments	**(28,875)**	(39,347)
		Consolidation adjustments		
106,906	**99,850**	Inter-group transactions	**7,249**	8,526
39,225	**1,704**	On acquisition fair value adjustments and consolidation of subsidiaries	**122**	3,124
(347,498)	**(296,152)**	Consolidated total reported by the Group	**(21,504)**	(27,697)
		Additions to non-current assets		
		As reported by segment:		
5,527	**—**	Industrial chemicals	**—**	496
17,915	**16,469**	Industrial metals	**1,251**	925
104,868	**839,161**	Investment activities	**64,476**	12,058
88,880	**8,632**	Property investments	**663**	7,089
—	**28,439**	Hedge fund and fund management activities	**2,021**	—
217,190	**892,701**		**68,411**	20,568

* Refer note 4

43. Segmental information (continued)

43.2 Geographical information

Both the Industrial chemicals and Industrial metals segments have their operations in South Africa and the Industrial metals business has a less significant operation in Namibia (Southern Africa). The Investment activities segment operates and holds investments located in the South Africa. Thus for all segments, non current assets are located in the Southern Africa region.

Segmental revenue (for both continuing and discontinued operations) is presented below on the basis of the geographical location of the customers:

Total R'000	Industrial metals R'000	Industrial chemicals R'000	2012	Industrial chemicals £'000	Industrial metals £'000	Total £'000
1,002,976	**1,002,976**	—	South Africa	**—**	**77,063**	**77,063**
60,040	**60,040**	—	Namibia	**—**	**4,613**	**4,613**
1,063,016	**1,063,016**	—	Revenue	**—**	**81,676**	**81,676**

Total R'000	Industrial metals R'000	Industrial chemicals R'000	2011	Industrial chemicals £'000	Industrial metals £'000	Total £'000
1,521,671	1,338,867	182,804	South Africa	16,407	115,255	131,662
104,906	84,990	19,916	Namibia	1,787	7,308	9,095
1,626,577	1,423,857	202,720	Revenue	18,194	122,563	140,757

43.3 Major customers

As has been disclosed in note 34.3, the Group does not rely on any one major customer (i.e. revenues from any one single customer do not exceed 10% of the Group's total revenue).

43.4 Analysis of revenue by product

2011 R'000	2012 R'000		2012 £'000	2011 £'000
202,720	—	Industrial chemicals	—	18,194
71,092	—	Sale of specialised range of powder coatings	—	6,381
34,375	—	Sale of black and white plastic master batches	—	3,084
15,505	—	Sale of glass coating and glass decorating products	—	1,392
81,748	—	Sale of ceramic glazes and enamel products	—	7,337
1,423,857	**1,063,016**	Industrial metals	**81,676**	122,563
559,588	**575,016**	Sale of manufactured roofing sheets	**44,181**	48,178
310,149	**364,114**	Sale of stainless steel^	**27,976**	26,980
554,120	**123,886**	Sale of carbon and aluminium steel^	**9,519**	47,405
1,626,577	**1,063,016**	Total revenue report by the segments	**81,676**	140,757

^ The Industrial chemicals segment, together with the Baldwins division and two of Stalcor's branches, included under the Industrial metals segment, have been disclosed as discontinued operations (refer note 12).

Company statement of changes in equity
for the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 31 December 2010	50,130	—	2,893	—	3,782	18,969	75,774
Total comprehensive loss for the year	—	—	—	—	(2,779)	(3,874)	(6,653)
Loss for the year	—	—	—	—	—	(3,874)	(3,874)
Other comprehensive loss for the year	—	—	—	—	(2,779)	—	(2,779)
Capital raising	6,923	1,974	—	—	—	—	8,897
Buy-back of ordinary shares	—	—	—	(2,272)	—	—	(2,272)
Release of foreign currency translation reserve on disposal of investments	—	—	—	—	(736)	736	—
Dividends paid	—	—	—	—	—	(6,217)	(6,217)
Balance as at 31 December 2011	57,053	1,974	2,893	(2,272)	267	9,614	69,529
Total comprehensive income for the year	—	—	—	—	(5,442)	15,226	9,784
Income for the year	—	—	—	—	—	15,226	15,226
Other comprehensive loss for the year	—	—	—	—	(5,442)	—	(5,442)
Cancellation of ordinary shares	(1,706)	—	1,706	2,272	—	(2,272)	—
Balance as at 31 December 2012	**55,347**	**1,974**	**4,599**	**—**	**(5,175)**	**22,568**	**79,313**

A final dividend of 10.10 South African cents, 0.90 pence, per ordinary share was declared on 26 May 2011.

A special dividend of 80.53 South African cents, 6.5 pence, per ordinary share was paid on 2 December 2011.

A final dividend of 17 South African cents, 1.21 pence, per ordinary share has been proposed, to be paid on 18 June 2013.

The notes on pages 102 to 111 form part of the Company financial statements.

Company statement of financial position
as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Investments in subsidiary companies	**3**	**42,160**	62,435
Investment classified as loans and receivables	**5**	**93**	109
Investments at fair value through profit and loss	**6**	**15,105**	1,114
		57,358	63,658
Current assets			
Investments at fair value through profit and loss	**6**	**1,791**	12,797
Trade and other receivables	**7**	**618**	464
Cash and cash equivalents	**8**	**21,657**	2,570
		24,066	15,831
Total assets		**81,424**	79,489
Non-current liabilities		**—**	—
Current liabilities			
Borrowings	**9**	**(9)**	—
Current tax liability		**(23)**	(22)
Trade and other payables	**10**	**(2,079)**	(9,938)
		(2,111)	(9,960)
Total liabilities		**(2,111)**	(9,960)
Total net assets		**79,313**	69,529
Equity			
Share capital	**11**	**55,347**	57,053
Share premium	**11**	**1,974**	1,974
Capital redemption reserve	**11**	**4,599**	2,893
Treasury shares reserve	**11**	**—**	(2,272)
Foreign currency translation reserve	**11**	**(5,175)**	267
Retained earnings	**11**	**22,568**	9,614
Total equity attributable to equity holders		**79,313**	69,529

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2012 was 0.82 (2011: 0.84) and 11.17 (2011: 10.48) respectively.

The notes on pages 102 to 111 form part of the Company financial statements.

The Company financial statements were approved by the Board and authorised for issue on 19 April 2013.

Andrew Bonamour
Director

John Mills
Director

Company statement cash flows
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flow from operating activities			
Cash generated/(absorbed) by operations	**12**	**16,699**	(1,240)
Interest received		**147**	79
Interest paid		**(1,419)**	(98)
Dividends and interest received from investments		**1**	6,693
Taxation paid		**—**	(38)
Dividends paid		**—**	(6,217)
Cash generated/(absorbed) by operating activities		**15,428**	(821)
Cash flow from investing activities			
Acquisition of investments at fair value through profit or loss		**(38,440)**	(673)
Acquisition of subsidiary companies	**3**	**(1,604)**	(29,070)
Increase in loans to subsidiary company		**(363)**	—
Repayment of loan by subsidiary company		**159**	—
Proceeds on part disposal of investment in associate		**12,167**	—
Proceeds from disposal of other investments		**26,270**	2,096
Proceeds on redemption/disposal of shares in subsidiary companies		**11,500**	23,418
Cash generated/(absorbed) by investing activities		**9,689**	(4,229)
Cash flow from financing activities			
Proceeds from borrowings		**25,079**	—
Repayment of borrowings		**(25,069)**	—
Buy-back of ordinary shares		**—**	(2,272)
Capital raising		**—**	8,897
Cash generated by financing activities		**10**	6,625
Net increase in cash and cash equivalents		**25,127**	1,575
Cash and cash equivalents at the beginning of the year		**2,570**	982
Exchange gains/(losses) on cash and cash equivalents		**(6,040)**	13
Cash and cash equivalents at the end of the year	**8**	**21,657**	2,570

The notes on pages 102 to 111 form part of the Company financial statements.

1. Accounting policies

These separate financial statements of Blackstar Group SE ("the Company") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with the Malta Companies Act, 1995.

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Investments in subsidiary companies are stated at cost less provisions where in the opinion of the Directors, there has been impairment in the value of the investment.

Where the Company has the power to participate in the financial and operating policy decisions of an entity, it is classified as an associate. Investments in associates are accounted for at fair value in the Company's financial statements and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit and loss in the period in which they arise. These investments are included in the line item investments at fair value through profit and loss.

The principal accounting policies which are relevant in the preparation of the Company financial statements are listed below and can be found on pages 26 to 40 of the consolidated financial statements:

Note 1.8	Impairment
Note 1.11	Financial instruments
Note 1.13	Provisions and contingent liabilities
Note 1.15	Revenue and investment income
Note 1.16	Finance income and finance costs
Note 1.17	Tax
Note 1.18	Foreign currencies
Note 1.20	Significant judgements and areas of estimation
Note 2	Determination of fair values

2. Loss for the year

The Company has taken advantage of the exemption allowed under section 183(8) of Malta Companies Act, 1995 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a profit after taxation of £15,226,000 (2011: loss after taxation of £3,874,000) for the Company.

3. Investments in subsidiary companies

The subsidiaries of the Group at year end are as follows:

2012

Name	Country of incorporation	Proportion of ownership
Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus")	Cyprus	100%
Blackstar (Gibraltar) Limited ("Blackstar Gibraltar")	Gibraltar	100%
Blackstar Group (Pty) Limited ("Blackstar SA")	South Africa	100%
Blackstar Fund Managers (Pty) Limited ("BFM")	South Africa	50.1%
Blackstar GP (Pty) Limited ("Blackstar GP")	South Africa	100%
Blackstar Special Opportunities Fund ("BSOF")	South Africa	38.4%
Stalcor (Pty) Limited ("Stalcor") #	South Africa	50.1%
Global Roofing Solutions (Pty) Limited ("GRS")	South Africa	100%
Helm Engineering (Pty) Limited *	South Africa	100%
GRS Namibia- Domel Investments (Pty) Limited *	Namibia	100%
Blackstar Real Estate (Pty) Limited ("BRE") #	South Africa	100%
Firefly Investments 223 (Pty) Limited ("Firefly") ^	South Africa	70%
Wonderdeals 38 (Pty) Limited ("Wonderdeals") ^	South Africa	85.9%

* Subsidiary of GRS.

Subsidiary of Blackstar Cyprus.

^ Subsidiaries of BRE.

In June 2012, Blackstar brought in an equity partner into Stalcor who injected R5,000,000, £384,000 into the business. At the same time ordinary shares held by Blackstar Group SE of Stalcor were allocated to the equity partner, as well as to management and a customer loyalty trust, bringing Blackstar's equity holding down to 50.1%. As the capital providers to Stalcor, Blackstar and its equity partner will be entitled to 18% of retained income (sharing in a ratio of 90:10 in favour of Blackstar) prior to ordinary shareholders receiving any equity benefits. Blackstar believes that this re-aligned structure will be beneficial to the turnaround and success of Stalcor in the future.

During the current year, BRE participated in Wonderdeals' rights offer resulting in an increase in shareholding to 85.9%.

During the second half of 2012, Blackstar acquired a 50% plus 1 vote in a hedge fund management company which is responsible for the management of the BSOF. Blackstar GP was created to act as the General Partner of the BSOF. This is a shell company with no assets or liabilities and Blackstar Group SE holds 100% of the shares in Blackstar GP. The BSOF is also consolidated as the definition of control in terms of IFRS has been met (refer note 33 of the consolidated financial statements for further details). The proportional ownership of 38.4% is based on the fair value of Blackstar Group SE's investment in BSOF relative to total fair value of investments held by the fund.

3. Investments in subsidiary companies (continued)

2011

Name	Country of incorporation	Proportion of ownership
Blackstar (Cyprus) Investors Limited	Cyprus	100%
Blackstar (Gibraltar) Limited	Gibraltar	100%
Blackstar Group (Pty) Limited	South Africa	100%
Ferro Industrial Products (Pty) Limited	South Africa	0%
Stalcor (Pty) Limited*	South Africa	100%
Global Roofing Solutions (Pty) Limited	South Africa	100%
Helm Engineering (Pty) Limited #	South Africa	100%
GRS Namibia- Domel Investments (Pty) Limited #	Namibia	100%
Blackstar Real Estate (Pty) Limited +	South Africa	100%
Firefly Investments 223 (Pty) Limited ^	South Africa	70%
Wonderdeals 38 (Pty) Limited ^	South Africa	57.5%

* Blackstar Group SE held 42% and Blackstar Cyprus 58% of the ordinary shares in Stalcor. The Group's effective shareholding was 100% at 31 December 2011.

\# Subsidiary of GRS.

\+ Subsidiary of Blackstar Cyprus.

^ Subsidiaries of BRE.

During the prior year the following changes took place:

In May 2011, Stalcor bought back some of the non controlling shareholders ordinary shares at par value thereby increasing Blackstar's effective shareholding in Stalcor 87% to 99%. Later in the year, Blackstar acquired the remaining 1% from the non controlling shareholder thereby increasing Blackstar's shareholding to 100%;

Effective 1 July 2011, Blackstar interest in Ferro was sold (refer note 12 of the consolidated financial statements for further details);

GRS, previously a wholly owned subsidiary of Stalcor, was unbundled to Blackstar Group SE through a settlement of the shareholders loan account between Stalcor and Blackstar Group SE;

Firefly was formed with Blackstar's wholly owned subsidiary BRE owning 70% of the ordinary shares of Firefly and Litha Healthcare Group Limited owning the remaining 30%; and

In 2011, BRE's interest in its investment Wonderdeals was accounted for as an investment in subsidiary for the first time (refer note 33 of the consolidated financial statements for further details).

	2012 £'000	2011 £'000
Cost	**58,018**	82,466
Balance at the beginning of the year	**82,466**	65,302
Additions during the year at cost	**1,604**	29,070
Disposals and redemptions during the year at cost	**(26,052)**	(11,906)
Accumulated impairment	**(15,858)**	(20,031)
Balance at the beginning of the year	**(20,031)**	(10,594)
Disposals during the year	**7,094**	—
Impairments of investments in subsidiaries	**(2,921)**	(9,437)
Carrying amount at the end of the year	**42,160**	62,435

3. Investments in subsidiary companies (continued)

During the current financial year, the investment in Blackstar SA was impaired from £1,963,000 to nil (2011: impairment of £9,437,000) and the investment in GRS was impaired by an amount of £958,000 (2011: nil).

4. Investments in associates

The principal associates of the Group at 31 December are as follows:

Name	Country of incorporation	**2012 Proportion of ownership**	2011 Proportion of ownership
Litha Healthcare Group Limited ("Litha")*	South Africa	**#**	39%# ^
Navigare Securities (Pty) Limited ("Navigare")	South Africa	**25%**	25%

Now an investment at fair value through profit and loss in the consolidated financial statements as a result of the disposal of half of the investment.

^ At 31 December 2011, the Company held 16% of the shares in Litha and Blackstar Cyprus held a further 23%. As a result, the Group's effective shareholding in Litha amounted to 39%.

* The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility of R320.0 million (£23.2 million), of which R319.9 million (£23.2 million) was unutilised at year end.

In February 2012, Blackstar entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin"). The disposal, for a cash consideration of R200.6 million (£15.7 million), represented 50% of Blackstar's interest in Litha and equated to R2.75 per Litha share. The transaction was completed in June 2012, once all of the suspensive conditions were met and resulted in Blackstar's interest in Litha being reduced from 38.96% to 13.42% Litha has been accounted for as a discontinued operation in the consolidated financial statements (refer note 12 of the consolidated financial statements).

In accordance with the Company's accounting policy, investments in associates are accounted for at fair value and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit and loss in the period in which they arise. As a result, investments in associates have been included in investments at fair value through profit and loss (refer note 6). Investments in associates have been equity accounted in the consolidated financial statements of the Group for the year ended 31 December 2012 (refer note 18 of the consolidated financial statements).

5. Investment classified as loans and receivables

	2012 £'000	2011 £'000
Carrying value at the beginning of the year	**109**	318
Disposals during the year at cost	**—**	(240)
Unrealised losses/(gains) on disposals recognised in prior years	**(7)**	3
Net interest received during the year	**—**	(33)
Other movements*	**—**	154
Currency exchange losses during the year	**(9)**	(93)
Carrying value at the end of the year	**93**	109

* Other movements during the prior year included the reclassification of an amount of £154,000 from investment in the associate Navigare to an equity loan.

5. Investment classified as loans and receivables (continued)

	2012 £'000	2011 £'000
Non-current portion	**93**	109
Current portion	**—**	—
	93	109

	Carrying value 2012 £'000	Carrying value 2011 £'000
Loan to Navigare which is interest free and has no fixed dates of repayment	**93**	109
Carrying value at the end of the year	**93**	109

6. Investments at fair value through profit and loss

	2012 £'000	2011 £'000
Fair value at the beginning of the year	**13,911**	19,227
Additions during the year at cost	**54,527**	673
Disposals during the year at cost	**(40,022)**	(3,533)
Unrealised (gains)/losses on disposals recognised in prior years	**(11,153)**	1,251
Unrealised losses during the year	**(923)**	(166)
Exchange gains recognised in profit and loss on investments denominated in a foreign currency	**1,579**	—
Currency exchange losses during the year	**(1,023)**	(3,387)
Other movements*	**—**	(154)
Fair value at the end of the year	**16,896**	13,911

* Other movements during the prior year included the reclassification of an amount of £154,000 from investment in the associate Navigare to an equity loan.

	2012 £'000	2011 £'000
Non-current portion	**15,105**	1,114
Current portion	**1,791**	12,797
	16,896	13,911

6. Investments at fair value through profit and loss (continued)

Analysis of losses on investments

	2012 £'000	2011 £'000
Proceeds on disposals during the year	**38,437**	1,845
Investments at cost	**(40,022)**	(3,533)
Realised losses on disposals based on historical cost	**(1,585)**	(1,688)
Add unrealised losses/(gains) on disposals recognised in prior years	**(11,153)**	1,251
Realised losses recognised in profit and loss on disposals based on carrying value at prior year balance sheet date	**(12,738)**	(437)
Realised exchange losses/(gains) on disposal of investments realised directly to retained earnings	**1,678**	(620)
Unrealised losses during the year	**(923)**	(166)
Net losses on investments	**(11,983)**	(1,223)

The Group does not have a controlling interest in any of the investments at fair value through profit and loss. These investments are monitored on a fair value basis and comprise the following:

	Fair Value 2012 £'000	Fair Value 2011 £'000
Ordinary shares in Times Media Group Limited ("TMG") *	**14,155**	—
Ordinary shares in Litha * #	**950**	13,262
Ordinary shares in Navigare #	**270**	289
Other listed shares	**1,521**	360
Fair value at the end of the year	**16,896**	13,911

Investments in associates (refer note 4).

* The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility of R320.0 million (£23.2 million), of which R319.9 million (£23.2 million) was unutilised at year end.

7. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables due by subsidiary companies	**1**	211
Trade receivables due by external parties	**—**	—
Impairment allowance	**—**	—
Total trade receivables net of impairment allowance	**1**	211
Other receivables due by subsidiary companies	**363**	163
Prepayments and accrued income	**21**	17
Other receivables	**233**	73
	618	464

Amounts due by subsidiary companies comprise an interest bearing working capital loan to Stalcor which was settled in January 2013. Amounts due by subsidiary companies in the prior year comprised an interest bearing working capital loan to GRS which was settled in 2012.

8. Cash and cash equivalents

	2012 £'000	2011 £'000
Deposits and cash at bank	**21,657**	2,570
Cash and cash equivalents per the statement of cash flows	**21,657**	2,570

Cash and cash equivalents include cash in current accounts and term deposits.

9. Borrowings

Borrowings comprise the following:

	2012 £'000	2011 £'000
Secured		
Acquisition facility which bears interest at the South African Prime rate plus 15 basis points nominal annual compounded semi-annually in arrears, with a bullet payment of the capital in January 2014*	**9**	—
	9	—

* The Company obtained an acquisition facility from a bank amounting to R320.0 million, £23.2 million, which was used to fund the acquisition of a 28% stake in New Bond Capital Limited ("NBC"). On subsequent disposal of this investment the majority of the debt was settled. As at year end, the following security has been provided for this facility: 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company).

	2012 £'000	2011 £'000
Non-current portion	**—**	—
Current portion	**9**	—
	9	—

10. Trade and other payables

	2012 £'000	2011 £'000
Trade payables due to subsidiary companies	**—**	17
Trade payables due to external parties	**99**	—
Total trade payables	**99**	17
Other payables due to subsidiary companies	**1,980**	8,965
Accrued expenses	**—**	636
Other payables	**—**	320
	2,079	9,938

Amounts due to subsidiary companies in the current year mainly comprise an interest free loan of £380,000 from Blackstar Gibraltar and an interest bearing loan from Blackstar Cyprus of £1,535,000. Amounts due to subsidiaries in the prior year included an interest free loan from Blackstar Gibraltar of £7,461,000 (which was settled in 2012) and an interest bearing loan from Blackstar Cyprus of £1,504,000. The loan from Blackstar Gibraltar bore interest at Libor plus 50 basis points. All loans are repayable on demand.

11. Share capital and reserves

Details of the share capital and reserves are set out in note 30 to the consolidated financial statements.

12. Cash generated/(absorbed) by operations

	2012 £'000	2011 £'000
Profit/(loss) for the period	**15,226**	(3,874)
Taxation	**3**	14
Profit/(loss) before taxation	**15,229**	(3,860)
Adjustments for:		
Impairment of investment in subsidiaries	**2,921**	9,437
Profit on disposal of subsidiary	**—**	(11,512)
Foreign exchange losses on investments not denominated in Rands	**3**	—
Realised losses on loans to subsidiaries included in trade and other receivables	**—**	6,071
Unrealised losses on loans from subsidiaries included in trade and other payables	**—**	4
Unrealised losses on investments	**930**	166
Realised losses on disposal of investments	**10,804**	1,113
Unrealised losses on disposals recognised in prior years	**65**	—
Unrealised losses on part disposal of investment in associate recognised in prior years	**11,088**	—
Realised gains on part disposal of investment in associate	**(9,219)**	—
Dividends and interest from loans and investments	**(16,088)**	(6,662)
Finance income	**(148)**	(79)
Finance costs	**1,456**	102
Changes in working capital		
Decrease/(increase) in trade and other receivables	**18**	(5,813)
Increase/(decrease) in trade and other payables	**(360)**	9,793
	16,699	(1,240)

13. Financial instruments

The Company is exposed to one or more of the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprise currency risk, interest rate risk and market price risk).

Information related to financial instruments and management of these risks is set out in note 34 to the consolidated financial statements. The following information relates specifically to the Company.

13.1 Financial instruments by category

	2012 £'000	2011 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss	**16,896**	13,911
Loans and receivables	**21,751**	2,890
Investments classified as loans and receivables	**93**	109
Trade receivables	**1**	211
Cash and cash equivalents	**21,657**	2,570
	38,647	16,801
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**(99)**	(17)
	(99)	(17)

13. Financial instruments (continued)

13.2 Credit risk

At balance sheet date, the Company had no financial assets that were past due or impaired. The Company's maximum exposure to credit risk is equal to the carrying amount of the financial assets recorded in the financial statements (as detailed in note 13.1 above). The credit quality of financial instruments that are not past due or impaired is considered to be good.

13.3 Liquidity risk

All financial liabilities have a contractual maturity of less than 6 months and the expected maturity is not believed to differ from the contractual maturity.

Blackstar Group SE obtained an acquisition facility from a bank amounting to R320.0 million, £23.2 million, which was used to fund the acquisition of a 28% stake in NBC. On subsequent disposal of this investment the majority of the debt was settled. The facility bears interest at the South African Prime rate plus 15 basis points nominal annual compounded semi-annually in arrears with a bullet payment of capital in January 2014. R319.9 million, £23.2 million of this facility was unutilised at year end.

The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility.

13.4 Market risk

13.4.1 Currency risk

A 10% strengthening of the Rand against Pounds Sterling at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £15,049,000 (2011: £1,639,000) in the reported net asset value of the Company. A 10% weakening of the Rand against Pounds Sterling at the balance sheet date, on the same basis, would have resulted in an estimated increase of £768,000 (2011: decrease of £1,341,000) in the reported net asset value of the Company.

13.4.2 Interest rate risk

A 1% increase in the South African Prime rate, all other variables held constant, would have resulted in an estimated increase of £87,000 (2011: £15,000) in the reported net asset value of the Company. A 1% decrease in the South African Prime Rate, on the same basis, would have resulted in an estimated decrease of £87,000 (2011: £15,000), in the reported net asset value of the Company.

13.4.3 Market price risk

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £1,663,000 (2011: £158,000) in the reported net asset value of the Company. A decrease of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £1,663,000 (2011: £158,000) in the reported net asset value of the Company.

13.5 Fair value

13.5.1 Fair value of financial instruments carried at amortised cost

The fair value of the financial instruments accounted for at amortised have been determined for both the current and prior year and approximate the carrying amounts at the respective year ends. Investments classified as loans and receivables and borrowings have a fair value which approximates the carrying amount due to the fact that the aforementioned instruments bear interest at rates linked to the South African Prime rate and are believed to approximate the market related discount rates which would be utilised in a discounted cash flow technique in order to calculate a fair value.

13. Financial instruments (continued)

13.5.2 Fair value of financial instruments carried at fair value in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (as defined in note 34.6.2 of the consolidated financial statements) based on the degree to which the fair value is observable:

2012	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss (refer note 6)	**16,626**	**270**	**—**	**16,896**

2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss (refer note 6)	13,622	289	—	13,911

There were no transfers between levels during the current or prior years.

14. Capital under management

Information related to capital under management is set out in note 35 to the consolidated financial statements.

15. Contingencies and guarantees

The Company has provided suretyship, by binding itself jointly and severally as surety for and co-principal debtor in solidium with GRS to and in favour of two of GRS's suppliers for amounts not exceeding R50.0 million (£4.0 million) and USD 2.0 million (£1.5 million).

The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility of R320.0 million (£23.2 million), of which R319.9 million (£23.2 million) was unutilised at year end.

The Company has bound itself jointly and severally liable to a landlord as surety in respect of a lease agreement entered into by Blackstar SA.

The Company has provided guarantees to a bank in respect of the mortgage bond taken out by BRE to acquire properties. Details of these guarantees are provided in note 34 to the consolidated financial statements.

The Company has a limited warranty and indemnity for the obligations of Firefly (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for investment property acquired.

16. Related party transactions

Details of related parties are set out in note 41 to the consolidated financial statements. In addition to this, the subsidiaries and associates set out in note 3 and 4 respectively to the Company financial statements are related parties to the Company.

The Company pays an advisory fee, paid quarterly in advance, to Blackstar SA. The advisory fee for the year ended 31 December 2012 amounted to £1.1 million (2011: £1.7 million). At the end of the prior financial year a portion of the advisory fee for the 2012 financial year had been paid in advance (amounting to £0.2 million), no such payment in advance was made during the current reporting period. Blackstar SA may incur expenses on behalf of the Company and vice versa. These amounts are invoiced and reimbursed on a monthly basis.

During the current financial year, the Company earned an underwriting fee of R3.5 million (£0.3 million) from Litha in respect of transaction arranging, underwriting and capital raising in respect of the Litha transaction, and no amounts were outstanding at year end.

17. Events after the reporting period

Information relating to events after the reporting period is set out in note 42 to the consolidated financial statements.

Company information

Directors
J B Mills (Non-executive Chairman)
A D Bonamour (Non-executive)
W A Baertz (Non-executive)
M Ernzer (Non-executive)

Registered Office
Blackstar Group SE
4th Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
Tel: +356 2144 6377
Fax: +356 2144 6330
E-mail: info@blackstar.lu
Website: www.blackstar.lu

Nominated Adviser and Broker (United Kingdom)
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

Legal Adviser (as to English Law)
Paul Hastings (Europe) LLP
Ten Bishops Square, Eighth Floor
London
E1 6EG

Legal Adviser (as to Maltese Law)
Ganado & Associates Advocates
171 Old Bakery Street
Vallette
VLT 1455
Malta

Primary listing
The Alternative Investment Market of the London Stock Exchange ("AIM")

Secondary listing
ALTx of the JSE Limited

International Adviser
Maitland Advisory LLP
Berkshire House
168-173 High Holborn
London
WC1V 7AA

Auditors
BDO Malta
Tower Gate Place
Tal-Qroqq Street
Msida MSD 1703
Malta

Nominated Adviser and Broker (South Africa)
PSG Capital (Pty) Limited
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch
7600

Legal Adviser (as to South African law)
Edward Nathan Sonnenbergs Inc
150 West Street
Sandton
2196

Registrar and Receiving Agents (United Kingdom)
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registrar and Receiving Agents (South Africa)
Link Market Services
13th Floor Rennie House
19 Ameshoff Street
Braamfontein
2000

Bankers
ING Luxembourg S.A.
Investec Bank Limited
Goldman Sachs International

BLACKSTAR

NOTICE OF ANNUAL GENERAL MEETING 2013

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposals referred to in this document, or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares in the Company, please pass this document together with the accompanying document(s) to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Blackstar Group SE
(registered in Malta with number SE4)
4th Floor
Avantech Building
St Julian's Road
San Gwann
SGN 2805
Malta
(the "Company")

26 April 2013

Dear Shareholder

Notice of Annual General Meeting to be held on Tuesday 28 May 2013
I am writing to give you notice of the Company's Annual General Meeting ("AGM" or "Annual General Meeting") that is to be held at the registered office of the Company at 4th Floor Avantech Building, St Julian's Road, San Gwann, SGN 2805 Malta on Tuesday 28 May 2013 at 10.00 a.m. (CEST). The notice of AGM is set out in Part 4 of this document.

The following items are also included in this document:

- Part 1: details of a proposal from the Board on reducing the administrative burden and costs of the large number of shareholders with a very small holding in the Company;
- Part 2: a summary of the proposed management incentive scheme;
- Part 3: an explanation of certain resolutions at the AGM;
- Part 5: a Proxy Form (for use by registered shareholders only); and
- Part 6: a Form of Direction (for use by holders of despository instruments only).

Please read the notes to the Notice of Annual General Meeting as these set out other rights of shareholders and further requirements which you should check to ensure your proxy vote will be valid.

Electronic communication with shareholders
Hopefully this is the last occasion on which we will be required to send you a hard copy of our Annual Report and Accounts. As you will see from the resolutions set out in the Notice, the Company is seeking members' consent to send or supply documents and information to them in electronic form and via a website, as well as amending the articles of association to permit such forms of communication.

Increased use of electronic communications will deliver significant savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits.

We will write to you later this year with further details of our proposals regarding electronic communications and seeking your agreement to the Company sending or supplying documents and information to you in electronic form.

Recommendation on voting
The directors consider that all of the resolutions to be put to the AGM are in the best interests of the Company and its shareholders. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

Yours sincerely

John Broadhurst Mills
Chairman

PART 1 – PROPOSED CONSOLIDATION AND SUB-DIVISION OF THE SHARE CAPITAL OF THE COMPANY

Definitions

In this part of this document, the following words and expressions shall have the meaning shown below:

Articles: the articles of association of the Company;

business day: a business day in Malta;

Consolidation Factor: 250, being the number of Existing Ordinary Shares to be consolidated into each new Consolidated Share;

Consolidated Shares: the ordinary shares of €190 each in the capital of the Company following the Share Consolidation;

Existing Ordinary Shares: existing ordinary shares of €0.76 each in the capital of the Company;

Fractional Entitlement: the number of Existing Ordinary Shares which cannot be consolidated into one Consolidated Share (i) by virtue of a Shareholder holding a number of Existing Ordinary Shares which is less than or not a whole multiple of the Consolidation Factor or (ii) by virtue of Capita IRG Trustees Limited having issued depository interests representing a number of Existing Ordinary Shares to a specific underlying holder which is less than or not a whole multiple of the Consolidation Factor;

Fractional Shareholders: Shareholders with Fractional Entitlements or, in the case of Fractional Entitlements arising in respect of Existing Ordinary Shares registered in the name of Capita IRG Trustees Limited, shall mean the underlying holders of depository interests representing those Fractional Entitlements;

New Ordinary Shares: the ordinary shares of €0.76 each in the capital of the Company following the Share Split;

Nominated Third Party: a third party nominated by the Company who will agree to acquire the Fractional Entitlements;

Record Date: the close of trading on 28 June 2013 (or such time and/or date as the Directors may determine);

Register or Share Register: the register of members of the Company;

Resolutions: the extraordinary resolution numbered 13 set out in the notice of AGM amending the Company's Memorandum and Articles of Association and the extraordinary resolution numbered 14 set out in the notice of AGM to give effect to the Share Consolidation and the extraordinary resolution numbered 15 set out in the notice of AGM to give effect to the Share Split;

Share Consolidation: the proposed share consolidation as more particularly described in the extraordinary resolution numbered 14 set out in the notice of AGM;

Share Consolidation Resolution: resolution 14 as set out in the notice of AGM;

Share Split: the proposed share split as more particularly described in resolution 15 as set out in the notice of AGM.

Expected timetable relating to the Share Consolidation and Share Split

Notice of Annual General Meeting sent to shareholders	3 May 2013
Last day to trade for Shareholders on the South African sub-register in order to be recorded in the Share Register of the Company on the record date for the Annual General Meeting	10 May 2013
Last day to trade for Shareholders on the AIM sub-register in order to be recorded in the Share Register of the Company on the record date for the Annual General Meeting	22 May 2013
Record date for Shareholders in order to participate and vote at the Annual General Meeting	17 May 2013
Annual General Meeting held on	28 May 2013
Announcement confirming that the special resolutions in respect of the Share Consolidation and Share Split have been passed	By 29 May 2013
Last day to trade for Shareholders on the South African sub-register in order to be able to particpate in the Share Consolidation and Share Split	21 June 2013
Listing and trading in New Ordinary Shares commences under new ISIN (number to be confirmed) on the JSE	24 June 2013
Last day to trade for Shareholders on the AIM sub-register in order to be able to particpate in the Share Consolidation and Share Split	27 June 2013
Last day to trade under ISIN: MT0000620105	28 June 2013
Record Date for the Share Consolidation and Share Split	28 June 2013
First trading day after completion of the Share Consolidation and Share Split on AIM	1 July 2013
Trading commences under new ISIN (number to be confirmed) on AIM	1 July 2013
CSDP/Broker accounts updated with the New Ordinary Shares on the South African sub-register	1 July 2013
Share certificates in relation to the New Ordinary Shares posted to Shareholders on the South African sub-register	1 July 2013

Note:

1. No transfer of Shares will be allowed between the sub-registers of the Company between 21 June 2013 and 28 June 2013, both dates included.
2. No dematerialisation and rematerialisation of Shares will be allowed between 24 June 2013 and 28 June 2013, both dates included.
3. If any of the above times and/or dates change materially, the revised times and/or dates will be notified to Shareholders by announcement to shareholders on AIM and on Alt^{x}.

Introduction

For a company whose net asset value is approximately £80 million, the Company has over 3,800 registered shareholders, and a further 140 shareholders who hold shares through depository interests. Although the Board is supportive of smaller shareholders in the Company, it believes that for historic reasons which pre-date the establishment of Blackstar in 2006, the Company has a large number of shareholders who each hold a small number of shares, are not engaged with the Company and many of whom are probably unaware they own shares in the company: at 31 March 2013, almost 3,300 shareholders of the Company held fewer than 250 ordinary shares and over 2,000 shareholders currently have not cashed one or more dividend cheques.

This extremely wide shareholder base adds significant costs to the running of the Company both in terms of the cost of maintaining and servicing a large Share Register with this number of Shareholders (including the production and distribution of the annual report and accounts and other communications, and associated registrar costs) and also in the administration time and the expense involved in servicing Shareholders who have very small holdings which is significant and disproportionate to the value of those holdings. The Board does not believe that continuing to incur these costs is in the best interests of the Company or Shareholders as a whole.

The Board has considered ways to reduce the administrative burden and costs of the long tail on the Share Register with the intention of giving minority shareholders value for their small number of shares whilst also leaving the Company with a more engaged and manageable shareholder base.

The Board has therefore decided that a Share Consolidation would be in the best interests of the Company and Shareholders as a whole at this time and is proposing to consolidate the share capital on the basis of 250 Existing Shares for one Consolidated Share. Fractional Entitlements will be dealt with in the manner described below.

In the absence of the Share Consolidation there is likely to be very little or no chance for smaller Shareholders to be able to realise any value for their Shares in the future without incurring dealing costs which, in many cases, would outweigh the value of their shareholding.

Immediately following the Share Consolidation, the Board is proposing that each Consolidated Share be sub-divided into 250 Existing Shares as this means that the NAV per share and the Company's share price will not be affected by the process of rationalising the shareholder base.

Details of the Share Consolidation and subsequent Share Split
The implementation of the Share Consolidation and the Share Split will, based on the current Share Register, result in approximately 3,250 Shareholders who each hold fewer than 250 Shares, together representing approximately one-eighth of one per cent (0.125%) of the issued share capital of the Company, ceasing to be members of the Company. These Shareholders will receive a payment in cash of (i) £0.80 per Existing Share if their shares are held on the AIM register or (ii) ZAR11.27 per Existing Share if their shares are held on the Alt-X register (being the closing market price in London on 19 April 2013 and using the closing exchange rate of ZAR:GBP of 14.09:1 as quoted by Bloomberg).

To be able to effect the Consolidation it is necessary to issue additional Existing Ordinary Shares so that the number of Existing Ordinary Shares in issue is exactly divisible by the Consolidation Factor. The Company will issue the required number of Existing Ordinary Shares at £0.80 per Share to the Nominated Third Party as soon as practicable following the Annual General Meeting and, in any event, before the Record Date.

A consequence of the terms of the Share Consolidation is that holders of fewer than 250 Existing Ordinary Shares will not be entitled to receive a Consolidated Share and holders of more than 250 Existing Ordinary Shares will only be entitled to one Consolidated Share for every 250 Existing Ordinary Shares they hold at the Record Date.

Fractional Entitlements will be sold (for the benefit of the Fractional Shareholders) to the Nominated Third Party at a price of £0.80 or ZAR11.27 per Existing Share and will then be aggregated so as to form whole Consolidated Shares. For the avoidance of doubt, no rounding up or down will be applied in relation to the Fractional Entitlements and all Fractional Entitlements will be sold.

The proceeds of the sale will then be distributed to Fractional Shareholders in proportion to the fractions of Consolidated Shares held by each of them.

On completion of the Share Consolidation any Shareholder holding fewer than 250 Existing Ordinary Shares on the Record Date will, therefore, no longer be a shareholder of the Company.

Any Shareholder holding more than 250 Existing Ordinary Shares on the Record Date, but being a holding which is not exactly divisible by 250, will be entitled to one Consolidated Share for every 250 Existing Ordinary Shares held, together with the proceeds of sale of his or her Fractional Entitlements (which will be aggregated and sold as described above).

Based on the Register at 31 March 2013, the Directors estimate that the number of Shareholders following the Share Consolidation will reduce to approximately 650 Shareholders.

The date for the Share Consolidation (being the date on which the Fractional Entitlements will be calculated) is expected to be the close of business on 28 June 2013 and the Share Consolidation, subject to the passing of the Resolutions, the Consolidation Resolution becoming unconditional and the transfer of the Fractional Entitlements to the Nominated Third Party, will become effective immediately after that time.

The Last day to trade for Shareholders on the South African sub-register in order to be recorded in the Share Register on the Record date will be 21 June 2013. The Last day to trade for Shareholders on the UK sub-register in order to be recorded in the Share Register on the Record Date will be 25 June 2013.

The Share Split will take place immediately following the Share Consolidation.

The New Ordinary Shares arising on the completion of the Share Consolidation and Share Split will have the same rights as the Existing Ordinary Shares, including without limitation, the same nominal value and the same voting, dividend and other rights.

Impact of the Share Consolidation and Share Split on the holders of depository interests in the Company
For holders of depository interests in the Company issued by Capita IRG Trustees Limited, the Company will look through the depository arrangements. As such, for the purposes of the Share Consolidation and Share Split, Capita IRG Trustees Limited shareholding will be disregarded and depository interest holders will be treated as if they were shareholders directly.

Exchange control regulations
The following is a summary of the South African Exchange Control Regulations. If in doubt, Shareholders should consult their professional advisers without delay.

Emigrants from the Common Monetary Area *(South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland)*
A cheque in respect of proceeds of a sale of Fractional Entitlements will be forwarded to the authorised dealer in foreign exchange in South Africa controlling the Fractional Shareholder's blocked assets.

If the information regarding the authorised dealers has not been given to the transfer secretaries, any cash will be held by the Company for the Fractional Shareholders concerned pending receipt of the necessary information or instructions. No interest will be paid on any cash so held.

All other non-residents of the Common Monetary Area *(South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland)*
A cheque in respect of proceeds of a sale of Fractional Entitlements will be forwarded to the Fractional Shareholder's authorised dealer in foreign exchange. Where the Fractional Shareholder does not have an authorised dealer in South Africa, a cheque will be posted, at the risk of such Fractional Shareholder, to the address of such Fractional Shareholder in the Share Register on the Record Date.

All CSDPs and brokers with whom Ordinary Shares have been dematerialised should note that they are required to comply with the South African Exchange Control Regulations set out above.

Proposed amendment to the Articles of Association to facilitate the Share Consolidation and Share Split
Article 4.9.4 of the Articles of Association of the Company currently provide that the Company may by extraordinary resolution of its members at a general meeting of Members "consolidate or subdivide all or any of its shares, convert any of its shares into shares of another class and attach to them any preferential, qualified, special deferred rights, privileges or conditions". However, the Articles do not make any provision for how any fractional shares arising as a result of consolidation or sub-division should be dealt with. As such, it is proposed that the Articles of Association of the Company be amended to allow the Company to aggregate and either sell any resulting fractions of shares either to a person nominated by the Company, an employee benefit trust or to its investment bank or brokers, or through its investment bank or brokers to the market, or to buy-back those shares and hold them as treasury shares and then to distribute the net cash proceeds received to the appropriate shareholders.

In order to allow for the Share Consolidation and the Share Split, it is also proposed to amend the authorised share capital of the Company so that the said authorised share capital is divided into ordinary shares of a nominal value of €0.76 and €190 respectively.

Change of ISIN
As a result of the Share Consolidation and Share Split, the Company will need to change its ISIN. The Company will make an announcement regarding details of the new ISIN when arrangements have been finalised with the relevant authorities.

PART 2 – SUMMARY OF PROPOSED MANAGEMENT INCENTIVE SCHEME

Introduction

At present, Blackstar does not have a formalised share incentive scheme in place to remunerate and retain its management team and key employees ("Management"). As such the Board is proposing to implement a Management share incentive scheme that will be presented at the upcoming Annual General Meeting of the Company and put to a Shareholder vote.

Much of Blackstar's success is based on the intellectual capital that is held within its current Management. The Company is constantly in competition with other companies and funds (with share incentive schemes already in place) who vie for the talent Blackstar currently holds within its ranks. It has become an imperative for Blackstar to introduce a management share incentive scheme that levels the playing field, allowing us to retain and attract new talent, and effectively grow the Company.

For Blackstar to align all Management incentives with the performance expectations of our Shareholders is vital. The proposed Management incentive scheme will therefore be linked to the NAV per share of the Company. Share prices will fluctuate over time but ultimately NAV per share will drive the Company's share price. When making asset allocation decisions, Management will explore all opportunities to create value on a per share basis, which may include share buy backs.

The Management share incentive scheme will be structured so that it is non-dilutive for Shareholders. This means that participants in the Management incentive scheme will accrue shares based on a portion of the NAV growth per share that has been created. In order to retain talent over the long-term, participants will receive the value of their share incentives incrementally, over a defined period of time.

The Board believes that through this model, Management will be motivated to drive share performance, and align with our Shareholders' interests.

The details of the proposed Blackstar Incentive Scheme ("Scheme") are set out below.

Mangement Incentive Scheme Details

The Scheme has two components and is set out below:

1. **Increase in NAV**

   In order to align Management with Shareholders, part of the Scheme is linked to the published net asset value per Share ("NAV") of the Company, which the Board believes is the ultimate driver of the Company's share price. NAV would be determined on a semi-annual basis and subject to audit/review by the Company's auditors. The NAV at the end of each period would be compared to the NAV at the beginning of the period and 15% of the increase in the NAV would be allocated to the incentive pool and paid on a semi-annual basis. The hurdle will be the South Africa Short Term Fixed Interest Benchmark Rate ("STEFI") and will be subject to a catch up. Should the NAV decline over a reporting period, the Company would need to recover that decline and the NAV would need to increase to the high watermark plus hurdle, before any amount would be allocated to the incentive pool. The NAV would be adjusted for corporate events including share buy backs, dividends and capital raisings.

   It is proposed that 50% of the incentive pool is settled in cash and 50% is settled in Blackstar shares. The shares issued pursuant to the Scheme will have a restriction on selling of three years or such shorter period as the Chairman may determine in his absolute discretion. Unless there are exceptional circumstances, the Chairman will not exercise this discretion save that, if conditions warrant it, he may do so to release one-third of the shares from lock-up on the first anniversary of the date of issue or transfer and a further third on the second anniversary of the date of issue or transfer. If a member of Management ceases to be an employee of the Blackstar Group at a time when any of his shares are still restricted in circumstances in which he is a "bad leaver", the Board may require those shares which are still restricted to be forfeited.

2. **Portfolio performance**
   It is proposed that the Board has the ability to issue up to 0.5% of the ordinary shares in issue per year depending on performance criteria specified by the Board from time to time.

Benefits to shareholders
The Board believes that the principal benefits of the proposed Scheme to shareholders include:

- Shareholders are not diluted as the Scheme only pays out when value is created;
- Half of the incentive is settled in shares which are locked up for three years aligning Management to focus on the share price and limiting the cash reduction of the Company; and
- Management is incentivised to reduce the operating costs (as high operating costs will reduce the NAV) and focus on growing NAV which is the ultimate alignment with Shareholders.

General
All calculations in respect of the Scheme and all allocations to the incentive pool will be determined in South African Rands. Any amounts payable under the Scheme will be subject to the availability of cash resources in the Company and will be deferred until cash resources become available.

The Scheme will be in place for a minimum of 10 years from the commencement date. The effective date for the commencement of the Scheme is 1 January 2013.

Shareholder Approval
The Board has determined that the establishment of the Scheme should be made subject to obtaining Blackstar Shareholder approval and a resolution to approve the Scheme will be proposed at the AGM.

PART 3 – EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The notice of Annual General Meeting appears on pages 122 to 131. The background to resolutions 7, 8, 12, 13, 14 and 15 is set out in Parts 1 and 2 of this document. The following information provides additional background information to the other resolutions proposed which are not ordinary business.

Resolution 6 – General authority to allot shares

This resolution will extend the general authority of the directors to allot shares until the Company's next AGM or, if earlier, 28 August 2014. The authority will be in respect of shares with an aggregate nominal value of €20,795,000 equal to one third of the Company's current issued share capital as at 25 April 2013, the latest practicable date prior to the printing of this document.

Resolution 9 – Proposed amendments to Investing Policy

The Directors believe that whilst the Company should continue to focus on investments falling within its existing investing policy, moving forward it would be appropriate to provide the Directors with greater flexibility to utilize the Company's existing cash reserves to take advantage of investment opportunities across all geographies. The amended Investing Policy would permit the Directors to continue to review and consider potential investments in not just South African and the wider African markets from its South African base, but would also permit investment globally. Despite this global mandate, having regard to the background and experience of the investment team, it is expected that a majority of capital invested will be in businesses operating in southern Africa.

Resolution 10 – Authority to allot shares for cash free from pre-emption rights

This resolution will dis-apply shareholders' statutory pre-emption rights in relation to the Company's allotment for cash of its own shares pursuant to Resolution 6 or in relation to the Company's sale of its own shares held in treasury, and shall expire when the Board no longer remains authorised to issue Equity Securities. The dis-application will permit the Board to allot shares for cash pursuant to Resolution 6 or to sell treasury shares, without first offering them to all existing shareholders pursuant to their statutory pre-emption rights under article 88 of the Companies Act (Cap. 386 of the Laws of Malta). Any such allotments or sales must be limited to shares with an aggregate nominal value not exceeding that of five per cent of all the ordinary shares in issue as at 25 April 2013 (being shares to an aggregate nominal value of €3,119,360), the latest practicable date prior to the printing of this document.

Resolution 11 – Company's authority to purchase its own shares

The Board is proposing to renew the authority for the Company to make market purchases of its own shares, including depository interests relating to such shares. In certain circumstances it may be advantageous for the Company to purchase its own shares and this resolution seeks authority from shareholders to make such purchases in the market. The Board consider it to be desirable for this general authority to be available to provide flexibility in the management of the Company's capital resources and to enable the Board to narrow the discount to the Company's net asset value. You are asked to consent to the purchase by the Company of up to a maximum aggregate of 10% of the Company's issued share capital.

PART 4 – NOTICE OF ANNUAL GENERAL MEETING

BLACKSTAR GROUP SE

(registered in Malta with registered number SE 4)
4th Floor, Avantech Building,
St Julian's Road,
San Gwann, SGN 2805,
Malta

Notice is hereby given to all the Members, Directors and Auditors of Blackstar Group SE (the "Company") that the Annual General Meeting ("AGM" or "Annual General Meeting") of the Company will be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 28 May 2013 at 10h00 CEST (or shortly thereafter in case of delays) for the purpose of considering and, if thought fit, approving the following resolutions with or without modification:

ORDINARY BUSINESS:

Approval of Accounts, Appointment of Auditors and Election of Directors

1. To receive and consider the accounts and reports of the Directors, statutory auditor and the independent auditors, and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2012 and to the consolidated accounts for the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

2. To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2012.

3. To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2012.

4. To re-elect Marcel Ernzer, who retires from office by rotation in accordance with the Articles of Association of the Company ("Articles"), as a director of the Company with effect from the date of the Annual General Meeting for a period not exceeding three years.

5. To appoint BDO Malta CPA as the Company's independent auditor for the financial year ending 31st December 2013 and to authorise the directors to determine their terms of engagement inclusive of remuneration.

ORDINARY RESOLUTIONS WHICH CONSTITUTE SPECIAL BUSINESS

6. **Directors' Authority to Allot and Issue Shares**

   That, in substitution for all previous authorisations currently in force, and in accordance with Article 4.1 of the Articles, the Board of Directors ("Board") be generally and unconditionally authorised pursuant to article 85 of the Companies Act (Chapter 386 of the laws of Malta) (the "Companies Act") to exercise all the powers of the Company to allot and issue Equity Securities (as defined in the Articles), up to a maximum aggregate nominal amount of €20,795,000 for a period expiring (unless previously revoked, varied or renewed) on 28 August 2014 or, if sooner, the annual general meeting to be held in 2014, but if the Company has, before such expiry, made an offer or entered into an agreement which would or might require Equity Securities to be allotted after this authority expires, the directors may allot Equity Securities in pursuance of such offer or agreement as if this authority had not expired.

7. **Approval of Blackstar Group SE Executive Incentive Scheme**

   To approve the rules of the Blackstar Group SE Executive Incentive Scheme (the "Scheme") which was previously approved by the Board on 21 November 2012, the main features of which are summarized in

Part 3 of the covering letter to this Notice of Meeting and to authorize the directors of the Company to grant awards under the rules of the Scheme and to allot, issue or approve the transfer or otherwise deal with shares of the Company pursuant to the exercise of awards granted under the rules of the Scheme.

8. **Permission to communicate with shareholders electronically**

Subject to the passing of resolution 12 (Amendment to Articles in connection with communication by the Company with shareholders) and agreement by the relevant members in accordance with the procedures referred to in resolution 12, that the Company may send or supply documents or information to members by way of electronic communication (including by making them available on a website).

9. **Approval of amendments to Investing Policy**

That the Investing Policy, as set out in Schedule A of the Notice, be approved and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement the Investing Policy.

EXTRAORDINARY RESOLUTIONS WHICH CONSITUTE SPECIAL BUSINESS

10. **Dis-application of statutory pre-emption rights**

Purpose:
To authorise the Directors to restrict or withdraw the shareholders' statutory pre-emption rights in respect of:

(a) issues of shares for cash, and

(b) the sale of treasury shares by the Company if such statutory pre-emption rights are applicable in relation thereto,

for as long as the Board of Directors remains authorised to issue Equity Securities under Resolution 6.

Proposal:
That in substitution for any previous authorisations currently in force but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities and that, subject to the passing of resolution 6 (Directors' Authority to Allot and Issue Shares), and pursuant to Article 88(7) of the Companies Act and in accordance with Article 4.4 of the Articles of Association of the Company, the Board be generally authorised to restrict the statutory pre-emption rights of the Company's shareholders in respect of new issue of shares for cash by the Company and in respect of the sale of treasury shares by the Company, for as long as the Directors remain authorised to issue Equity Securities, provided that this power shall be limited to the allotment of Equity Securities up to an aggregate nominal amount of €3,119,360.

The power granted by this resolution will expire when the Board no longer remains authorised to issue Equity Securities, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

11. **Company's Authority to Purchase Its Own Shares**

Purpose:
To authorise the Company to re-purchase its own shares within the parameters of the Companies Act.

Proposal:
That:

11.1 The Company be and is generally and unconditionally authorised pursuant to Article 3.4 of the Articlesand in accordance with article 106 of the Companies Act to make market purchases of its own ordinary shares, including depository interests relating to such ordinary shares (the "Ordinary Shares") on such terms and in such manner as the directors shall determine, provided that:

11.1.1 the Ordinary Shares to be purchased are fully paid up;

11.1.2 the maximum aggregate nominal value of Ordinary Shares authorised to be purchased is €6,238,720, representing as at the date of this notice, 8,208,842 Ordinary Shares;

11.1.3 the maximum price which may be paid for each Ordinary Share shall be 5 per cent. above the average of the middle market quotations for an Ordinary Share on the exchange on which theOrdinary Shares are purchased for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

11.1.4 the minimum price which may be paid for each Ordinary Share shall be one euro cent;

11.1.5 all conditions and limitations imposed by the Companies Act are adhered to;

11.2 This authority (unless previously revoked, varied or renewed) shall expire on 28 August 2014 or, if sooner, at the end of the Annual General Meeting of the Company to be held in 2014 except that in relation to any offers or promises for the purchase of Ordinary Shares made before such date, the contract in relation to such acquisitions may be executed wholly or partly after such date as if such authority has not expired.

12. **Amendments to the Articles in connection with communication by the Company with shareholders**

Purpose:
Various amendments to the Articles are being proposed for the purpose of facilitating the manner in which the Company may communicate with its shareholders, and to reduce the costs associated therwith.

Proposal:
That the Articles be amended by:

12.1 The deletion of the existing definition of electronic communication in article 2 and the substitution therefor of the following definition:

"electronic communication: shall have the meaning attributed thereto in the Electronic Commerce Act 2002 (Chapter 426 of the Laws of Malta) and shall include fax, electronic mail and website communications";

12.2 the deletion of the words "twenty-one clear days" in article 56.3 and the substitution therefor of the words "fourteen clear days";

12.3 the deletion of the existing article 57 and the substitution therefor of the following new article 57:

"57 Communication of Notices and other Documents

57.1 Subject to the Rules and to the provisions of these Articles, the Company may communicate a notice or other document (including, without limitation, annual accounts and the Directors' and Auditor's reports thereon, a summary financial statement, a notice of meeting, a form of proxy, but not including a share certificate) to a Member:

57.1.1 by delivering it by hand to the Member at the address recorded for that Member on the register;

57.1.2 by sending it by post or other similar delivery service to the Member at the address recorded for that Member on the register, if any, supplied by him to the Company as his address for the service of notices, documents or information;

57.1.3 subject to the Member agreeing (generally or specifically) that the notice, document or information may be so sent or supplied, by means of electronic communication to an address or other location (including any number) notified in writing by the Member to the Company for the purposes of this Article 57;

57.1.4 by means of publication of the notice, document or information on a web site or sites for the period (if any) required by the Rules and the requirements in Article 57.2 are satisfied; or

57.1.5 subject to the Member agreeing (generally or specifically) that the notice, document or information may be so sent or supplied by a relevant system

provided that, in the case of the means of communication specified in Articles 57.1.3 (electronic communication), 57.1.4 (web site) and 57.1.5 (relevant system), the Directors have resolved to communicate by such means either in relation to the particular communication concerned or in relation to communications generally or in relation to the particular class of communications which includes the particular communication concerned.

57.2 The requirements referred to in Article 57.1.4 are:

57.2.1 the Member has agreed (generally or specifically) that the notice, document or information may be sent or supplied to him by being made available on a website (and has not revoked that agreement), or the Member has been asked by the Company to agree that the Company may send or supply notices, documents and information generally, or the notice, document or information in question, to him by making it available on a website and the Company has not received a response within the period of 28 days beginning on the date on which the Company's request was sent and the Member is therefore taken to have so agreed (and has not revoked that agreement);

57.2.2 the Member is sent notification by post or other similar delivery method of the presence of the notice, document or information on a website, the address of that website, the place on that website where it may be accessed, and how it may be accessed ('notification of availability');

57.2.3 in the case of a notice of meeting, the notification of availability states that it concerns a notice of a company meeting, specifies the place, time and date of the meeting, and states whether it will be an Annual General Meeting;

57.2.4 the notice, document or information continues to be published on that website, in the case of a notice of the meeting, throughout the period beginning with a date of the notification of availability and ending with the conclusion of the meeting, save that if the notice, document or information is made available for part only of that period then failure to make it available throughout that period shall be disregarded where such failure is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.

12.4 the insertion of the following articles as new articles 58.3 and 58.4:

"58.3 If a notice or document is published on a web site or sites, it shall be treated as being delivered when the Member is, or is deemed to have received the notification under Article 57.2.2 by post or other similar delivery service or (if later) when the notice or document is published on the web site or sites.

58.4 If a notice or document is sent by a relevant system, it shall be treated as being delivered when the Company (or a sponsoring system-participant acting on its behalf) sends the issuer-instruction relating to the notice or document."

13. **Amendments to the Articles in connection with the consolidation and sub-division of shares**

Purpose:
Various amendments to the Company's Memorandum of Association and its Articles are being proposed to amplify the manner in which Company may consolidate and sub-divide its share capital, and to provide for a higher authorised capital of the Company to facilitate the consolidation and sub-division of the Company's existing shares.

Proposal:
That:

13.1 the Articles be amended by the insertion of the following article as a new article 4.9A:

"4.9A If any shares are consolidated or consolidated and then divided, the Board has power to deal with any fractions of shares which result or with any shares which cannot be consolidated into one whole share. If the Board decides to sell any shares which cannot be consolidated or representing fractions, it can do so for the best price reasonably obtainable and distribute the net proceeds of sale among members or directly to the holders of depository interests (as the case may be) in proportion to their beneficial interest in the fractional entitlements. The Board can arrange for any shares representing fractions to be entered in the Register as certificated shares if they consider that this makes it easier to sell them. The Board can sell the shares or the fractional shares to anyone, including the Company if the legislation allows, and may authorise any person to transfer or deliver the shares to the buyer or in accordance with the buyer's instructions. The buyer shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.

The Company is irrevocably appointed by all Members as the lawful attorney of each Member for the limited purpose of signing on the Members' behalf all share transfer documents, statutory forms, and any other related documents to give effect to and in connection with the transfer by such Member of any shares which cannot be consolidated into one whole share in the context of a consolidation of, or consolidation and subsequent sub-division, of the Company's shares effected pursuant to this Article."

13.2 Clause 6.1 of the Memorandum of Association be deleted and replaced with the following:

"The authorised share capital of the company shall be:

€114,000,000 divided into 150,000,000 ordinary shares having a nominal value of €0.76 each; and

€62,700,000 divided into 330,000 ordinary shares having a nominal value of €190.00 each."

13.3 accordingly, the current Memorandum and Articles of Association be deleted and substituted in their entirety by a new Memorandum and Articles of Association to reflect the amendments adopted pursuant to Resolution 12 and Resolution 13.

14. **Consolidation**

Purpose:
In order to reduce the administrative burden and costs of the long tail on the Company's shareholder register with the intention of leaving the Company with a more engaged and manageable shareholder base, the Board is proposing to consolidate the Company's share capital on the basis of 250 Existing Shares into one Consolidated Share, and to deal with Fractional Entitlements in an equitable manner as described in the Proposal below.

Proposal:
THAT, conditionally on:

i. the passing of Resolutions 13 (Amendments to the Articles in connection with the consolidation and subdivision of shares) and Resolution 15 (Sub-division); and

(ii) the consideration payable in respect of the transfer of the Fractional Entitlements not exceeding £250,000 in aggregate (or such other amount as the directors may determine in their absolute discretion):

A every 250 ordinary shares with a nominal value of €0.76 each in the issued share capital of the Company (other than those registered in the name of Capita IRG Trustees Limited) be consolidated at Record Date into one ordinary shares with a nominal value of €190 each, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares with a nominal value of €0.76 each in the capital of the Company as set out in the Articles for the time being; and

B ordinary shares with a nominal value of €0.76 each in the share capital of the Company registered in the name of Capita IRG Trustees Limited shall be consolidated in the same manner provided for in part A of this resolution save that Capita IRG Trustees Limited will be disregarded for these purposes and the consolidation of the shares held by Capita IRG Trustees Limited will be effected by reference to the interest of the underlying holders of depository interests.

That, accordingly, the then applicable Memorandum and Articles of Association be deleted and substituted in their entirety by a new Memorandum and Articles of Association to reflect the amendments adopted pursuant to this Resolution 14.

15. **Sub-division**

Purpose:
The Board is proposing that each Consolidated Share (following the Share Consolidation referred to in Resolution 14) be subsequently sub-divided into 250 Existing Shares as this means that the NAV per share and the Company's share price will not be affected by the process of rationalising the shareholder base.

Proposal:
THAT, conditionally on the consolidation approved by Resolution 14 (Consolidation) becoming effective upon the registration of the new Memorandum and Articles of Association approved in terms of Resolution 14 with the Malta Registrar of Companies, each ordinary share with a nominal value of €190 each in the issued share capital of the Company be sub-divided into 250 ordinary shares with a nominal value of €0.76 each, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the ordinary shares of €190 each in the capital of the Company created pursuant to Resolution 14 as set out in the Articles for the time being.

That, accordingly, the then applicable Memorandum and Articles of Association be deleted and substituted in their entirety by a new Memorandum and Articles of Association to reflect the amendments adopted pursuant to this Resolution 15.

Resolutions 1 to 9 are ordinary resolutions. Resolutions 10 to 15 are extraordinary resolutions.

The quorum requirement in relation to all Resolutions is at least two Members present or represented at the Annual General Meeting. If the Annual General Meeting is not quorate, it can be adjourned to a date not less than seven and not more than 30 days after the Annual General Meeting as the chairman shall determine.

Ordinary resolutions may be passed at the Annual General Meeting by a member or members holding more than 50% of the voting rights attached to shares represented and entitled to vote at the meeting.

Extraordinary resolutions require:

- a 75% majority by nominal value of the shares represented at the Annual General Meeting and entitled to vote thereat; and

- a majority vote of at least 51% in nominal value of all the shares entitled to vote at the Annual General Meeting.

If one but not both of the majorities for an extraordinary resolution is met, a second meeting may be convened within 30 days to take another vote. At the said second meeting, either one of the following majorities will suffice:

- 75% majority by nominal value of the shares represented and entitled to vote at the second meeting; or

- a simple majority in nominal value where more than half in nominal value of all of the shares entitled to vote are represented at the meeting.

By order of the Board

Bryan Moyer
Company Secretary
26 April 2013

SCHEDULE
INVESTING POLICY

The investment objective of the Company is to generate returns, in the form of both capital appreciation and income to shareholders, through investing in a portfolio of businesses. While not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in southern Africa, with a particular focus on South Africa. Investments outside southern Africa will be considered where the Board believes the opportunities are particularly attractive.

The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows.

The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

The Company seeks to be actively involved in setting the strategy of the investee companies and seeks to act as an allocator of capital and resources. When appropriate, the Company will become involved in the day to day management of investee companies either alongside or instead of the management team of the investee company. Over a period of time, Blackstar intends to dispose of its existing minority investments where it has little management input or influence.

The Company is a long term investor and the Board places no limit on the length of time that any portfolio investment may be held. The Board considers, on a case by case basis, the optimum exit strategy for each portfolio investment.

The Company expects to only hold a small number of portfolio investments at any one time. However, there is no minimum or maximum number of investments that the Company can hold at any one time, nor are there any maximum exposure limits per portfolio investment.

The Company finances its portfolio investments out of its own cash resources and utilises third party debt funding as appropriate. In addition, investee companies may themselves have gearing. There is no maximum gearing level for either the Company or on a Group basis. However the Directors will review the level of gearing in the Group on a regular basis.

Save as set out above, the Company does not have any investment restrictions.

Notes:

1. This notice of Annual General Meeting is being mailed to the Members on the Register of Members of the Company as at 19 April 2013. Members registered on the Register of Members as at 17 May 2013 (the "Record Date") shall have the right to participate and vote at the Annual General Meeting. Accordingly, the last day to trade for Shareholders on the South African sub-register in order to be able to participate and vote at the meeting is 10 May 2013 and the last day to trade for shareholders on the AIM sub-register in order to be able to participate and vote at the meeting is 14 May 2013. Any change to an entry on the Register after the Record Date shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote may appoint a proxy to attend and vote instead of him/her using the enclosed Form of Proxy; the appointed proxy need not be a member.
3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to bryan.moyer@maitland.com in either case by no later than 26 May 2013 at 10h00 (CEST). In order to assist shareholders:
   a. certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Stock Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 23 May 2013 at 10h00 (SAST); and
   b. certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 23 May 2013 at 09h00 (BST)

   so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 26 May 2013 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 23 May 2013 at 10h00 (SAST).
5. Holders of depository interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 23 May 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on 23 May 2013.
6. Please indicate in the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy.

   Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
7. A Form of Proxy which may be used to appoint a proxy and give proxy directions accompanies this Notice of Annual General Meeting. If you are a shareholder on the AIM sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Registrars on 0871 664 0300 or from overseas +44 208 639 3399. Calls cost 10p per minute plus network charges, lines are open 08h30 – 17h30 (BST) Monday – Friday. If you are a shareholder on the South African sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Link Market Services South Africa (Pty) Limited on 011 713 0800, lines are open 08h30 – 16h30 (SAST) Monday – Friday.
8. In order to participate and vote at the Annual General Meeting, a Member being a body corporate, association of persons, foundation or other body of persons, a representative thereof will only be eligible to attend and be admitted to the Annual General Meeting, and to vote thereat, if a Form of Proxy has been (a) duly executed in his/her favour by the competent organ of the entity Notice of Annual General Meeting continued which he/she represents, and

(b) submitted to the Company Secretary in accordance with the procedures set out at notes 3, 4 or 5 above, as the case may be.

9. Any one of the joint holders of any share for the time being conferring a right to vote may vote either personally or by proxy at any meeting in respect of such share as if he were the sole holder, provided that if more than one of the joint holders is present at any meeting, either personally or by proxy, the person whose name stands first in the register as one of such holders, and no other, shall be entitled to vote in respect of the share.

10. Admission to the Annual General Meeting will commence one hour before the advertised and appointed time.

11. After the Annual General Meeting has proceeded to business, voting documents will continue to be issued until such time as the Annual General Meeting proceeds to vote on the first Resolution of the Agenda whether by show of hands or by poll. Thereafter no further voting documents will be issued and admittance to the Annual General Meeting will be discontinued.

12. The following information is also made available to the Members on the Blackstar Group SE website (www.blackstar.eu) in the Investor Relations section:

    (a) a copy of this Notice of Annual General Meeting;

    (b) the total number of shares and voting rights at the date of the Notice of Annual General Meeting;

    (c) the documents to be submitted to the Annual General Meeting; and

    (d) the form of proxy for the Annual General Meeting

Form of Proxy

BLACKSTAR GROUP SE

(Incorporated in Malta under the Companies Act 1995 with registration number SE4
and registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta)

FORM OF PROXY

For use by registered shareholders at the Annual General Meeting to be held in 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 28 May 2013 at 10h00 (CEST).

Please read the notice of Annual General Meeting and the explanatory notes below before completing this form.

HOLDERS OF DEPOSITORY INSTRUMENTS SHOULD COMPLETE THE FORM OF DIRECTION IN PART 6 AND SHOULD NOT COMPLETE THIS FORM OF PROXY.

I/We ....

(Please insert full name in block capitals)

of..

(Please insert address in block capitals)

being (a) member(s) of Blackstar Group SE (the "Company"), hereby appoint the Chairman of the Annual General Meeting,

or .... (see Note 1)

as my/our proxy in relation to all/ .... of my/our shares, to attend and vote for me/us at the Annual General Meeting of the Company to be held on 28 May 2013 at 10h00 (CEST) and at any adjournment of that meeting. I/We direct the proxy to vote in relation to the resolutions referred to below as follows:

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made ☐

For the appointment of one or more proxy see Note 1.

Resolutions		**For**	**Against**
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2012 and to the consolidated accounts for the Group for the year ended 31 December 2012.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2012.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2012.		
4	To re-elect Marcel Ernzer as a director of the Company.		
5	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6	To grant the Directors authority to allot and issue shares.		
7	To approve the Blackstar Group SE executive incentive scheme.		
8	To permit communication with shareholders electronically.		
9	To approve the amended Investing Policy.		
10	To dis-apply statutory pre-emption rights on the issue of shares.		
11	To authorise the Company to purchase its own shares.		
12	To amend the Articles in connection with communication by the Company with shareholders.		
13	To amend the Articles to facilitate the consolidation and sub-division of shares.		
14	To consolidate the share capital of the Company into ordinary shares of €190.		
15	To sub-divide the share capital of the Company into ordinary shares of €0.76.		

Form of Proxy continued

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting.

Please indicate below whether or not you intend to be present at the meeting. This information is sought for administrative purposes only and will not affect your right to attend the meeting, notwithstanding any indication to the contrary.

I will be attending the Annual General Meeting ☐ I will not be attending the Annual General Meeting ☐

Signature .... Date 2013

Notes:

1. To appoint as a proxy a person other than the Chairman of the Annual General Meeting insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
   (a) To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (b) To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'the Chairman of the Annual General Meeting (or)' and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (c) To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Annual General Meeting'. All forms must be signed and should be returned together in the same envelope.
2. If no voting indication is given, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to bryan.moyer@maitland.com in either case by no later than 26 May 2013 at 10h00 (CEST). In order to assist shareholders:
   (a) certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Securities Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 23 May 2013 at 10h00 (SAST); and
   (b) certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 23 May 2013 at 09h00 (BST)

   so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 26 May 2013 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 23 May 2013 at 10h00 (SAST).
5. Holders of depositary interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 23 May 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on 23 May 2013.
6. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
7. The Form of Proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the Annual General Meeting should you subsequently decide to do so.

Form of Direction

BLACKSTAR GROUP SE

(registered in Malta with registered number SE4)

4th Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta (the "Company")

FORM OF DIRECTION

Form of Direction for completion by holders of Depository Interests representing shares on a one for one basis in the Company in respect of the Annual General Meeting of the Company to be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 28 May 2013 at 10h00 CET.

This Form of Direction is for use by holders of Depository Interests issued by Capita IRG Trustees Limited only.

Capitalised terms which are used in this Form of Direction but which are not defined shall have the meaning attributed thereto in the Notice of Annual General Meeting dated 26 April 2013.

I/We ....

of..

(Please insert full name(s) and address(es) in Block Capitals)

being a holder of Depository Interests representing shares in the Company hereby instruct Capita IRG Trustees Limited (the "**Depository**"), to vote for me/us and on my/our behalf in person or by proxy at the 2013 Annual General Meeting of the Company to be held on the above date (and at any adjournment thereof) as directed by an X in the spaces below.

Please indicate with an "X" in the spaces below how you wish your vote to be cast. If no indication is given, you will be deemed as instructing the Depository to abstain from voting on the specified resolution.

	Resolutions	**For**	**Against**
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2012 and to the consolidated accounts for the Group for the year ended 31 December 2012.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2012.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2012.		
4	To re-elect Marcel Ernzer as a director of the Company.		
5	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6	To grant the Directors authority to allot and issue shares.		
7	To approve the Blackstar Group SE executive incentive scheme.		
8	To permit communication with shareholders electronically.		
9	To approve the amended Investing Policy.		
10	To dis-apply statutory pre-emption rights on the issue of shares.		
11	To authorise the Company to purchase its own shares.		
12	To amend the Articles in connection with communication by the Company with shareholders.		
13	To amend the Articles to facilitate the consolidation and sub-division of shares.		
14	To consolidate the share capital of the Company into ordinary shares of €190.		
15	To sub-divide the share capital of the Company into ordinary shares of €0.76.		

Signature .... Date 2013

Form of Direction continued

Notes:

1. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 23 May 2013 at 09h00 (GMT) or 72 hours before the time appointed for holding any adjourned meeting.
2. Any alterations made to this Form of Direction should be initialled.
3. In the case of a corporation this Form of Direction should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. Please indicate how you wish your votes to be cast by placing "X" in the box provided. On receipt of this form duly signed, you will be deemed to have authorised the Depository to vote, or to abstain from voting, as per your instructions.
5. Depository Interests held in uncertified form (i.e. in CREST), representing shares on a one for one basis in the Company, may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. The CREST message must be received by the issuer's agent RA10 by 09h00 (GMT) on 23 May 2013.
6. The Depository will appoint the Chairman of the Annual General Meeting as its proxy to cast your votes. The Chairman may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the Annual General Meeting.
7. Depository Interest holders wishing to attend the Annual General Meeting should contact the Depository at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by e-mail at custodymgt@capitaregistrars.com by no later than 21 May 2013 at 09h00 (GMT) or seven days before the time appointed for holding any adjourned meeting.

Blackstar Group SE
4th Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
www.blackstar.lu

BLACKSTAR

Blackstar Group SE

Annual Report and Accounts 2013

Contents

Annual report and accounts 2013

Highlights

- Increase in reported net asset value ("NAV") per share for the year of 15.7% to 1,620 cents (93 pence)
- Earnings per share of 231 cents (15.3 pence) compared to 119 cents (7.2 pence) in the prior year
- Total dividends of 22 cents (1.3 pence) per ordinary share declared in respect of the 2013 financial year
- Final dividend of 14 cents (0.8 pence) per ordinary share declared in respect of the 2013 financial year
- Blackstar's operational cost base for 2013 reduced to 1.7% of the reported NAV at 31 December 2013
- Disposal of the Group's remaining investment in Litha Healthcare Group Limited for R196.9 million (£12.6 million), representing an internal rate of return of 47% and 3.57 times return on investment in South African Rands
- Successful integration of the cash shell New Bond Capital Limited into the Blackstar Group, thereby enhancing the asset base and reducing the cost base
- 16.7% increase in intrinsic NAV before dividends for the 2013 financial year
- 40.8% growth in intrinsic NAV before dividend and share buy backs since JSE listing in August 2011
- R224.8 million (£14.9 million) returned to shareholders via dividends and share buy backs since listing on the JSE
- Blackstar identified as an Investment Entity – investments (including subsidiaries and associates) now accounted for at fair value and no longer consolidated

Director's statement

Introduction

Blackstar Group SE ("Blackstar" or "the Company" or "the Group") achieved another successful year of growth and increased its intrinsic NAV by 16.7% before dividends for the 2013 financial year. Since listing on the JSE in August 2011, Blackstar has grown intrinsic NAV by 40.8% before dividends and share buy backs. During this time we have returned R224.8 million (£14.9 million) back to shareholders in the form of dividends and share buy backs. In respect of the 2013 financial year, Blackstar declared dividends totaling 22 cents (1.3 pence) per ordinary share, including an interim dividend of 8 cents (0.5 pence) and a final dividend of 14 cents (0.8 pence) announced today, and to be paid on 30 May 2014.

Management remains committed to reducing our operational cost base, thereby enhancing the yields on our investments, and senior management are now largely paid based on performance through the long term Management Incentive Scheme.

During 2013, all of our investments performed well. We are focusing on three investment pillars within Blackstar: property; fund management; and investments (both private and public companies). Times Media Group Limited ("TMG") is our core holding within our investment portfolio which represents 57% of the total investments held by Blackstar as at 31 December 2013. We are involved in TMG in an executive capacity and it represents a long term strategic investment for the Group. Blackstar's medium term strategy is to increase its shareholding in TMG to 34.9%.

The South African Rand weakened significantly during the period under review with the closing ZAR/GBP increasing from 13.773 at 31 December 2012 to 17.431 at 31 December 2013. This has had a significant impact on the Pounds Sterling reported results of the Group and must be taken into consideration on review and comparison of the year on year results. Blackstar has managed the effect of the weakening Rand on its cash balances at the centre by holding its cash resources in Pounds Sterling and US Dollars.

Investments review

Investments

Global Roofing Solutions (Pty) Limited ("GRS")

The Group's investment in GRS was valued at R180.0 million (£10.3 million) at year end and remained unchanged at 31 March 2014.

GRS returned impressive results for the year ended 31 December 2013. The challenges experienced by the company during the first quarter of the year, principally driven by the fire at Arcelormittal in February 2013 and the construction delays at the Medupi Power Station, were resolved.

During the last six months of the year, GRS enjoyed four record sales months, driven by both volume and, to a lesser extent, steel price increases.

Compared to the prior financial year, GRS's gross revenues have increased by 22.2% to R718.5 million (£47.6 million), EBITDA increased by 32.7% to R48.3 million (£3.2 million) and profit after tax has increased by 353% to R24.9 million (£1.6 million). The quality of these improved earnings has resulted in GRS being in a financial position during the last quarter of the financial year to return R1.2 million (£0.08 million) in free cash per month to its shareholder, Blackstar – a considerable improvement from the R0.3 million (£0.02 million) per month during the same period in the prior financial year.

GRS's 'Africa Initiative' continues to gain momentum with the company having established new operations in Botswana and Zambia whilst enjoying sales successes in Ghana. GRS's Africa Initiative is having a meaningful impact on the company's results with approximately 40% of its profit after tax being earned from these operations. GRS intends expanding its African footprint into four new territories during the forthcoming twelve to eighteen months.

Robor (Pty) Limited ("Robor")

At financial year end, Blackstar's investment in Robor amounted to R109.3 million (£6.3 million) and at 31 March 2014 the valuation of this investment remained unchanged. A further R22.0 million (£1.3 million) investment in the form of a loan to Robor made in the first quarter of 2014 was recognised under other unlisted investments.

During the year under review, Blackstar increased its investment in Robor from 6.1% to 11.1%. Subsequent to year end, Blackstar increased its investment in Robor to 17.5% in a second round Management Buyout ("MBO") and as part of this transaction it anticipates realising approximately R35.0 million (£2.0 million) from its investment in Robor in the second quarter of 2014.

The MBO will be funded through the sale of Robor's main property in Elandsfontein, Johannesburg and the business will not be taking on any additional debt. Management believes that they can achieve operational efficiencies equal to or greater than the rental charge that will be incurred following the property sale. Robor is also set to repay Blackstar’s R21.0 million (£1.2 million) shareholder loan over the next twenty four months plus interest.

Stalcor (Pty) Limited (“Stalcor”)
Blackstar’s investment in Stalcor is valued at R32.0 million (£1.8 million) at financial year end and the fair value remained unchanged at 31 March 2014.

Against a backdrop of embattled South African manufacturing and mining capacity and output, Stalcor continued to make meaningful strides in capturing market share yet improving its trading margins during the 2013 financial year.

Stalcor’s performance for the year ended 31 December 2013, when compared to the previous year, reflects a 23.4% growth in turnover to R587.8 million (£38.9 million); a R2.3 million (£0.2 million) increase in EBITDA to R6.2 million (£0.4 million); and a R3.2 million (£0.2 million) improvement in profit after tax to R0.1 million (£0.01 million). Management of the company’s net trading assets continued to be strictly controlled with total working capital days being maintained at a level of approximately 65 days.

Trading activity during the last quarter of 2013 was particularly strong, which trend appears to be continuing for the early part of 2014.

Times Media Group Limited (“TMG”)
Please see www.timesmedia.co.za for full details. TMG interims were released on 19 March 2014.

Property
Blackstar valued its property investments at R33.2 million (£1.9 million) at 31 December 2013 and the fair value increased to R36.4 million (£2.1 million) at 31 March 2014 mainly as a result of the deposit paid of R2.7 million (£0.2 million) on a new property acquisition.

Our strategy with regards to property is opportunistic and potential investments are assessed based on whether they meet our return parameters. Blackstar invests in property opportunities where the tenants’ ability to meet rental obligations can be reasonably assessed and understood, and the resultant returns can be enhanced by leverage. Blackstar has historically structured these to be cash flow neutral post the initial investment and this allows significant returns on patient capital over the life of the leases. Our properties are predominately commercial and industrial in nature.

During the year we added an industrial property based in Namibia with a ten year lease to our portfolio. The purchase price was R9.0 million (£0.5 million) at a 16% initial yield and Blackstar borrowed the full R9.0 million (£0.5 million) for the purchase against the strength of the existing lease.

Blackstar Real Estate (Pty) Limited (“BRE”) and the property subsidiaries have properties with a gross fair value of R127.7 million (£7.3 million) before debt and non-controlling interests as at 31 December 2013.

Fund management
The Group’s investment in the Blackstar Special Opportunities Fund (“BSOF”) was valued at R63.2 million (£3.6 million) at year end and R61.7 million (£3.5 million) at 31 March 2014 as a result of fair value adjustments. The investment in the Blackstar Global Opportunities Fund (“BGOF”) amounted to R52.9 million (£3.0 million) at 31 December 2013 and was valued at R53.8 million (£3.1 million) at 31 March 2014.

BSOF has recorded a solid performance, generating a 25% return over the financial year making it one of the top performing funds in its category. This is approximately 7% higher than the return on the All Share Index (“Alsi”) for the same period.

BGOF had a tough start since its launch in April 2013, however the investment processes are now in place which has resulted in positive monthly performance whilst global markets have been under significant pressure. BGOF has four strategies which are implemented on a global basis with a strong focus on the United States, United Kingdom and the rest of Europe. The philosophy is capital preservation and a US Dollar return. As far as we are aware, BGOF is the only South African based hedge fund that invests 100% outside of South Africa, giving it a unique position to offer high net worth individuals’ interaction with the investment team.

Both BGOF and BSOF are receiving steady inflows of funds thereby increasing their assets under management.

See www.blackstarfundmanagers.co.za for further details on both funds.

Financial review

Blackstar early adopted IFRS 10, IFRS 12, and the revised version of IAS 27, including all amendments relating to Investment Entities, as a result of the endorsement of the amendments for use in the EU. These amendments introduce an exception to the principle that all subsidiaries need to be consolidated and instead requires investment entities to measure the investments (in particular subsidiaries and associates) at fair value through profit and loss as opposed to consolidating and equity accounting as was done in previous years. Subsidiaries which provide services that relate only to the Company's own investment activities continue to be consolidated.

The significant change as a result of the adoption of these new accounting policies is that subsidiaries GRS, Stalcor, New Bond Capital Limited ("NBC"), BRE and the property subsidiaries, and the interest in the BSOF, all of which were previously consolidated, are now fair valued and classified as investments designated at fair value through profit and loss. Investments in associates, being TMG and Navigare Securities (Pty) Limited ("Navigare") are also fair valued and included in the category investments designated at fair value through profit and loss. Gains and losses arising on re-assessment of the fair values of the investments are recognised in profit and loss.

Subsidiaries which are continued to be consolidated include Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus"), Blackstar (Gibraltar) Limited ("Blackstar Gibraltar"), Blackstar Group (Pty) Limited ("Blackstar SA") and Blackstar Fund Managers (Pty) Limited ("BFM").

These changes in accounting policies required retrospective application, comparatives were therefore restated and the restated opening balance sheet as at 1 January 2012 has been provided as well as a summary of the impact of the changes in accounting policies (refer note 4). Total equity attributable to equity holders of the parent as at 31 December 2012 has increased by R4.7 million (£0.3 million) to R1.1 billion (£83.4 million) when compared to the previously reported balance as per the prior year's annual report.

As a result of the adoption of these amendments, the Blackstar consolidated balance sheet is more closely aligned with the intrinsic NAV of the Group. Annexure A provides shareholders with an updated analysis of the inherent value of each investment held as at 31 March 2014. References to the fair values at 31 March 2014 are made based on the intrinsic NAV calculation included in Annexure A.

The applicable exchange rates utilised to translate the financial information from the functional currency Rands to the presentational currency Pounds Sterling are as follows: average ZAR/GBP exchange rate for the 12 months ended 31 December 2013 of 15.099 (2012: 13.015) and a closing ZAR/GBP exchange rate of 17.431 as at 31 December 2013 (13.773 as at 31 December 2012). The weakening of the South African Rand in excess of 16% (based on the average rates for the current and comparative year), has had a negative impact on Blackstar's performance and financial position reported in Pounds Sterling. This must be taken into consideration on performing a comparison of the Pounds Sterling financial information for 2012 and 2013.

Financial performance

Income for the year increased by R78.0 million (£4.8 million) and amounted to R261.0 million (£17.3 million) at year end which includes the following: R105.5 million (£7.0 million) generated from investments in the form of performance and monitoring fees, dividends and interest income; R133.0 million (£8.8 million) gain on investments; and R22.5 million (£1.5 million) net foreign exchange gains.

Income generated from investments for the current financial year includes R6.7 million (£0.4 million) management and performance fees generated by the fund managers for BGOF and BSOF.

The gains on investments of R133.0 million (£8.8 million) comprises losses of R118.3 million (£7.8 million) on disposals of investments, and R251.3 million (£16.6 million) unrealised gains which includes a R49.9 million (£3.3 million) unrealised gain on the fair valuing of net investments in subsidiaries, and R21.9 million (£1.4 million) and R172.6 million (£11.4 million) unrealised gains recognised on the investments in Robor and TMG respectively.

In June 2013 Blackstar issued Blackstar shares held in treasury to NBC shareholders in order to acquire all of the shares in NBC. The 5,808,553 shares held in treasury used to acquire NBC had previously been bought back by Blackstar at a cost of R64.3 million (£4.3 million). Subsequently NBC distributed a dividend of R87.5 million (£5.8 million) to Blackstar (included in dividend income mentioned above) and the investment in NBC was impaired by R60.6 million (£4.0 million) (included in realised gains/losses on disposal of investments), as the investment had in effect been realised. NBC is currently in the process of being wound down and deregistered.

In the second half of 2013, Blackstar sold its remaining interest in Litha for a cash consideration of R196.9 million (£12.6 million), the equivalent of R2.75 (£0.18) per share. The proceeds represent an internal rate of return ("IRR") of 47% and 3.57 times return on investment in South African Rands and in Pounds Sterling, 35% and 2.66 respectively. Litha has been a successful investment for Blackstar and its total investment in Litha has generated an IRR of 35% and 4.03 times return on investment in South African Rands (35% and 3.62 respectively in Pounds Sterling), over the seven year holding period.

Net losses of R118.3 million (£7.8 million) on disposal of investments mainly comprise the R60.6 million (£4.0 million) write down of the investment in NBC on realisation of the investment via the dividend distribution and a R62.1 million (£4.1 million) loss on the investment in Litha as a result of the decline in the Litha share price from R3.60 (£0.26) at 31 December 2012 to the price at which Blackstar agreed to sell its Litha shares of R2.75 (£0.18).

Operating expenses of R76.5 million (£5.1 million) were incurred for the current financial year. The breakdown of the expenses within operating expenses can be analysed as follows:

Operational costs incurred to run the daily Blackstar operations amounted to R22.7 million (£1.5 million) and thus the cost base for the current financial year remained below 2% of the reported NAV as at 31 December 2013 (actual of 1.7% for the 2013 financial year). Management were successful in reducing the running costs by R7.7 million (£0.9 million) when compared to the prior year and it is expected that operating costs will continue to be reduced going forward. The hedge fund management businesses incurred operational costs of R7.2 million (£0.5 million) for the current financial year, an increase of R6.3 million (£0.4 million) when compared to the prior year due to the fact that the BGOF fund management business was launched in the current financial year and was therefore not included in 2012, and furthermore BFM was acquired in the third quarter of 2012.

Exceptional, non-recurring costs of R8.3 million (£0.5 million) were recognised for 2013 (2012: R5.3 million, £0.4 million). The long term Management Incentive Scheme, approved by shareholders at the previous AGM, calculates an incentive pool (which is split 50/50 between Blackstar shares and a cash pool) based on the growth in the intrinsic NAV of the Company. The award is performance based and no award is made if there is a decline in the value of the NAV per share. Senior management are now largely paid on performance via the long term Management Incentive Scheme. The cost of the long term Management Incentive Scheme awards in respect of the 2013 financial year amounted to R20.3 million (£1.3 million) for treasury shares issued and to be issued, and R17.9 million (£1.2 million) for the cash award. The long term Management Incentive Scheme was adopted during the current financial year and thus there were no such expenses recognised in the prior year.

Net finance costs declined by R19.2 million (£1.5 million) when compared to the prior financial year as a result of the settlement of the interest-bearing, acquisition financing facility.

Blackstar generated a profit attributable to equity holders of the parent of R183.9 million for the current financial year, a pleasing 87.7% increase when compared to the prior year's profit of R97.9 million. In Pounds Sterling, the profit attributable to equity holders of the parent increased by £6.3 million to £12.2 million for the 2013 financial year. 2013 earnings per share and HEPS ("headline earnings per share") amounted to 231.34 cents, 15.32 pence (2012: 119.32 cents, 7.20 pence) and 231.33 cents, 15.32 pence (2012: 151.96 cents, 9.57 pence) respectively.

Financial position

Total equity attributable to equity holders of the parent amounted to R1.3 billion as at 31 December 2013, a 13.5% or R154.6 million increase on the prior year. The same figures in Pounds Sterling reflect a decline of 10.3% or £8.6 million to £74.8 million at 31 December 2013 which can be attributed to the fact that the Rand weakened from the closing rate ZAR/GBP spot rate of 13.773 at the end of 2012 to 17.431 at the end of 2013. Treasury share reserve of R18.8 million (£1.2 million) relates to the 1,641,011 treasury shares held at year end (2012: nil). The movements in treasury shares during the current financial year are discussed under a separate heading below. The non-controlling interest of R0.4 million (£0.02 million) represents the non-controlling interests' 44% share of BFM.

Financial assets at fair value through profit and loss comprise net investments in subsidiaries of R312.0 million (£17.9 million), investments in associates of R677.1 million (£38.8 million) and investments held for trading of R191.3 million (£11.0 million).

Net investments in subsidiaries comprise equity interests in, as well as equity loans to, the respective subsidiary companies and include the following material investments in subsidiaries: 100% interest in GRS at a fair value of R180.0 million (£10.3 million), 50.1% interest in Stalcor valued at R32.0 million (£1.8 million); a R63.2 million (£3.6 million) interest in the BSOF and a R33.2 million (£1.9 million) investment in BRE and the property subsidiaries.

Net investments in associates of R677.1 million (£38.8 million) mainly comprise Blackstar's 25.2% shareholding in TMG valued at a fair value of R672.1 million (£38.6 million) at year end. The R672.0 million (£38.5 million) increase in investments in associates from 2012 to 2013 can be explained as follows: additional TMG shares were purchased amounting to R304.6 million (£20.1 million); Blackstar's investment in TMG amounting to R195.0 million (£14.2 million) at the end of the prior year (originally included in financial assets held for trading) was subsequently transferred to investments in associates as a result of the increase in Blackstar's shareholding in TMG; and finally, a fair value gain of R172.6 million (£11.4 million) was recognised on the TMG shares as a result of the share price increasing from R13.27 at 31 December 2012 to R21.00 at 31 December 2013.

Investments held for trading with a fair value of R191.3 million (£11.0 million) include a R52.9 million (£3.0 million) investment in the BGOF, Blackstar's investment in Robor amounting to R109.3 million (£6.3 million) and a R23.0 million (£1.3 million) investment in Shoprite Lusaka. The R365.7 million (£29.5 million) decline in investments held at fair value from R557.0 million (£40.4 million) in the prior year is attributable to the following material movements during the current financial year: the investment in Litha carried at a fair value of R262.8 million (£19.1 million) at 31 December 2012 was disposed of during the first half of 2013; the investment in TMG carried at R195.0 million (£14.2 million) was transferred to investments in associates; the investment in Robor was increased by R27.4 million (£1.8 million) via further share acquisitions and a fair value increase of R21.9 million (£1.5 million); and R46.0 million (£3.0 million) was invested into the BGOF.

Total assets increased from R1.2 billion as at 31 December 2012 to R1.3 billion as at 31 December 2013 mainly as a result of the new investments and growth in these underlying investments during the current financial year. In Pounds Sterling, a decline in total assets from £83.7 million to £75.7 million is reflected despite true growth in investments due to the weakening of the Rand against the Pound Sterling.

Cash and cash equivalents declined by R217.8 million (£14.3 million) during the current financial year to an amount of R122.9 million (£7.1 million). Significant cash flow movements during the year included R440.1 million (£29.2 million) cash outflow on additions to investments; R293.5 million (£19.5 million) cash inflow on disposal of investments, R61.5 million (£4.1 million) cash inflow of income from investments, R89.9 million (£6.0 million) cash out flow on treasury share purchases and R20.9 million (£1.4 million) paid out as cash dividends to shareholders.

Share split and consolidation

The proposed consolidation and sub-division of Blackstar's share capital was approved at the last Annual General Meeting and successfully implemented effective 28 June 2013 thereby removing 3,294 shareholders off the shareholder register, an 83.0% reduction in the total number of shareholders. The Blackstar NAV per share and the Company share price was not affected by the process of rationalising the shareholder base.

Treasury shares

Blackstar held 1,641,011 treasury shares at 31 December 2013, representing 2.0% of the issued share capital.

During the current financial year, Blackstar repurchased 8,027,949 shares off the open market. On conclusion of the NBC acquisition 5,808,553 shares (which were held in treasury) were issued to NBC shareholders and a total of 791,926 shares were awarded as part of the Management Incentive Scheme (approved by shareholders at the last AGM). Of the treasury shares held at year end, a further 1,186,246 shares have been set aside for issue as an award by the Management Incentive Scheme.

An additional 213,541 shares were added to the treasury share reserve as a result of the effects of the share split and consolidation implemented during the year.

A further 65,000 Blackstar shares have been acquired on the open market post year end.

Dividends

The Board declared an interim gross dividend of 8 South African cents (0.59 cents in Euros and 0.50 pence in Pounds Sterling) per ordinary share which was paid on 22 November 2013.

Given the strong performance of the Company, the Board has resolved to declare a final gross dividend of 14 South African cents (0.96 cents in Euros and 0.80 pence in Pounds Sterling) per ordinary share for the year ended 31 December 2013. The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Friday, 11 April 2014 of EUR 1 = ZAR 14.562 and GBP 1 = ZAR 17.545. The Board continues to recognise that regular dividends are an important part of shareholder wealth creation.

The final dividend will be paid in accordance with the salient dates and times set out below:

Last day to trade on the South African register	Wednesday, 30 April 2014
Trading ex-dividend commences on the South African register	Friday, 02 May 2014
Last day to trade on the UK register	Tuesday, 06 May 2014
Trading ex-dividend commences on the UK register	Wednesday, 07 May 2014
Record date for shareholders recorded on the UK and South African registers	Friday, 09 May 2014
Date of payment	Friday, 30 May 2014

Share certificates may not be dematerialised or rematerialised between Friday, 02 May 2014 and Friday, 09 May 2014, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend tax will be withheld from the amount of the gross dividend of 14 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the dividend tax has been withheld, the net dividend will be 11.9 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 82,088,500 shares in issue (which includes 519,765 shares held in treasury) at the date on which the dividend was announced, 16 April 2014. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend. There are no Secondary Tax on Companies ("STC") credits available for use.

Outlook

Blackstar produced a pleasing set of results for the 2013 financial year achieving a record NAV of R1.3 billion at year end and a NAV per share of 1,620 cents (93 pence). Per Annexure A, the intrinsic NAV at 31 March 2014 amounted to R1.3 billion, and an intrinsic NAV per share of 1,641 cents (94 pence) which reflects continued growth in the value of Blackstar. The Group will continue to focus on growing and developing investments within the three pillars identified.

In line with this strategy, subsequent to year end, Blackstar acquired a further 9.1 million shares in TMG thereby increasing its shareholding to 32.3%. Of the acquisitions made post year end, 8.7 million shares acquired were financed through an access facility which was opened with a bank subsequent to year end.

As previously mentioned, Blackstar also invested a further R22.0 million (£1.3 million) into Robor.

The Property division acquired a new property, situated in a good office and retail node of Cape Town, for an amount of R27.7 million (£1.6 million). The property, which comprises 1 600sqm of office space, already has a triple net lease for the next five years and the transfer is expected to be completed in the third quarter of 2014. Blackstar has paid a deposit of R2.7 million (£0.2 million) and the balance of the purchase price will be financed through third party debt.

The outlook for Blackstar remains optimistic – the Group has a solid balance sheet which includes a strong investment portfolio thereby providing a foundation for growth and the ability to pursue exciting opportunities that come our way.

Andrew Bonamour
Non-executive Director
16 April 2014

Annexure A

Intrinsic NAV as at 31 March 2014

	Unaudited 31 March 2014 R'000	Unaudited 31 March 2014 £'000
Times Media Group Limited	883,151	50,331
Global Roofing Solutions (Pty) Limited	180,000	10,258
Robor (Pty) Limited	109,340	6,231
Stalcor (Pty) Limited	32,000	1,824
Blackstar Real Estate (Pty) Limited	36,429	2,076
Blackstar Global Opportunities Fund	53,762	3,064
Blackstar Special Opportunities Fund	61,671	3,515
Other listed	25,032	1,427
Other unlisted	46,839	2,669
Net assets of consolidated companies	7,729	440
Cash and cash equivalents	77,012	4,393
Access facility	(174,284)	(9,932)
Intrinsic NAV	**1,338,681**	**76,296**
Actual number of shares in issue net of treasury shares held ('000)	81,569	81,569
Intrinsic NAV per share (in Rands/Pounds Sterling)	16.41	0.94
Ordinary share price on 31 March 2014 (in Rands/Pounds Sterling)	12.25	0.64
Ordinary share price discount to intrinsic NAV	25%	32%

Notes:

1 The intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.

2 For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges are valued using quoted bid prices and unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them.

3 All amounts have been translated using the closing exchange rates at 31 March 2014. The ZAR/GBP closing exchange rate at 31 March 2014 was 17.547.

4 Other unlisted include investments in Navigare Securities (Pty) Limited, Blackstar Fund Managers (Pty) Limited and the loan to Robor (Pty) Limited.

Directors' report

The Directors present their report for Blackstar Group SE (registered number SE4) together with the audited financial statements for the year ended 31 December 2013.

Results and dividends
The consolidated statement of comprehensive income as set out on page 17 reflects the profit for the year.

The Board declared an interim gross dividend of 8 South African cents (0.59 cents in Euros and 0.50 pence in Pounds Sterling) per ordinary share which was paid on 22 November 2013. Given the Company's strong performance, a final gross dividend of 14 South African cents (0.96 cents in Euros and 0.80 pence in Pounds Sterling) per ordinary share was declared and will be paid on 30 May 2014.

Principal activities, business review and future developments
Blackstar Group SE ("the Company") was incorporated in England and Wales and has its registered office and principal place of business at 4th Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta.

Through two capital raisings in 2006, the Company successfully raised an aggregate of £80 million (before expenses) to pursue its investing strategy and objectives and engaged BML Limited ("BML"), an offshore management company, to assist with sourcing, evaluating and assessing potential investment opportunities.

In June 2009, the Company concluded the internalisation of its investment advisory arrangements with BML, including the acquisition of Blackstar Fund Managers (Pty) Limited, which subsequently changed its name to Blackstar Group (Pty) Limited ("Blackstar SA"). In acquiring Blackstar SA, the Company secured the services and the intellectual capital of the Blackstar SA team and the ability of the business to generate value for the Group.

In June 2011, the Company converted into a Societas Europaea or European public limited liability company.

In August 2011, the Company completed a secondary listing on the AltX of the JSE Limited. The Company raised R100 million through the issue of new shares to South African investors as part of the secondary listing process.

In February 2012, Shareholders approved the transfer of the Company's registered office from the United Kingdom to Malta. The transfer was effective by the second quarter of 2012.

The Company is an investment company, and its principal activities during the year (as well as that of its Cyprus subsidiary) were to participate in investment opportunities with a particular focus on South Africa and Sub-Saharan Africa.

The Company has a 100% interest in Blackstar Real Estate (Pty) Limited, a property company, which explores opportunities in the property sector.

The Company has a 100% interest in Global Roofing Solutions (Pty) Limited ("GRS"), which is a manufacturer and supplier of steel roofing and cladding.

The Company has a 50.1% controlling interest in Stalcor (Pty) Limited ("Stalcor"), which is a processor, distributor and stockist of stainless steel and aluminium.

The Company has a 56.0% controlling interest in Blackstar Fund Managers (Pty) Limited ("BFM"), which is a hedge fund management business and responsible for managing the Blackstar Special Opportunities Fund ("BSOF"), a limited partnership also considered to be under the control of the Company. The Company holds a 56.6% beneficial stake in BSOF as at 31 December 2013.

The Company has a 25.2% significant interest in Times Media Group Limited ("TMG") which is a South African based media company. Post year end, Blackstar increased its stake in TMG to 32.3%.

The requirements of the business review have been included in the Director's statement as set out on pages 3 to 9.

Principal risks and uncertainties
The key principal risks and uncertainties of the Group going forward are described below by segment, including details on the manner in which these risks are monitored and managed. Note 27 to the consolidated financial statements also provides a detailed analysis of the financial risks affecting the Group and the management thereof.

The Group's overall risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying businesses maintaining an entrepreneurial focus. The risks within the underlying trading businesses are managed by their local management teams who are responsible for their own operations.

The Board of Directors ensure that the investee companies in which the Company has a controlling or significant interest (i.e. subsidiaries and associates) are well staffed with strong and experienced management teams who are responsible for designing, implementing and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately.

On adoption of Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27, the Group's segments have changed from the previous annual report to separately group the various investments held. The Group now has three segments being: Investments, Funds and Properties which are assessed quarterly by the Board.

Foreign exchange risk arises because the Group makes investments in currencies which differ from its functional currency (Rands) and presentational currencies (Pounds Sterling and Rands). The Board of Directors meet at least on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Market price risk arises because the Group's listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies, and in the case of listed investments uncertainties about future prices. The Board of Directors meet at least quarterly to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Investment policy
The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses. Whilst not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in Southern Africa, with a particular focus on South Africa. Investments outside Southern Africa will be considered where the Board believes the opportunities are particularly attractive. The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

The investee companies are run on a decentralised manner with local management maintaining an entrepreneurial focus and being responsible for their own operations. The Company usually seeks to be actively involved in setting the strategy of the investee companies and acts as an allocator of capital and resources but does not take day to day responsibility for the management of investee companies.

The Company is a long term investor and the Board places no limit on the length of time that any portfolio investment may be held. The Board considers, on a case by case basis, the optimum exit strategy for each portfolio investment.

The Company expects to only hold a small number of portfolio investments at any one time. However, there is no minimum or maximum number of investments that the Company can hold at any one time, nor are there any maximum exposure limits per portfolio investment.

The Company finances its portfolio investments out of its own cash resources and utilises third party debt funding as appropriate. In addition, investee companies may themselves have gearing. There is no maximum gearing level for either the Company or on a Group basis. However the Directors will review the level of gearing in the Group on a regular basis.

Save as set out above, the Company does not have any investment restrictions.

Corporate Governance

The Board and its committees are responsible for maintaining a high standard of corporate governance and for ensuring that the Group's business is conducted with integrity and in an ethical manner.

The Board ensures that the Group complies with all relevant laws and regulations and ensures that the Group maintains effective operating systems and controls and a robust and informed investment approval process.

The Board has access to complete, accurate and timeous information in order to fulfil its responsibilities and is assisted by the following committees:

Audit Committee

The Audit Committee was chaired by Wolfgang Baertz who subsequently resigned on 20 January 2014. Marcel Ernzer was appointed as the new Chairman to the Audit Committee. John Mills and Andrew Bonamour are also members of the Audit Committee. The Audit Committee provides a forum for reporting by the Company's external auditors and is responsible for reviewing a wide range of matters, including interim and annual results and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders.

Remuneration Committee

The Remuneration Committee is chaired by John Mills and comprises Andrew Bonamour and Marcel Ernzer. The Remuneration Committee will set the remuneration levels for the Directors having regard to market conditions and also ensure appropriate incentive schemes are in place for management.

Nominations Committee

The Nominations Committee is chaired by Marcel Ernzer and comprises John Mills and Andrew Bonamour. The Nominations Committee deals with new appointments to the Board.

All material matters were reported to the Board of Directors which met five times during the year.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' statement on pages 3 to 9. In addition, notes 29 and 27 to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital and its financial risk management objectives and procedures respectively.

The Board of Directors believe that the Group is well placed to manage its business risks successfully. The Board of Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Purchase of treasury shares

The Group purchased 8,027,949 (2012: nil) Blackstar shares on the open market. The 3,200,000 Blackstar shares acquired in 2011 were subsequently cancelled during the year ended 31 December 2012. No Blackstar shares were cancelled during the current financial year. Treasury shares issued during the 2013 financial year include 5,808,553 shares issued to NBC shareholders on conclusion of the NBC acquisition (refer note 16), and the balance comprises shares awarded as part of the Management Incentive Scheme which was approved by shareholders at the last AGM (refer note 34). An additional 213,541 Blackstar shares were added to the Blackstar treasury shares reserve as a result of the effects of the share split and consolidation implemented during the year.

Of the 1,641,011 treasury shares held at year end, 1,186,246 (2012: nil) shares have been set aside for issue as an award by the Management Incentive Scheme and will be issued in 2014 (refer note 34 for further details on the Management Incentive Scheme). A further 65,000 Blackstar shares were acquired on the open market post year end.

Post balance sheet events
These are detailed in note 36 to the consolidated financial statements.

Charitable and political contributions
During the year, no charitable or political contributions were made.

Financial instruments – risk management
Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 27 to the consolidated financial statements.

Directors
The current Directors (all of which are Non-executive Directors) of the Company and Management of Blackstar had the following beneficial interests in the ordinary share capital of the Company as at the date of this report:

	Number of ordinary shares 2013	Number of ordinary shares 2012
Non-executive Directors of the Company		
Andrew Bonamour*	**8,193,180^**	7,523,105
John Mills	**761,328**	761,328
Marcel Ernzer	**—**	—
Richard Thomson Wight	**—**	—
Management of Blackstar#	**14,603,767^**	13,560,807
Total	**23,558,275**	21,845,240

Notes:
* These shares are held by funds associated with Andrew Bonamour
# Excludes shares held by Directors of the Company (and their associated funds) reflected within the table
^ Includes shares approved for issue by the Board under the long term Management Incentive Scheme

No Director has options to purchase shares in the Company.

No Director has any direct interest in the shares of any of the subsidiary companies.

Qualifying professional liability insurance for the benefit of the Directors was in force during the financial year and at the date of this report.

Biographical details of all current Directors are to be found within the Directorate on page 15.

Wolfgang Baertz resigned as a Director effective 20 January 2014 and Charles Taberer resigned on 31 December 2012. Richard Thomson Wight was appointed as a Non-executive Director on 26 April 2013.

Directors' responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Directors are required by the Malta Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company at the end of each financial period and of the Group's profit and loss for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and the AltX of the JSE Limited.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Companies Act, 1995. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors
BDO Malta were appointed as auditors to the Company in January 2013 following the transfer of the Company's registered office to Malta. A resolution to confirm their appointment will be proposed at the annual general meeting.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Andrew Bonamour
Non-executive Director
16 April 2014

John Mills
Non-executive Director

Directorate

John Broadhurst Mills (Non-executive Chairman)
John Mills, a qualified solicitor, is currently a director of Maitland Luxembourg SA and certain Luxembourg and ISE listed investment funds. Over the previous eight years, he was and continues to be a director and a principal in the Maitland Group and a number of other companies. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through both onshore and offshore vehicles.

Andrew David Bonamour (Non-executive Director)
Andrew Bonamour was the founder of Blackstar Group SE and is a director of Blackstar Group (Pty) Limited, the Company's investment advisory subsidiary. Andrew previously worked at Brait S.A. Limited where he held positions in Investment Banking, principal investment divisions and Corporate Finance. At Brait, Andrew originated and played a lead role in a variety of transactions ranging from leveraged buyouts, mergers and acquisitions, capital replacements and restructurings. Andrew has an in depth knowledge of and experience in corporate finance, private equity and investment banking. Andrew holds a Bachelor of Commerce degree. Andrew is also a director of several companies both listed and unlisted.

Marcel Ernzer (Non-executive Director)
Marcel Ernzer is an independent consultant within the financial sector. He was an auditor and later a consultant with Price Waterhouse Luxembourg from 1982–1986. From 1987–1996, he was responsible for setting-up and managing Unico Financial Services, a PSF in Luxembourg, owned by Credit Agricole, DZ Bank, Rabobank, RZB Austria, Cera Bank (later KBC) and Okobank. He is currently a director of Insinger de Beaufort Holdings S.A., Camera di Commercio Italo-Lussemburghese, Pro Fonds (Lux) Sicav and certain family owned commercial companies including Tetrabat, Taxirent and FAS. Over the previous years he was a director of several financial services companies including Corporate Management Services owned by Commercial Union, EEK Invest owned by Evangelische Kreditgenossenschaft, Piac owned by RZB Austria, UKB owned by Kokusai Securities and Witherthur Financial Services owned by Winterthur. He was also a director of several investment funds and was until 1998 serving on the board of ALFI, the Association of the Luxembourg Fund Industry.

Richard Thomson Wight (Non-executive Director)
Richard Wight has over 30 years experience in financial services. He started his career trading fixed income for Kidder Peabody, Bank of America and S.G Warburg, before running capital protected funds for Credit Suisse Private Bank and traded futures and equities for a privately held hedge fund. He resides in Malta, holds both American and Maltese citizenship and acts as the local non-executive director and investment committee member for several Malta-based financial entities. He is a graduate of Cornell University.

Independent auditors' report

Independent auditors' report to the shareholders of Blackstar Group SE
We have audited the accompanying Group and Parent Company financial statements (the "financial statements") of Blackstar Group SE set out on pages 17 to 94 which comprise the consolidated and parent company statements of financial position at 31 December 2013 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, and the consolidated and parent company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
As described on page 14, the directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about whether the financial statements are free of 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 auditors' 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 auditors consider internal controls relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion
In our opinion, these financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2013 and of the Group's financial performance and Group and Company's cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the provisions of the Malta Companies Act, 1995.

Report on other legal and regulatory requirements
We also have responsibilities under the Malta Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

BDO MALTA
Certified Public Accountants
16 April 2014

Consolidated statement of comprehensive income

for the year ended 31 December 2013

*Restated 2012 R'000	2013 R'000		Notes	2013 £'000	*Restated 2012 £'000
183,031	**261,025**	Income	**5**	**17,287**	12,443
(63,662)	**(76,541)**	Operating expenses	**6**	**(5,070)**	(4,888)
119,369	**184,484**	**Operating profit**	**7**	**12,217**	7,555
(19,383)	**(208)**	Net finance costs	**9**	**(14)**	(1,489)
2,388	**3,156**	Finance income		**209**	184
(21,771)	**(3,364)**	Finance costs		**(223)**	(1,673)
99,986	**184,276**	**Profit before taxation**		**12,203**	6,066
(2,342)	**222**	Taxation	**10**	**15**	(180)
97,644	**184,498**	**Profit for the year**		**12,218**	5,886
		Other comprehensive income/(loss) – items that may subsequently be reclassified to profit and loss:			
—	**—**	Currency translation differences on the translation of Rand denominated Group entities		**(20,297)**	(6,257)
—	**—**	Release of foreign currency translation reserve		**1,425**	—
—	**—**	**Total other comprehensive income/(loss) recognised directly in equity**		**(18,872)**	(6,257)
97,644	**184,498**	**Total comprehensive income/(loss) for the year**		**(6,654)**	(371)
		Profit for the period attributable to:			
97,945	**183,857**	Equity holders of the parent		**12,175**	5,908
(301)	**641**	Non-controlling interests		**43**	(22)
97,644	**184,498**			**12,218**	5,886
		Total comprehensive income/(loss) attributable to:			
97,945	**183,857**	Equity holders of the parent		**(6,697)**	(349)
(301)	**641**	Non-controlling interests		**43**	(22)
97,644	**184,498**			**(6,654)**	(371)
119.32	**231.34**	**Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)**	**11**	**15.32**	7.20
82,088	**79,476**	**Weighted average number of shares (net of treasury shares, in thousands)**	**11**	**79,476**	82,088

* Comparatives have been restated for changes in accounting policies – refer to note 4

The notes on pages 22 to 79 form part of the consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2013

	Notes	Share capital R'000	Share premium R'000	Capital redemption reserve R'000	Treasury shares reserve R'000	Retained earnings R'000	Attributable to equity holders R'000	Non-controlling interests R'000	Total equity R'000
Balance as at 1 January 2012		596,879	22,125	29,965	(29,452)	227,597	847,114	(754)	846,360
Change in accounting policies	4	—	—	—	—	203,866	203,866	754	204,620
Balance as at 1 January 2012 (*restated)		596,879	22,125	29,965	(29,452)	431,463	1,050,980	—	1,050,980
Total comprehensive income/(loss) for the period		—	—	—	—	97,945	97,945	(301)	97,644
Income/(loss) for the period		—	—	—	—	97,945	97,945	(301)	97,644
Other comprehensive income for the period		—	—	—	—	—	—	—	—
Cancellation of treasury shares		(22,208)	—	22,208	29,452	(29,452)	—	—	—
Arising on acquisition of investment in subsidiary	26	—	—	—	—	—	—	7	7
Balance as at 31 December 2012 (*restated)		574,671	22,125	52,173	—	499,956	1,148,925	(294)	1,148,631
Total comprehensive income for the period		—	—	—	—	183,857	183,857	641	184,498
Income for the period		—	—	—	—	183,857	183,857	641	184,498
Other comprehensive income for the period		—	—	—	—	—	—	—	—
Purchase of treasury shares		—	—	—	(89,910)	—	(89,910)	—	(89,910)
Effect of share split and consolidation	24	1	(1)	—	(2,499)	—	(2,499)	—	(2,499)
Treasury shares issued to acquire NBC	16	—	(447)	—	64,347	—	63,900	—	63,900
Reduction in non-controlling interests arising on acquisition of further shares in BFM	26	—	—	—	—	(123)	(123)	18	(105)
Equity settled share based payment	34	—	—	—	—	20,287	20,287	—	20,287
Treasury shares issued during the year as part of the long term Management Incentive Scheme	34	—	(209)	—	9,214	(9,005)	—	—	—
Dividend paid		—	—	—	—	(20,871)	(20,871)	—	(20,871)
Balance as at 31 December 2013		**574,672**	**21,468**	**52,173**	**(18,848)**	**674,101**	**1,303,566**	**365**	**1,303,931**

* Comparatives have been restated for changes in accounting policies – refer to note 4

Consolidated statement of changes in equity continued
for the year ended 31 December 2013

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign Currency Translation Reserve £'000	Retained earnings £'000	Attributable to equity holders £'000	Non-controlling interests £'000	Total equity £'000
Balance as at 1 January 2012		57,053	1,974	2,893	(2,272)	3,278	4,591	67,517	(60)	67,457
Change in accounting policies	4	—	—	—	—	(3,055)	19,302	16,247	60	16,307
Balance as at 1 January 2012 (*restated)		57,053	1,974	2,893	(2,272)	223	23,893	83,764	—	83,764
Total comprehensive income/(loss) for the period		—	—	—	—	(6,257)	5,908	(349)	(22)	(371)
Income/(loss) for the period		—	—	—	—	—	5,908	5,908	(22)	5,886
Other comprehensive loss for the period		—	—	—	—	(6,257)	—	(6,257)	—	(6,257)
Cancellation of treasury shares		(1,706)	—	1,706	2,272	—	(2,272)	—	—	—
Arising on acquisition of investment in subsidiary	26	—	—	—	—	—	—	—	—	—
Balance as at 31 December 2012 (*restated)		55,347	1,974	4,599	—	(6,034)	27,529	83,415	(22)	83,393
Total comprehensive income/(loss) for the period		—	—	—	—	(20,297)	13,600	(6,697)	43	(6,654)
Income for the period		—	—	—	—	—	12,175	12,175	43	12,218
Other comprehensive income/(loss) for the period		—	—	—	—	(20,297)	1,425	(18,872)	—	(18,872)
Purchase of treasury shares		—	—	—	(5,955)	—	—	(5,955)	—	(5,955)
Effect of share split and consolidation	24	—	—	—	(166)	—	—	(166)	—	(166)
Treasury shares issued to acquire NBC	16	—	(30)	—	4,262	—	—	4,232	—	4,232
Reduction in non-controlling interests arising on acquisition of further shares in BFM	26	—	—	—	—	—	(9)	(9)	1	(8)
Equity settled share based payment	34	—	—	—	—	—	1,344	1,344	—	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme	34	—	(14)	—	611	—	(597)	—	—	—
Dividend paid		—	—	—	—	—	(1,382)	(1,382)	—	(1,382)
Balance as at 31 December 2013		**55,347**	**1,930**	**4,599**	**(1,248)**	**(26,331)**	**40,485**	**74,782**	**22**	**74,804**

* Comparatives have been restated for changes in accounting policies – refer to note 4

A final dividend of 17 South African cents, 1.21 pence per ordinary share was paid on 18 June 2013.

An interim dividend of 8 South African cents, 0.50 pence per ordinary share was paid on 22 November 2013.

A final dividend of 14 South African cents, 0.80 pence per ordinary share has been proposed, to be paid on 30 May 2014.

The notes on pages 22 to 79 form part of the consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2013

*Restated 1 January 2012 R'000	*Restated 31 December 2012 R'000	31 December 2013 R'000		Notes	31 December 2013 £'000	*Restated 31 December 2012 £'000	*Restated 1 January 2012 £'000
			Assets				
24,406	875	**875**	Goodwill	**12**	**51**	64	1,945
777	294	**1,524**	Deferred tax assets	**13**	**87**	21	62
642	1,168	**1,364**	Equipment	**14**	**78**	85	51
805,700	799,664	**1,180,472**	Financial assets at fair value through profit and loss	**15**	**67,721**	58,057	64,215
215,362	237,519	**312,014**	Net investments in subsidiaries	**16**	**17,899**	17,244	17,165
413,621	5,164	**677,138**	Net investments in associates	**17**	**38,846**	375	32,966
176,717	556,981	**191,320**	Financial assets held for trading	**15**	**10,976**	40,438	14,084
2,047	5,000	**8,174**	Investments classified as loans and receivables	**18**	**469**	363	163
279	148	**188**	Current tax assets		**12**	10	23
19,826	4,366	**4,065**	Trade and other receivables	**19**	**233**	317	1,580
214,564	340,803	**122,893**	Cash and cash equivalents	**20**	**7,050**	24,743	17,101
1,068,241	1,152,318	**1,319,555**	**Total assets**		**75,701**	83,660	85,140
			Liabilities				
—	(73)	**(60)**	Deferred tax liabilities	**13**	**(3)**	(5)	—
(185)	(217)	**(201)**	Other financial liabilities	**21**	**(12)**	(16)	(15)
—	(127)	**—**	Borrowings	**22**	**—**	(9)	—
(1,350)	(313)	**(469)**	Current tax liabilities		**(28)**	(23)	(108)
(15,726)	(2,841)	**(14,890)**	Trade and other payables	**23**	**(854)**	(206)	(1,253)
—	(116)	**(4)**	Bank overdrafts	**20**	**—**	(8)	—
(17,261)	(3,687)	**(15,624)**	**Total liabilities**		**(897)**	(267)	(1,376)
1,050,980	1,148,631	**1,303,931**	**Total net assets**		**74,804**	83,393	83,764
			Equity				
596,879	574,671	**574,672**	Share capital	**24**	**55,347**	55,347	57,053
22,125	22,125	**21,468**	Share premium	**24**	**1,930**	1,974	1,974
29,965	52,173	**52,173**	Capital redemption reserve	**24**	**4,599**	4,599	2,893
(29,452)	—	**(18,848)**	Treasury shares reserve	**24**	**(1,248)**	—	(2,272)
—	—	**—**	Foreign currency translation reserve	**24**	**(26,331)**	(6,034)	223
431,463	499,956	**674,101**	Retained earnings	**24**	**40,485**	27,529	23,893
1,050,980	1,148,925	**1,303,566**	**Total equity attributable to equity holders**		**74,782**	83,415	83,764
—	(294)	**365**	Non-controlling interests		**22**	(22)	—
1,050,980	1,148,631	**1,303,931**	**Total equity**		**74,804**	83,393	83,764
1,280	1,400	**1,620**	**Net asset value per share (in cents/pence)**		**93**	102	102
82,088	82,088	**80,447**	**Actual number of shares in issue (net of treasury shares, in thousands)**	**24**	**80,447**	82,088	82,088

* Comparatives have been restated for changes in accounting policies – refer to note 4

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2013 was 0.83 (2012: 0.82) and 14.57 (2012:11.17) respectively.

The consolidated financial statements were approved by the Board and authorised for issue on 16 April 2014.

The notes on pages 22 to 79 form part of the consolidated financial statements.

Andrew Bonamour
Non-executive Director

John Mills
Non-executive Director

Consolidated statement of cash flows
for the year ended 31 December 2013

*Restated 2012 R'000	2013 R'000		Notes	2013 £'000	*Restated 2012 £'000
		Cash flow from operating activities			
(67,531)	**(164,195)**	Cash absorbed by operations	**25**	**(10,728)**	(6,712)
217,225	**61,450**	Dividend and interest income received		**4,069**	16,690
2,388	**3,156**	Finance income received		**209**	184
(21,771)	**(3,364)**	Finance costs paid		**(223)**	(1,673)
(2,719)	**(906)**	Taxation paid		**(58)**	(207)
127,592	**(103,859)**	**Cash (absorbed)/generated by operating activities**		**(6,731)**	8,282
		Cash flow from investing activities			
(716)	**(599)**	Purchase of equipment		**(40)**	(54)
14	**172**	Proceeds on disposal of equipment		**11**	1
(894)	**(105)**	Acquisition of subsidiaries, net of cash acquired	**26**	**(8)**	(65)
(1,596)	**(532)**	**Cash absorbed by investing activities**		**(37)**	(118)
		Cash flow from financing activities			
127	**(127)**	Movement in borrowings		**(8)**	10
—	**(2,499)**	Acquisition of Blackstar shares as a result of the share split and consolidation		**(166)**	—
—	**(89,910)**	Purchase of treasury shares		**(5,955)**	—
—	**(20,871)**	Dividends paid to equity holders of the parent		**(1,382)**	—
127	**(113,407)**	**Cash (absorbed)/generated by financing activities**		**(7,511)**	10
126,123	**(217,798)**	**Net (decrease)/increase in cash and cash equivalents**		**(14,279)**	8,174
214,564	**340,687**	Cash and cash equivalents at the beginning of the year		**24,735**	17,101
—	**—**	Exchange losses on cash and cash equivalents		**(3,406)**	(540)
340,687	**122,889**	**Cash and cash equivalents at the end of the year**	20	**7,050**	24,735

* Comparatives have been restated for changes in accounting policies – refer to note 4

The notes on pages 22 to 79 form part of the consolidated financial statements.

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements have been consistently applied across all periods presented in the consolidated financial statements, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Company and its subsidiaries (the "Group" or "Blackstar") during the current reporting period. All the financial statements are presented in both Pounds Sterling and South African Rands and all financial information has been rounded to the nearest thousand unless stated otherwise.

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with the Malta Companies Act, 1995. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit and loss that have been measured at fair value.

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 27. This is a change in accounting policy from the prior year and disclosure for the comparative periods has also been amended to reflect items in order of liquidity.

The accounting policies that the Group applied in the presentation of the financial statements are set out below and have been consistently applied.

1.2 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The Company is an Investment Entity and as such does not consolidate all of the entities it controls. Instead, certain interests in subsidiaries are classified as fair value through profit and loss and measured at fair value. Where the Company, (the Investment Entity) controls an investee that provides services that relate only to the Company's own investment activities, it then consolidates that investee. This represents a change in accounting policy in the current year, more details of which are provided in note 4. Investments in associates are also classified as fair value through profit and loss, and measured at fair value.

In circumstances where subsidiaries meet the requirements to be consolidated, the following policies apply:

- Inter-company transactions and balances between Group companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

- Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of the combination.
- The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date. Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are recognised and measured at fair value less costs to sell.
- Goodwill arising on acquisition is recognised in accordance with the Group's goodwill accounting policy (refer below).

1.3 Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

1.4 Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The cost of goodwill is calculated as being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquired business' identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.5 Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to an item of equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

1. Accounting policies (continued)

1.5 Equipment (continued)

Residual values and useful lives are reassessed annually.

Depreciation is provided on the straight-line basis so as to write the assets down to their estimated residual values, over the estimated useful lives of the assets.

The estimated useful lives for office furniture, fixtures and equipment is 3 to 10 years.

Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss is reversed, then it is only reversed to the extent that the revised carrying amount of the asset would reflect the depreciation that would have been charged had the impairment not been reflected. Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the assets' revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Surpluses or deficits on the disposal of property, plant and equipment are credited or charged to profit and loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Leases

Operating leases

Leases where the lessor retains the risk and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful lives of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.7 Financial instruments

The Group classifies its financial assets and financial liabilities at initial recognition into the following categories in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets at fair value through profit and loss

The category of financial assets at fair value through profit and loss is sub-divided into:

- *Financial assets held for trading* – financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities and equity investments in hedge funds. These assets are acquired principally for the purpose of generating a profit from short term fluctuation in price.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Financial assets at fair value through profit and loss (continued)

- *Financial instruments designated as a fair value through profit and loss upon initial recognition* – These include investment in subsidiaries and investment in associates. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

  - *Investments in subsidiaries* – In accordance with the Investment Entities exception under IFRS 10 Consolidated Financial Statements, the Company does not consolidate certain subsidiaries in the Group financial statements. Investments in these subsidiaries are accounted for as a financial instrument at fair value through profit and loss. The exception is applicable for annual periods beginning on or after 1 January 2014, but early adoption is permitted and the Company has early adopted this exception.
  - *Loans and receivables payable by subsidiaries designated at fair value through profit and loss* – Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated at fair value through profit and loss. On assessment of the fair value of the net investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.
  - *Investments in associates* – In accordance with the options available under IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in associates in the Group financial statements using the equity method. Instead the Company has elected to measure its investments in these entities at fair value through profit and loss.

Loans and receivables

Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Company includes in this category loans to subsidiaries which are identified as working capital loans, usually short term in nature.

The Group's loans and receivables also include trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Other financial liabilities

This category includes all financial liabilities, including borrowings, other than those classified as held for trading. The Company includes in this category short term payables.

Recognition

The Company recognises a financial asset or a financial liability when it becomes party to the contractual provisions of the instrument.

Initial measurement

Financial assets at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit and loss.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Initial measurement (continued)

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Company recognises the difference in the statement of comprehensive income, unless specified otherwise.

Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified at fair value through profit and loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets at fair value through profit and loss. Interest and dividend earned or paid on these instruments are recorded separately in interest revenue and dividend revenue.

Loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit and loss, are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liabilities. When calculating the effective interest rate, the Company estimates the cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Derecognition

A financial asset (or where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive the cash flows from the asset have expired or the Company has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- The Company has substantially transferred all of the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset

Where the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability has been discharged, cancelled, or expired.

1. Accounting policies (continued)

1.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net bass, or to realise the asset and settle the liability simultaneously.

1.9 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. Goodwill is tested at least annually for impairment. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit and loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in current accounts, money market funds and short term deposits with original maturities of three months or less from inception.

Short term investments that are not held for the purpose of meeting short term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

In assessing the movements in the cash flows of the Group, the movements in and cash flows relating to financial instruments designated at fair value through profit and loss have been classified within operating activities due to the fact that Blackstar is considered to be an Investment Entity.

1.11 Dividend distributions

Dividends are at the discretion of the Company. A dividend to the Company's shareholders is accounted for as a deduction from retained earnings. An interim dividend is recognised as a liability in the period in which it is irrevocably declared by the Board of Directors. A final dividend is recognised as a liability in the period in which it is approved by the annual general meeting of shareholders.

1.12 Equity instruments and treasury shares

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1. Accounting policies (continued)

1.12 Equity instruments and treasury shares (continued)

The consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve. Any excess of the consideration received on the sale of treasury shares over the cost of the shares sold (calculated on a weighted average basis) is credited to the share premium account. The cancellation of treasury shares reduces the share capital and increases the capital redemption reserve by an amount corresponding to the nominal value of the shares.

1.13 Dividend and interest revenue

Interest revenue is recognised in profit and loss for all interest-bearing financial instruments using the effective interest rate method.

Dividend revenue is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive the payment is established. Dividend revenue is presented net of any non-recoverable with withholding taxes, which are disclosed separately in the statement of comprehensive income.

1.14 Net gains or losses on financial assets and liabilities at fair value through profit and loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at fair value through profit and loss and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as at fair value through profit and loss represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

1.15 Fee income and performance fee income

Fee income and performance fee income includes corporate finance and advisory fees, and performance fees earned by the hedge fund management company. Fee income is recognised on an accruals basis when the services are provided. Performance fee income is recognised when the Group has an unconditional entitlement to receive it and it can be reliably measured. All fee income is measured at the fair value of the consideration receivable.

1.16 Finance income and finance costs

Finance income comprises interest receivable on current account bank balances, and deposits held on call. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. Interest is recognised in profit and loss as it accrues using the effective interest rate method.

1.17 Share-based payments

Blackstar operates a long term Management Incentive Scheme ("the Scheme") which was implemented in 2013 post approval by shareholders at the previous Annual General Meeting. Based on a six month growth of intrinsic net asset value (not share price) an incentive fee pool is calculated on the Relevant Date (being 30 June and 31 December) which is split into 50% shares (vesting on date of issue but subject to certain restrictions) and 50% cash for the benefit of the participants of the executive scheme. The number of shares to be issued is calculated by dividing the 50% shares incentive pool by the Blackstar closing share price on the Relevant Date as quoted by the AltX stock market of South Africa. In addition, the Board has the discretion to issue up to 0.25% of the issued number of shares for the six month period ending on the relevant date as defined.

1. Accounting policies (continued)

1.17 Share-based payments (continued)

The cost of equity settled shares awarded to participants as part of the long term Blackstar Management Incentive Scheme is charged to the profit and loss on the Relevant Date (being the date on which the obligation arises) and a corresponding credit entry is raised directly to retained earnings within the consolidated statement of changes in equity. On the actual date on which the shares are issued, a debit entry is made to retained earnings and the issue of fresh shares or re-issue of treasury shares is recognised within the consolidated statement of changes in equity.

Per the Scheme rules, the shares vest immediately (although the shares are subject to certain restrictions) and thus the full cost is recognised in profit and loss on the Relevant Date. The fair value of the services received cannot be reliably estimated, and therefore the cost of the equity settled share award is calculated with reference to the fair value of the equity instruments granted, being the value of 50% of the incentive pool.

The cash award is calculated as 50% of the Incentive Pool which is calculated based on growth in intrinsic net asset value and with no reference to Blackstar's share price. Therefore the cash award does not meet the definition of a cash-settled share based payment in accordance with IFRS 2 Share Based Payments. The obligation arises on the Relevant Date and an expense is recognised within profit and loss and a corresponding accrual raised. The accrual is reversed on payment of the cash to participants.

The cost of the discretionary award is recognised in the profit and loss and is calculated with reference to the fair value of the equity instruments granted (being the Blackstar closing share price on the date of issue of the shares to participants). The obligation to transfer the discretionary share award to participants arises on the date that the award is approved by the Board of Directors.

1.18 Tax

Current tax comprises tax payable calculated on the basis of the taxable profit for the period, using the tax rates and laws enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable for previous years.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit
  - nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

1. Accounting policies (continued)

1.18 Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is charged to the statement of income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

1.19 Foreign currencies

Functional and presentation currency

The functional currency of the Company is the South African Rand, being the currency of the primary economic environment in which the Company and its subsidiaries operate.

Blackstar is dual listed with a primary listing on the Alternative Investment Market of the London Stock Exchange ("AIM") and a secondary listing on the AltX of the JSE Limited ("JSE") in South Africa. As a result, Blackstar has two presentational currencies being South African Rand ("Rands") and Pounds Sterling ("Pounds Sterling").

Translation of foreign currency assets and liabilities in the individual entities financial statements

In preparing the financial statements of the individual entities, transactions in currencies other than the Entity's functional currency are recorded at the exchange rates prevailing on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currency are translated at the exchange rates prevailing when the fair value was determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the rates of exchange ruling at the date of the transaction. Any exchange differences arising on translation are recognised in the statement of income in the period in which they occur.

Translation of financial statement of entities into the presentation currencies

Assets and liabilities of entities are translated into the Group's presentation currencies of Rands and Pounds Sterling at year end exchange rates. Capital and reserves are translated at historical rates. Items included in profit and loss are translated at average exchange rates for the year.

Translation differences arising from the translation of entities are taken directly to the foreign currency translation reserve. On disposal of entities, such translation differences are recognised in profit and loss as part of the gain or loss on disposal.

The principal exchange rates utilised to prepare the financial statements are as follows:

	Closing rate		Average rate	
	2013	2012	**2013**	2012
GBP/ZAR	**17.431**	13.773	**15.099**	13.015
EUR/ZAR	**14.432**	11.187	**12.817**	10.552
EUR/GBP	**0.828**	0.812	**0.849**	0.810

1.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

1. Accounting policies (continued)

1.20 Operating segments (continued)

The chief operating decision maker has been identified as the Board of Directors. This committee reviews the Group's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

1.21 Significant judgements and areas of estimation

The preparation of the financial statements requires the use of estimates, assumptions and judgements that affect the amounts reported in the financial statements. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although the estimates are based on management's best knowledge and judgements of current facts as at the balance sheet date, the actual outcome may differ from those estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Assessment as an Investment Entity

Entities that meet the definition of an Investment Entity within IFRS 10 are required to measure certain subsidiaries at fair value through profit and loss rather than consolidate them.

The criteria which define an Investment Entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits its investors that its business propose is to invest fund solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance for substantially all of its investments on a fair value basis

The Company's investment policy details its objective which is to generate returns, in the form of capital appreciation and income to shareholders, through investing in a portfolio of businesses.

The Company reports to its investors through information provided on its website, and to its Board of Directors, via internal Board reports, on a fair value basis in the form of an intrinsic net asset value ("NAV") calculation. All investments are reported at fair value within the intrinsic NAV calculation. The Company has an ultimate exit strategy noted for each investment.

The Board has also determined that the Company meets the additional characteristics of an Investment Entity, in that it has more than one investment, the investments are predominantly in the form of equities and similar securities, it has more than one investor and its investors are not related parties.

The Board has concluded that the Company meets the definition of an Investment Entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Estimates and key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company based its assumptions and estimations on parameters available when the financial statements were prepared.

1. Accounting policies (continued)

1.21 Significant judgements and areas of estimation (continued)

Estimates and key assumptions (continued)

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimate includes considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis or stress testing techniques.

The key assumptions used to determine the fair value of non-listed investments and sensitivity analyses are provided in note 28.

2. Determination of fair values

The Company measures its investments in subsidiaries and associates, as well as its investments in financial instruments, such as equities and investments in hedge funds, at fair value at each reporting date.

Fair value is the price that would be received or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs. Securities defined in these accounts as "listed" are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

Unlisted equity investments have been valued as follows:

- Where applicable, on the basis of a similar recent investment transaction by an independent third party in the equity of the portfolio of the company. Where the investment being valued was itself made fairly recently (within a period of one year), its costs often provide a good indication of fair value.
- Using the discounted cash flow methodology, in which case:
  - Enterprise value is apportioned to the enterprise's financial instruments in order of ranking. The enterprise value is derived, using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment.

2. Determination of fair values (continued)

- Given the subjective nature of valuations, the Company is cautious and conservative in determining the valuations.

- Where limited information is available to calculate a value using the discounted cash flow method, the value is calculated using an adjusted Net Asset Value ("NAV"). The adjusted NAV value is calculated using the NAV of the investment and adjusting the value for the risk factors that management feel are most appropriate to that investment.

All assets and liabilities for which fair value is measured or disclosed in the financial instruments are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for the lowest level of input that is significant to the fair value of measurement is unobservable

3. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations considered to be relevant to the operations of the Group are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these consolidated financial statements. These are to be applied to financial statements with periods commencing on or after the following dates:

Standard and Interpretations	Effective date
IFRS 9 Financial Instruments#	Not yet determined
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36)	1 January 2014

These standards and interpretations are not endorsed by the EU at present

IFRS 9

IFRS 9 Financial Instruments will eventually replace IAS 39 in its entirety. IFRS 9 is being developed in stages and is yet to be finalised. The effective date has been left open until this development is complete. The effect on the Group of adoption of IFRS 9 has yet to be determined.

IAS 32 (Amendments)

This amendment to IAS 32 seeks to clarify rather than to change the offsetting requirements previously set out in IAS 32.

IAS 36 (Amendments)

This amendment requires additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal and the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. This amendment is not expected to have any impact on the Group as the Group has a limited number of non-financial assets for which this amendment would apply.

The IASB and IFRIC have also issued or made amendments to IAS 19, IAS 39, IFRIC 21 and IFRS 14, but these are not relevant to the current operations of the Group.

4. Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted in the current year are consistent with those of the previous year, except that the Group has adopted the following new and revised accounting standards:

- IAS 1 Presentation of Financial Statements (revised)
- IFRS 10 Consolidated Financial Statements (early adoption)
- IFRS 11 Joint Arrangements (early adoption)
- IFRS 12 Disclosure of Interest in Other Entities (early adoption)
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Instruments (revised – early adoption)
- IAS 28 Accounting for Investments in Associates (revised – early adoption)
- Investment Entities (amendments to IFRS 10, IFRS 12 and the revised version of IAS 27 – early adoption)

The Group has chosen to present the consolidated statement of financial position using the liquidity presentation. This change does not affect the quantitative value of amounts previously presented, and the differentiation between the current and the non-current elements on the consolidated statement of financial position can be assessed in note 27.

Of the above standards, only IFRS 10 (including the investment entities amendments) has made a significant impact to the financial performance and position of the Group as its adoption requires the restatement of results previously presented.

IFRS 12 requires additional disclosures to be made, but has no effect on the financial position or performance of the Group. The adoption of IFRS 11, IAS 27 (revised) and IAS 28 (revised) has not had a material impact on the financial statements.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values. IFRS 13 also requires additional disclosures to be made, and these are provided in note 28.

The amendments to IAS 1 clarify the disclosure requirements in respect of comparative information required in cases of changes of accounting policies, retrospective restatements or reclassifications, and change the grouping of items presented in the consolidated statement of other comprehensive income, such that items that could be reclassified (or recycled) to profit and loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. These amendments have only had a disclosure impact on the Group's accounts.

Other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Group.

The nature and impact of the adoption of IFRS 10 on the Group financial statements is described below:

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issue raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

In addition, IFRS 10 includes an exception from consolidation for entities, which meet the definition of an investment entity, and requires such entities to recognise all investments at fair value through profit and loss.

4. Changes in accounting policies (continued)

New and amended standards and interpretations (continued)

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments (continued)

The adoption of IFRS 10 has resulted in the Group treating certain of its net investments in subsidiaries and associates as investments held at fair value through profit and loss. Subsidiaries which provide services that relate only to the Company's own investment activities continue to be consolidated.

Under the transitional provisions of IFRS 10 this change in accounting policy is required to be accounted for retrospectively. Therefore, the relevant comparative figures have been restated.

The impact of these changes on the consolidated statement of financial position as at 31 December 2011 and 31 December 2012, and the impact on the consolidated statement of comprehensive income for the year ended 31 December 2012 are shown below:

Impact on the consolidated statement of financial position

Increase/(decrease) to net assets:

31 December 2011 R'000	**31 December 2012 R'000**		**31 December 2012 £'000**	31 December 2011 £'000
		Assets		
(94,230)	**(73,463)**	Property, plant and equipment	**(5,333)**	(7,512)
(88,050)	**(101,585)**	Investment properties	**(7,375)**	(7,018)
(11,772)	**(8,147)**	Goodwill	**(592)**	(939)
(36,972)	**(22,713)**	Intangible assets	**(1,650)**	(2,947)
—	**(1,870)**	Investments in associates	**(136)**	(16,437)
(25,380)	**3,259**	Investments classified as loans and receivables	**237**	(2,023)
422,749	**189,622**	Financial assets at fair value through profit and loss	**13,767**	50,130
(23)	**(917)**	Other financial assets	**(67)**	(2)
(380)	**(2,111)**	Deferred tax assets	**(156)**	(30)
(31)	**(2,006)**	Current tax assets	**(145)**	(1)
(124,971)	**(136,643)**	Trade and other receivables	**(9,921)**	(9,960)
(125,997)	**(148,117)**	Inventories	**(10,753)**	(10,042)
(40,560)	**(11,260)**	Cash and cash equivalents	**(817)**	(3,233)
(125,617)	**(315,951)**	**Total assets**	**(22,941)**	(10,014)
		Liabilities		
96,341	**96,767**	Borrowings	**7,025**	7,679
88,809	**83,053**	Other financial liabilities	**6,030**	7,078
18,802	**13,232**	Deferred tax liabilities	**964**	1,499
3,658	**4,439**	Provisions	**323**	292
(281)	**—**	Current tax liabilities	**—**	(23)
122,843	**94,973**	Trade and other payables	**6,895**	9,791
65	**1**	Bank overdrafts	**—**	5
330,237	**292,465**	**Total liabilities**	**21,237**	26,321
204,620	**(23,486)**	**Total net assets**	**(1,704)**	16,307
		Equity		
203,866	**4,668**	Total equity attributable to equity holders	**341**	16,247
754	**(28,154)**	Non-controlling interests	**(2,045)**	60
204,620	**(23,486)**	**Total equity**	**(1,704)**	16,307

4. Changes in accounting policies (continued)

Impact on the consolidated statement of comprehensive income

Increase/(decrease) to profit:

31 December 2012 R'000		31 December 2012 £'000
(1,063,016)	Revenue	(81,676)
909,943	Cost of sales	69,915
(153,073)	**Gross profit**	(11,761)
(108,071)	Other income	(9,859)
182,826	Operating expenses	13,806
(78,318)	**Operating profit**	(7,814)
14,358	Net finance costs	1,103
(490)	Share of profit from associate	(38)
(64,450)	**Profit before taxation**	(6,749)
(2,080)	Taxation	(144)
(66,530)	**Profit from continuing operations**	(6,893)
(128,198)	Profit from discontinued operations, net of taxation	(7,741)
(194,728)	**Profit for the year**	(14,634)
	Profit for the period attributable to:	
(194,420)	Equity holders of the parent	(14,636)
(308)	Non-controlling interests	2
(194,728)		(14,634)
(236.84)	Basic earnings per ordinary share attributable to equity holders (in cents/pence)	(17.83)

5. Income

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
(59,826)	**133,042**	Net gains/(losses) on financial assets at fair value through profit and loss	**8,811**	(4,597)
215,690	**93,966**	Dividend income	**6,223**	16,572
3,557	**2,861**	Interest income	**189**	273
21,609	**8,651**	Fee income and performance fee income	**573**	1,660
2,001	**22,505**	Net foreign exchange gains/(losses)	**1,491**	(1,465)
183,031	**261,025**		**17,287**	12,443

* Comparatives have been restated for changes in accounting policies – refer to note 4

6. Operating expenses

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Administrative expenses		
(182)	**(236)**	Depreciation and amortisation	**(16)**	(14)
(26,792)	**—**	Impairment of goodwill	**—**	(1,945)
(32)	**16**	Decrease/(increase) in lease charges for straight-lining of leases	**1**	(2)
—	**(20,287)**	Blackstar long term Management Incentive Scheme Award of treasury shares (equity settled share based payment expense) (refer note 34)	**(1,344)**	—
—	**(17,882)**	Blackstar long term Management Incentive Scheme Award – cash element (refer note 34)	**(1,184)**	—
(5,347)	**(8,275)**	Exceptional, non-recurring costs	**(548)**	(411)
(874)	**(7,166)**	Operational expenses incurred by the hedge fund management businesses	**(475)**	(67)
(30,435)	**(22,711)**	Operational expenses incurred by Blackstar Group SE, Blackstar SA, Blackstar Cyprus and Blackstar Gibraltar	**(1,504)**	(2,449)
(63,662)	**(76,541)**		**(5,070)**	(4,888)

* Comparatives have been restated for changes in accounting policies – refer to note 4

7. Operating profit

7.1 Operating profit

Profit from operations per the consolidated statement of comprehensive income has been arrived at after crediting/(charging) the following:

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Staff costs excluding amounts paid to Blackstar Group SE Directors (refer note 33 for Directors' remuneration)		
(21,187)	**(21,010)**	Wages and salaries	**(1,674)**	(1,625)
—	**—**	Social security costs	**—**	—
—	**—**	Pension costs	**—**	—
(21,187)	**(21,010)**		**(1,674)**	(1,625)
(182)	**(236)**	Depreciation of equipment	**(16)**	(14)
2,001	**22,505**	Net foreign exchange gains/(losses)	**1,491**	(1,465)
(964)	**(978)**	Operating lease expense	**(65)**	(74)

* Comparatives have been restated for changes in accounting policies – refer to note 4

7. Operating profit (continued)

7.2 Auditor's remuneration for the Company and its subsidiaries

Auditor's remuneration expense incurred by the Company and its subsidiaries (including subsidiaries which are not consolidated but rather designated at fair value through profit and loss) are as follows:

2012 R'000	**2013 R'000**		**2013 £'000**	2012 £'000
		Auditor's remuneration paid to Group auditors and their associates		
(946)	**(887)**	Audit fees of the Group and Company annual accounts	**(59)**	(68)
—	**(51)**	Other services relating to corporate finance transactions	**(3)**	—
(57)	**—**	Other assurance services	**—**	(4)
(1,235)	**(1,769)**	Paid to associates of BDO Malta for audit of subsidiaries	**(117)**	(88)
(2,238)	**(2,707)**		**(179)**	(160)

8. Employees

The average number of employees (excluding Blackstar Group SE Directors) during the year for the consolidated subsidiaries, by function, were as follows:

	2013	*Restated 2012
Managerial	**5**	6
Administrative	**8**	7
Operational	**3**	—
	16	13

* Comparatives have been restated for changes in accounting policies – refer to note 4

The average number of employees (excluding Blackstar Group SE Directors) during the current financial year for the Company and its subsidiaries (including subsidiaries which have not been consolidated) are as follows: 50 Managerial (2012: 34), 71 Administrative (2012: 39), and 393 Operational (2012: 434).

9. Net finance costs

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
2,388	**3,156**	Finance income	**209**	184
2,377	**3,156**	Interest income on bank balances	**209**	183
11	**—**	Interest income on trade and other receivables	**—**	1
(21,771)	**(3,364)**	Finance costs	**(223)**	(1,673)
(272)	**(164)**	Interest expense on bank overdrafts	**(11)**	(22)
(21,499)	**(3,200)**	Interest expense and finance costs on borrowings from banks	**(212)**	(1,651)
(19,383)	**(208)**		**(14)**	(1,489)

* Comparatives have been restated for changes in accounting policies – refer to note 4

10. Taxation

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
1,779	**909**	Current taxation	**59**	135
1,723	**411**	Current year	**26**	131
56	**498**	Prior years under provision	**33**	4
530	**(1,243)**	Deferred taxation	**(83)**	42
530	**(1,232)**	Current year	**(82)**	42
—	**(11)**	Prior years over provision	**(1)**	—
33	**112**	Net wealth tax and withholding taxes	**9**	3
2,342	**(222)**		**(15)**	180

The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in Malta applied to profits of 35% are as follows:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
99,986	**184,276**	Profit before taxation	**12,203**	6,066
34,995	**64,497**	Tax at standard rate of corporate tax in Malta	**4,271**	2,123
(13,573)	**(20,491)**	Differing foreign tax rates	**(1,358)**	(1,044)
(19,169)	**(44,827)**	Income and expenses not subject to tax	**(2,969)**	(906)
56	**487**	Under provision from prior years	**32**	4
33	**112**	Net wealth tax and withholding taxes	**9**	3
2,342	**(222)**	Current tax charge for the year	**(15)**	180

* Comparatives have been restated for changes in accounting policies - refer to note 4

Assessed losses of the Group for which no deferred tax asset has been recognised amount R14,799,000 (£1,074,000) at 31 December 2012 and R39,758,000 (£2,281,000) at 31 December 2013. The deferred tax asset has not been raised as its not believed probable that it will be utilised.

11. Earnings per share

11.1 Basic and diluted earnings per share

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
97,945	**183,857**	Profit for the period attributable to equity holders of the parent	**12,175**	5,908
82,088	**79,476**	Weighted average number of shares in issue (net of treasury shares, in thousands)#	**79,476**	82,088
119.32	**231.34**	Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)	**15.32**	7.20

* Comparatives have been restated for changes in accounting policies - refer to note 4
# The weighted average number of shares for the comparative period have been restated for the changes in accounting policies as well as the effects of the share split and consolidation which took place during the current financial year

11. Earnings per share (continued)

11.2 Basic and diluted headline earnings per share^

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
97,945	**183,857**	Profit for the period attributable to equity holders of the parent	**12,175**	5,908
		Adjusted for:		
26,792	**—**	Impairment of goodwill	**—**	1,945
—	**(5)**	Profit on disposal of equipment	**—**	—
—	**1**	Total tax effects of adjustments	**—**	—
124,737	**183,853**	Headline earnings	**12,175**	7,853
151.96	**231.33**	Basic and diluted headline earnings per ordinary share attributable to equity holders (in cents/pence)	**15.32**	9.57

^ Disclosure of headline earnings has been provided in accordance with the JSE Listings Requirements
* Comparatives have been restated for changes in accounting policies - refer to note 4

12. Goodwill

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
—	**—**	Blackstar Group (Pty) Limited ("Blackstar SA") and internalisation of investment advisory arrangements (net of impairment)	**—**	—
875	**875**	Blackstar Fund Managers (Pty) Limited ("BFM")	**51**	64
875	**875**	Carrying amount at the end of the year	**51**	64
24,406	**875**	Carrying amount at the beginning of the year	**64**	1,945
(26,792)	**—**	Impairment of goodwill	**—**	(1,945)
875	**—**	Acquisition of BFM	**—**	63
2,386	**—**	Currency exchange (losses)/gains during the year	**(13)**	1
875	**875**	Carrying amount at the end of the year	**51**	64

* Comparatives have been restated for changes in accounting policies – refer to note 4

12.1 Impairment testing of goodwill

Impairment testing of goodwill arising on Blackstar SA and internalisation of investment advisory arrangements

As part of the internalisation of Blackstar's investment advisory arrangements, in 2010 the Group acquired 100% of the ordinary shares of Blackstar SA. In addition, Blackstar and Blackstar SA ended all of their respective investment advisory agreements and as a result, on acquisition of the company, Blackstar also assumed the liability for termination of the investment advisory agreements.

The internalisation gave rise to goodwill of R161,507,000, £14,882,000. The recoverable amount was determined using a discounted cash flow model using the net asset value of the Group at the end of the year, a growth rate of 0.7% and a weighted average cost of capital of 15.0%. In 2012, the recoverable amount was less than the carrying amount and an impairment of R26,792,000, £1,945,000 was recognised leaving no remaining balance of goodwill as at 31 December 2012.

Impairment testing of goodwill arising on acquisition of BFM

On acquisition of the shares in BFM in the latter half of 2012, goodwill amounting to R875,000, £64,000 was recognised. No impairment was recognised for either the 2012 or 2013 financial year.

13. Deferred taxation

13.1 Movement in net deferred taxation

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
777	**221**	Net deferred tax asset at the beginning of the year	**16**	62
(530)	**1,232**	Recognised in the statement of comprehensive income	**82**	(42)
(26)	**—**	On acquisition of business	**—**	(2)
—	**11**	Over provision from prior years	**1**	—
—	**—**	Currency exchange losses during the year	**(15)**	(2)
221	**1,464**	Net deferred tax asset at the end of the year	**84**	16

13.2 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Net R'000	Liabilities R'000	Assets R'000	2013	Assets £'000	Liabilities £'000	Net £'000
(26)	**(26)**	**—**	Equipment	**—**	**(1)**	**(1)**
(34)	**(34)**	**—**	Trade and other receivables	**—**	**(2)**	**(2)**
56	**—**	**56**	Other financial liabilities	**3**	**—**	**3**
37	**—**	**37**	Trade and other payables	**2**	**—**	**2**
1,431	**—**	**1,431**	Assessed losses	**82**	**—**	**82**
1,464	**(60)**	**1,524**		**87**	**(3)**	**84**
—	**—**	**—**	Set-off of assets and liabilities	**—**	**—**	**—**
1,464	**(60)**	**1,524**	Deferred tax assets/(liabilities) per statement of financial position	**87**	**(3)**	**84**

Net R'000	Liabilities R'000	Assets R'000	* Restated 2012	Assets £'000	Liabilities £'000	Net £'000
(25)	(25)	—	Equipment	—	(2)	(2)
(48)	(48)	—	Trade and other receivables	—	(3)	(3)
61	—	61	Other financial liabilities	4	—	4
35	—	35	Trade and other payables	3	—	3
198	—	198	Assessed losses	14	—	14
221	(73)	294		21	(5)	16
—	—	—	Set-off of assets and liabilities	—	—	—
221	(73)	294	Deferred tax assets/(liabilities) per statement of financial position	21	(5)	16

* Comparatives have been restated for changes in accounting policies – refer to note 4

14. Equipment

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
1,818	**2,234**	Cost	**128**	132
(650)	**(870)**	Accumulated depreciation	**(50)**	(47)
1,168	**1,364**	Carrying amount	**78**	85
642	**1,168**	Carrying amount at the beginning of the year	**85**	51
716	**599**	Additions	**40**	54
(8)	**(167)**	Disposals	**(11)**	(1)
(182)	**(236)**	Depreciation	**(16)**	(14)
—	**—**	Currency exchange losses during the year	**(20)**	(5)
1,168	**1,364**	Carrying amount at the end of the year	**78**	85

* Comparatives have been restated for changes in accounting policies – refer to note 4

15. Financial assets at fair value through profit and loss

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
556,981	**191,320**	**Financial assets held for trading**	**10,976**	40,438
496,093	**23,565**	Listed equity securities	**1,352**	36,017
—	**58,415**	Equity investments in unlisted hedge funds	**3,351**	—
60,888	**109,340**	Unlisted equity securities	**6,273**	4,421
242,683	**989,152**	**Financial assets designated at fair value through profit and loss**	**56,745**	17,619
237,519	**312,014**	Net investments in subsidiaries	**17,899**	17,244
5,164	**677,138**	Net investments in associates	**38,846**	375
799,664	**1,180,472**	Total financial assets at fair value through profit and loss	**67,721**	58,057
		Net changes in the fair value of financial assets		
86,685	**(28,348)**	**Financial assets held for trading**	**(1,878)**	6,660
67,383	**143,086**	Realised gains	**9,476**	5,177
(32,717)	**(200,812)**	Unrealised losses on disposals recognised in prior years	**(13,300)**	(2,514)
52,019	**29,378**	Unrealised gains	**1,946**	3,997
(146,511)	**161,390**	**Financial assets designated at fair value through profit and loss**	**10,689**	(11,257)
(32,279)	**(60,551)**	Realised losses	**(4,010)**	(2,481)
(121,036)	**—**	Unrealised losses on disposals recognised in prior years	**—**	(9,300)
6,804	**221,941**	Unrealised gains	**14,699**	524
(59,826)	**133,042**	Net gains/(losses) on financial assets at fair value through profit and loss	**8,811**	(4,597)

15. Financial assets at fair value through profit and loss (continued)

Financial assets held for trading comprise the following investments:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
496,093	**23,565**	**Listed equity securities**	**1,352**	36,017
18,306	**23,042**	Ordinary shares in Shoprite Holdings Limited	**1,322**	1,329
20,059	**523**	Other investments in ordinary shares	**30**	1,456
194,967	**#**	Ordinary shares in Times Media Group Limited ("TMG")	**#**	14,155
262,761	**—**	Ordinary shares in Litha Healthcare Limited ("Litha")	**—**	19,077
—	**58,415**	**Investments in unlisted hedge funds**	**3,351**	—
—	**52,941**	Investment in Blackstar Global Opportunities Fund ("BGOF")	**3,037**	—
—	**5,474**	Investment in SA Alpha Blackstar Special Opportunity Fund ("BFM US Fund")	**314**	—
60,888	**109,340**	**Unlisted equity securities**	**6,273**	4,421
60,000	**109,340**	Ordinary shares in Robor (Pty) Limited ("Robor")	**6,273**	4,356
888	**—**	Ordinary shares in FBDC Investor Offshore Holdings L.P.	**—**	65
556,981	**191,320**	Total financial assets held for trading	**10,976**	40,438

* Comparatives have been restated for changes in accounting policies – refer to note 4
# Due to further acquisitions of shares in TMG, the investment in TMG was classified as an investment in associate during the current financial year (refer note 17)

Refer note 16 and 17 for further details of investments in subsidiaries and investments in associates designated at fair value through profit and loss.

16. Net investments in subsidiaries

16.1 Net investments in subsidiaries designated at fair value through profit and loss

Blackstar meets the definition of an Investment Entity. Therefore, it does not consolidate some of its subsidiaries but rather, it recognises them as investments at fair value through profit and loss.

Principal place of business	Principal activity	Name of unconsolidated subsidiaries	Proportion of ownership rights 2013	2012
South Africa	Hedge fund	Blackstar Special Opportunities Fund# ("BSOF")	**56.6%**	38.4%
South Africa	General Partner	Blackstar GP (Pty) Limited# ("Blackstar GP")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Global Roofing Solutions (Pty) Limited# ("GRS")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering (Pty) Limited## ("Helm")	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Starbuck Island Investments (Pty) Limited## ("Starbuck")	**100.0%**	0.0%
South Africa	Industrial steel company	Stalcor (Pty) Limited^^ ("Stalcor")	**50.1%**	50.1%
South Africa	Investment property company	CCPA Properties (Pty) Limited^ ("CCPA")	**50.1%**	0.0%
South Africa	Investment company	New Bond Capital Limited^^ $$ ("NBC")	**100.0%**	0.0%
South Africa	Investment property company	Blackstar Real Estate (Pty) Limited^^ ("BRE")	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 (Pty) Limited** ("Fantastic")	**79.0%**	@
South Africa	Investment property company	Firefly Investments 223 (Pty) Limited** ("Firefly")	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 (Pty) Limited** ("Wonderdeals")	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments (Pty) Limited** $ ("Domel")	**100.0%**	100.0%

Subsidiary of Blackstar Group SE
^ Subsidiary of Stalcor (Pty) Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate (Pty) Limited
Subsidiary of Global Roofing Solutions (Pty) Limited
$ In the prior year Domel was wholly owned by GRS
$$ During Q2 2013, Blackstar's offer to acquire all of the shares in NBC via an issue of Blackstar shares was approved. Blackstar re-issued 5,808,553 of its treasury shares which it had previously bought back at a cost of R64.3 million (£4.3 million) to acquire NBC, a cash shell with a net asset value of R79.2 million (£5.2 million). This transaction was essentially a placing to enable Blackstar to obtain additional cash on an attractive, discounted basis. The cash was pooled with Blackstar's existing cash resources available for investment by Blackstar. NBC is currently in the process of being wound down and deregistered and remaining cash available in NBC post closure costs will be distributed up to Blackstar
@ In the prior year, BRE held 25% of the shares in Fantastic and thus the investment was classified as an associate, refer note 17

16. Net investments in subsidiaries (continued)

16.1 Net investments in subsidiaries designated at fair value through profit and loss (continued)

Loans and receivables payable by subsidiaries designated at fair value through profit and loss

Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated at fair value through profit and loss. On assessment of the fair value of the net investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.

Net investments in subsidiaries included in note 15 comprises the following investments:

* Restated 2012 R'000	**2013 R'000**		**2013 £'000**	* Restated 2012 £'000
155,000	**180,000**	Net investment in GRS	**10,327**	11,254
115,720	**129,770**	Equity share investment	**7,445**	8,402
39,280	**50,230**	Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments are made by GRS, currently these amount to R1.25 million per month	**2,882**	2,852
32,000	**32,000**	Net investment in Stalcor	**1,836**	2,323
—	**—**	Equity share investment	**—**	—
32,000	**32,000**	Interest-free loan to Stalcor with no fixed terms of repayment	**1,836**	2,323
		Investment in BSOF		
21,540	**63,222**	Equity share investment#	**3,627**	1,563
		Investment in NBC		
—	**3,600**	Equity share investment	**206**	—
28,979	**33,192**	Investment in BRE and the property subsidiaries	**1,903**	2,104
—	**28,417**	Equity share investments in BRE and the property subsidiaries^	**1,630**	—
7,707	**2,641**	Interest-free loans to BRE and the property subsidiaries^	**152**	559
17,187	**11,997**	Loans to property investment subsidiaries bearing interest of between South African Prime Rate and South African Prime Rate plus 200 basis points. Repayment terms range between interest payable quarterly in arrears and no fixed terms of repayment	**688**	1,249
4,085	**4,535**	Preference shares held in property subsidiary bearing interest at South African Prime Rate plus 200 basis points and repayable on demand	**259**	296
—	**(14,398)**	Loan from BRE bearing interest at South African Prime Rate with no fixed terms of repayment	**(826)**	—
237,519	**312,014**		**17,899**	17,244

* Comparatives have been restated for changes in accounting policies - refer to note 4

In terms of the definition of control per IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to control the fund BSOF and thus it is classified as a subsidiary. Blackstar's percentage ownership of the fund is calculated based on the fair value of Blackstar's direct investment into BSOF relative to the other limited partners' investment in the fund carried at fair value

^ As a result of a further acquisition of shares in Fantastic during the current financial year, Blackstar's shareholding increased to 79% and the investment in Fantastic is classified as an investment in subsidiary designated at fair value through profit and loss and is included as part of the investment in subsidiaries within the property portfolio. In the prior year the investment was classified as an investment in associate designated at fair value through profit and loss (refer note 17)

Restrictions

Blackstar receives income in the form of dividends and interest from its investments in unconsolidated subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds offshore.

16. Net investments in subsidiaries (continued)

16.1 Net investments in subsidiaries designated at fair value through profit and loss (continued)

Support

Blackstar and its consolidated subsidiaries have provided support in the form of equity and working capital loans to its subsidiaries. Details of these loans are provided in note 16 for equity loans and note 18 for working capital loans. Blackstar has no contractual commitments and may provide further financial or any other type of support to its unconsolidated subsidiaries should they require it and the Company has the funds available to do so.

Maximum credit exposure for loans designated at fair value through profit and loss

The maximum credit exposure for these loans would be equal to the original carrying amount of the loan prior to any fair value adjustments, details of which are provided below:

Original loan amount prior to fair value adjustments R'000	Carrying Value R'000	2013	Carrying Value £'000	Original loan amount prior to fair value adjustments £'000
50,230	**50,230**	Loan to GRS	**2,882**	**2,882**
45,000	**32,000**	Loan to Stalcor	**1,836**	**2,582**
(14,398)	**(14,398)**	Loan from BRE	**(826)**	**(826)**
30,512	**19,173**	Loans to and preference shares in BRE and the property subsidiaries	**1,099**	**1,750**

Original loan amount prior to fair value adjustments R'000	Carrying Value R'000	2012	Carrying Value £'000	Original loan amount prior to fair value adjustments £'000
39,280	39,280	Loan to GRS	2,852	2,852
45,000	32,000	Loan to Stalcor	2,323	3,267
32,364	28,979	Loans to and preference shares in BRE and the property subsidiaries	2,104	2,350

16.2 Investments in subsidiaries which are consolidated

Certain subsidiaries provide services that relate only to the Company's own investment activities, and thus they should be consolidated. The summary of subsidiaries that are consolidated is provided below:

Principal place of business	Principal activity	Name of consolidated subsidiaries	Proportion of ownership rights 2013	2012
Cyprus	Investment company	Blackstar (Cyprus) Investors Limited# ("Blackstar Cyprus")	**100.0%**	100.0%
Gibraltar	Investment company	Blackstar (Gibraltar) Limited# ("Blackstar Gibraltar")	**^**	100.0%
South Africa	Investment advisory company	Blackstar Group (Pty) Limited# ("Blackstar SA")	**100.0%**	100.0%
South Africa	Fund Manager	Blackstar Fund Managers (Pty) Limited# ("BFM") **	**56.0%**	50.1%

Subsidiary of Blackstar Group SE
^ During the last quarter of 2013, Blackstar Gibraltar was wound down and deregistered
** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer note 26)

17. Net investments in associates

As Blackstar meets the definition of an Investment Entity, interests in associates are no longer equity accounted but rather recognised as investments designated at fair value through profit and loss. Details of the associates within the Group are provided below:

Principal place of business	Principal activity	Name of associates	Proportion of ownership rights 2013	2012
South Africa	Media	Times Media Group Limited ("TMG")	**25.2%**	#
South Africa	Stock broker	Navigare Securities (Pty) Limited ("Navigare")	**25.0%**	25.0%
South Africa	Property Investment company	Fantastic Investments 379 (Pty) Limited ("Fantastic")	**^**	25.0%

Investments in associates carried at fair value through profit and loss comprise the following:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Net investment in TMG		
#	**672,138**	Equity shares in TMG	**38,559**	#
5,000	**5,000**	Net investment in Navigare	**287**	363
3,722	**3,820**	Equity shares in Navigare	**219**	270
1,278	**1,180**	Loan to Navigare which is interest-free with no fixed terms of repayment	**68**	93
164	**—**	Net investment in Fantastic	**—**	12
164	**^**	Equity shares in Fantastic	**^**	12
—	**^**	Loan to Fantastic which is interest-free with no fixed terms of repayment	**^**	—
5,164	**677,138**		**38,846**	375

* Comparatives have been restated for changes in accounting policies - refer to note 4
# Due to further acquisitions of shares in TMG, the investment in TMG was classified as an investment in associate during the current financial year. In the prior year, the TMG investment was included in financial assets held for trading, listed equity securities (refer note 15)
^ As a result of a further acquisition of shares in Fantastic during the current financial year, Blackstar's shareholding increased to 79% and the investment in Fantastic was classified as an investment in subsidiary designated at fair value through profit and loss and is included in the category BRE and the property subsidiaries as part of the net investments in subsidiaries (refer note 16)

18. Investments classified as loans and receivables

Loans from Blackstar to subsidiaries of the Group which are considered to be working capital loans, and not part of equity, have been accounted for at amortised cost and comprise of the following:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
—	**8,174**	Loan to subsidiary CCPA which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once the Borrower has sufficient funds available	**469**	—
5,000	**—**	Short term working capital loan provided to Stalcor. The loan bore interest at the South African Prime Rate and was repaid during 2013	**—**	363
5,000	**8,174**		**469**	363

* Comparatives have been restated for changes in accounting policies – refer to note 4

19. Trade and other receivables

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
266	**206**	Management and fee income receivables	**12**	19
676	**921**	Prepayments, deposits and accrued income	**53**	49
3,424	**2,938**	Other receivables	**168**	249
4,366	**4,065**		**233**	317

* Comparatives have been restated for changes in accounting policies – refer to note 4

20. Cash and cash equivalents

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
340,803	**122,893**	Deposits and cash at bank	**7,050**	24,743
(116)	**(4)**	Bank overdrafts	**—**	(8)
340,687	**122,889**	Cash and cash equivalents per the statement of cash flows	**7,050**	24,735

* Comparatives have been restated for changes in accounting policies – refer to note 4

Cash and cash equivalents held by South African subsidiaries of R6,281,000, £360,000 (2012: R6,788,000, £493,000) are ring-fenced and are not available to other entities within the Group. Transfers of cash are subject to South African exchange control regulations. Cash and cash equivalents held at the centre (comprising Blackstar Group SE, Blackstar Cyprus and, at 31 December 2012, Blackstar Gibraltar) amounted to R116,608,000, £6,690,000 (2012: R333,899,000, £24,242,000) at year end.

21. Other financial liabilities

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
217	**201**	Accrual arising on operating leases as a result of lease payments being recognised as an expense on a straight-line basis over the lease term	**12**	16
217	**201**		**12**	16

* Comparatives have been restated for changes in accounting policies – refer to note 4

22. Borrowings

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Secured		
127	**—**	The facility bore interest at the South African Prime Rate plus 15 basis points nominal annual compounded semi-annually in arrears and was repaid during 2013	**—**	9
127	**—**		**—**	9

* Comparatives have been restated for changes in accounting policies – refer to note 4

23. Trade and other payables

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
708	**12,700**	Salary related accruals	**729**	51
2,133	**2,190**	Other payables and accrued expenses	**125**	155
2,841	**14,890**		**854**	206

* Comparatives have been restated for changes in accounting policies – refer to note 4

24. Share capital and reserves

24.1 Share capital

2012 R'000	2013 R'000		2013 £'000	2012 £'000
		Authorised		
1,553,754	**1,553,754**	150,000,000 ordinary shares of €0.76 each	**100,500**	100,500
		Issued and fully paid		
—	**574,672**	82,088,500 ordinary shares of €0.76 each	**55,347**	—
574,671	**—**	82,088,422 ordinary shares of €0.76 each	**—**	55,347

A reconciliation of the movement in ordinary shares of €0.76 each is provided below:

	Issued and fully paid Number of shares	Treasury shares Number of shares	Outstanding shares Number of shares
Balance as at 31 December 2011	**85,288,422**	**(3,200,000)**	**82,088,422**
Treasury shares cancelled	(3,200,000)	3,200,000	—
Balance as at 31 December 2012	**82,088,422**	**—**	**82,088,422**
Share split and consolidation	78	(213,541)	(213,463)
Repurchase of own shares	—	(8,027,949)	(8,027,949)
Issue of treasury shares	—	6,600,479	6,600,479
Balance as at 31 December 2013	**82,088,500**	**(1,641,011)**	**80,447,489**

The consolidation and sub-division of Blackstar's share capital approved at the Annual General Meeting was implemented effective 28 June 2013. As part of the share split and consolidation, a Blackstar Group subsidiary acquired a total of 213,660 fraction shares from shareholders as well as the additional 78 Blackstar shares issued by the Company. Blackstar's existing treasury shares were reduced by 197 shares on implementation of the share consolidation.

Blackstar repurchased 8,027,949 (2012: nil) shares on the open market. Treasury share issues include 5,808,553 shares issued to NBC shareholders on conclusion of the NBC acquisition (refer note 16), and the balance comprises shares awarded as part of the Blackstar long term Management Incentive Scheme which was approved by shareholders at the last AGM (refer note 34). Of the 1,641,011 treasury shares held at year end, 1,186,246 (2012: nil) shares have been set aside for issue as an award by the long term Management Incentive Scheme which include 981,025 shares awarded in December 2013 and an additional discretionary award of 205,221 shares which occurred in the first quarter of 2014. These shares will be issued in 2014 (refer note 34 for further details on the Blackstar long term Management Incentive Scheme).

24. Share capital and reserves (continued)

24.2 Reserves

The nature and purpose of each reserve within equity is described below:

Share premium

Share premium comprises the amount subscribed for share capital in excess of nominal value.

Capital redemption reserve

The capital redemption reserve comprises amounts transferred from share capital on redemption of issued shares.

Treasury shares reserve

This reserve comprises the cost of the Blackstar shares acquired and held as treasury shares by the Company.

Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising on translation of assets and liabilities denominated in the functional currency (Rands) into the presentational currency (Pounds Sterling).

Retained earnings

Retained earnings comprise cumulative net gains and losses recognised in the statement of comprehensive income.

25. Cash absorbed by operations

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
97,644	**184,498**	Profit for the period	**12,218**	5,886
2,342	**(222)**	Add back taxation	**(15)**	180
99,986	**184,276**	Profit before taxation	**12,203**	6,066
		Adjustments for non cash items:		
(5)	**(5)**	Profit on disposal equipment	**—**	—
182	**236**	Depreciation of equipment	**16**	14
26,792	**—**	Impairment of goodwill	**—**	1,945
(2,386)	**—**	Foreign exchange gains on goodwill not denominated in Rands	**—**	—
60,959	**(138,019)**	Fair value adjustments on investments held at fair value through profit and loss	**(9,110)**	4,713
(219,247)	**(96,827)**	Dividends and interest accrued from loans and investments	**(6,412)**	(16,845)
(2,388)	**(3,156)**	Finance income	**(209)**	(184)
21,771	**3,364**	Finance costs	**223**	1,673
—	**20,287**	Long term Management Incentive Scheme Award of treasury shares (equity settled share based payment expense)	**1,344**	—
		Changes in working capital:		
15,657	**301**	Decrease/(increase) in trade and other receivables	**(37)**	1,172
(13,029)	**12,049**	Increase/(decrease) in trade and other payables	**954**	(977)
32	**(16)**	(Decrease)/increase in lease accrual	**(1)**	2
(873,537)	**(440,135)**	Additions to investments	**(29,151)**	(67,117)
817,682	**293,450**	Proceeds on disposal and redemption of investments	**19,452**	62,826
(67,531)	**(164,195)**		**(10,728)**	(6,712)

26. Acquisition and disposals of subsidiaries

For all of the acquisitions in both the prior year and current financial year, the Group has elected to measure non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

26.1 Acquisitions made during the current year

Acquisition of further interest in the hedge fund management business BFM

Blackstar acquired a further 6% stake in the hedge fund management business BFM for R105,000 (£8,000), bringing its investment in the company to 56.0%. BFM is responsible for the management of the BSOF and has been consolidated within these Group financial statements.

As Blackstar meets the definition of an Investment Entity, the investment in BSOF is not consolidated, but rather recognised as a financial asset designated at fair value through profit and loss. Blackstar's percentage ownership of the fund of 56.6% as at 31 December 2013 is calculated based on the fair value of Blackstar's direct investment into the BSOF relative to the other limited partners' investment in the fund carried at fair value.

Investment reclassified as investment in subsidiary on Blackstar attaining a controlling interest

During the current year, BRE's interest in Fantastic increased to 79.0%, through the acquisition of additional shares from other shareholders. On analysis of the shareholders and review of the company's structure, it was determined that BRE now has a controlling interest in Fantastic. The investment was therefore reclassified from investment in associate to investment in subsidiary. However, as Blackstar meets the definition of an Investment Entity, the investment in Fantastic is not consolidated, but rather recognised as a financial asset designated at fair value through profit and loss and is included in the line item investment in BRE and the property subsidiaries in note 16.

26.2 Disposals made during the current year

Winding down and strike off of Blackstar Gibraltar

During 2013 new legislation was released in Gibraltar and it was determined that it was no longer beneficial to have a Group company in Gibraltar. Blackstar Gibraltar was therefore wound down, and all of its assets were assigned to and liabilities assumed by Blackstar Group SE. The company was consolidated in the financial statements up to date of closure, being 1 November 2013.

26.3 Acquisitions made during the prior year

Initial acquisition of hedge fund management business BFM

Blackstar acquired a 50% plus 1 share stake in a hedge fund management business Radcliffe Capital (Pty) Limited and rebranded it as Blackstar Fund Managers (Pty) Limited ("BFM"). BFM is responsible for the management of BSOF and is consolidated.

26. Acquisition and disposals of subsidiaries (continued)

The net assets acquired on the acquisition of the ordinary shares in BFM in 2012 were as follows:

Fair value on acquisition R'000	Fair value adjustments R'000	Book value R'000		Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
197	—	197	Trade and other receivables	14	—	14
(26)	—	(26)	Deferred tax liability	(2)	—	(2)
(145)	—	(145)	Trade and other payables	(10)	—	(10)
(12)	—	(12)	Bank overdrafts	(1)	—	(1)
14	—	14	Total net identifiable assets	1	—	1
(7)			Non-controlling interest's proportionate share of the acquiree's identifiable net liabilities			#
7			Total net identifiable assets at fair value attributable to equity holders of the parent			1
882			Cash consideration paid for shares			64
875			Goodwill arising on acquisition			63

Non-controlling interest amounts to £500 and is therefore rounded off to nil for the sake of balancing the above table and maintaining numbers in the nearest thousand

26.4 Net cash outflow on acquisition of subsidiaries

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Consideration paid		
(882)	**(105)**	BFM	**(8)**	(64)
		Net cash and cash equivalents acquired		
(12)	**—**	BFM	**—**	(1)
(894)	**(105)**		**(8)**	(65)

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management

27.1 Categories of financial assets

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Financial assets		
799,664	**1,180,472**	**Financial assets at fair value through profit and loss**	**67,721**	58,057
237,519	**312,014**	Net investments in subsidiaries (refer note 16)	**17,899**	17,244
5,164	**677,138**	Investments in associates (refer note 17)	**38,846**	375
556,981	**191,320**	Financial assets held for trading (refer note 15)	**10,976**	40,438
350,169	**135,132**	**Loans and receivables**	**7,752**	25,423
5,000	**8,174**	Investments classified as loans and receivables (refer note 18)	**469**	363
4,366	**4,065**	Trade and other receivables (refer note 19)	**233**	317
340,803	**122,893**	Cash and cash equivalents (refer note 20)	**7,050**	24,743
1,149,833	**1,315,604**		**75,473**	83,480
		Financial liabilities		
(3,301)	**(15,095)**	**Financial liabilities measured at amortised cost**	**(866)**	(239)
(217)	**(201)**	Other financial liabilities (refer note 21)	**(12)**	(16)
(127)	**—**	Borrowings (refer note 22)	**—**	(9)
(2,841)	**(14,890)**	Trade and other payables (refer note 23)	**(854)**	(206)
(116)	**(4)**	Bank overdrafts (refer note 20)	**—**	(8)
(3,301)	**(15,095)**		**(866)**	(239)

* Comparatives have been restated for changes in accounting policies – refer to note 4

27.2 Financial risk management overview

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprises currency risk, interest rate risk and market price risk).

The Group's major financial risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying business maintaining an entrepreneurial focus. The risks within the underlying businesses are managed by their local management teams who are responsible for their own operations.

Due to the diverse structure and decentralised management of the Group, there is no formal Group policy regarding the management of financial risks. The investee company's Board of Directors is responsible for agreeing and reviewing the objectives, policies and processes for managing risks specifically relating to the investment portfolio.

Where Blackstar holds a controlling or significant interest, the management of each of these investee companies are responsible for designing and implementing a risk management strategy. The managing directors, financial directors and divisional heads of the companies are involved in the day-to-day management of the business, thereby identifying any financial risks. The investee companies have monthly executive management meetings, where areas of concern and risks, and management thereof, are discussed. Any significant issues are further escalated to the Board of Directors of each company where appropriate.

The information provided below for each financial risk has been collated for disclosure based on the way in which the business is managed and what is believed to be useful information for shareholders. For this reason the information provided within the note is analysed by segment as referred to in the segmental information (refer note 37). This note presents information about the Group's exposure to each of the afore-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

27. Financial instruments and financial risk management (continued)

27.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investments, cash and cash equivalents and guarantees.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. The carrying values amount to R4,065,000, £233,000 (2012: R4,366,000, £317,000) for trade and other receivables (refer note 19), R8,174,000, £469,000 (2012: R5,000,000, £363,000) for investments classified as loans and receivables (refer note 18) and R122,889,000, £7,050,000 (2012: R340,687,000, £24,735,000) for cash and cash equivalents (refer note 20).

27.3.1 Trade and other receivables

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
4,366	**4,065**	Trade and other receivables (refer note 19)	**233**	317

* Comparatives have been restated for changes in accounting policies – refer to note 4

The Group does not carry out daily trading activities with customers. Trade and other receivables arise from performance fees which are receivable for the management of the funds, monitoring and Director fees from related parties, deposits and prepayments and Value Added Tax. The nature of each of these items is such that there is an underlying amount against which the amount receivable is recoverable. As a result, no impairment allowance has been raised in 2012 or 2013 as the Group is satisfied that all amounts are recoverable. Of the trade and other receivables outstanding at year end, R2,832,000, £162,000 are for performance fees owing by BSOF to BFM for the last quarter of the financial year and this amount was received during January 2014.

Due to the nature of items held as trade and other receivables, there is no formal Group credit policy. Each item is assessed on an individual basis and appropriate mitigating controls are enforced to reduce the respective credit risk. No collateral was held for trade and other receivables.

27.3.2 Investments

Refer note 18 Investments classified as loans and receivables and note 15 Financial assets at fair value through profit and loss.

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
5,000	**8,174**	**Investments classified as loans and receivables**	**469**	363
5,000	**8,174**	Investments	**469**	363
799,664	**1,180,472**	**Investments at fair value through profit and loss**	**67,721**	58,057
748,981	**1,025,644**	Investments	**58,840**	54,378
21,540	**121,636**	Funds	**6,978**	1,563
29,143	**33,192**	Property	**1,903**	2,116
804,664	**1,188,646**	**Total Investments**	**68,190**	58,420

* Comparatives have been restated for changes in accounting policies – refer to note 4

Included within Investments at fair value through profit and loss are net investments in subsidiaries which comprise equity interests and equity loans to subsidiaries. Detail of the maximum credit risk exposure for each of the loans to subsidiaries is provided in note 16.

27. Financial instruments and financial risk management (continued)

27.3 Credit risk (continued)

27.3.2 Investments (continued)

Investments within the Investment segment

An integral part of the Group's credit risk management process is the approval of all investment and financing transactions by the Board of Directors. The Group manages its credit risk by setting acceptable exposure limits for companies in the respective segments. The Group may provide financing to companies in which it has a controlling or significant interest. This financing is provided on the strength of the underlying companies in which the Group has invested.

The Blackstar Group SE Board meets on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors credit risk on an on-going basis.

Investments within the Fund segment

BSOF is managed via an investor memorandum ("Mandate") which governs the products, asset classes and various exposure limits that can be taken in the fund. Limits are detailed as a % of NAV and these limits are monitored internally, by the prime broker and by the risk management third party service. For the SA Alpha managed Funds, namely BGOF and BFM US Fund, both of these funds are managed via an Investor Advisory Agreement. Daily risk management reports are delivered to the hedge fund managers and investment committee. Any breaches in mandate limits are highlighted in risk reports and rectified immediately.

Investments within the Property segment

The property segment is actively monitored by the property portfolio manager. The risk in the Property segment is limited as the majority of the properties are secured by triple net lease contracts and the majority of these properties are single-tenanted properties.

At balance sheet date, the Group had no financial assets that were past due and no impairments (other than fair value adjustments to equity loans) were raised on investments in both the prior and current year.

An industry analysis of the investment portfolios, including investments at fair value through profit and loss and investments classified as loans and receivables, are set out in the tables below. No single industry is considered to be materially more risky in nature than another.

Credit exposure on investments

*Restated 2012 Exposure %	*Restated 2012 Exposure R'000	**2013 Exposure %**	**2013 Exposure R'000**		**2013 Exposure %**	**2013 Exposure £'000**	*Restated 2012 Exposure %	*Restated 2012 Exposure £'000
31%	252,000	**28%**	**329,514**	Industrial (Steel)	**28%**	**18,905**	31%	18,296
26%	207,768	**56%**	**672,661**	Media	**56%**	**38,589**	26%	15,085
32%	262,761	**0%**	**—**	Healthcare	**0%**	**—**	32%	19,077
2%	12,889	**1%**	**8,600**	Financial	**1%**	**493**	2%	936
0%	48	**0%**	**—**	Consumer goods	**0%**	**—**	0%	3
3%	21,540	**10%**	**121,637**	Hedge funds	**10%**	**6,978**	3%	1,563
2%	18,306	**2%**	**23,042**	Retail	**2%**	**1,322**	2%	1,329
4%	29,352	**3%**	**33,192**	Property	**3%**	**1,903**	4%	2,131
100%	804,664	**100%**	**1,188,646**		**100%**	**68,190**	100%	58,420

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.3 Credit risk (continued)

27.3.3 Cash and cash equivalents

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year end, overdrafts amounted to R4,000, £222 (2012: R116,000, £8,000) and cash and cash equivalents amounted to R122,893,000, £7,050,000 (2012: R340,803,000, £24,743,000). Of the total carrying value of cash and cash equivalents held at 31 December 2013, R74,624,000, £4,281,000 (or 61%) was held in AAA rated money market funds and the balance with a BBB+ or lower rated financial institutions. Of the total carrying value of cash and cash equivalents held at 31 December 2012, R10,112,000, £734,000, (or 3%) was held in AAA rated money market funds; R22,343,000, £1,622,000 (or 7%) with an A rated financial institution; and the balance with BBB+ or lower rated financial institutions. The credit risk on cash and cash equivalents is limited due to the high credit ratings assigned to the funds and financial institutions by international credit-rating agencies.

27.3.4 Guarantees

Refer note 32 Contingencies and guarantees for further details of guarantees issued by the Group. The Group's maximum exposure to credit risk, without taking into account collateral or any other credit enhancements held, in respect of guarantees would be equal to the amounts disclosed in note 32.

27.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management maintain relationships with the investee companies' bankers and monitor cash reserves on an on-going basis to ensure there are sufficient cash resources to meet liabilities in the short term.

The management of Blackstar SA and BFM are responsible for managing liquidity risk in each of their respective businesses.

The fund management business mitigates liquidity risk in the following ways:

- Business continuity liquidity risk is mitigated by holding no less than R3 million as a capital adequacy requirement as per the category 2A hedge fund regulations;
- Market liquidity risk is mitigated by position size management relative to the underlying securities liquidity profile held by the fund; and
- Investor liquidity is mitigated by a 30 day notice period for withdrawals and no more than 20% of the fund may be withdrawn within a calendar month.

27. Financial instruments and financial risk management (continued)

27.4 Liquidity risk (continued)

27.4.1 Contractual maturities of non-derivative financial assets and liabilities

The table below details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial liabilities. The table includes both interest and principal cash flows. To the extent that interest flows are at a floating rate, the undiscounted amount is derived utilising the interest rate at year end. The contractual maturity is based on the earliest date on which the Group may be required to pay.

As at 31 December 2013	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6–12 months R'000	1–5 years R'000	More than 5 years R'000	No fixed maturity R'000
Net investments in subsidiaries (refer note 16)	312,014	312,014	—	—	—	—	312,014
Investments in associates (refer note 17)	677,138	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 15)	191,320	191,320	—	—	—	—	191,320
Investments classified as loans and receivables (refer note 18)	8,174	8,174	500	600	7,074	—	—
Trade and other receivables (refer note 19)	4,065	4,065	4,065	—	—	—	—
Cash and cash equivalents (refer note 20)	122,893	122,893	122,893	—	—	—	—
Total financial assets	**1,315,604**	**1,315,604**	**127,458**	**600**	**7,074**	**—**	**1,180,472**
Other financial liabilities (refer note 21)	(201)	(201)	—	(104)	(97)	—	—
Trade and other payables (refer note 23)	(14,890)	(14,890)	(14,890)	—	—	—	—
Bank overdrafts (refer note 20)	(4)	(4)	(4)	—	—	—	—
Total financial liabilities	**(15,095)**	**(15,095)**	**(14,894)**	**(104)**	**(97)**	**—**	**—**

As at 31 December 2013	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 6 months or less £'000	6–12 months £'000	1–5 years £'000	More than 5 years £'000	No fixed maturity £'000
Net investments in subsidiaries (refer note 16)	17,899	17,899	—	—	—	—	17,899
Investments in associates (refer note 17)	38,846	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 15)	10,976	10,976	—	—	—	—	10,976
Investments classified as loans and receivables (refer note 18)	469	469	29	34	406	—	—
Trade and other receivables (refer note 19)	233	233	233	—	—	—	—
Cash and cash equivalents (refer note 20)	7,050	7,050	7,050	—	—	—	—
Total financial assets	**75,473**	**75,473**	**7,312**	**34**	**406**	**—**	**67,721**
Other financial liabilities (refer note 21)	(12)	(12)	—	(6)	(6)	—	—
Trade and other payables (refer note 23)	(854)	(854)	(854)	—	—	—	—
Bank overdrafts (refer note 20)	—	—	—	—	—	—	—
Total financial liabilities	**(866)**	**(866)**	**(854)**	**(6)**	**(6)**	**—**	**—**

27. Financial instruments and financial risk management (continued)

27.4 Liquidity risk (continued)

27.4.1 Contractual maturities of non-derivative financial assets and liabilities (continued)

*Restated As at 31 December 2012	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6–12 months R'000	1–5 years R'000	More than 5 years R'000	No fixed maturity R'000
Net investments in subsidiaries (refer note 16)	237,519	237,519	—	—	—	—	237,519
Net investments in associates (refer note 17)	5,164	5,164	—	—	—	—	5,164
Financial assets held for trading (refer note 15)	556,981	556,981	—	277,845	—	—	279,136
Investments classified as loans and receivables (refer note 18)	5,000	5,000	5,000	—	—	—	—
Trade and other receivables (refer note 19)	4,366	4,366	4,366	—	—	—	—
Cash and cash equivalents (refer note 20)	340,803	340,803	340,803	—	—	—	—
Total financial assets	1,149,833	1,149,833	350,169	277,845	—	—	521,819
Other financial liabilities (refer note 21)	(217)	(217)	—	(104)	(113)	—	—
Borrowings (refer note 22)	(127)	(127)	—	(127)	—	—	—
Trade and other payables (refer note 23)	(2,841)	(2,841)	(2,841)	—	—	—	—
Bank overdrafts (refer note 20)	(116)	(116)	(116)	—	—	—	—
Total financial liabilities	(3,301)	(3,301)	(2,957)	(231)	(113)	—	—

* Comparatives have been restated for changes in accounting policies – refer to note 4

*Restated As at 31 December 2012	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 6 months or less £'000	6–12 months £'000	1–5 years £'000	More than 5 years £'000	No fixed maturity £'000
Net investments in subsidiaries (refer note 16)	17,244	17,244	—	—	—	—	17,244
Net investments in associates (refer note 17)	375	375	—	—	—	—	375
Financial assets held for trading (refer note 15)	40,438	40,438	—	20,172	—	—	20,266
Investments classified as loans and receivables (refer note 18)	363	363	363	—	—	—	—
Trade and other receivables (refer note 19)	317	317	317	—	—	—	—
Cash and cash equivalents (refer note 20)	24,743	24,743	24,743	—	—	—	—
Total financial assets	83,480	83,480	25,423	20,172	—	—	37,885
Other financial liabilities (refer note 21)	(16)	(16)	—	(8)	(8)	—	—
Borrowings (refer note 22)	(9)	(9)	—	(9)	—	—	—
Trade and other payables (refer note 23)	(206)	(206)	(206)	—	—	—	—
Bank overdrafts (refer note 20)	(8)	(8)	(8)	—	—	—	—
Total financial liabilities	(239)	(239)	(214)	(17)	(8)	—	—

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.4 Liquidity risk (continued)

27.4.2 Undrawn Facilities

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Unsecured bank overdraft facility, reviewed annually and payable on call		
1,000	**1,000**	Fully unutilised	**57**	73
		Secured acquisition facility settled during the 2013 financial year (refer note 22)		
127	**—**	Utilised	**—**	9
319,873	**—**	Unutilised	**—**	23,223
320,000	**—**		**—**	23,232

* Comparatives have been restated for changes in accounting policies – refer to note 4

27.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk has been broken down into currency risk, interest rate risk and market price risk.

27.5.1 Currency risk

The Group's activities expose it to financial risks of changes in foreign currency. The exposure to currency risk has been discussed in further detail by segment.

Investment segment

Currency risk arises because the Group makes investments in currencies which differ from its functional currency Rands and presentational currencies Rands and Pounds Sterling. The values of these assets are exposed to currency risk giving rise to gains or losses on translations into Pounds Sterling and Rands. Currency risk also arises because operations within this segment incur costs from service providers in various parts of the world whose currency is not the same as the Group's functional and presentational currencies (Rands and Pounds Sterling). The Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Fund segment

All of the funds have access to financial products that are easily traded to mitigate currency risk. Both the BFM US Fund and BGOF are US Dollar based funds. Both of these funds trade currency and future options to hedge out any exposure that may arise.

BSOF has a 25% offshore exposure limit which can be attained in various currencies to obtain a diversification of currencies and limit single currency risk factors. As with BFM US Fund and BGOF, BSOF trades currency and future options to hedge out any exposure that may arise.

Property segment

Blackstar holds an investment in BRE, which in turn holds 100% of the shares in Domel, a Namibian investment property company. The currency risk in this property is limited as both the income streams, and expense streams, are based in Namibian Dollars. There is limited volatility between the Namibian Dollar and the South Africa Rand which also reduces the currency risk on the valuation of Domel from Namibian Dollars to Rands.

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.1 Currency risk (continued)

Non-segmental entities

The non-segmental entites are not invested in any activities that are exposed to currency risk. However, similarly to the Investment segment, the non-segmental entities carry monetary assets and liabilities (namely trade and other receivables and payables and cash) which differ to the Group's presentational and functional currencies being Rands and Pounds Sterling. As with the investment segment, the Board of Directors meet on a quarterly basis to review the non-segmental entites and consequently monitor currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Exposure to currency risk

As at 31 December 2013 Functional and presentational currency exposure	South African Rands R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwatcha R'000	Total R'000
Financial assets						
Net investments in subsidiaries (refer note 16)	312,014	—	—	—	—	312,014
Net investments in associates (refer note 17)	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 15)	109,864	—	58,414	—	23,042	191,320
Investments classified as loans and receivables (refer note 18)	8,174	—	—	—	—	8,174
Trade and other receivables (refer note 19)	3,308	227	315	215	—	4,065
Cash and cash equivalents (refer note 20)	42,440	66,642	12,459	1,352	—	122,893
Total financial assets	1,152,938	66,869	71,188	1,567	23,042	1,315,604
Financial liabilities						
Other financial liabilities (refer note 21)	(201)	—	—	—	—	(201)
Trade and other payables (refer note 23)	(13,159)	(957)	(359)	(415)	—	(14,890)
Bank overdrafts (refer note 20)	—	(4)	—	—	—	(4)
Total financial liabilities	(13,360)	(961)	(359)	(415)	—	(15,095)

As at 31 December 2013 Presentational currency exposure	South African Rands £'000	Pounds Sterling £'000	Zambian US Dollar £'000	Euro £'000	Kwatcha £'000	Total £'000
Financial assets						
Net investments in subsidiaries (refer note 16)	17,899	—	—	—	—	17,899
Net investments in associates (refer note 17)	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 15)	6,303	—	3,351	—	1,322	10,976
Investments classified as loans and receivables (refer note 18)	469	—	—	—	—	469
Trade and other receivables (refer note 19)	190	13	18	12	—	233
Cash and cash equivalents (refer note 20)	2,435	3,823	715	77	—	7,050
Total financial assets	66,142	3,836	4,084	89	1,322	75,473
Financial liabilities						
Other financial liabilities (refer note 21)	(12)	—	—	—	—	(12)
Trade and other payables (refer note 23)	(754)	(55)	(21)	(24)	—	(854)
Bank overdrafts (refer note 20)	—	—	—	—	—	—
Total financial liabilities	(766)	(55)	(21)	(24)	—	(866)

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.1 Currency risk (continued)

Exposure to currency risk (continued)

*Restated As at 31 December 2012 Functional and presentational currency exposure	South African Rands R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwatcha R'000	Total R'000
Financial assets						
Net investments in subsidiaries (refer note 16)	237,519	—	—	—	—	237,519
Net investments in associates (refer note 17)	5,164	—	—	—	—	5,164
Financial assets held for trading (refer note 15)	537,787	—	888	—	18,306	556,981
Investments classified as loans and receivables (refer note 18)	5,000	—	—	—	—	5,000
Trade and other receivables (refer note 19)	4,056	7	—	303	—	4,366
Cash and cash equivalents (refer note 20)	214,354	124,084	2,324	41	—	340,803
Total financial assets	1,003,880	124,091	3,212	344	18,306	1,149,833
Financial liabilities						
Other financial liabilities (refer note 21)	(217)	—	—	—	—	(217)
Borrowings (refer note 22)	(127)	—	—	—	—	(127)
Trade and other payables (refer note 23)	(1,481)	(1,307)	—	(53)	—	(2,841)
Bank overdrafts (refer note 20)	(116)	—	—	—	—	(116)
Total financial liabilities	(1,941)	(1,307)	—	(53)	—	(3,301)

*Restated As at 31 December 2012 Presentational currency exposure	South African Rands £'000	Pounds Sterling £'000	US Dollar £'000	Euro £'000	Zambian Kwatcha £'000	Total £'000
Financial assets						
Net investments in subsidiaries (refer note 16)	17,244	—	—	—	—	17,244
Net investments in associates (refer note 17)	375	—	—	—	—	375
Financial assets held for trading (refer note 15)	39,045	—	64	—	1,329	40,438
Investments classified as loans and receivables (refer note 18)	363	—	—	—	—	363
Trade and other receivables (refer note 19)	294	1	—	22	—	317
Cash and cash equivalents (refer note 20)	15,562	9,009	169	3	—	24,743
Total financial assets	72,883	9,010	233	25	1,329	83,480
Financial liabilities						
Other financial liabilities (refer note 21)	(16)	—	—	—	—	(16)
Borrowings (refer note 22)	(9)	—	—	—	—	(9)
Trade and other payables (refer note 23)	(107)	(95)	—	(4)	—	(206)
Bank overdrafts (refer note 20)	(8)	—	—	—	—	(8)
Total financial liabilities	(140)	(95)	—	(4)	—	(239)

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.1 Currency risk (continued)

Sensitivity analysis for exposure to foreign currency risk

The following table demonstrates in Rands, the impact on net financial assets if the Rand strengthened/(weakened) by 10% and all other variables remained constant:

10% strengthening in the Rand Increase/(decrease) in net financial assets			10% weakening in the Rand Increase/(decrease) in net financial assets	
*Restated 2012 R'000	**2013 R'000**	**Currency exposed to:**	**2013 R'000**	*Restated 2012 R'000
(12,278)	**(6,591)**	Pounds Sterling	**6,591**	12,278
(321)	**(7,083)**	US Dollar	**7,083**	321
(29)	**(115)**	Euro	**115**	29
(1,831)	**(2,304)**	Zambian Kwatcha	**2,304**	1,831

The following table demonstrates, in Pounds Sterling, the impact on net financial assets if the Pound Sterling strengthened/(weakened) by 10% and all other variables remained constant:

10% strengthening in Pounds Sterling Increase/(decrease) in net financial assets			10% weakening in Pounds Sterling Increase/(decrease) in net financial assets	
*Restated 2012 £'000	**2013 £'000**	**Currency exposed to:**	**2013 £'000**	*Restated 2012 £'000
7,274	**6,538**	South African Rands	**(6,538)**	(7,274)
23	**406**	US Dollar	**(406)**	(23)
2	**7**	Euro	**(7)**	(2)
133	**132**	Zambian Kwatcha	**(132)**	(133)

* Comparatives have been restated for changes in accounting policies – refer to note 4

The following significant exchange rates applied during the year:

	2013	2012
South African Rands/Pounds Sterling		
Average Rate	**15.099**	13.015
Closing Rate	**17.431**	13.773

27.5.2 Interest rate risk

Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows associated with financial instruments will fluctuate because of changes in market interest rates. The following financial instruments are exposed to interest rate risk: loan investments, borrowings, other financial liabilities and cash and cash equivalents.

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.2 Interest rate risk (continued)

At the reporting date the interest rate profile of the Group's financial instruments were as follows:

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Non-interest bearing instruments		
		Financial assets		
84,280	**99,489**	Net investments in subsidiaries^ (refer note 16)	**5,708**	6,119
572	**—**	Net investments in associates^ (refer note 17)	**—**	42
84,852	**99,489**		**5,708**	6,161
		Variable rate instruments		
		Financial assets		
22,216	**1,707**	Net investments in subsidiaries^ (refer note 16)	**98**	1,613
5,000	**8,174**	Investments classified as loans and receivables (refer note 18)	**469**	363
340,803	**122,893**	Cash and cash equivalents (refer note 20)	**7,050**	24,743
		Financial liabilities		
(127)	**—**	Borrowings (refer note 22)	**—**	(9)
(116)	**(4)**	Bank overdrafts (refer note 20)	**—**	(8)
367,776	**132,770**		**7,617**	26,702
		Fixed rate instruments		
		Financial assets		
10,148	**10,148**	Net investments in subsidiaries^ (refer note 16)	**582**	737
10,148	**10,148**		**582**	737

* Comparatives have been restated for changes in accounting policies – refer to note 4

^ Comprises equity loans to subsidiaries and associates reflected at their nominal value (being the value on which the interest is calculated if applicable) prior to any fair value adjustments

Investments

The Group's exposure to interest rates on investments is detailed in note 16 Net investments in subsidiaries, note 17 Net investments in associates and note 18 Investments classified as loans and receivables. Interest rate risk in respect of investments falling within the Investments segment is managed by the Board of Directors, who meet on a quarterly basis to review the investment portfolio and consequently monitors interest rate risk on an on-going basis.

Borrowings

The Group adopts a policy of ensuring that its borrowings are at market-related rates. Operational management in each segment is responsible for monitoring borrowing levels and exposure to interest rate risk on an on-going basis. The variable rates are influenced by movements in the South African Prime borrowing rates. The Group had no outstanding borrowings at year end.

Cash and cash equivalents

Any excess cash and cash equivalents are invested with banks at short term market interest rates. Overdrafts which arise are linked to the South African Prime Rate.

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.2 Interest rate risk (continued)

Sensitivity analyses

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting year. A 1% change has been used as this is what could reasonably be expected as a change in interest rates based on historical movements in interest rates within South Africa.

A 1% decrease in the South African Prime Rate effective from the beginning of the year, all other variables held constant, would have resulted in a decrease of R1,328,000, £76,000 (2012: decrease of R3,628,000, £263,000) in the reported net asset value of the Group. A 1% increase in the South African Prime Rate effective from the beginning of the year, on the same basis, would have resulted in an increase of R1,328,000, £76,000 (2012: increase of R3,628,000, £263,000) in the reported net asset value of the Group.

27.5.3 Market price risk

Market price risk, or equity price risk, is the risk of unfavourable changes in the fair values of the equities as a result of changes in the levels of equity indices and the value of individual shares. The market price risk exposure arises from the Group's investments in equity securities. The Group manages this risk by investing in a variety of equities the portfolio of which is reviewed on a quarterly basis by the Board of Directors.

Investment segment

The Group is exposed to market price risk in its listed and unlisted investments. Listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and uncertainties about future prices in the case of listed investments. The Board of Directors meet on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Fund segment

The investments in the hedge funds are exposed to market price risk as this is part of the investment strategy within the fund. Hedging tools and products are utilised to reduce market price risk where necessary in various markets, namely currencies, derivatives, shares and fixed income products.

Investments exposed to market price risk

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
		Financial assets		
21,540	**63,222**	Net investments in subsidiaries (refer note 16)	**3,627**	1,563
—	**672,138**	Net investments in associates (refer note 17)	**38,559**	—
496,093	**81,980**	Financial assets held for trading (refer note 15)	**4,703**	36,017
517,633	**817,340**		**46,889**	37,580

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.3 Market price risk (continued)

Sensitivity analysis

The Group is mainly invested in equities on the Johannesburg Stock Exchange. However, with the advent of the investments in the hedge funds, the Group has diversified its risk across global equity indices. Should global equity indices increase by 10%, the fair value of the Group's investments, if all other input factors remained constant, would increase by R81,734,000, £4,689,000 (2012: R51,763,000 £3,758,000). Should global equity indices decrease by 10%, the fair value of the Group's investments, if all other input factors remained constant, would decrease by R81,734,000 £4,689,000 (2012: R51,763,000, £3,758,000). The sensitivity analyses does not take into account the hedges that have been put in place by the hedge funds which ultimately limit the sensitivities of the Group's investments in the hedge funds to changes in market risk.

28. Fair value of assets

28.1 Fair value hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering the factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised in accordance with the manner in which the fair value is based:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Recurring fair value measurement of assets and liabilities

Total R'000	Level 3 R'000	Level 2 R'000	Level 1 R'000	2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
				Financial assets				
312,014	248,792	—	63,222	Net investments in subsidiaries	3,627	—	14,272	17,899
180,000	180,000	—	—	Investment in GRS	—	—	10,327	10,327
32,000	32,000	—	—	Investment in Stalcor	—	—	1,836	1,836
63,222	—	—	63,222	Investment in BSOF	3,627	—	—	3,627
3,600	3,600	—	—	Investment in NBC	—	—	206	206
33,192	33,192	—	—	Investment in BRE and the property subsidiaries	—	—	1,903	1,903
677,138	5,000	—	672,138	Net investments in associates	38,559	—	287	38,846
672,138	—	—	672,138	Investment in TMG	38,559	—	—	38,559
5,000	5,000	—	—	Investment in Navigare	—	—	287	287
191,320	—	109,340	81,980	Financial assets held for trading	4,703	6,273	—	10,976
23,565	—	—	23,565	Listed equity securities	1,352	—	—	1,352
58,415	—	—	58,415	Equity investment in hedge funds	3,351	—	—	3,351
109,340	—	109,340	—	Unlisted equity securities	—	6,273	—	6,273
1,180,472	253,792	109,340	817,340		46,889	6,273	14,559	67,721

28. Fair value of assets (continued)

28.1 Fair value hierarchy (continued)

Recurring fair value measurements of assets and liabilities

Total R'000	Level 3 R'000	Level 2 R'000	Level 1 R'000	*Restated 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
				Financial assets				
237,519	215,979	—	21,540	Net investments in subsidiaries	1,563	—	15,681	17,244
155,000	155,000	—	—	Investment in GRS	—	—	11,254	11,254
32,000	32,000	—	—	Investment in Stalcor	—	—	2,323	2,323
21,540	—	—	21,540	Investment in BSOF	1,563	—	—	1,563
28,979	28,979	—	—	Investment in BRE and the property subsidiaries	—	—	2,104	2,104
5,164	5,164	—	—	Net investments in associates	—	—	375	375
—	—	—	—	Investment in TMG	—	—	—	—
5,000	5,000	—	—	Investment in Navigare	—	—	363	363
164	164			Investment in BRE associate Fantastic	—	—	12	12
556,981	—	60,888	496,093	Financial assets held for trading	36,017	4,421	—	40,438
496,093	—	—	496,093	Listed equity securities	36,017	—	—	36,017
60,888	—	60,888	—	Unlisted equity securities	—	4,421	—	4,421
799,664	221,143	60,888	517,633		37,580	4,421	16,056	58,057

* Comparatives have been restated for changes in accounting policies – refer to note 4

28.2 Valuation techniques

28.2.1 Level 1

Listed investments in subsidiaries, associates and equity securities

When fair values of publicly traded equity securities and managed funds are based on quoted market prices, or binding dealer quotations, in an active market for identical assets without any adjustments, the instruments are included in Level 1 of the hierarchy. The Group values these investments at the bid price of the investment at the end of the reporting period.

28.2.2 Level 2

Investment in unlisted equity securities

The Group has invested in privately held companies which are not quoted in an active market. The Group uses a market based earnings valuation for the position in these privately held companies. The earnings multiple for the comparable market companies range between 5 to 15. The Group classifies the fair value of these investments as Level 2.

28.2.3 Level 3

Investment in Stalcor, GRS and Navigare

For these investments, the Group's investment manager determines comparable public companies (peers) based on industry, size, leverage and strategy and calculates a weighted average cost of capital ("WACC"). This WACC is then applied to the future cash flows of the respective investment to calculate a value based on a discounted cash flow model. The value derived from the discounted cash flow model is then compared to the NAV of the investment and the investment manager then determines a value of the investment which is discounted from the discounted cash flow model in relation to the NAV.

For the valuation of Stalcor, limited information was available to calculate a value using the discounted cash flow method. The fair value of Stalcor was therefore based on the adjusted Net Asset Value ("NAV"). The adjusted NAV value was calculated using the NAV of the Stalcor and this NAV was then adjusted for various industry factors.

The Group classifies the fair value of these investments as Level 3.

28. Fair value of assets (continued)

28.2 Valuation techniques (continued)

28.2.3 Level 3 (continued)

BRE and the property subsidiaries

Where the Group has investments in BRE and the property subsidiaries, the Group values these investments using a yield percentage on an adjusted profit before interest and tax ("PBIT") basis. The adjustment made to the PBIT is to exclude items which are non-recurring. The Group classifies the fair value of these investments as Level 3.

Valuation process for Level 3 valuations

Valuations are the responsibility of the Board of Directors of the Group.

The valuation of BRE and the property subsidiaries is performed quarterly by the investment manager and reviewed by the Board of Directors. This is presented in the form of the Intrinsic NAV. The valuation of the underlying investment property is performed every 3 to 5 years by an independent valuator. On a quarterly basis, the investment manager shall review the respective valuations and inputs for significant changes, and shall consult with external sources where relevant.

The valuations are subject to quality assurance procedures performed by the Board of Directors. The Board of Directors verify the major inputs applied in the latest valuation by agreeing the information in the latest valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared to the valuations of the previous quarter and bi-annually to the valuation of the preceding year.

On a quarterly basis, the Intrinsic NAV calculation (which includes the investments at fair value) is presented to the Board of Directors. This includes discussions of the major assumptions used in the valuations, with an emphasis on the more significant investments.

Any changes in valuation methods are discussed and agreed by the Group's Board of Directors.

Quantitative information of significant unobservable inputs – Level 3

Description	Fair value 2013 R'000	Fair value *Restated 2012 R'000	Fair value 2013 £'000	Fair value *Restated 2012 £'000	Valuation technique	Unobservable input	Range (weighted average)
Investment in GRS	**180,000**	155,000	**10,327**	11,254	Discounted cash flows	WACC	10%-20%
						Perpetual growth	3%-5%
Investment in Stalcor	**32,000**	32,000	**1,836**	2,323	Adjusted NAV	#	#
Investment in NBC	**3,600**	—	**206**	—	Adjusted NAV	#	#
Investment in Navigare	**5,000**	**5,000**	**287**	363	Discounted cash flows	WACC	20%–30%
						Perpetual growth	3%–5%
Investment in BRE and the property subsidiaries and associates	**33,192**	29,143	**1,903**	2,116	Yield on profit before interest and tax per year	Estimated operating profit before interest and tax	R800,000 to R2,500,000 (£68,000 to £165,000)
						Yield	9% to 15%
						Occupancy rate	45% to 100%
Total	**253,792**	221,143	**14,559**	16,056			

\# Stalcor and NBC use an adjusted NAV for the purposes of their valuations. There is no unobservable data that is used barring the information in the NAV value. As a result, no sensitivity analysis could be performed

* Comparatives have been restated for changes in accounting policies – refer to note 4

28. Fair value of assets (continued)

28.2 Valuation techniques (continued)

28.2.3 Level 3 (continued)

Investment in GRS, Stalcor and Navigare

Significant increase/decreases in the WACC shall result in a significantly lower/higher fair value measurement. A significant decrease/increase in the perpetual growth shall result in a decrease/increase in the fair value measurement.

BRE and the property subsidiaries

Significant increases/decreases in estimated operating profit before interest and tax and significant decreases/increases in the yield rate in isolation would result in a significant higher/lower fair value measurement. Significant decreases/increases in long term occupancy rates in isolation would result in a significantly lower/higher fair value measurement. Generally, a change in the assumption made for the estimated rental value is accompanied by a directional change in the rent growth rate and discount rate, as well as, an opposite change in the long term vacancy rate.

Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

			Effect on fair value increase/(decrease)		**Effect on fair value increase/(decrease)**	
Description	**Input**	**Sensitivity used**	**2013 R'000**	*Restated 2012 R'000	**2013 £'000**	*Restated 2012 £'000
Investment in GRS	WACC	1%	**(15,289)**	(12,193)	**(877)**	(885)
	Perpetual growth	1%	**15,095**	11,879	**866**	862
Investment in Stalcor	#	#	**#**	#	**#**	#
Investment in NBC	#	#	**#**	#	**#**	#
Investment in Navigare	WACC	1%	**(77)**	(34)	**(4)**	(2)
	Perpetual growth	1%	**58**	23	**3**	2
Investment in BRE and the property subsidiaries and associates	Estimated rental per annum per property	R 1,000,000 or £ 100,000	**6,266**	6,642	**542**	628
	Yield	1%	**(2,200)**	(1,934)	**(110)**	(133)
	Occupancy rate	5%	**1,880**	1,560	**108**	113

Stalcor and NBC use an adjusted NAV for the purposes of their valuations. There is no unobservable data that is used barring the information in the NAV value. As a result, no sensitivity analysis could be performed

* Comparatives have been restated for changes in accounting policies – refer to note 4

28. Fair value of assets (continued)

28.2 Valuation techniques (continued)

28.2.3 Level 3 (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of investments categorised within Level 3 between the beginning and the end of the reporting periods.

Investment in GRS R'000	**Investment in Stalcor R'000**	**Investment in NBC^ R'000**	**Investment in Navigare R'000**	**Investment in BRE and the property subsidiaries and associates R'000**	**2013**	**Investment in GRS £'000**	**Investment in Stalcor £'000**	**Investment in NBC^ £'000**	**Investment in Navigare £'000**	**Investment in BRE and the property subsidiaries and associates £'000**
155,000	**32,000**	**—**	**5,000**	**29,143**	Balance as at 1 January 2013	**11,254**	**2,323**	**—**	**363**	**2,116**
14,050	**—**	**3,600**	**98**	**11,102**	Total gains and losses in profit and loss	**931**	**—**	**238**	**6**	**735**
—	**—**	**—**	**—**	**2,026**	Interest and dividends accrued	**—**	**—**	**—**	**—**	**134**
19,000	**—**	**—**	**—**	**—**	Additions	**1,258**	**—**	**—**	**—**	**—**
(8,050)	**—**	**—**	**(98)**	**(9,079)**	Disposals/equity loan repayments	**(533)**	**—**	**—**	**(6)**	**(601)**
—	**—**	**—**	**—**	**—**	Exchange losses	**(2,583)**	**(487)**	**(32)**	**(76)**	**(481)**
180,000	**32,000**	**3,600**	**5,000**	**33,192**	**Balance as at 31 December 2013**	**10,327**	**1,836**	**206**	**287**	**1,903**

Investment in GRS R'000	Investment in Stalcor R'000	Investment in NBC^ R'000	Investment in Navigare R'000	Investment in BRE and the property subsidiaries and associates R'000	*Restated 2012	Investment in GRS £'000	Investment in Stalcor £'000	Investment in NBC^ £'000	Investment in Navigare £'000	Investment in BRE and the property subsidiaries and associates £'000
155,000	45,000	—	4,500	16,427	Balance as at 1 January 2012	12,354	3,587	—	359	1,309
1,800	(13,000)	—	500	3,022	Total gains and losses in profit and loss	138	(999)	—	38	232
—	—	—	—	2,022	Interest and dividends accrued	—	—	—	—	155
—	—	—	—	8,240	Additions	—	—	—	—	633
(1,800)	—	—	—	(568)	Disposals/equity loan repayments	(138)	—	—	—	(44)
—	—	—	—	—	Exchange losses	(1,100)	(265)	—	(34)	(169)
155,000	32,000	—	5,000	29,143	Balance as at 31 December 2012	11,254	2,323	—	363	2,116

^ During Q2 2013, Blackstar's offer to acquire all of the shares in NBC via an issue of Blackstar share was approved. Blackstar re-issued 5,808,553 of its treasury shares which it had previously bought back at a cost of R64.3 million (£4.3 million) to acquire NBC, a cash shell with a net asset value of R79.2 million (£5.2 million). This transaction was essentially a placing to enable Blackstar to obtain additional cash on an attractive, discounted basis. During the current financial year, a dividend was declared, free cash available was distributed up to Blackstar and the investment cost was substantially impaired to nil as the investment cost had been realised via the dividend. NBC is currently in the process of being wound down and deregistered and remaining cash available in NBC post closure costs will be distributed up to Blackstar

* Comparatives have been restated for changes in accounting policies – refer to note 4

29. Capital management

Through two capital raisings the Company raised £80 million (£75.4 million after capital raising expenses) in 2006. In 2011, the Company raised a further R100 million £8.9 million. The capital includes share capital, share premium and all distributable and non-distributable reserves, and is managed in accordance with its investment strategy.

The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses. Whilst not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in Southern Africa, with a particular focus on South Africa. Investments outside Southern Africa will be considered where the Board believes the opportunities are particularly attractive. The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

The Board of Directors meets on a quarterly basis and is responsible for reviewing the capital structure of the Group. The Board seeks to maintain a balance between return on capital, gearing within the Group and usage of the Group's equity capital. The key performance indicator for the Group is return on capital employed.

The Company finances its portfolio of investments out of its own capital resources and utilises third-party debt funding as appropriate on a limited basis. In addition, investee companies may themselves have gearing, which is ring-fenced within the company itself and is based on the levels of gearing that the company can sustain. The Directors review the level of gearing in the Group on a regular basis.

From time to time the Company acquires its own ordinary shares in the market. Such buy backs depend on market prices and available cash resources and reserves. During the current financial year, the Company bought back a total of 8,027,949 ordinary shares in the ordinary market and a further 213,541 ordinary shares as part of the share split and consolidation. Treasury shares were issued as part of the long term Management Incentive Scheme approved by shareholders at the last Annual General meeting and also to effect the NBC acquisition (refer note 24 for further details on movements in treasury shares). No shares were bought back during the prior year.

The Company looks to maintain a flexible policy regarding the payment of dividends. The Company is of the view that the Group requires a balance between the retention of earnings for investment opportunities and the establishment of consistent dividend declarations as they form an important part of shareholder wealth creation. There are accordingly no fixed dates for declaration and payment of dividends by the Company.

The Company has no externally imposed capital requirements and there have been no other changes in the capital that it manages.

30. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

* Restated 2012 R'000	**2013 R'000**		**2013 £'000**	* Restated 2012 £'000
(2,225)	**(1,355)**	Land and buildings	**(77)**	(31)
(869)	**(947)**	Less than one year	**(54)**	(5)
(1,356)	**(408)**	Due between one and five years	**(23)**	(26)
—	**—**	More than five years	**—**	—
(428)	**(363)**	Equipment and vehicles	**(21)**	(161)
(65)	**(75)**	Less than one year	**(4)**	(63)
(363)	**(288)**	Due between one and five years	**(17)**	(98)
—	**—**	More than five years	**—**	—
(2,653)	**(1,718)**		**(98)**	(192)

* Comparatives have been restated for changes in accounting policies – refer to note 4

31. Capital commitments

As at year end, management of consolidated Group companies had not committed to any contracted capital expenditure (2012: nil) nor any non-contracted capital expenditure (2012: nil).

32. Contingencies and guarantees

32.1 Guarantees

Blackstar Group SE has bound itself jointly and severally liable to a landlord as surety in respect of a lease agreement entered into by Blackstar SA.

Blackstar Group SE has provided guarantees to a bank in respect of a mortgage bond taken out by BRE to acquire properties.

Blackstar Group SE has provided guarantees to Sasfin Holdings Limited in respect of financing provided by Sasfin Holdings Limited to Stalcor for the amount of R20,000,000, £1,147,000.

Blackstar Group SE has a limited warranty and indemnity for the obligations of Firefly (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for investment property acquired.

32.2 Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2013 (2012: nil).

33. Directors' remuneration

Salary earned as employee of a subsidiary of the Group					Salary earned as employee of a subsidiary of the Group			
Total R'000	Other benefits R'000	Salary R'000	Non-executive Directors fees R'000	2013	Non-executive Directors fees £'000	Salary £'000	Other benefits £'000	Total £'000
577	—	—	577	John Broadhurst Mills	38	—	—	38
4,626	837*	3,429**	360	Andrew David Bonamour^	24	227**	56*	307
386	—	—	386	Wolfgang Andreas Baertz	26	—	—	26
472	—	—	472	Marcel Ernzer	31	—	—	31
130	—	—	130	Richard Thomson Wight	9	—	—	9
6,191	837	3,429	1,925		128	227	56	411

Amounts awarded through the long term Management Incentive Scheme were as follows:

Management Incentive Scheme Award in respect of 2013 year R'000	2013	Management Incentive Scheme Award in respect of 2013 year £'000
14,601#	Andrew David Bonamour^	967#

* Other benefits include medical aid, security and a motor vehicle allowance

\# Includes expenses recognised under the Management Incentive Scheme Award to Andrew Bonamour which comprises a cash element amounting to R7.8 million (£0.5 million), and 599,357 Blackstar treasury shares issued at a cost of R6.8 million (£0.5 million). The award is variable and is dependent purely on the performance and growth in the NAV of the Company. This Scheme was approved and adopted in the current financial year and thus there is no such expense recognised in the prior year

^ Of the direct salary cost incurred by the subsidiary for Andrew Bonamour, 42.5 % was recovered from TMG. From 1 October 2013, Andrew Bonamour earned the majority of his salary directly from TMG and his Blackstar remuneration is now incentive based and calculated in terms of the rules for the long terms Management Incentive Scheme

** An amount of R0.3 million (£0.02 million) was recovered by Blackstar SA from TMG in the form of Andrew Bonamour's directors fees earned for the current financial year. This was not taken into account on calculation of the salary cost as disclosed above

33. Directors' remuneration (continued)

Salary earned as employee of a subsidiary of the Group						Salary earned as employee of a subsidiary of the Group				
Total R'000	Performance bonus R'000	Other benefits R'000	Salary R'000	Non-executive Directors fees R'000	2012	Non-executive Directors fees £'000	Salary £'000	Other benefits £'000	Performance bonus £'000	Total £'000
589	—	—	—	589	John Broadhurst Mills	45	—	—	—	45
8,527	3,338#	515*	4,158	516	Andrew David Bonamour	40	319	39*	256#	654
455	—	—	—	455	Wolfgang Andreas Baertz	35	—	—	—	35
455	—	—	—	455	Marcel Ernzer	35	—	—	—	35
455	—	—	—	455	Charles Taberer	35	—	—	—	35
10,481	3,338	515	4,158	2,470		190	319	39	256	804

* Other benefits include medical aid, security and motor vehicle allowance
# Includes incentive bonus earned on successful realisation of Blackstar's investments in Litha, NBC and the services derivative as well as additional fees and other income generated for the Group

The Group is not considered to have any key management personnel as defined by IAS24 Related Party Disclosures, in addition to its Directors.

The Company does not operate a pension scheme for its Directors.

All Directors' fees payable to John Mills are payable to Maitland Luxembourg S.A. ("Maitland").

Charles Taberer resigned 31 December 2012 and Richard Thomson Wight was appointed in 2013.

No Directors of Blackstar Group SE held any share options and no options were granted or exercised during the year (2012: nil).

Details of the Directors' beneficial interest in the ordinary share capital of the Company at year end is provided in the Directors' Report.

34. Blackstar long term Management Incentive Scheme

Prior to the current financial year, Blackstar did not have a formalised share incentive scheme in place to remunerate and retain its management team and key employees ("Management" or "Participants"). Much of Blackstar's success is based on intellectual capital that is within current Management. It was vital that Blackstar align all management incentives with the performance expectations of the Company's shareholders. The long term Management Incentive Scheme ("the Scheme") implemented is therefore linked to the intrinsic NAV per share of the Group. Share prices will fluctuate over time but ultimately NAV per share will drive the Company's share price. The Scheme is structured so that it is non-dilutive for shareholders of the Company.

Pursuant to the approval of the long term Management Incentive Scheme by the Blackstar Group SE Board of Directors ("the Board") and the adoption of this at the Annual General Meeting, the Scheme was implemented with effect from 1 January 2013.

The intrinsic NAV is determined on a semi-annual basis (the Relevant Dates being 30 June and 31 December) and subject to a review by the Company's auditors. The NAV at the end of each six month period is compared to the NAV at the beginning of the period and 15% of the increase in the NAV is allocated to the Incentive Pool. The hurdle is the South Africa Short Term Fixed Interest Benchmark Rate ("STEFI") and is subject to a catch up. Should the NAV decline over a reporting period, the Company would need to recover that decline and the NAV would need to increase to the high watermark plus hurdle, before any amount would be allocated to the Incentive Pool. The award is therefore performance based and no award is made if there is a decline in the value of the NAV per share. The NAV would be adjusted for corporate events including share buy backs, dividends and capital raisings.

34. Blackstar long term Management Incentive Scheme (continued)

Of the Incentive Pool calculated at each Relevant Date, 50% is settled in cash and 50% is settled in Blackstar shares. The number of shares to be issued is calculated by dividing the 50% shares incentive pool by the Blackstar closing share price on the Relevant Date as quoted by the AltX stock market of South Africa. The shares issued pursuant to the Scheme vest immediately but have a restriction on selling of three years or such shorter period as the Chairman of the Board may determine in his absolute discretion. Unless there are exceptional circumstances, the Chairman of the Board will not exercise this discretion save that, if conditions warrant it, he may do so to release one-third of the shares from lock-up on the first anniversary of the date of issue or transfer and a further third on the second anniversary of the date of issue or transfer. If a Participant ceases to be an employee of the Blackstar Group at a time when any of his shares are still restricted in circumstances in which he is a “bad leaver”, the Board may require those shares which are still restricted to be forfeited.

In addition, the Board has the discretion to issue up to 0.25% of the issued number of shares for the six month period ending on the Relevant Date depending on performance criteria specified by the Board from time to time.

All calculations in respect of the Scheme and all allocations of the incentive pool are determined in South African Rands. Any amounts payable under the Scheme will be subject to the availability of cash resources in the Company and will be deferred until cash resources become available.

The cost of equity settled shares awarded to participants as part of the Scheme (equal to 50% of the Incentive Pool) are charged to profit and loss on the Relevant Date (being the date on which the obligation arises) and a corresponding entry is raised directly to retained earnings within the consolidated statement of changes in equity. On the date on which the shares are actually issued, a debit entry is made to retained earnings and the issue of fresh shares or re-issue of treasury shares is recognised against the share capital and share premium account or treasury share reserve and share premium account respectively.

Per the Scheme rules, the shares vest immediately (although the shares are subject to certain restrictions as mentioned above) and thus the full cost is recognised in profit and loss on the Relevant Date. The fair value of the services received cannot be reliably estimated, and therefore the cost of the equity settled share award is calculated with reference to the fair value of the equity instruments granted, being the value of 50% of the Incentive Pool.

The cash award is equal to 50% of the Incentive Pool which is calculated based on growth in intrinsic Net Asset Value and with no reference to Blackstar’s share price. Therefore the cash award does not meet the definition of a cash-settled share based payment in accordance with IFRS 2 Share Based Payments. The obligation arises on the Relevant Date and an expense is recognised within profit and loss and a corresponding accrual raised. The accrual is reversed on payment of the cash to Participants.

The cost of the discretionary award is recognised in profit and loss and is calculated with reference to the fair value of the equity instruments granted (being the Blackstar closing share price on the date of issue of the shares to Participants). The obligation to transfer these shares to Participants arises on the date that the discretionary award is approved by the Board of Directors.

34. Blackstar long term Management Incentive Scheme (continued)

Shares issued under the Scheme

	Share price on date of issue R	Number of shares issued	Total equity settled share based payment expense recognised in profit and loss R'000	Total equity settled share based payment expense recognised in profit and loss £'000
30 June 2013 award	11.25	791,926	9,005	597
31 December 2013 award	11.50	981,025	11,282	747
		1,772,951	20,287	1,344

Cash award under the Scheme

	Total cost of the cash award recognised in profit and loss R'000	Total cost of the cash award recognised in profit and loss £'000
30 June 2013 award	6,600	437
31 December 2013 award	11,282	747
	17,882	1,184

As the incentive scheme was introduced in the current financial year, there is no information to be disclosed for 2012.

All shares were issued out of the treasury shares held by Blackstar in the treasury share reserve. The cost of the share award is equal to the fair value of the shares issued to Participants (based on the share price on date of issue). The treasury share reserve is reduced by the cost of the treasury shares issued (calculated on a weighted average basis) and the difference is recorded against the share premium account.

Due to the fact that the 981,025 shares awarded at the 31 December 2013 were only issued to Participants subsequent to year end, the treasury share reserve will only be adjusted on the actual issue of the shares in 2014, at which point an R11,282,000, £747,000 debit entry to retained earnings will also be raised.

Subsequent to year end, the Board approved an additional discretionary award of 205,221 shares to Participants. These shares will also be issued out of the treasury shares held by Blackstar. Discretionary share awards are only recognised once approved by the Board of Directors.

35. Related parties

Blackstar Group SE's subsidiaries and associates designated at fair value through profit and loss are considered to be related parties of the Company and its consolidated subsidiaries. Balances and transactions between these related parties are disclosed within this note. Balances and transactions between the Company and its consolidated subsidiaries (which are also related parties of the Company), have been eliminated on consolidation and are therefore not disclosed in this note.

Equity loans to subsidiaries and equity investments in associates and subsidiaries are reflected at fair value in the table below. Note 15, 16, 17 can be referred to for further details.

Working capital loans to subsidiaries are reflected at amortised cost (refer note 18).

35. Related parties (continued)

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Transactions with Stalcor – Subsidiary 50.1%		
(330)	**(405)**	Monitoring fees earned from Stalcor	**(27)**	(25)
—	**(54)**	Guarantee fees earned from Stalcor	**(4)**	—
		At 31 December, the following loans and investments were held with Stalcor:		
32,000	**32,000**	Interest-free loan to Stalcor at fair value with no fixed terms of repayment (refer note 16)	**1,836**	2,323
5,000	**—**	Short term working capital loan provided to Stalcor which bore interest at the South African Prime Rate and was repaid during 2013 (refer note 18)	**—**	363
—	**—**	Investment in Stalcor at fair value (refer note 16)	**—**	—
		Transactions with CCPA — 100% subsidiary of Stalcor		
—	**(281)**	Interest income on loan to CCPA	**(19)**	—
		At 31 December, the following loans and investments were held with CCPA:		
—	**8,174**	Working capital loan to CCPA at amortised cost which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once CCPA has sufficient funds available (refer note 18)	**469**	—
		Transitions with GRS — Subsidiary 100%		
(240)	**(257)**	Monitoring fees earned from GRS	**(17)**	(18)
(340)	**(278)**	Guarantee fees earned from GRS	**(18)**	(26)
		At 31 December, the following loans and investments were held with GRS:		
39,280	**50,230**	Interest-free loan to GRS at fair value with no fixed terms of repayment. Monthly repayments are made by GRS, currently these amount to R1.25 million per month (refer note 16)	**2,882**	2,852
115,720	**129,770**	Investment in GRS at fair value (refer note 16)	**7,445**	8,402
		Transactions with BSOF — Subsidiary 56.6%		
(92)	**(5,765)**	Performance and management fees earned by BFM from BSOF	**(382)**	(7)
		At 31 December, the following loans and investments were held with BSOF:		
(36)	**(2,832)**	Performance fees receivable by BFM from BSOF included in trade and other payables	**(162)**	(3)
21,540	**63,222**	Investment in BSOF at fair value (refer note 16)	**3,627**	1,563

* Comparatives have been restated for changes in accounting policies – refer to note 4

35. Related parties (continued)

*Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Transactions with BRE – Subsidiary 100%#		
(637)	**(633)**	Interest income on loan to BRE	**(42)**	(49)
–	**(108)**	Accounting fees earned from BRE	**(7)**	—
		At 31 December, the following loans and investments were held with BRE		
		Loan to BRE at fair value bearing interest at South African Prime Rate.		
5,682	**—**	Interest is repayable quarterly in arrears and there are no fixed terms of repayment for the capital	**—**	413
—	**(14,398)**	Loan from BRE at fair value bearing interest at South African Prime Rate with no fixed terms of repayment	**(826)**	—
—	**22,892**	Investment in BRE	**1,313**	—
		Transactions with Firefly – Subsidiary 70%#		
(969)	**(948)**	Interest income on loan to Firefly	**(63)**	(74)
(417)	**(450)**	Dividend income on preference shares issued by Firefly	**(30)**	(32)
(70)	**(112)**	Accounting fees earned from Firefly	**(7)**	(5)
		At 31 December, the following loans and investments were held with Firefly		
11,505	**11,997**	Interest bearing loan at fair value with no fixed dates of repayment. Interest is payable at the South African Prime Rate plus 200 basis points	**688**	836
4,085	**4,535**	Preference shares held in Firefly at fair value bearing interest at South African Prime Rate plus 200 basis points	**259**	296
—	**—**	Investment in Firefly at fair value	**—**	—
		Transactions with Domel – 100% subsidiary of BRE#		
—	**(8,550)**	Dividend received from Domel	**(566)**	—
		At 31 December, the following loans and investments were held with Domel		
—	**5,525**	Investment in Domel at fair value	**317**	—
		Transactions with Wonderdeals – 85.9% subsidiary of BRE#		
(104)	**(48)**	Accounting fees earned from Wonderdeals	**(3)**	(8)
		At 31 December 2013, the following loans and investments were held with Wonderdeals		
7,707	**—**	Interest-free loan at fair value with no fixed terms of repayment	**—**	559
	—	Investment in Wonderdeals at fair value	**—**	—
		Transactions with Fantastic – 79% subsidiary of BRE#		
(24)	**(24)**	Accounting fees earned from Fantastic	**(2)**	(2)
		At 31 December 2013, the following loans and investments were held with Fantastic		
—	**2,641**	Interest-free loan at fair value with no fixed terms of repayment	**152**	—
—	**—**	Investment in Fantastic at fair value	**—**	—

* Comparatives have been restated for changes in accounting policies – refer to note 4

35. Related parties (continued)

*Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Transactions with NBC – Subsidiary 100%		
(3,859)	**(150)**	Directors fees earned from NBC	**(10)**	(297)
(2,501)	**(1,500)**	Monitoring fees earned from NBC	**(99)**	(192)
—	**(87,460)**	Dividend received from NBC	**(5,792)**	—
		At 31 December 2013, the following loans and investments were held with NBC:		
—	**3,600**	Investment in NBC at fair value (refer note 16)	**206**	—
		Transactions with TMG – Associate 25.2%		
^	**(2,408)**	Directors fees earned from TMG	**(159)**	^
		At 31 December, the following loans and investments were held with TMG		
—	**672,138**	Investment in TMG at fair value (refer note 17)	**38,559**	—
		Transactions with Navigare – Associate 25%		
(180)	**(180)**	Monitoring fees earned from Navigare	**(12)**	(14)
		At 31 December, the following loans and investments were held with Navigare:		
1,278	**1,180**	Loan to Navigare at fair value which is interest-free with no fixed terms of repayment (refer note 17)	**68**	93
3,722	**3,820**	Investment in Navigare at fair value (refer note 17)	**219**	270

* Comparatives have been restated for changes in accounting policies – refer to note 4
# Included under the category BRE and the property subsidiaries in note 15 and 16
^ Not an associate in the prior year and thus information excluded for the 2012 financial year

John Mills is deemed to be a related party, as in addition to being a Director, funds associated with John Mills are interested in 0.9% of the issued share capital of the Company. In addition John Mills is a Director of Maitland Luxembourg S.A. ("Maitland"). Maitland provided a variety of services to the Company, on a commercial, arms-length basis. In 2013, fees to Maitland for advisory and administrative services amounted to R1,528,000, £101,200 (2012: R447,000, £37,000). At balance sheet date amounts owing to Maitland amounted to R50,000, £3,000 (2012: there were no amounts owing to Maitland).

Further to the amounts above, BSOF has paid Maitland Group South Africa Limited a fee of R54,000, £3,000 (2012: nil) for the administration of BSOF and at year end there was no amount outstanding (2012: nil).

Andrew Bonamour is deemed to be a related party as in addition to being a Director, funds associated with Andrew Bonamour are interested in 9.5% of the issued share capital of the Company.

Details of Directors' remuneration are provided in note 33 to the consolidated financial statements. There are no other related parties transactions to disclose.

36. Post balance sheet events

Subsequent to year end, Blackstar acquired a further 9.1 million shares in TMG thereby increasing its shareholding to 32.3%. Of the acquisitions made post year end, 8.7 million shares acquired were financed through an access facility which was opened with a bank subsequent to year end.

Blackstar also invested a further R22.0 million (£1.3 million) into Robor after year end.

The Property division acquired a new property, situated in a good office and retail node of Cape Town, for an amount of R27.7 million (£1.6 million). The property, which comprises 1 600sqm of office space, already has a triple net lease for the next five years and the transfer is expected to be completed in the third quarter of 2014. Blackstar has paid a deposit of R2.7 million (£0.2 million) and the balance of the purchase price will be financed through third party debt.

Refer to note 24 for details of treasury share purchases and issues which occurred subsequent to year end.

37. Segmental information

For the purpose of reporting to the Blackstar Board of Directors (who are considered to be the chief operating decision maker of the Company), the Group is organised into three segments, namely Investments, Funds and Property. These segments are compared by considering both the growth in their fair value as well as the returns on the respective segment. In addition to these segments are the non-segmental entities. The non-segmental entities house the overhead costs of the Group which are not directly linked to returns on investments and as a result, these entities cannot be compared to the segmental entities.

The Group segments have changed from the Annual Report presented at 31 December 2012 as a result of the adoption of the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27. The segments were previously grouped in relation to earnings before interest and taxation and depreciation ("EBITDA") as the results of each subsidiary were consolidated and associates equity accounted, and therefore incorporated within the statement of comprehensive income on a line-by-line basis. On adoption of the Investment Entities amendments, the interests in the majority of all subsidiaries and associates are fair valued and only the fair value adjustment in relation to each investment is included in profit and loss. The Directors review of financial performance is more focussed on the fair value of each investment and resulting changes in fair value and thus the segmental information has been adjusted accordingly. Comparatives have been restated for this change in presentation as well as the changes in accounting policies.

The segments have been further explained as follows:

Investments

The Investments segment includes investments in the steel sector, namely, Stalcor, GRS, Robor and their respective subsidiaries. Stalcor is a processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. Blackstar holds a 50.1% (2012: 50.1%) interest in Stalcor and accounts for Stalcor as an investment in a subsidiary designated at fair value through profit and loss (refer note 16).

GRS is a steel roofing and cladding company. Blackstar holds a 100% (2012: 100%) interest in GRS and accounts for GRS as an investment in a subsidiary designated at fair value through profit and loss (refer note 16).

Robor is a manufacturer and supplier of welded steel tube and pipe and cold formed steel profiles. Blackstar holds an 11.1% (2012: 6.1%) interest in Robor and accounts for this investment as an investment at fair value through profit and loss (refer note 15).

Also included in the Investments segment is TMG. Listed on the Johannesburg Stock Exchange, TMG is a media and entertainment company that informs, educates and entertains. Blackstar has significantly increased its shareholding in TMG from 11.6% at the end of the 2012 period to 25.2% at the end of 2013. In 2012, Blackstar accounted for this investment as an investment at fair value through profit and loss however, due to the increased shareholding, TMG became an associate of Blackstar. As a result of the changes in accounting policies, associates are designated as investments at fair value through profit and loss and TMG is therefore reflected at fair value (refer note 17).

Litha, a diversified healthcare company, was also included in this segment. In August 2013, Blackstar disposed of its remaining interest in Litha.

In June 2013, Blackstar offered to acquire all the shares of NBC via an issue of Blackstar shares. The investment in NBC is accounted for as a subsidiary designated at fair value through profit and loss. NBC is currently in the process of being wound up and deregistered.

37. Segmental information (continued)

The Investment segment also includes the investment held by Blackstar in Navigare. Navigare is a boutique institutional trading firm. Blackstar holds a 25% (2012: 25%) interest in Navigare and accounts for Navigare as an investment in associate designated at fair value through profit and loss (refer note 17).

In addition to the above, the investments sector includes a small portfolio of investments in listed equities which are traded for the purpose of making short term profits. These investments are accounted for as investments at fair value through profit and loss (refer note 15).

Funds

The Funds segment consists of the investments in BSOF, BGOF and BFM US Fund.

Blackstar launched the BSOF in October 2012 which is a multi-strategy fund with an emphasis on special opportunities within the South African market. During October 2013, an additional fund, BFM US Fund, was started and Blackstar took up an initial 5,000 shares in this fund. BFM were appointed as advisors to the fund and the intention is for the BFM US Fund to mirror the positions held in BSOF, the only difference being the investments in the BFM US Fund shall be held in US Dollars, whilst the investments held in BSOF shall be held in South African Rands.

During the current year BGOF was launched. BGOF is a USD fund suited to South African investors wanting exposure to developed markets with returns in USD. The fund is predominantly focused on European and US equities but will also have exposure to other global markets.

Property

Blackstar invests in property opportunities where the tenants ability to meet rental obligations can be reasonably assessed and understood. The properties which Blackstar has invested in are predominantly commercial and industrial properties. The properties in the Group are held by BRE and its respective subsidiaries.

The accounting policies of the segments are the same as those described in the summary of significant accountant policies.

37. Segmental information (continued)

Segmental operating profit:

*Restated 31 December 2012 R'000	31 December 2013 R'000		31 December 2013 £'000	*Restated 31 December 2012 £'000
174,486	**186,539**	**Investments**	**12,354**	13,406
(64,231)	**90,758**	Net gains/(losses) on financial assets at fair value through profit and loss	**6,011**	(4,935)
215,690	**93,966**	Dividend income	**6,223**	16,572
1,535	**483**	Interest income	**32**	118
21,492	**1,332**	Fee income	**88**	1,651
792	**24,441**	**Funds**	**1,619**	61
700	**17,726**	Net gains on financial assets at fair value through profit and loss	**1,174**	54
92	**6,715**	Fee income and performance fee income	**445**	7
5,752	**27,286**	**Property**	**1,806**	442
3,705	**24,558**	Net gains on financial assets at fair value through profit and loss	**1,626**	285
2,023	**2,377**	Interest income	**157**	155
24	**351**	Fee income	**23**	2
(61,661)	**(53,782)**	**Non-segmental entities**	**(3,562)**	(6,354)
119,369	**184,484**	**Operating profit reported by the Group**	**12,217**	7,555

* Comparatives have been restated for changes in accounting policies – refer to note 4

Segmental assets

*Restated 31 December 2012 R'000	31 December 2013 R'000		31 December 2013 £'000	*Restated 31 December 2012 £'000
753,981	**1,033,818**	Investments	**59,309**	54,741
21,540	**121,636**	Funds	**6,978**	1,563
29,143	**33,192**	Property	**1,903**	2,116
347,654	**130,909**	Non-segmental entities	**7,511**	25,240
1,152,318	**1,319,555**	**Total assets reported by the Group**	**75,701**	83,660

* Comparatives have been restated for changes in accounting policies – refer to note 4

All Group revenues are derived in Southern Africa and all of the Group's assets that are expected to be recovered more than twelve months after the balance sheet date are located in Southern Africa.

No further geographical information is presented for the segments as this would not influence management's decision pertaining to the respective investment.

Company statement of changes in equity
for the year ended 31 December 2013

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2012		57,053	1,974	2,893	(2,272)	267	9,614	69,529
Change in accounting policy		—	—	—	—	(7,739)	21,856	14,117
Balance as at 1 January 2012 (*restated)		57,053	1,974	2,893	(2,272)	(7,472)	31,470	83,646
Total comprehensive income/(loss) for the period		—	—	—	—	(7,839)	7,058	(781)
Income for the period		—	—	—	—	—	7,058	7,058
Other comprehensive loss for the period		—	—	—	—	(7,839)	—	(7,839)
Cancellation of ordinary shares		(1,706)	—	1,706	2,272	—	(2,272)	—
Balance as a 31 December 2012 (*restated)		55,347	1,974	4,599	—	(15,311)	36,256	82,865
Total comprehensive income/(loss) for the period		—	—	—	—	(18,784)	12,368	(6,416)
Income for the period		—	—	—	—	—	12,368	12,368
Other comprehensive loss for the period		—	—	—	—	(18,784)	—	(18,784)
Purchase of treasury shares		—	—	—	(5,955)	—	—	(5,955)
Effect of share split and consolidation	12	—	—	—	(166)	—	—	(166)
Treasury shares issued to acquire NBC	12	—	(30)	—	4,262	—	—	4,232
Equity settled share based payment	16	—	—	—	—	—	1,344	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme	16	—	(14)	—	611	—	(597)	—
Dividends paid		—	—	—	—	—	(1,382)	(1,382)
Balance as at 31 December 2013		**55,347**	**1,930**	**4,599**	**(1,248)**	**(34,095)**	**47,989**	**74,522**

* Comparatives have been restated for changes in accounting policies – refer to note 3

A final dividend of 1.21 pence per ordinary share was paid on 18 June 2013.

An interim dividend of 0.50 pence per ordinary share was paid on 22 November 2013.

A final dividend of 0.80 pence, per ordinary share, has been proposed, to be paid on 30 May 2014.

The notes on pages 83 to 94 form part of the Company financial statements.

Company statement of financial position

as at 31 December 2013

	Notes	31 December 2013 £'000	*Restated 31 December 2012 £'000	*Restated 1 January 2012 £'000
Assets				
Financial assets at fair value through profit and loss	4	70,719	62,701	90,572
Net investments in subsidiaries	5	44,325	45,712	76,590
Net investments in associates	6	23,357	363	13,621
Financial assets held for trading	4	3,037	16,626	361
Investment classified as loans and receivables	7	469	363	163
Trade and other receivables	8	329	255	301
Cash and cash equivalents	9	4,641	21,657	2,570
Total assets		76,158	84,976	93,606
Liabilities				
Borrowings	10	—	(9)	—
Current tax liability		(29)	(23)	(22)
Trade and other payables	11	(1,607)	(2,079)	(9,938)
Total liabilities		(1,636)	(2,111)	(9,960)
Total net assets		74,522	82,865	83,646
Equity				
Share capital	12	55,347	55,347	57,053
Share premium	12	1,930	1,974	1,974
Capital redemption reserve	12	4,599	4,599	2,893
Treasury shares reserve	12	(1,248)	—	(2,272)
Foreign currency translation reserve	12	(34,095)	(15,311)	(7,472)
Retained earnings	12	47,989	36,256	31,470
Total equity attributable to equity holders		74,522	82,865	83,646

* Comparatives have been restated for changes in accounting policies – refer to note 3

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2013 was 0.83 (2012: 0. 82) and 14.57 (2012:11.17) respectively.

The notes on pages 83 to 94 form part of the Company financial statements.

The Company financial statements were approved by the Board and authorised for issue on 16 April 2014.

Andrew Bonamour
Non-executive Director

John Mills
Non-executive Director

Company statement of cash flows
for the year ended 31 December 2013

	Notes	2013 £'000	*Restated 2012 £'000
Cash flow from operating activities			
Cash (absorbed)/generated by operations	**13**	**(6,874)**	21,742
Dividend and interest income received		**24**	1
Interest received		**158**	147
Interest paid		**(11)**	(1,419)
Taxation received		**3**	—
Cash (absorbed)/generated by operating activities		**(6,700)**	20,471
Cash flow from investing activities			
Purchase of equipment		**(1)**	—
Cash absorbed by investing activities		**(1)**	—
Cash flow from financing activities			
Movement in borrowings		**(8)**	10
Acquisition of Blackstar shares as a result of the share split and consolidation		**(166)**	—
Purchase of treasury shares		**(5,955)**	—
Dividends paid to equity holders of the parent		**(1,382)**	—
Cash (absorbed)/generated by financing activities		**(7,511)**	10
Net (decrease)/increase in cash and cash equivalents		**(14,212)**	20,481
Cash and cash equivalents at the beginning of the year		**21,657**	2,570
Exchange losses on cash and cash equivalents		**(2,804)**	(1,394)
Cash and cash equivalents at the end of the year	**9**	**4,641**	21,657

* Comparatives have been restated for changes in accounting policies – refer to note 3

The notes on page 83 to 94 form part of the Company financial statements.

1. Accounting policies

The principal accounting policies adopted in the preparation of the Company financial statements have been consistently applied across all periods presented in the Company financial statements, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Company during the current reporting period. The Company financial statements are presented in Pounds Sterling and all financial information has been rounded to the nearest thousand unless stated otherwise.

The financial statements of the Company are presented as required by the Malta Companies Act, 1995. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with those parts of the Malta Companies Act, 1995 applicable to companies preparing their accounts under IFRS.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 14. This is a change in accounting policy from the prior year and disclosure for the comparative periods has also been amended to reflect items in order of liquidity.

The Company is an Investment Entity and as such in its Group consolidated financial statements does not consolidate all of the entities it controls. Instead, certain interests in subsidiaries are classified as fair value through profit and loss and measured at fair value. As a result of this change, the Company no longer accounts for its investments in subsidiaries at cost less provision for impairment but rather carries these investments at fair value. This represents a change in accounting policy in the current year, more details of which are provided in note 3. Investments in associates are continued to be classified as investments at fair value through profit and loss, and measured at fair value.

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Where the Company has the power to participate in the financial and operating policy decisions of an entity, it is classified as an associate.

Any gains or losses arising from changes in the fair value of investments in subsidiaries and associates are recognised in profit and loss in the period in which they occur.

The principal accounting policies which are relevant in the preparation of the Company financial statements are listed below and can be found on pages 22 to 33 of the consolidated financial statements:

Note 1.7 Financial instruments
Note 1.8 Offsetting of financial instruments
Note 1.10 Cash and cash equivalents
Note 1.11 Dividend distributions
Note 1.12 Equity instruments and treasury shares
Note 1.13 Dividend and interest revenue
Note 1.14 Net gains or losses on financial assets and liabilities at fair value through profit and loss
Note 1.16 Finance income and finance costs
Note 1.17 Share-based payments
Note 1.18 Tax
Note 1.19 Foreign currencies
Note 1.21 Significant judgements and areas of estimation
Note 2 Determination of fair values

2. Profit for the year

The Company has taken advantage of the exemption allowed under section 183(8) of Malta Companies Act, 1995 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a profit after taxation of £12,368,000 (2012 restated: £7,058,000) for the Company.

3. Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted in the current year are consistent with those of the previous year, except that the Company has adopted the following new and revised accounting standards:

- IAS 1 Presentation of Financial Statements (revised)
- IFRS 10 Consolidated Financial Statements (early adoption)
- IFRS 11 Joint Arrangements (early adoption)
- IFRS 12 Disclosure of Interest in Other Entities (early adoption)
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Instruments (revised – early adoption)
- IAS 28 Accounting for Investments in Associates (revised – early adoption)
- Investment Entities (amendments to IFRS 10, IFRS 12 and the revised version of IAS 27 – early adoption)

The Company has chosen to present the statement of financial position using the liquidity presentation. The change does not affect the quantitative value of the amounts previously presented, and the differentiation between the current and non-current elements on the statement of financial position can be assessed in note 14.

Of the above standards, only IFRS 10 (including the Investment Entities amendments) has made a significant impact to the financial performance and position of the Company as its adoption requires the restatement of results previously presented.

IFRS 12 requires additional disclosures to be made, but has no effect on the financial position or performance of the Company. The adoption of IFRS 11, IAS 27 (revised) and IAS 28 (revised) has not had a material impact on the financial statements.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company reassessed its policies for measuring fair values. IFRS 13 also requires additional disclosures to be made, and these are provided in note 28 of the Group financial statements.

The amendments to IAS 1 clarify the disclosure requirements in respect of comparative information required in cases of changes of accounting policies, retrospective restatements or reclassifications, and change the grouping of items presented in other comprehensive income, such that items that could be reclassified (or recycled) to profit and loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. These amendments have only had a disclosure impact on the Company's accounts.

Other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Company.

The nature and impact of the adoption of IFRS 10 on the Company financial statements described below:

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issue raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

3. Changes in accounting policies (continued)

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments (continued)
In addition, IFRS 10 includes an exception from consolidation for entities, which meet the definition of an Investment Entity, and requires such entities to recognise all investments at fair value through profit and loss.

The adoption of IFRS 10 has resulted in the Company treating its net investments in subsidiaries and associates as investments held at fair value through profit and loss.

Under the transitional provisions of IFRS 10 this change in accounting policy is required to be accounted for retrospectively. Therefore, the relevant comparative figures have been restated.

The impact of these changes on the statement of financial position as at 31 December 2011 and 31 December 2012 is shown below:

Impact on the statement of financial position
Increase/(decrease) to net assets:

	31 December 2012 £'000	31 December 2011 £'000
Assets		
Investments in subsidiary companies (carried at impaired cost)	**(42,160)**	(62,435)
Investments classified as loans and receivables	**270**	54
Financial assets at fair value through profit and loss	**45,805**	76,661
Trade and other receivables	**(363)**	(163)
Total assets	**3,552**	14,117
Total liabilities	**—**	—
Total net assets	**3,552**	14,117
Equity		
Total equity attributable to equity holders	**3,552**	14,117
Total equity	**3,552**	14,117

4. Financial assets at fair value through profit and loss

	2013 £'000	*Restated 2012 £'000
Financial assets held for trading	**3,037**	16,626
Listed equity securities	**—**	16,561
Equity investments in unlisted hedge funds	**3,037**	—
Unlisted equity securities	**—**	65
Financial assets designated at fair value through profit and loss	**67,682**	46,075
Net investments in subsidiaries	**44,325**	45,712
Net investments in associates	**23,357**	363
Total financial assets at fair value through profit and loss	**70,719**	62,701

Financial assets held for trading comprise the following investments:

	2013 £'000	*Restated 2012 £'000
Listed equity securities	**—**	16,561
Other investments in ordinary shares	**—**	1,456
Ordinary shares in Times Media Group Limited	**—**	14,155
Ordinary shares in Litha Healthcare Limited	**—**	950
Investments in unlisted hedge funds	**3,037**	—
Investment in Blackstar Global Opportunities Fund	**3,037**	—
Unlisted equity securities	**—**	65
Ordinary shares in FBDC Investor Offshore Holdings L.P.	**—**	65
Total financial assets held for trading	**3,037**	16,626

* Comparatives have been restated for changes in accounting policies – refer to note 3

5. Net investments in subsidiaries

Details of the Group's subsidiaries are as follows:

Principal place of business	Principal activity	Name of subsidiaries	Proportion of ownership rights 2013	2012
Subsidiaries not consolidated in the Group consolidated financial statements				
South Africa	Hedge fund	Blackstar Special Opportunities Fund # ("BSOF")	**56.6%**	38.4%
South Africa	General Partner	Blackstar GP (Pty) Limited # ("Blackstar GP")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Global Roofing Solutions (Pty) Limited # ("GRS")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering (Pty) Limited ## ("Helm")	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Starbuck Island Investments (Pty) Limited ## ("Starbuck")	**100.0%**	0.0%
South Africa	Industrial steel company	Stalcor (Pty) Limited ^^ ("Stalcor")	**50.1%**	50.1%
South Africa	Investment property company	CCPA Properties (Pty) Limited ^ ("CCPA")	**50.1%**	0.0%
South Africa	Investment company	New Bond Capital Limited ^^ $$ ("NBC")	**100.0%**	100.0%
South Africa	Investment property company	Blackstar Real Estate (Pty) Limited ^^ ("BRE")	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 (Pty) Limited ** ("Fantastic")	**79.0%**	@
South Africa	Investment property company	Firefly Investments 223 (Pty) Limited ** ("Firefly")	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 (Pty) Limited ** ("Wonderdeals")	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments (Pty) Limited ** $ ("Domel")	**100.0%**	100.0%
Subsidiaries consolidated in the Group consolidated financial statements				
Cyprus	Investment company	Blackstar (Cyprus) Investors Limited # ("Blackstar Cyprus")	**100.0%**	100.0%
Gibraltar	Investment company	Blackstar (Gibraltar) Limited # ("Blackstar Gibraltar")	**^^^**	100.0%
South Africa	Investment advisory company	Blackstar Group (Pty) Limited # ("Blackstar SA")	**100.0%**	100.0%
South Africa	Fund Manager	Blackstar Fund Managers (Pty) Limited # ("BFM") ***	**56.0%**	50.1%

Subsidiary of Blackstar Group SE
^ Subsidiary of Stalcor (Pty) Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate (Pty) Limited
Subsidiary of Global Roofing Solutions (Pty) Limited
$ In the prior year Domel was wholly owned by GRS
$$ During Q2 2013, Blackstar's offer to acquire all of the shares in NBC via an issue of Blackstar shares was approved. Blackstar re-issued 5,808,553 of its treasury shares which it had previously bought back at a cost of £4.3 million to acquire NBC, a cash shell with a net asset value of £5.2 million. This transaction was essentially a placing to enable Blackstar to obtain additional cash on an attractive, discounted basis. The cash was pooled with Blackstar's existing cash resources available for investment by Blackstar. NBC is currently in the process of being wound down and deregistered and remaining cash available in NBC post closure costs will be distributed up to Blackstar
@ In the prior year, BRE held 25% of the shares in Fantastic and thus the investment was classified as an associate, refer note 6
^^^ During the last quarter of 2013, Blackstar Gibraltar was wound down and deregistered
*** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer note 26 of the consolidated financial statements)

Loans and receivables payable by subsidiaries designated at fair value through profit and loss

Shareholder loans to Group subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated as at fair value through profit and loss. On assessment of the fair value of the investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.

5. Net investments in subsidiaries (continued)

Net investments in subsidiaries included in note 4 comprises the following investments at fair value:

	2013 £'000	* Restated 2012 £'000
Net investments in subsidiaries where equity held by the Company:		
Net investment in GRS	**10,327**	8,402
Equity share investment	**7,445**	8,402
Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments are made by GRS, currently these amount to R1.25 million per month ##	**2,882**	—
Net investment in Blackstar Cyprus	**32,243**	31,113
Equity share investment	**28,775**	31,113
Preference shares	**3,468**	—
Net investment in Blackstar Gibraltar	**—**	4,570
Equity share investment ##	**—**	4,570
Net investment in BFM	**57**	64
Equity share investment	**57**	64
Investment in BSOF #	**—**	1,563
Net investments in subsidiaries where equity held by Blackstar Cyprus:		
Net investment in Stalcor	**1,836**	—
Interest-free loan to Stalcor with no fixed terms of repayment##	**1,836**	—
Net investment in BRE	**(826)**	—
Loan from BRE bearing interest at South African Prime Rate with no fixed terms of payment	**(826)**	—
Net investment in Firefly	**688**	—
Loan to Firefly bearing interest at South African Prime Rate plus 200 basis points with no fixed terms of repayment	**688**	—
	44,325	45,712

* Comparatives have been restated for changes in accounting policies - refer to note 3

\# In terms of the definition of control per IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to control the fund BSOF and thus it is classified as a subsidiary. Blackstar's percentage ownership of the fund is calculated based on the fair value of Blackstar's direct investment into BSOF relative to the other limited partners' investment in the fund carried at fair value. During the year, the Company's investment in BSOF was transferred to Blackstar Cyprus.

\## During 2013 new legislation was released in Gibraltar and it was determined that it was no longer beneficial to have a company in Gibraltar. Blackstar Gibraltar was therefore wound down, and all of its assets were assigned to and liabilities assumed by Blackstar Group SE thereby resulting in the creation of these loans within the Company accounts

Restrictions

Blackstar receives income in the form of dividends and interest from its investments in subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds offshore.

Support

Blackstar has provided support in the form of equity and working capital loans to its subsidiaries. Details of these loans are provided in note 5 for equity loans and note 7 for working capital loans. Blackstar has no contractual commitments and may provide further financial or any other support to its subsidiaries should they require it and the Company has funds available to do so.

5. Net investments in subsidiaries (continued)

Maximum credit exposure for loans designated at fair value through profit and loss
The maximum credit exposure for the loans held by the Company with subsidiaries would be equal to the original carrying amount of the loan prior to any fair value adjustments, details of which are provided below:

	Carrying Value 2013 £'000	Original loan amount prior to fair value adjustments 2013 £'000
Loan to GRS	2,882	2,882
Loan to Stalcor	1,836	2,582
Loan from BRE	(826)	(826)
Loans to Firefly	688	688

In 2012 all loans were held by Blackstar Gibraltar.

6. Net investments in associates

The principal associates of the Group at 31 December are as follows:

Principal place of business	Principal activity	Name of associates	Proportion of ownership rights 2013	2012
South Africa	Media	Times Media Group Limited ("TMG")^	25.2%	$
South Africa	Stock broker	Navigare Securities (Pty) Limited ("Navigare")	25.0%	25.0%
South Africa	Property investment company	Fantastic Investments 379 (Pty) Limited ("Fantastic")	#	25.0%

Net investments in associates carried at fair value through profit and loss comprise the following:

	2013 £'000	* Restated 2012 £'000
Net investment in TMG		
Equity shares in TMG	23,070	$
Net investment in Navigare	287	363
Equity shares in Navigare	219	270
Loan to Navigare which is interest-free with no fixed terms of repayment	68	93
	23,357	363

* Comparatives have been restated for changes in accounting policies – refer to note 3
$ Due to further acquisitions of shares in TMG, the investment in TMG was classified as an investment in associate during the current financial year. In the prior year, the TMG investment was included in financial assets held for trading
^ As at 31 December 2013, the Company holds a 15.1% interest in TMG, whilst Blackstar Cyprus holds a further 10.1% resulting in a Group shareholding in TMG of 25.2%. Since the Company controls Blackstar Cyprus. TMG is deemed to qualify as an associate of the Company
# As a result of further acquisition of shares in Fantastic during the current financial year, Blackstar's shareholding increased to 79% and the investment in Fantastic was classified as an investment in subsidiary designated at fair value through profit and loss. Refer to note 5

7. Investments classified as loans and receivables

Loans from Blackstar to subsidiaries of the Company, which are considered to be working capital loans and not part of equity, have been accounted for at amortised cost and comprise of the following:

	2013 £'000	*Restated 2012 £'000
Loan to subsidiary CCPA which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once the Borrower has sufficient funds available	**469**	—
Short term working capital loan provided to Stalcor. The loan bore interest at the South African Prime Rate and was repaid during 2013	**—**	363
	469	363

* Comparatives have been restated for changes in accounting policies – refer to note 3

8. Trade and other receivables

	2013 £'000	*Restated 2012 £'000
Trade receivables due by subsidiary companies	**23**	1
Trade receivables due by external parties	**2**	—
Impairment allowance	**—**	—
Total trade receivables net of impairment allowance	**25**	1
Other receivables due by subsidiary companies	**281**	—
Prepayments and accrued income	**23**	21
Other receivables	**—**	233
	329	255

* Comparatives have been restated for changes in accounting policies – refer to note 3

Amounts due by subsidiary companies comprise an inter-group debtor with Blackstar SA which was settled in January 2014.

9. Cash and cash equivalents

	2013 £'000	2012 £'000
Deposits and cash at bank	**4,641**	21,657
Cash and cash equivalents per the statement of cash flows	**4,641**	21,657

Cash and cash equivalents include cash in current accounts and term deposits.

10. Borrowings

	2013 £'000	2012 £'000
Secured The facility bore interest at the South African Prime Rate plus15 basis points nominal annual compounded semi-annually in arrears and was repaid during 2013	—	(9)
	—	(9)

11. Trade and other payables

	2013 £'000	2012 £'000
Trade payables due to external parties	**(11)**	(99)
Other payables due to subsidiary companies	**(1,534)**	(1,980)
Accrued expenses	**(47)**	—
Other payables	**(15)**	—
	(1,607)	(2,079)

Amounts due to subsidiary companies in the current year include: a £647,000 liability which is due to management as part of the long term Management Incentive Scheme (refer note 16) and will be paid via Blackstar SA; and a £887,000 inter-group creditor with Blackstar Cyprus. Amounts due to subsidiary companies in the prior year mainly comprised an interest-free loan of £380,000 from Blackstar Gibraltar and a short term interest bearing loan from Blackstar Cyprus of £1,535,000.

12. Share capital and reserves

Details of share capital and reserves are set out in note 24 to the consolidated financial statements.

13. Cash (absorbed)/generated by operations

	2013 £'000	*Restated 2012 £'000
Profit for the period	**12,368**	7,058
Add back taxation	**6**	3
Profit before taxation	**12,374**	7,061
Adjustments for non cash items:		
Fair value adjustments on investments held at fair value through profit and loss	**(9,580)**	22,792
Dividends and interest accrued from loans and investments	**(79)**	(16,088)
Finance income	**(158)**	(148)
Finance costs	**11**	1,456
Long term Management Incentive Scheme Award of treasury shares (equity settled share based payment expense)	**1,344**	—
Changes in working capital:		
Decrease in trade and other receivables	**178**	7
Increase/(decrease) in trade and other payables	**442**	(343)
Additions to investments	**(14,358)**	(40,492)
Proceeds on disposal and redemption of investments	**2,952**	47,497
	(6,874)	21,742

* Comparatives have been restated for changes in accounting policies – refer to note 3

14. Financial instruments

The company is exposed to one or more of the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprise currency risk, interest rate risk and market price risk).

Information related to financial instruments and management of these risks is set out in note 27 to the consolidated financial statements. The following information relates specifically to the Company.

14.1 Financial instruments by category

	2013 £'000	*Restated 2012 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss	**70,719**	62,701
Loans and receivables	**5,439**	22,275
Investments classified as loans and receivables	**469**	363
Trade and other receivables	**329**	255
Cash and cash equivalents	**4,641**	21,657
	76,158	84,976
Financial liabilities		
Financial liabilities measured at amortised cost		
Borrowings	**—**	(9)
Trade and other payables	**(1,607)**	(2,079)
	(1,607)	(2,088)

* Comparatives have been restated for changes in accounting policies – refer to note 3

14.2 Credit risk

At balance sheet date, the Company had no financial assets that were past due or impaired (other than fair value adjustments to equity loans). The Company's maximum exposure to credit risk on loans and receivables is equal to the carrying amount of the financial assets recorded in the financial statements (as detailed in note 14.1 above). The Company's maximum exposure to credit risk on equity loans is set out in note 5. The credit quality of financial instruments that are not past due or impaired is considered to be good.

14.3 Liquidity risk

All financial liabilities have a contractual maturity of less than six months and the expected maturity is not believed to differ from the contractual maturity.

14.4 Market risk

14.4.1 Currency risk

A 10% strengthening of the Rand against Pounds Sterling at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £6,775,000 (2012: £7,532,000) in the reported net asset value of the Company. A 10% weakening of the Rand against Pounds Sterling at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £6,775,000 (2012: £7,532,000) in the reported net asset value of the Company.

14.4.2 Interest rate risk

A 1% increase in the South African Prime Rate, all other variables held constant, would have resulted in an estimated increase of £38,000 (2012: £4,000) in the reported net asset value of the Company. A 1% decrease in the South African Prime Rate, on the same basis, would have resulted in an estimated decrease of £38,000 (2012: £4,000), in the reported net asset value of the Company.

14. Financial instruments (continued)

14.4 Market risk (continued)

14.4.3 Market price risk

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £2,611,000 (2012: £1,813,000) in the reported net asset value of the Company. A decrease of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £2,611,000 (2012: £1,813,000) in the reported net asset value of the Company.

14.5 Fair value

14.5.1 Fair value of financial instruments carried at amortised cost

The fair value of the financial instruments accounted for at amortised cost have been determined for both the current and prior year and approximate the carrying amounts at the respective year ends. Investments classified as loans and receivables and borrowings have a fair value which approximates the carrying amount due to the fact that the aforementioned instruments bear interest at rates linked to the South African Prime Rate and are believed to approximate the market related discount rates which would be utilised in a discounted cash flow technique in order to calculate a fair value.

14.5.2 Fair value of financial instruments carried at fair value in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (as defined in note 28 of the consolidated financial statements) based on the degree to which the fair value is observable:

2013	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss (refer note 4)	**26,107**	**—**	**44,612**	**70,719**

2012 (*Restated)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss (refer note 4)	18,125	65	44,511	62,701

* Comparatives have been restated for changes in accounting policies – refer to note 3

There were no transfers between levels during the current or prior years.

The fair value of the investments in Blackstar Cyprus and BFM were determined based on the underlying NAV of these companies. Refer to note 28 in the consolidated financial statements for further information on the determination of the fair value of the other investments.

15. Related parties

Details of related parties are set out in note 35 to the consolidated financial statements. In addition to this, the subsidiaries and associates (set out in note 5 and 6 respectively to the Company financial statements) are related parties to the Company.

The Company pays an advisory fee, paid quarterly in advance, to Blackstar SA. The advisory fee for the year ending 31 December 2013 amounted to £1.0 million (2012: £1.1 million). Blackstar SA may incur expenses on behalf of the Company and vice versa. These amounts are invoiced and re-imbursed on a monthly basis.

16. Long term Blackstar Management Incentive Scheme

Details of long term Blackstar Management Incentive Scheme are set out in note 34 to the consolidated financial statements.

17. Capital under management

Information related to capital under management is set out in note 29 to the consolidated financial statements.

18. Contingencies and guarantees

Information relating to contingencies and guarantees is set out in note 32 to the consolidated financial statements.

19. Post balance sheet events

Information relating to post balance sheet events is set out in note 36 to the consolidated financial statements.

Company information

Directors
J B Mills (Non-executive Chairman)
A D Bonamour (Non-executive)
M Ernzer (Non-executive)
R T Wight (Non-executive)

Registered Office
Blackstar Group SE
4th Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
Tel: +356 2137 3360
E-mail: info@blackstar.eu
Website: www.blackstar.eu

Nominated Adviser and Broker (United Kingdom)
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

Legal Adviser (as to English Law)
Paul Hastings (Europe) LLP
Ten Bishops Square, Eighth Floor
London
E1 6EG

Legal Adviser (as to Maltese Law)
Ganado & Associates Advocates
171 Old Bakery Street
Vallette
VLT 1455
Malta

Primary listing
The Alternative Investment Market of the London Stock Exchange ("AIM")

Secondary listing
AltX of the JSE Limited

Auditors
BDO Malta
Tower Gate Place
Tal-Qroqq Street
Msida MSD 1703
Malta

Nominated Adviser and Broker (South Africa)
PSG Capital (Pty) Limited
1st Floor Ou Kollege Building
35 Kerk Street
Stellenbosch
7600

Legal Adviser (as to South African law)
Edward Nathan Sonnenbergs Inc
150 West Street
Sandton
2196

Registrars and Receiving Agents (United Kingdom)
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registrar and Receiving Agents (South Africa)
Link Market Services
13th Floor Rennie House
19 Ameshoff Street
Braamfontein
2000

NOTICE OF ANNUAL GENERAL MEETING 2014

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposals referred to in this document, or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares in the Company, please pass this document together with the accompanying document(s) to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Blackstar Group SE
(registered in Malta with number SE4)
4th Floor
Avantech Building
St Julian's Road
San Gwann
SGN 2805
Malta
(the "Company")

15 May 2014

Dear Shareholder,

Notice of Annual General Meeting to be held on Monday 30 June 2014
I am writing to give you notice of the Company's Annual General Meeting ("AGM" or "Annual General Meeting") that is to be held at the registered office of the Company at 4th Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805 Malta on Monday 30 June 2014 at 10.00 a.m. (CEST). The Notice of AGM is set out in Part 2 of this document.

The following items are also included in this document:

- Part 1: An explanation of certain resolutions at the AGM;
- Part 3: A Proxy Form (for use by registered shareholders only); and
- Part 4: A Form of Direction (for use by holders of despository instruments only).

Please read the notes to the Notice of Annual General Meeting as these set out other rights of Shareholders and further requirements which you should check to ensure your proxy vote will be valid.

Recommendation on voting
The Directors consider that all of the resolutions to be put to the AGM are in the best interests of the Company and its shareholders. Your Directors will be voting unanimously in favour of each of them and recommend that you do so as well.

Yours sincerely

John Broadhurst Mills
Chairman

PART 1 – EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The Notice of Annual General Meeting appears on pages 98 to 102 of this document. The following information provides additional background information to the resolutions proposed which are not ordinary business.

It is noted that Resolutions 7, 8 and 9 apply for the same levels of authority as were requested and approved by shareholders in the prior year.

Resolution 7 – General authority to allot shares
This resolution will extend the general authority of the directors to allot shares until the Company's next AGM or, if earlier, 30 September 2015. The authority will be in respect of shares with an aggregate nominal value of €20,795,000 equal to one third of the Company's current issued share capital as at 30 April 2014 (being the latest practicable date prior to the printing of this document).

Resolution 8 – Authority to allot shares for cash free from pre-emption rights
This resolution will dis-apply shareholders' statutory pre-emption rights in relation to the Company's allotment for cash of its own shares pursuant to Resolution 7 or in relation to the Company's sale of its own shares held in treasury, and shall expire when the Board no longer remains authorised to issue Equity Securities (as defined in the Articles). The dis-application will permit the Board to allot shares for cash pursuant to Resolution 7 or to sell treasury shares, without first offering them to all existing Shareholders pursuant to their statutory pre-emption rights under article 88 of the Companies Act (Cap. 386 of the Laws of Malta). Any such allotments or sales must be limited to shares with an aggregate nominal value not exceeding that of five per cent of all the ordinary shares in issue as at 30 April 2014 (being shares to an aggregate nominal value of €3,119,363), the latest practicable date prior to the printing of this document.

Resolution 9 – Company's authority to purchase its own shares
The Board is proposing to renew the authority for the Company to make market purchases of its own shares, including depository interests relating to such shares. In certain circumstances it may be advantageous for the Company to purchase its own shares and this resolution seeks authority from Shareholders to make such purchases in the market. The Board considers it to be desirable for this general authority to be available to provide flexibility in the management of the Company's capital resources and to enable the Board to narrow the discount to the Company's net asset value. You are asked to consent to the purchase by the Company of up to a maximum aggregate of 10% of the Company's issued share capital.

PART 2 – NOTICE OF ANNUAL GENERAL MEETING

BLACKSTAR GROUP SE

(registered in Malta with registered number SE 4)
4th Floor, Avantech Building,
St Julian's Road,
San Gwann, SGN 2805,
Malta

Notice is hereby given to all the Members, Directors and Auditors of Blackstar Group SE (the "Company") that the Annual General Meeting ("AGM" or "Annual General Meeting") of the Company will be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Monday 30 June 2014 at 10h00 CEST (or shortly thereafter in case of delays) for the purpose of considering and, if thought fit, approving the following resolutions with or without modification:

ORDINARY BUSINESS:

Approval of Accounts, Appointment of Auditors and Election of Directors

1. To receive and consider the accounts and reports of the Directors, statutory auditor and the independent auditors, and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2013 and to the consolidated accounts for the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.
2. To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2013.
3. To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2013.
4. To re-elect John Mills, who retires from office by rotation in accordance with the articles of association of the Company ("Articles"), as a director of the Company with effect from the date of the Annual General Meeting for a period not exceeding three years.
5. To re-elect Andrew Bonamour, who retires from office by rotation in accordance with the articles of association of the Company ("Articles"), as a director of the Company with effect from the date of the Annual General Meeting for a period not exceeding three years.
6. To appoint BDO Malta CPA as the Company's independent auditor for the financial year ending 31 December 2014 and to authorise the directors to determine their terms of engagement inclusive of remuneration.

ORDINARY RESOLUTIONS WHICH CONSTITUTE SPECIAL BUSINESS

7. **Directors' Authority to Allot and Issue Shares**
That, in substitution for all previous authorisations currently in force, and in accordance with Article 4.1 of the Articles, the Board of Directors ("Board") be generally and unconditionally authorised pursuant to article 85 of the Companies Act (Chapter 386 of the laws of Malta) (the "Companies Act") to exercise all the powers of the Company to allot and issue Equity Securities (as defined in the Articles), up to a maximum aggregate nominal amount of €20,795,000 for a period expiring (unless previously revoked, varied or renewed) on 30 September 2015 or, if sooner, the annual general meeting to be held in 2015, but if the Company has, before such expiry, made an offer or entered into an agreement which would or might require Equity Securities to be allotted after this authority expires, the directors may allot Equity Securities in pursuance of such offer or agreement as if this authority had not expired.

EXTRAORDINARY RESOLUTIONS WHICH CONSITUTE SPECIAL BUSINESS

8. **Dis-application of statutory pre-emption rights**
Purpose:

To authorise the Directors to restrict or withdraw the shareholders' statutory pre-emption rights in respect of:

a) issues of shares for cash, and
b) the sale of treasury shares by the Company if such statutory pre-emption rights are applicable in relation thereto,

for as long as the Board of Directors remains authorised to issue Equity Securities under Resolution 7.

Proposal:

That in substitution for any previous authorisations currently in force but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities and that, subject to the passing of resolution 7 (Directors' Authority to Allot and Issue Shares), and pursuant to Article 88(7) of the Companies Act and in accordance with Article 4.4 of the Articles, the Board be generally authorised to restrict the statutory pre-emption rights of the Company's shareholders in respect of new issue of shares for cash by the Company and in respect of the sale of treasury shares by the Company, for as long as the Directors remain authorised to issue Equity Securities, provided that this power shall be limited to the allotment of Equity Securities up to an aggregate nominal amount of €3,119,363.

The power granted by this resolution will expire when the Board no longer remains authorised to issue Equity Securities, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

9. **Company's Authority to Purchase Its Own Shares**
Purpose:

To authorise the Company to re-purchase its own shares within the parameters of the Companies Act.

Proposal:

That :

9.1 The Company be and is generally and unconditionally authorised pursuant to Article 3.4 of the Articles and in accordance with article 106 of the Companies Act to make market purchases of its own ordinary shares, including depository interests relating to such ordinary shares (the "Ordinary Shares") on such terms and in such manner as the Directors shall determine, provided that:

9.1.1 the Ordinary Shares to be purchased are fully paid up;

9.1.2 the maximum aggregate nominal value of Ordinary Shares authorised to be purchased is €6,238,726, representing as at the date of this notice, 8,208,850 Ordinary Shares;

9.1.3 the maximum price which may be paid for each Ordinary Share shall be 5 per cent. above the average of the middle market quotations for an Ordinary Share on the exchange on which the Ordinary Shares are purchased for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

9.1.4 the minimum price which may be paid for each Ordinary Share shall be one euro cent;

9.1.5 all conditions and limitations imposed by the Companies Act are adhered to

9.2 This authority (unless previously revoked, varied or renewed) shall expire on 30 September 2015 or, if sooner, at the end of the annual general meeting of the Company to be held in 2015 except that in relation to any offers or promises for the purchase of Ordinary Shares made before such date, the contract in relation to such acquisitions may be executed wholly or partly after such date as if such authority has not expired.

Resolutions 1 to 7 are ordinary resolutions. Resolutions 8 to 9 are extraordinary resolutions.

The quorum requirement in relation to all Resolutions is at least two Members present or represented at the Annual General Meeting. If the Annual General Meeting is not quorate, it can be adjourned to a date not less than seven and not more than 30 days after the Annual General Meeting as the chairman shall determine.

Ordinary resolutions may be passed at the Annual General Meeting by a member or members holding more than 50% of the voting rights attached to shares represented and entitled to vote at the meeting.

Extraordinary resolutions require:

- a 75% majority by nominal value of the shares represented at the Annual General Meeting and entitled to vote thereat; and
- a majority vote of at least 51% in nominal value of all the shares entitled to vote at the Annual General Meeting.

If one but not both of the majorities for an extraordinary resolution is met, a second meeting may be convened within 30 days to take another vote. At the said second meeting, either one of the following majorities will suffice:

- 75% majority by nominal value of the shares represented and entitled to vote at the second meeting; or
- a simple majority in nominal value where more than half in nominal value of all of the shares entitled to vote are represented at the meeting.

By order of the Board

Laetitia Lefevre
Company Secretary
15 May 2014

Notes:

1. This notice of Annual General Meeting is being mailed to the Members on the Register of Members of the Company as at Friday, 9 May 2014. Members registered on the Register of Members as at Friday, 20 June 2014 (the "Record Date") shall have the right to participate and vote at the Annual General Meeting. Accordingly, the last day to trade for Shareholders on the South African sub-register in order to be able to participate and vote at the meeting is Thursday, 12 June 2014. Any change to an entry on the Register after the Record Date shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

2. A member entitled to attend and vote may appoint a proxy to attend and vote instead of him/her using the enclosed Form of Proxy; the appointed proxy need not be a member.

3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu. In either case by no later than 28 June 2014 at 10h00 (CEST). In order to assist shareholders:

   a certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Stock Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 25 June 2014 at 10h00 (SAST); and

   b certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 27 June 2014 at 09h00 (BST),

   so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 28 June 2014 at 10h00 (CEST).

4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 25 June 2014 at 10h00 (SAST).

5. Holders of Depository Interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 25 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on 25 June 2014.

6. Please indicate in the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy.

   Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

7. A Form of Proxy which may be used to appoint a proxy and give proxy directions accompanies this Notice of Annual General Meeting. If you are a shareholder on the AIM sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Asset Services on 0871 664 0300 or from overseas +44 208 639 3399. Calls cost 10p per minute plus network charges, lines are open 08h30 – 17h30 (BST) Monday – Friday. If you are a shareholder on the South African sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Link Market Services South Africa (Pty) Limited on +2711 713 0800, lines are open 08h30 – 16h30 (SAST) Monday – Friday.

8. In order to participate and vote at the Annual General Meeting, a Member being a body corporate, association of persons, foundation or other body of persons, a representative thereof will only be eligible to attend and be admitted

to the Annual General Meeting, and to vote thereat, if a Form of Proxy has been (a) duly executed in his/her favour by the competent organ of the entity Notice of Annual General Meeting continued which he/she represents, and (b) submitted to the Company Secretary in accordance with the procedures set out at notes 3, 4 or 5 above, as the case may be.

9. Any one of the joint holders of any share for the time being conferring a right to vote may vote either personally or by proxy at any meeting in respect of such share as if he were the sole holder, provided that if more than one of the joint holders is present at any meeting, either personally or by proxy, the person whose name stands first in the register as one of such holders, and no other, shall be entitled to vote in respect of the share.

10. Admission to the Annual General Meeting will commence one hour before the advertised and appointed time.

11. After the Annual General Meeting has proceeded to business, voting documents will continue to be issued until such time as the Annual General Meeting proceeds to vote on the first Resolution of the Agenda whether by show of hands or by poll. Thereafter no further voting documents will be issued and admittance to the Annual General Meeting will be discontinued.

12. The following information is also made available to the Members on the Blackstar Group SE website (www.blackstar.eu) located at Publications, 2014 AGM Documents section:

    (a) a copy of this Notice of Annual General Meeting;

    (b) the total number of shares and voting rights at the date of the Notice of Annual General Meeting;

    (c) the documents to be submitted to the Annual General Meeting; and

    (d) the form of proxy for the Annual General Meeting.

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Form of Proxy

BLACKSTAR GROUP SE

(Incorporated in Malta under the Companies Act 1995 with registration number SE4 and registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta)

FORM OF PROXY

For use by registered shareholders at the Annual General Meeting to be held in 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 30 June 2014 at 10h00 (CEST)

Please read the Notice of Annual General Meeting (attached as Part 3 of this documennt) and the explanatory notes below before completing this form.

HOLDERS OF DEPOSITORY INSTRUMENTS SHOULD COMPLETE THE FORM OF DIRECTION IN PART 5 AND SHOULD NOT COMPLETE THIS FORM OF PROXY.

I/We ....

(Please insert full name in block capitals)

of..

(Please insert address in block capitals)

being (a) member(s) of Blackstar Group SE (the ''Company''), hereby appoint the Chairman of the Annual General Meeting,

or .... (see Note 1)

as my/our proxy in relation to all/ .... of my/our shares, to attend and vote for me/us at the Annual General Meeting of the Company to be held on 30 June 2014 at 10h00 (CEST) and at any adjournment of that meeting. I/We direct the proxy to vote in relation to the resolutions referred to below as follows:

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made ☐

For the appointment of one or more proxy see Note 1.

	Resolutions	**For**	**Against**
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2013 and to the consolidated accounts for the Group for the year ended 31 December 2013.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2013.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2013.		
4	To re-elect John Mills as a director of the Company.		
5	To re-elect Andrew Bonamour as a director of the Company.		
6	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
7	To grant the Directors authority to allot and issue shares.		
8	To dis-apply statutory pre-emption rights on the issue of shares.		
9	To authorise the Company to purchase its own shares.		

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting.

Please indicate below whether or not you intend to be present at the meeting. This information is sought for administrative purposes only and will not affect your right to attend the meeting, notwithstanding any indication to the contrary.

I will be attending the Annual General Meeting ☐ I will not be attending the Annual General Meeting ☐

Signature .... Date 2014

Form of Proxy continued

Notes:

1. To appoint as a proxy a person other than the Chairman of the Annual General Meeting insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:

   (a) To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.

   (b) To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'the Chairman of the Annual General Meeting (or)' and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.

   (c) To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Annual General Meeting'. All forms must be signed and should be returned together in the same envelope.

2. If no voting indication is given, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.

3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu in either case by no later than 28 June 2014 at 10h00 (CEST). In order to assist shareholders:

   (a) certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Securities Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 25 June 2014 at 10h00 (SAST); and

   (b) certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 27 June 2014 at 09h00 (BST) as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 28 June 2014 at 10h00 (CEST).

4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 25 June 2014 at 10h00 (SAST).

5. Holders of Depositary Interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 25 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on 25 June 2014.

6. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.

7. The Form of Proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.

8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the Annual General Meeting should you subsequently decide to do so.

BLACKSTAR GROUP SE

(registered in Malta with registered number SE4)

4th Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta (the "Company")

FORM OF DIRECTION

Form of Direction for completion by holders of Depository Interests representing shares on a one for one basis in the Company in respect of the Annual General Meeting of the Company to be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 30 June 2014 at 10h00 CET.

This Form of Direction is for use by holders of Depository Interests issued by Capita IRG Trustees Limited only.

Capitalised terms which are used in this Form of Direction but which are not defined shall have the meaning attributed thereto in the Notice of Annual General Meeting dated 15 May 2014.

I/We ....

of..

(Please insert full name(s) and address(es) in BLOCK CAPITALS)

being a holder of Depository Interests representing shares in the Company hereby instruct Capita IRG Trustees Limited (the "**Depository**"), to vote for me/us and on my/our behalf in person or by proxy at the 2014 Annual General Meeting of the Company to be held on the above date (and at any adjournment thereof) as directed by an X in the spaces below.

Please indicate with an "X" in the spaces below how you wish your vote to be cast. If no indication is given, you will be deemed as instructing the Depository to abstain from voting on the specified resolution.

	Resolutions	**For**	**Against**
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2013 and to the consolidated accounts for the Group for the year ended 31 December 2013.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2013.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2013.		
4	To re-elect John Mills as a director of the Company.		
5	To re-elect Andrew Bonamour as a director of the Company.		
6	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
7	To grant the Directors authority to allot and issue shares.		
8	To dis-apply statutory pre-emption rights on the issue of shares		
9	To authorise the Company to purchase its own shares		

Signature .... Date 2014

Form of Direction continued

Notes:

1. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 25 June 2014 at 09h00 (GMT) or 72 hours before the time appointed for holding any adjourned meeting.
2. Any alterations made to this Form of Direction should be initialled.
3. In the case of a corporation this Form of Direction should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. Please indicate how you wish your votes to be cast by placing “X” in the box provided. On receipt of this form duly signed, you will be deemed to have authorised the Depository to vote, or to abstain from voting, as per your instructions.
5. Depository Interests held in uncertified form (i.e. in CREST), representing shares on a one for one basis in the Company, may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. The CREST message must be received by the issuer’s agent RA10 by 09h00 (GMT) on 25 June 2014.
6. The Depository will appoint the Chairman of the Annual General Meeting as its proxy to cast your votes. The Chairman may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the Annual General Meeting.
7. Depository Interest holders wishing to attend the Annual General Meeting should contact the Depository at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by e-mail at custodymgt@capita.co.uk by no later than 23 June 2014 at 09h00 (GMT) or seven days before the time appointed for holding any adjourned meeting.

Blackstar Group SE
4th Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
www.blackstar.eu

BLACKSTAR

Blackstar Group SE
Annual Report and Accounts 2014

Contents

Annual report and accounts 2014

Highlights

- Intrinsic NAV increased by 23.3% over the last financial year to R1.6 billion (in Pounds Sterling an increase of 19.4% to £89.0 million)
- Transaction announced with Tiso Investment Holdings
- Announced acquisition of remaining 67.5% of Times Media Group
- Blackstar to be renamed Tiso Blackstar
- Final dividend declared of 14 cents (0.77 pence) per ordinary share
- Realised Cadiz investment at a return of 39.0%

Director's statement

Overview

2014 was an exceptional year for Blackstar Group SE ("Blackstar" or "the Company" or "the Group"). Not only did the investments and operations performance exceed expectations, but we were also able to arrange two large transactions, which are in the process of being concluded in 2015, that will not only enhance Blackstar's scale and profitability but also put the Group on a new growth path. The acquisition with Tiso Investment Holdings Proprietary Limited (RF) ("TIH") and the acquisition of the remaining 67.5% of Times Media Group Limited ("TMG") that Blackstar doesn't already own, will herald a new era for the new Tiso Blackstar Group.

During the year Blackstar enhanced its cash flow from operations and grew its Intrinsic net asset value ("Intrinsic NAV") by 23.3% from R1.3 billion (£74.6 million) to R1.6 billion (£89.0 million) or R19.29 (£1.07) per share at 31 December 2014. As an Investment Holding Company, it is our belief that one needs to have lean head office costs so we are always mindful of costs. We have been able to lower our overhead costs at the Blackstar head office level.

Blackstar's debt reduced from R175.0 million (£9.8 million) when initially raised in February 2014 to finance an additional 7.3% interest in TMG, to the current R72.7 million (£4.0 million) as at 31 December 2014.

Our steel interests, Stalcor Proprietary Limited ("Stalcor") and Global Roofing Solutions Proprietary Limited ("GRS"), which were merged into one cost effective streamlined business-Consolidated Steel Industries Proprietary Limited ("CSI"), performed way above expectations. GRS in particular is growing nicely into Africa where we now generate close to 40% of the total GRS turnover. CSI has been able to buck the negative trend that most of the South African steel businesses find themselves in. CSI was completely reviewed from top to bottom and as a result has been able to enhance all aspects of the business from cash flows back to Blackstar to better service to our customers.

During the period we also received a total of R59.5 million (£3.3 million) from Robor Proprietary Limited ("Robor") as a result of the management buy-in and a dividend of R3.1 million (£0.2 million). Our interest in Robor also increased from 17.5% to 19.1%.

TMG made up 62.8% of the Blackstar Intrinsic NAV as at 31 December 2014. As announced on 8 December 2014, Blackstar has made an offer to TMG shareholders to purchase their equity in order to make TMG a 100% held subsidiary of Blackstar.

Subsequent to year end, Blackstar realised R36.1 million (£2.0 million) on disposal of its investment in Cadiz Holdings Limited ("Cadiz") thereby successfully generating a return of 39.0% on funds invested.

We continue to grow our property portfolio Blackstar Real Estate Proprietary Limited and the property subsidiaries ("BRE") opportunistically and during the year we added two new properties.

The South African Rand continued to weaken during the current year with the closing ZAR/GBP exchange rate increasing to 18.001 at 31 December 2014 compared to 17.431 at 31 December 2013. As the majority of the Group's assets are based in Rands, this continues to have a significant impact on the Pounds Sterling reported results of the Group. Blackstar manages its currency risk by holding the Group's cash resources in Pounds Sterling and US Dollars.

Investments review

Robor

Robor has experienced a decline in sales in South Africa in almost all market segments and all these reflect the slow economy and the lack of spend on infrastructure projects. Focus areas for growth into the future are in the Energy, Mining (mainly Africa) and Water segments where Robor will become an engineering steel solutions provider. Over the past 12 months exports made up 17% of total revenue and this is forecast to increase going forward.

Post the management buy-in concluded in 2014 Robor has continued to implement its consolidation and restructure initiatives. These are proceeding according to the plan which was to create space for a future investment (relating to enhanced capabilities in tube, pipe and structural steel solutions in growing market segments) and deliver operational cost savings equal to at least the new rental charge.

The Board takes a conservative view on investment valuations and the Group's investment in Robor was valued at R80.0 million (£4.4 million) at year end which is currently less than the Group's share of the tangible net asset value of Robor. Robor generated an EBITDA of R184.1 million (£10.3 million) for their financial year ended 30 September 2014.

CSI
Blackstar merged its steel business interests, Stalcor and GRS, within Stalcor and renamed it Consolidated Steel Industries Proprietary Limited ("CSI").

Aggregate revenue earned by these wholly owned businesses grew during the year by 40.9% to R1.8 billion (£0.1 billion), with an EBITDA increase of 28.7% to over R75.0 million (£4.2 million) during this period.

GRS continued its expansion initiative into Africa. This expansion was funded through cash generated by CSI's operations. GRS now has fully functioning entities in Namibia, Botswana, Zambia, Zimbabwe and Ghana with Mozambique in the process of being established. Direct and indirect sales revenues earned by GRS through this newly established African-network exceeded R340.0 million (£19.0 million), being over one third of GRS's total sales for the year. These revenues contributed significantly to CSI's overall profitability and cash flow.

Blackstar's investment in CSI has increased by R145.0 million (£8.1 million) over the past year to a fair value of R357.0 million (£19.8 million) at 31 December 2014.

TMG
TMG's interims were released on 30 March 2015. Please refer to www.timesmedia.co.za for full results; TMG is a unique asset, with high barriers to entry and good cash flow generation. Its brands are well known. TMG is well positioned and performing above its competitors in the print segment of the market. TMG newspapers are gaining in both circulation and advertising market share. The TMG digital business continues to grow and break new ground.

As referred to in Annexure A, the intrinsic fair value of Blackstar's investment in TMG amounted to R1.0 billion (£55.9 million) at 31 December 2014.

Other equity investments
Blackstar's remaining investments performed to expectations and are earmarked for sale at the right valuation.

Property
During the year we added to our property portfolio by acquiring two commercial properties with long term tenants. BRE now has six commercial properties in South Africa and one in Namibia with a total gross fair value of R193.9 million (£10.8 million) and a value of R71.0 million (£3.9 million) net of third party debt raised to finance the property acquisitions. BRE also started a development on vacant land in an industrial development near the King Shaka airport in KwaZulu-Natal. This development will be completed by May 2015 and we expect to secure tenants in the next few weeks. To date BRE has generated good returns on the capital it has invested in its property portfolio over the last four years.

Our philosophy with our property investments is to leverage the property as much as possible and contribute a sliver of equity secured by a solid long-term tenant.

As at 31 December 2014, the fair value of Blackstar's investment in BRE, included in the Intrinsic NAV (refer to Annexure A), amounted to R65.3 million (£3.6 million).

Financial review
Blackstar is considered to be an Investment Entity and therefore measures its investments, including certain subsidiaries and associates, at fair value through profit and loss as opposed to consolidating and equity accounting. The following subsidiaries, which provide services that relate to the Company's own investment activities, continue to be consolidated: Blackstar Cyprus (Investors) Limited ("Blackstar Cyprus"); Blackstar Group Proprietary Limited ("Blackstar SA"); and Blackstar Fund Managers Proprietary Limited ("BFM").

As a result of this accounting treatment, the Blackstar consolidated balance sheet is more closely aligned with the Intrinsic NAV of the Group than it would be under the traditional equity accounting model. The Intrinsic NAV provides shareholders with an analysis of the inherent value of each investment held as at year end. References to the Intrinsic NAV are made based on the 31 December 2014 Intrinsic NAV as included in Annexure A.

As at 31 December 2014, the reported Intrinsic NAV amounted to R1.6 billion (£89.0 million) compared to the reported NAV per the Blackstar consolidated balance sheet of R1.5 billion (£80.6 million), a difference of R152.3 million (£8.5 million) which is mainly attributable to the differing share price used to value Blackstar's investment in TMG. In calculating the Intrinsic NAV, Blackstar's investment in TMG has been valued based on a price of R24.50 per share. This represents the value ascribed to TMG shares per the Scheme of Arrangement (as detailed within both the Blackstar and TMG circulars), which differed from the closing, quoted share price of TMG shares at 31 December 2014 of R21.00 per share. In accordance with the requirements of EU IFRS which specifically states that in all cases if there is a quoted price in an active market for an asset or a liability an entity shall use that price without adjustment when measuring fair value, the carrying value of the TMG investment included in the consolidated balance sheet is determined using the closing quoted share price of R21.00.

Income for the year ended 31 December 2014 amounted to R245.3 million (£13.7 million) which includes the following: R38.3 million (£2.1 million) generated from investments in the form of performance and monitoring fees, dividends and interest income; R204.7 million (£11.5 million) net gains on investments; and R2.3 million (£0.1 million) net foreign exchange gains.

The net gains on investments comprises of realised gains on disposals of R2.8 million (£0.2 million) and unrealised fair value gains of R201.9 million (£11.3 million). Unrealised gains mainly include a fair value gain of R165.0 million (£9.2 million) recognised on the net investment in CSI, and a gain of R27.4 million (£1.5 million) arising on the investment in Robor.

Operating expenses amounted to R92.2 million (£5.2 million) which includes amongst others the day-to-day operational expenses incurred to run Blackstar and its consolidated subsidiaries, the long term Management Incentive Scheme awards expense, as well as deal specific and other non-recurring costs incurred. The increase from R76.5 million (£5.1 million) in the prior year can be attributed to the higher long term Management Incentive Scheme award which is calculated based on the growth in the Blackstar Intrinsic NAV.

For the current financial year, operational costs to run the daily Blackstar operations amounted to 1.5% of the reported net asset value ("NAV") per the consolidated balance sheet as at 31 December 2014 which is lower than the prior year's reported figure of 1.7% of balance sheet NAV as at 31 December 2013. Operational costs are closely monitored and action is taken wherever possible to cut any excess expenditure in order to improve the profitability of the Group.

Finance costs increased by R5.4 million (£0.3 million) when compared to the prior year mainly as a result of the interest cost arising on the access facility raised to acquire further TMG shares. The on-going finance costs for this facility have reduced significantly since drawdown due to the fact that 58.5% of the debt was repaid during the 2014 financial year.

Total equity attributable to equity holders of the parent amounted to R1.5 billion as at 31 December 2014, an 11.3%, or R146.8 million increase since 31 December 2013. The same figures in Pounds Sterling only reflected an increase of 7.7%, or £5.8 million, to £80.6 million at 31 December 2014 which can be attributed to the fact that the Rand weakened during the reporting period.

Total assets increased from R1.3 billion (£75.7 million) as at 31 December 2013 to R1.5 billion (£85.9 million) as at 31 December 2014 mainly as a result of the new investment in TMG, growth in this underlying investment, and an increase in the fair value of CSI and Robor during the current financial year.

An access facility was opened with Rand Merchant Bank to finance R175.0 million (£9.8 million) of the TMG share purchases made in the first quarter of 2014. By year end, Blackstar had already reduced the outstanding debt to R72.7 million (£4.0 million). The debt repayments were largely funded by the proceeds received from Robor and dividends received from TMG. The debt is interest bearing with interest repayable quarterly and a bullet capital repayment in 2017. On implementation of the TMG and Kagiso Tiso Holdings Proprietary ("KTH") acquisitions, the access facility will be settled and be replaced by the new debt raised to finance these acquisitions.

Cash and cash equivalents declined by R59.9 million (£3.4 million) during the current financial year to an amount of R63.0 million (£3.5 million). Significant cash flow movements during the year included a R242.5 million (£13.6 million) cash outflow as a result of investment activity; a R167.8 million (£9.8 million) cash inflow on realisation of investments including repayments of loan receivables; a R72.7 million (£4.0 million) cash inflow from the access facility net of repayments; a R20.4 million (£1.1 million) cash outflow on treasury share purchases; and R18.5 million (£1.0 million) paid out in cash dividends to shareholders.

Dividend

Given the strong performance of the Company, the Board has resolved to declare a final gross dividend of 14 South African cents (1.08 cents in Euros and 0.77 pence in Pounds Sterling) per ordinary share for the year ended 31 December 2014.

The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Tuesday, 21 April 2015 of EUR 1 = ZAR 13.013 and GBP 1 = ZAR 18.094.

The final dividend will be paid in accordance with the salient dates and times set out below:

Last day to trade on the South African register	Friday, 8 May 2015
Trading ex-dividend commences on the South African register	Monday, 11 May 2015
Last day to trade on the UK register	Wednesday, 13 May 2015
Trading ex-dividend commences on the UK register	Thursday, 14 May 2015
Record date for shareholders recorded on the UK and South African registers	Friday, 15 May 2015
Date of payment	Monday, 8 June 2015

Share certificates may not be dematerialised or rematerialised between Monday, 11 May 2015 and Friday, 15 May 2015, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend tax will be withheld from the amount of the gross dividend of 14 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the dividend tax has been withheld, the net dividend will be 11.9 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 81,296,942 shares in issue at the date on which the dividend was announced, Friday, 24 April 2015. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend.

Tiso Blackstar Group – Outlook

At the General Meeting of the Company on 23 March 2015, Blackstar shareholders approved resolutions of the acquisition of the shares not already owned in TMG and the acquisition of 22.9% of KTH from TIH and the Tiso Foundation Charitable Trust ("Tiso Foundation") (the "Acquisitions"). The Acquisitions will substantially increase Blackstar's scale and Intrinsic NAV to approximately R4.5 billion (£251.8 million) without materially adding to the head office costs of the Group (refer to Annexure B). Annexure B includes the 31 December 2014 Intrinsic NAV adjusted for the impact of the Acquisitions as if they had been completed on that date. This Annexure is a useful tool which can be used by shareholders and potential investors to assess the impact the Acquisitions have and to assist them in determining the estimated NAV of the Company post implementation of the Acquisitions.

The TMG Scheme Meeting and General Meeting were held on 30 March 2015 and all resolutions were passed by the requisite majority of TMG shareholders. The implementation of the Acquisitions remains subject to the fulfilment (or waiver where applicable) of the outstanding conditions and terms envisaged as detailed in both the TMG Scheme Circular and Blackstar Circular.

The new combined group called Tiso Blackstar, will have a London office and focus on Pan-African investment opportunities to benefit from the long term demographic trends that will grow Africa's economies over the next decades. The underlying, market-leading assets of Tiso Blackstar, predominantly based in South Africa, give the Company a solid foundation for its growth aspirations as it seeks to become the capital partner of choice to businesses growing in Africa.

These Acquisitions will set the platform for Tiso Blackstar's next exciting growth path and will bring in the skills of our new partners Nkululeko Sowazi and David Adomakoh, who together with the Tiso Foundation will become the largest shareholders of Tiso Blackstar.

KTH is one of South Africa's successful investment companies to emerge from Black Economic Empowerment ("BEE") beginnings. KTH has a solid asset base with good cash flow generation. Many of their BEE type investments are now reaching maturity.

KTH's investee entities include market leaders in key sectors including, amongst others, media, resources, infrastructure, power and financial services and include a mix of both listed and private investments. KTH's main investments which make up 77.3% of their NAV are as follows:

- *Kagiso Media Proprietary Limited ("KML")* – 100% shareholding. KML has interests in substantial media assets including East Coast Radio and Jacaranda FM.
- *MMI Holdings Limited ("MMI")* – 7.1% shareholding. MMI is a South African based financial services group listed on the JSE. Its core businesses are long and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits.
- *Actom Proprietary Limited ("Actom")* – 18.6% shareholding. Actom is the largest manufacturer,

repairer and distributor of electro-mechanical equipment and turnkey solutions in Southern Africa.

- *Exxaro Resources Limited ("Exxaro")* – 4.2% shareholding owned through a BEE structure. Exxaro is a South African-based mining group, listed on the JSE with a diverse and world-class commodity portfolio in coal, mineral sands, base metals and industrial minerals, including exposure to iron ore. As the second-largest South African coal producer with capacity of 45 million tonnes per annum and the third-largest global producer of mineral sands, Exxaro is a significant participant in the coal and mineral sands markets and provides a unique listed investment opportunity into these commodities.

- *Idwala Industrial Holdings Proprietary Limited ("Idwala")* – 30.5% shareholding. Idwala is a company focused on mining, processing, distribution and sales of lime and industrial minerals. It exploits a scarce and unique white calcitic and dolomitic limestone deposit in the Port Shepstone area of KwaZulu-Natal.

The Company's shares are currently suspended on AIM and the JSE. An announcement shall be made within the next few days as to the timelines of when the suspension from AIM and the JSE shall be lifted.

Andrew Bonamour
Non-executive Director
24 April 2015

Annexure A

Intrinsic NAV as at 31 December 2014

	Unaudited 31 December 2014 R'000	Unaudited 31 December 2014 £'000
Times Media Group Limited	1,006,381	55,908
Consolidated Steel Industries Proprietary Limited	357,000	19,833
Robor Proprietary Limited	80,000	4,444
Blackstar Real Estate Proprietary Limited and the property subsidiaries	65,324	3,629
Blackstar Special Opportunities Fund	49,014	2,723
Cadiz Holdings Limited	20,813	1,156
Other listed investments	22,634	1,257
Other unlisted investments	24,605	1,367
Net assets of consolidated companies	5,590	311
Cash and cash equivalents	44,050	2,447
Access facility	(72,673)	(4,037)
Intrinsic NAV	**1,602,738**	**89,038**
Actual number of shares in issue net of treasury shares held ('000)	83,099	83,099
Intrinsic NAV per share (in Rands/Pounds Sterling)	19.29	1.07
Ordinary share price on 31 December 2014 (in Rands/Pounds Sterling)	11.85	0.67
Ordinary share price discount to Intrinsic NAV	39%	38%

Notes:

1. The Intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.
2. For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges (other than TMG) are valued using quoted bid prices and unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them. The investment in TMG is calculated based on a share price of R24.50 per share representing the value ascribed to a TMG share per the Scheme of Arrangement.
3. All amounts have been translated using the closing exchange rates at 31 December 2014. The ZAR/GBP closing exchange rate at 31 December 2014 was 18.001.
4. Other unlisted include investments in Blackstar Fund Managers Proprietary Limited, Navigare Securities Proprietary Limited, New Bond Capital Limited and the loan to CCPA Properties Proprietary Limited.
5. The ordinary share price is the actual share price reflected on the JSE and the London Stock Exchange ("LSE") at 31 December 2014, being the closing share price on 8 December 2014 when the share was suspended from trade.

Annexure B

Adjusted Intrinsic NAV as at 31 December 2014 post the Acquisitions

Annexure B includes the 31 December 2014 Intrinsic NAV adjustment to incorporate the Acquisitions as if they had been completed on that date, reflecting both the investment in TMG and KTH at fair value. This can be used by Shareholders in assessing the impact of these Acquisitions and in determining the estimated Blackstar Intrinsic NAV post implementation of the Acquisitions.

	Unaudited 31 December 2014 R'000	Unaudited 31 December 2014 £'000
Times Media Group Limited*	2,598,525	144,357
Kagiso Tiso Holdings Proprietary Limited^	1,858,977	103,272
Consolidated Steel Industries Proprietary Limited	357,000	19,833
Robor Proprietary Limited	80,000	4,444
Blackstar Real Estate Proprietary Limited and the property subsidiaries	65,324	3,629
Blackstar Special Opportunities Fund	49,014	2,723
Cadiz Holdings Limited	20,813	1,156
Other listed investments	22,634	1,257
Other unlisted investments	24,605	1,367
Net assets of consolidated companies	5,590	311
Cash and cash equivalents	10,315	573
Term debt	(559,750)	(31,096)
Access facility	–	–
Intrinsic NAV	**4,533,047**	**251,826**
Actual number of shares in issue net of treasury shares held ('000)	266,660	266,660
Intrinsic NAV per share (in Rands/Pounds Sterling)	17.00	0.94
Ordinary share price on 31 December 2014 (in Rands/Pounds Sterling)	11.85	0.67
Ordinary share price discount to Adjusted Intrinsic NAV	30%	29%

Notes:

* The investment in TMG has been reflected at fair value calculated based on a share price of R24.50 per share representing the value ascribed to a TMG share per the TMG Scheme.

^ The fair value of the investment in KTH has been determined based on the most recent available KTH Intrinsic NAV. A discount of 16.5% has been applied to the KTH Intrinsic NAV to take into account head office costs and potential CGT liability on assets that may be realised.

1. The Intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.
2. For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges (other than TMG) are valued using quoted bid prices and unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them.
3. All amounts have been translated using the closing exchange rates at 31 December 2014. The ZAR/GBP closing exchange rate at 31 December 2014 was 18.001.
4. Other unlisted include investments in Blackstar Fund Managers Proprietary Limited, Navigare Securities Proprietary Limited, New Bond Capital Limited and the loan to CCPA Properties Proprietary Limited.
5. The ordinary share price is the actual share price reflected on the JSE and the LSE at 31 December 2014, being the closing share price on 8 December 2014 when the share was suspended from trade.

Directors' report

The Directors present their report for Blackstar Group SE (registered number SE4) together with the audited financial statements for the year ended 31 December 2014.

Results and dividends
The consolidated statement of comprehensive income as set out on page 17 reflects the profit for the year.

The Board declared an interim gross dividend of 9 South African cents (0.63 cents in Euros and 0.49 pence in Pounds Sterling) per ordinary share which was paid on 10 November 2014. Given the Company's strong performance, a final gross dividend of 14 South African cents (1.08 cents in Euros and 0.77 pence in Pounds Sterling) per ordinary share was declared and will be paid on 8 June 2015.

Principal activities, business review and future developments
Blackstar Group SE ("the Company") was incorporated in England and Wales and has its registered office and principal place of business at 3rd Floor Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta.

Through two capital raisings in 2006, the Company successfully raised an aggregate of £80 million (before expenses) on the London Stock Exchange (AIM) to pursue its investing strategy and objectives and engaged BML Limited ("BML"), an offshore management company, to assist with sourcing, evaluating and assessing potential investment opportunities.

In June 2009, the Company concluded the internalisation of its investment advisory arrangements with BML, including the acquisition of Blackstar Fund Managers Proprietary Limited, which subsequently changed its name to Blackstar Group Proprietary Limited ("Blackstar SA"). In acquiring Blackstar SA, the Company secured the services and the intellectual capital of the Blackstar SA team and the ability of the business to generate value for the Group.

In June 2011, the Company converted into a Societas Europaea or European public limited liability company.

In August 2011, the Company completed a secondary listing on the AltX of the JSE Limited. The Company raised R100 million through the issue of new shares to South African investors as part of the secondary listing process.

In February 2012, Shareholders approved the transfer of the Company's registered office from the United Kingdom to Malta. The transfer was effective by the second quarter of 2012.

The Company is an investment company, and its principal activities during the year (as well as that of its Cyprus subsidiary) were to participate in investment opportunities with a particular focus on South Africa and Sub-Saharan Africa.

The Company has a 100% interest in Blackstar Real Estate Proprietary Limited ("BRE"), a property company, which explores opportunities in the property sector.

The Company has a 100% interest in Consolidated Steel Industries Proprietary Limited ("CSI") (previously Stalcor Proprietary Limited ("Stalcor")) which comprises of Stalcor, which is a processor, distributor and stockist of stainless steel and aluminium, and its wholly owned subsidiary Global Roofing Solutions Proprietary Limited ("GRS"), which is a manufacturer and supplier of steel roofing and cladding.

The Company has a 66.0% controlling interest in Blackstar Fund Managers Proprietary Limited ("BFM"), which is a hedge fund management business and responsible for managing the Blackstar Special Opportunities Fund ("BSOF"), a limited partnership also considered to be under the control of the Company. The Company holds a 16.7% beneficial stake in BSOF as at 31 December 2014.

The Company has a 32.5% significant interest in Times Media Group Limited ("TMG") which is a South African based media company.

The requirements of the business review have been included in the Director's statement as set out on pages 3 to 9.

Principal risks and uncertainties
The key principal risks and uncertainties of the Group going forward, including details on the manner in which these risks are monitored and managed, are described in note 26 to the consolidated financial statements. This note also provides a detailed analysis described by segment of the financial risks affecting the Group and the management thereof.

The Group's overall risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying businesses maintaining an entrepreneurial focus. The risks within the underlying trading businesses are managed by their local management teams who are responsible for their own operations.

The Board of Directors ensure that the investee companies in which the Company has a controlling or significant interest (i.e. subsidiaries and associates) are well staffed with strong and experienced management teams who are responsible for designing, implementing and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately. In most cases, for all investments, Blackstar will have one or more directors appointed to the investee company's Board thereby assisting in monitoring the investment performance.

Foreign exchange risk arises because the Group makes investments in currencies which differ from its functional currency (Rands) and presentational currencies (Pounds Sterling and Rands). The Board of Directors meet at least on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Market price risk arises because the Group's listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies, and in the case of listed investments uncertainties about future prices. The Board of Directors meet at least quarterly to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Investment policy
The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses. Whilst not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in Southern Africa, with a particular focus on South Africa. Investments outside Southern Africa will be considered where the Board believes the opportunities are particularly attractive. The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

The investee companies are run on a decentralised manner with local management maintaining an entrepreneurial focus and being responsible for their own operations. The Company usually seeks to be actively involved in setting the strategy of the investee companies and acts as an allocator of capital and resources but usually do not take day-to-day responsibility for the management of investee companies.

The Company is a long term investor and the Board places no limit on the length of time that any portfolio investment may be held. The Board considers, on a case by case basis, the optimum exit strategy for each portfolio investment.

The Company expects to only hold a small number of portfolio investments at any one time. However, there is no minimum or maximum number of investments that the Company can hold at any one time, nor are there any maximum exposure limits per portfolio investment.

The Company finances its portfolio investments out of its own cash resources and utilises third party debt funding as appropriate. In addition, investee companies may themselves have gearing. There is no maximum gearing level for either the Company or on a Group basis. However the Directors will review the level of gearing in the Group on a regular basis.

Save as set out above, the Company does not have any investment restrictions.

Corporate Governance

The Board and its committees are responsible for maintaining a high standard of corporate governance and for ensuring that the Group's business is conducted with integrity and in an ethical manner.

The Board ensures that the Group complies with all relevant laws and regulations and ensures that the Group maintains effective operating systems and controls and a robust and informed investment approval process.

The Board has access to complete, accurate and timeous information in order to fulfil its responsibilities and is assisted by the following committees:

Audit Committee

Marcel Ernzer is the Chairman of the Audit Committee. John Mills and Andrew Bonamour are also members of the Audit Committee. The Audit Committee provides a forum for reporting by the Company's external auditors and is responsible for reviewing a wide range of matters, including interim and annual results and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders.

Remuneration Committee

The Remuneration Committee is chaired by John Mills and comprises Andrew Bonamour and Marcel Ernzer. The Remuneration Committee will set the remuneration levels for the Directors having regard to market conditions and also ensure appropriate incentive schemes are in place for management.

Nominations Committee

The Nominations Committee is chaired by Marcel Ernzer and comprises John Mills and Andrew Bonamour. The Nominations Committee deals with new appointments to the Board.

All material matters were reported to the Board of Directors which had five meetings during the year.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' statement on pages 3 to 9. In addition, notes 26 and 28 to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital and its financial risk management objectives and procedures respectively.

The Board of Directors believe that the Group is well placed to manage its business risks successfully. The Board of Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Purchase of treasury shares

The Group purchased 1,735,000 (2013: 8,027,949) Blackstar shares on the open market during the year which were held in treasury. Treasury shares issued during the 2014 financial year include shares awarded under the shareholder-approved long term Management Incentive Scheme (refer note 33). The 791,558 treasury shares held at year end have been set aside for issue in 2015 as an award under the long term Management Incentive Scheme (refer note 33 for further details).

Post balance sheet events

These are detailed in note 35 to the consolidated financial statements.

Charitable and political contributions

During the year, no charitable or political contributions were made.

Financial instruments – risk management

Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 26 to the consolidated financial statements.

Directors

The current Directors (all of which are Non-executive Directors) of the Company and Management of Blackstar had the following beneficial interests in the ordinary share capital of the Company as at the date of this report:

	Number of ordinary shares 2014	Number of ordinary shares 2013
Non-executive Directors of the Company		
Andrew Bonamour* ^	**8,748,328**	8,193,180
John Mills	**761,328**	761,328
Marcel Ernzer	**—**	—
Richard Wight	**—**	—
Management of Blackstar# ^	**8,794,416**	14,603,767
Total	**18,304,072**	23,558,275

Notes:

* These shares are held by funds associated with Andrew Bonamour

\# Excludes shares held by Directors of the Company (and their associated funds) reflected within the table

^ Includes shares approved for issue by the Board under the long term Management Incentive Scheme

No Director has options to purchase shares in the Company.

No Director has any direct interest in the shares of any of the subsidiary companies.

Qualifying professional liability insurance for the benefit of the Directors was in force during the financial year and at the date of this report.

Biographical details of all current Directors are to be found within the Directorate on page 15.

Directors' responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Directors are required by the Malta Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company at the end of each financial period and of the Group's profit and loss for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM and the AltX of the JSE Limited.

In preparing the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Companies Act, 1995. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

Auditors
BDO Malta were appointed as auditors to the Company in January 2013 following the transfer of the Company's registered office to Malta. A resolution to confirm their appointment will be proposed at the annual general meeting.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

John Mills
Non-executive Director
24 April 2015

Andrew Bonamour
Non-executive Director

Directorate

John Broadhurst Mills, Non-executive Chairman
John Mills, a qualified solicitor, is currently a director of Maitland Luxembourg SA and for more than 15 years has been a principal in the Maitland Group. He acts as a director for a number of private and public companies and investment funds, both regulated and unregulated. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through a variety of international investment vehicles.

Andrew David Bonamour, Non-executive Director
Andrew is the founder of Blackstar and the chief executive officer ("CEO") of Blackstar SA and TMG. Andrew previously worked at Brait SA Limited ("Brait") where he held positions in investment banking, principal investment divisions and corporate finance. At Brait, Andrew originated and played a lead role in a variety of transactions ranging from leveraged buyouts, mergers and acquisitions, capital replacements and restructurings. Andrew has an in depth knowledge of, and experience in, corporate finance, private equity and investment banking. Andrew holds a Bachelor of Commerce. Andrew is also a director of several listed and unlisted companies.

Marcel Ernzer, Non-executive Director
Marcel Ernzer is an independent consultant within the financial sector. He was an auditor and later a consultant with Price Waterhouse Luxembourg from 1982 to 1986. From 1987 to 1996, he was responsible for setting-up and managing Unico Financial Services, a PSF in Luxembourg, owned by Credit Agricole, DZ Bank, Rabobank, RZB Austria, Cera Bank (later KBC) and Okobank. He is currently a director of Insinger de Beaufort Holdings S.A., Camera di Commercio Italo-Lussemburghese, Pro Fonds (Lux) Sicav and certain family owned commercial companies including Tetrabat, Taxirent and FAS. Over the previous years he was a director of several financial services companies including Corporate Management Services owned by Commercial Union, EEK Invest owned by Evangelische Kreditgenossenschaft, Piac owned by RZB Austria, UKB owned by Kokusai Securities and Witherthur Financial Services owned by Winterthur. He was also a director of several investment funds and was serving on the board of ALFI, the Association of the Luxembourg Fund Industry until 1998.

Richard Thomson Wight, Non-executive Director
Richard Wight has over 30 years experience in financial services. He started his career trading fixed income for Kidder Peabody, Bank of America and SG Warburg, before running capital protected funds for Credit Suisse PrivateBank and traded futures and equities for a privately held hedge fund. He resides in Malta, holds both American and Maltese citizenship and acts as the local non-executive director and investment committee member for several Malta-based financial entities. He is a graduate of Cornell University.

Independent auditors' report

Independent auditors' report to the shareholders of Blackstar Group SE

We have audited the accompanying Group and Parent Company financial statements (the "financial statements") of Blackstar Group SE set out on pages 17 to 83 which comprise the consolidated and parent company statements of financial position at 31 December 2014 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, and the consolidated and parent company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

As described on page 14, the directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about whether the financial statements are free of 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 auditors' 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 auditors consider internal controls relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2014 and of the Group's financial performance and Group and Company's cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the provisions of the Malta Companies Act, 1995.

Report on other legal and regulatory requirements

We also have responsibilities under the Malta Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

BDO MALTA
Certified Public Accountants
24 April 2015

Consolidated statement of comprehensive income
for the year ended 31 December 2014

2013 R'000	2014 R'000		Notes	2014 £'000	2013 £'000
261,025	**245,289**	Income	4	**13,737**	17,287
(76,541)	**(92,172)**	Operating expenses	5	**(5,162)**	(5,070)
184,484	**153,117**	**Operating profit**	6	**8,575**	12,217
(208)	**(7,266)**	Net finance costs	8	**(407)**	(14)
3,156	**1,458**	Finance income		**82**	209
(3,364)	**(8,724)**	Finance costs		**(489)**	(223)
184,276	**145,851**	**Profit before taxation**		**8,168**	12,203
222	**137**	Taxation	9	**8**	15
184,498	**145,988**	**Profit for the year**		**8,176**	12,218
		Other comprehensive income/(loss) – items that may subsequently be reclassified to profit and loss:			
—	—	Currency translation differences on the translation of Rand denominated Group entities		**(2,431)**	(20,297)
—	—	Release of foreign currency translation reserve		**—**	1,425
—	—	**Total other comprehensive loss recognised directly in equity**		**(2,431)**	(18,872)
184,498	**145,988**	**Total comprehensive income/(loss) for the year**		**5,745**	(6,654)
		Profit for the year attributable to:			
183,857	**146,584**	Equity holders of the parent		**8,210**	12,175
641	**(596)**	Non controlling interests		**(34)**	43
184,498	**145,988**			**8,176**	12,218
		Total comprehensive income/(loss) attributable to:			
183,857	**146,584**	Equity holders of the parent		**5,779**	(6,697)
641	**(596)**	Non controlling interests		**(34)**	43
184,498	**145,988**			**5,745**	(6,654)
231.34	**181.77**	**Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)**	10	**10.18**	15.32
79,476	**80,642**	**Weighted average number of shares (net of treasury shares, in thousands)**	10	**80,642**	79,476

The notes on pages 22 to 72 form part of the consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Notes	Share capital R'000	Share premium R'000	Capital redemption reserve R'000	Treasury shares reserve R'000	Retained earnings R'000	Attributable to equity holders R'000	Non controlling interests R'000	Total equity R'000
Balance as at 1 January 2013		574,671	22,125	52,173	—	499,956	1,148,925	(294)	1,148,631
Total comprehensive income for the year		—	—	—	—	183,857	183,857	641	184,498
Income for the year		—	—	—	—	183,857	183,857	641	184,498
Other comprehensive income for the year		—	—	—	—	—	—	—	—
Purchase of treasury shares	23	—	—	—	(89,910)	—	(89,910)	—	(89,910)
Effect of share split and consolidation	23	1	(1)	—	(2,499)	—	(2,499)	—	(2,499)
Treasury shares issued to acquire NBC		—	(447)	—	64,347	—	63,900	—	63,900
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	(123)	(123)	18	(105)
Equity settled share based payment	33	—	—	—	—	20,287	20,287	—	20,287
Treasury shares issued during the year as part of the long term Management Incentive Scheme		—	(209)	—	9,214	(9,005)	—	—	—
Dividend paid		—	—	—	—	(20,871)	(20,871)	—	(20,871)
Balance as at 31 December 2013		574,672	21,468	52,173	(18,848)	674,101	1,303,566	365	1,303,931
Total comprehensive income/(loss) for the year		—	—	—	—	146,584	146,584	(596)	145,988
Income/(loss) for the year		—	—	—	—	146,584	146,584	(596)	145,988
Other comprehensive income for the year		—	—	—	—	—	—	—	—
Purchase of treasury shares	23	—	—	—	(20,449)	—	(20,449)	—	(20,449)
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	(175)	(175)	25	(150)
Equity settled share based payment	33	—	—	—	—	32,730	32,730	—	32,730
Treasury shares issued for property acquisition	23	—	240	—	6,360	—	6,600	—	6,600
Treasury shares issued during the year as part of the long term Management Incentive Scheme	23	—	1,435	—	23,653	(25,088)	—	—	—
Dividend paid		—	—	—	—	(18,464)	(18,464)	—	(18,464)
Balance as at 31 December 2014		**574,672**	**23,143**	**52,173**	**(9,284)**	**809,688**	**1,450,392**	**(206)**	**1,450,186**

Consolidated statement of changes in equity continued
for the year ended 31 December 2014

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign Currency Translation Reserve (FCTR) £'000	Retained earnings £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance as at 1 January 2013		55,347	1,974	4,599	—	(6,034)	27,529	83,415	(22)	83,393
Total comprehensive income/(loss) for the year		—	—	—	—	(20,297)	13,600	(6,697)	43	(6,654)
Income for the year		—	—	—	—	—	12,175	12,175	43	12,218
Other comprehensive income/(loss) for the year		—	—	—	—	(20,297)	1,425	(18,872)	—	(18,872)
Purchase of treasury shares	23	—	—	—	(5,955)	—	—	(5,955)	—	(5,955)
Effect of share split and consolidation	23	—	—	—	(166)	—	—	(166)	—	(166)
Treasury shares issued to acquire NBC		—	(30)	—	4,262	—	—	4,232	—	4,232
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	—	(9)	(9)	1	(8)
Equity settled share based payment	33	—	—	—	—	—	1,344	1,344	—	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme		—	(14)	—	611	—	(597)	—	—	—
Dividend paid		—	—	—	—	—	(1,382)	(1,382)	—	(1,382)
Balance as at 31 December 2013		55,347	1,930	4,599	(1,248)	(26,331)	40,485	74,782	22	74,804
Total comprehensive income/(loss) for the year		—	—	—	—	(2,431)	8,210	5,779	(34)	5,745
Income/(loss) for the year		—	—	—	—	—	8,210	8,210	(34)	8,176
Other comprehensive loss for the year		—	—	—	—	(2,431)	—	(2,431)	—	(2,431)
Purchase of treasury shares	23	—	—	—	(1,147)	—	—	(1,147)	—	(1,147)
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	—	(10)	(10)	1	(9)
Equity settled share based payment	33	—	—	—	—	—	1,833	1,833	—	1,833
Treasury shares issued for property acquisition	23	—	14	—	357	—	—	371	—	371
Treasury shares issued during the year as part of the long term Management Incentive Scheme	23	—	80	—	1,325	—	(1,405)	—	—	—
Dividend paid		—	—	—	—	—	(1,034)	(1,034)	—	(1,034)
Balance as at 31 December 2014		**55,347**	**2,024**	**4,599**	**(713)**	**(28,762)**	**48,079**	**80,574**	**(11)**	**80,563**

A 2013 interim dividend of 8 South African cents, 0.50 pence per ordinary share was paid on 22 November 2013.

A 2013 final dividend of 14 South African cents, 0.80 pence, per ordinary share was paid on 30 May 2014.

A 2014 interim dividend of 9 South African cents, 0.49 pence per ordinary share was paid on 10 November 2014.

A 2014 final dividend of 14 South African cents, 0.77 pence, per ordinary share, has been proposed, to be paid on 8 June 2015.

The notes on pages 22 to72 form part of the consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2014

31 December 2013 R'000	**31 December 2014 R'000**		Notes	**31 December 2014 £'000**	31 December 2013 £'000
		Assets			
875	**875**	Goodwill	**11**	**49**	51
1,524	**2,777**	Deferred tax assets	**12**	**154**	87
1,364	**1,189**	Equipment	**13**	**66**	78
1,180,472	**1,467,639**	Financial assets at fair value through profit and loss	**14**	**81,532**	67,721
312,014	**468,218**	Net investments in subsidiaries	**15**	**26,011**	17,899
677,138	**867,612**	Net investments in associates	**16**	**48,199**	38,846
191,320	**131,809**	Financial assets held for trading	**14**	**7,322**	10,976
8,174	**7,888**	Investments classified as loans and receivables	**17**	**438**	469
188	**155**	Current tax assets		**9**	12
4,065	**1,923**	Trade and other receivables	**18**	**107**	233
122,893	**63,020**	Cash and cash equivalents	**19**	**3,501**	7,050
1,319,555	**1,545,466**	**Total assets**		**85,856**	75,701
		Liabilities			
(60)	**(55)**	Deferred tax liabilities	**12**	**(3)**	(3)
(201)	**(15)**	Other financial liabilities	**20**	**(1)**	(12)
—	**(72,673)**	Borrowings	**21**	**(4,037)**	—
(469)	**—**	Current tax liabilities		**—**	(28)
(14,890)	**(22,537)**	Trade and other payables	**22**	**(1,252)**	(854)
(4)	**—**	Bank overdrafts	**19**	**—**	—
(15,624)	**(95,280)**	**Total liabilities**		**(5,293)**	(897)
1,303,931	**1,450,186**	**Total net assets**		**80,563**	74,804
		Equity			
574,672	**574,672**	Share capital	**23**	**55,347**	55,347
21,468	**23,143**	Share premium	**23**	**2,024**	1,930
52,173	**52,173**	Capital redemption reserve	**23**	**4,599**	4,599
(18,848)	**(9,284)**	Treasury shares reserve	**23**	**(713)**	(1,248)
—	**—**	Foreign currency translation reserve	**23**	**(28,762)**	(26,331)
674,101	**809,688**	Retained earnings	**23**	**48,079**	40,485
1,303,566	**1,450,392**	**Total equity attributable to equity holders**		**80,574**	74,782
365	**(206)**	Non controlling interests		**(11)**	22
1,303,931	**1,450,186**	**Total equity**		**80,563**	74,804
1,620	**1,784**	**Net asset value per share (in cents/pence)**		**99**	93
80,447	**81,297**	**Actual number of shares in issue (net of treasury shares)**	**23**	**81,297**	80,447

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2014 was 0.78 (2013: 0.83) and 14.04 (2013: 14.57) respectively.

The consolidated financial statements were approved by the Board and authorised for issue on 24 April 2015.

The notes on pages 22 to 72 form part of the consolidated financial statements.

John Mills
Non-executive Director

Andrew Bonamour
Non-executive Director

Consolidated statement of cash flows
for the year ended 31 December 2014

2013 R'000	**2014 R'000**		Notes	**2014 £'000**	2013 £'000
		Cash flow from operating activities			
(164,195)	**(116,491)**	Cash absorbed by operations	**24**	**(6,124)**	(10,728)
61,450	**31,782**	Dividend and interest income received		**1,380**	4,069
3,156	**1,458**	Finance income received		**82**	209
(3,364)	**(8,724)**	Finance costs paid		**(489)**	(223)
—	**30**	Taxation refunded		**2**	—
(906)	**(1,502)**	Taxation paid		**(83)**	(58)
(103,859)	**(93,447)**	**Cash absorbed by operating activities**		**(5,232)**	(6,731)
		Cash flow from investing activities			
(599)	**(32)**	Purchase of equipment		**(2)**	(40)
172	**—**	Proceeds on disposal of equipment		**—**	11
(105)	**(150)**	Acquisition of subsidiaries, net of cash acquired	**25**	**(8)**	(8)
(532)	**(182)**	**Cash absorbed by investing activities**		**(10)**	(37)
		Cash flow from financing activities			
(127)	**72,673**	Movement in borrowings		**4,070**	(8)
(2,499)	**—**	Acquisition of Blackstar shares as a result of the share split and consolidation		**—**	(166)
(89,910)	**(20,449)**	Purchase of treasury shares		**(1,147)**	(5,955)
(20,871)	**(18,464)**	Dividends paid to equity holders of the parent		**(1,034)**	(1,382)
(113,407)	**33,760**	**Cash generated/(absorbed) by financing activities**		**1,889**	(7,511)
(217,798)	**(59,869)**	**Net decrease in cash and cash equivalents**		**(3,353)**	(14,279)
340,687	**122,889**	Cash and cash equivalents at the beginning of the year		**7,050**	24,735
—	**—**	Exchange losses on cash and cash equivalents		**(196)**	(3,406)
122,889	**63,020**	**Cash and cash equivalents at the end of the year**	**19**	**3,501**	7,050

The notes on pages 22 to 72 form part of the consolidated financial statements.

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements have been consistently applied across all periods presented in the consolidated financial statements, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Company and its subsidiaries (the "Group" or "Blackstar") during the current reporting period. All the financial statements are presented in both Pounds Sterling and South African Rands and all financial information has been rounded to the nearest thousand unless stated otherwise.

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with the Malta Companies Act, 1995. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit and loss that have been measured at fair value.

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 26.

1.2 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The Company is an Investment Entity and as such does not consolidate all of the entities it controls. Instead, certain interests in subsidiaries are classified as financial assets at fair value through profit and loss and measured at fair value. Where the Company, (the Investment Entity) controls an investee that provides services that relate only to the Company's own investment activities, it then consolidates that investee. Investments in associates are also classified as financial assets at fair value through profit and loss, and measured at fair value.

In circumstances where subsidiaries meet the requirements to be consolidated, the following policies apply:

- Inter-company transactions and balances between Group companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.
- Non controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non controlling interest's share of changes in equity since the date of the combination.

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

- The acquisition of subsidiaries, which are not accounted for as financial assets at fair value through profit and loss, are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date. Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are recognised and measured at fair value less costs to sell.
- Goodwill arising on acquisition is recognised in accordance with the Group's goodwill accounting policy (refer below).

1.3 Non controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non controlling interest in the acquiree at the non controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

1.4 Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The cost of goodwill is calculated as being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquired business' identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.5 Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditure relating to an item of equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Residual values and useful lives are reassessed annually.

Depreciation is provided on the straight-line basis so as to write the assets down to their estimated residual values, over the estimated useful lives of the assets.

1. Accounting policies (continued)

1.5 Equipment (continued)

The estimated useful lives for office furniture, fixtures and equipment is 3 to 10 years.

Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss is reversed, then it is only reversed to the extent that the revised carrying amount of the asset would reflect the depreciation that would have been charged had the impairment not been reflected. Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the assets' revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Surpluses or deficits on the disposal of property, plant and equipment are credited or charged to profit and loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.6 Leases

Operating leases

Leases where the lessor retains the risk and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful lives of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.7 Financial instruments

The Group classifies its financial assets and financial liabilities at initial recognition into the following categories in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets at fair value through profit and loss

The category of financial assets at fair value through profit and loss is sub-divided into:

- *Financial assets held for trading* – financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities and equity investments in hedge funds. These assets are acquired principally for the purpose of generating a profit from short term fluctuation in price.
- *Financial instruments designated as a fair value through profit and loss upon initial recognition* – These include investment in subsidiaries and investment in associates. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Financial assets at fair value through profit and loss (continued)

- *Investments in subsidiaries* – In accordance with the Investment Entities exception under IFRS 10 Consolidated Financial Statements, the Group does not consolidate certain subsidiaries in the consolidated financial statements. Investments in these subsidiaries are accounted for as a financial instrument at fair value through profit and loss.
- *Loans and receivables payable by subsidiaries designated at fair value through profit and loss* – Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated at fair value through profit and loss. On assessment of the fair value of the net investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.
- *Investments in associates* – In accordance within IAS 28 Investments in Associates and Joint Ventures, the Group does not account for its investment in associates using the equity method. Instead the Group has elected to measure its investments in these entities at fair value through profit and loss.

Loans and receivables

Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Group includes in this category loans to subsidiaries which are identified as working capital loans, usually short term in nature.

The Group's loans and receivables also include trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Other financial liabilities

This category includes all financial liabilities, including borrowings, other than those classified as held for trading. The Group includes in this category short term payables.

Recognition

The Group recognises a financial asset or a financial liability when it becomes party to the contractual provisions of the instrument.

Initial measurement

Financial assets at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit and loss.

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Group recognises the difference in the statement of comprehensive income, unless specified otherwise.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Subsequent measurement

After initial measurement, the Group measures financial instruments which are classified at fair value through profit and loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets at fair value through profit and loss. Interest and dividend earned or paid on these instruments are recorded separately in interest revenue and dividend revenue.

Loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit and loss, are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liabilities. When calculating the effective interest rate, the Company estimates the cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Derecognition

A financial asset (or where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive the cash flows from the asset have expired or the Group has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- The Group has substantially transferred all of the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset

Where the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The Group derecognises a financial liability when the obligation under the liability has been discharged, cancelled, or expired.

1.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.9 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. Goodwill is tested at least annually for impairment. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

1. Accounting policies (continued)

1.9 Impairment of non-financial assets (continued)

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit and loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in current accounts, money market funds and short term deposits with original maturities of three months or less from inception.

Short term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

In assessing the movements in the cash flows of the Group, the movements in and cash flows relating to financial instruments designated at fair value through profit and loss have been classified within operating activities due to the fact that Blackstar is considered to be an Investment Entity.

1.11 Dividend distributions

Dividends are at the discretion of the Company. A dividend to the Company's shareholders is accounted for as a deduction from retained earnings. An interim dividend is recognised as a liability in the period in which it is irrevocably declared by the Board of Directors. A final dividend is recognised as a liability in the period in which it is approved by the annual general meeting of shareholders.

1.12 Equity instruments and treasury shares

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

The consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve. Any excess of the consideration received on the sale of treasury shares over the cost of the shares sold (calculated on a weighted average basis) is credited to the share premium account. The cancellation of treasury shares reduces the share capital and increases the capital redemption reserve by an amount corresponding to the nominal value of the shares.

1.13 Dividend and interest revenue

Interest revenue is recognised in profit and loss for all interest-bearing financial instruments using the effective interest rate method.

1. Accounting policies (continued)

1.13 Dividend and interest revenue (continued)

Dividend revenue is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive the payment is established. Dividend revenue is presented net of any non-recoverable with withholding taxes, which are disclosed separately in the statement of comprehensive income.

1.14 Net gains or losses on financial assets and liabilities at fair value through profit and loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition at fair value through profit and loss and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified at fair value through profit and loss represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contacts (excluding payments or receipts on collateral margin accounts for such instruments).

1.15 Fee income and performance fee income

Fee income and performance fee income includes corporate finance and advisory fees, and performance fees earned by the hedge fund management company. Fee income is recognised on an accruals basis when the services are provided. Performance fee income is recognised when the Group has an unconditional entitlement to receive it and it can be reliably measured. All income is measured at the fair value of the consideration receivable.

1.16 Finance income and finance costs

Finance income comprises interest receivable on current account bank balances, and deposits held on call. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. Interest is recognised in profit and loss as it accrues using the effective interest rate method.

1.17 Share-based payments

Blackstar operates a long term Management Incentive Scheme ("the Scheme") which was implemented in 2013 post approval by shareholders at the 2012 Annual General Meeting. Based on a six month growth of intrinsic net asset value (not share price) an incentive fee pool is calculated on the Relevant Date (being 30 June and 31 December) which is split into 50% shares (vesting on date of issue but subject to certain restrictions) and 50% cash for the benefit of the participants of the executive scheme. The number of shares to be issued is calculated by dividing the 50% shares incentive pool by the Blackstar closing share price on the Relevant Date as quoted by the AltX stock market of South Africa. In addition, the Board has the discretion to issue up to 0.25% of the issued number of shares for the six month period ending on the Relevant Date as defined.

The cost of equity settled shares awarded to participants as part of the long term Management Incentive Scheme is charged to profit and loss on the Relevant Date (being the date on which the obligation arises) and a corresponding credit entry is raised directly to retained earnings within the consolidated statement of changes in equity. On the actual date on which the shares are issued, a debit entry is made to retained earnings and the issue of fresh shares or re-issue of treasury shares is recognised within the consolidated statement of changes in equity.

Per the Scheme rules, the shares vest immediately (although the shares are subject to certain restrictions) and thus the full cost is recognised in profit and loss on the Relevant Date. The fair value of the services received cannot be reliably estimated, and therefore the cost of the equity settled share award is calculated with reference to the fair value of the equity instruments granted, being the value of 50% of the incentive pool.

1. Accounting policies (continued)

1.17 Share-based payments (continued)

The cash award is calculated as 50% of the incentive pool which is calculated based on growth in Intrinsic NAV and with no reference to Blackstar's share price. Therefore the cash award does not meet the definition of a cash-settled share based payment in accordance with IFRS 2 Share Based Payments. The obligation arises on the Relevant Date and an expense is recognised within profit and loss and a corresponding accrual raised. The accrual is reversed on payment of the cash to participants.

The cost of the discretionary award is recognised in profit and loss and is calculated with reference to the fair value of the equity instruments granted (being the Blackstar closing share price on the date of issue of the shares to participants). The obligation to transfer the discretionary share award to participants arises on the date that the award is approved by the Board of Directors.

1.18 Tax

Current tax comprises tax payable calculated on the basis of the taxable profit for the period, using the tax rates and laws enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable for previous years.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (or loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (or loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Current and deferred tax is charged to the statement of income except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in profit and loss, except to the extent that it relates to items previously charged or credited directly to equity or other comprehensive income.

1.19 Foreign currencies

Functional and presentation currency

The functional currency of the Company is South African Rands, being the currency of the primary economic environment in which the Company and its subsidiaries operate.

1. Accounting policies (continued)

1.19 Foreign currencies (continued)

Functional and presentation currency (continued)

Blackstar is dual listed with a primary listing on the AIM of the London Stock Exchange ("AIM") and a secondary listing on the AltX of the JSE Limited ("JSE") in South Africa. As a result, Blackstar has two presentational currencies being South African Rands ("Rands") and Pounds Sterling ("Pounds Sterling").

Translation of foreign currency assets and liabilities in the individual entities financial statements

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the exchange rates prevailing on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currency are translated at the exchange rates prevailing when the fair value was determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the rates of exchange ruling at the date of the transaction. Any exchange differences arising on translation are recognised in the statement of income in the period in which they occur.

Translation of financial statement of entities into the presentation currencies

Assets and liabilities of entities are translated into the Group's presentation currencies of Rands and Pounds Sterling at year end exchange rates. Capital and reserves are translated at historical rates. Items included in profit and loss are translated at average exchange rates for the year.

Translation differences arising from the translation of entities are taken directly to the foreign currency translation reserve. On disposal of entities, such translation differences are recognised in profit and loss as part of the gain or loss on disposal.

The principal exchange rates utilised to prepare the financial statements are as follows:

	Closing rate		Average rate	
	2014	2013	**2014**	2013
GBP/ZAR	**18.001**	17.431	**17.857**	15.099
EUR/ZAR	**13.980**	14.432	**14.396**	12.817
EUR/GBP	**0.777**	0.828	**0.806**	0.849

1.20 Operating segments

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 Board of Directors. This committee reviews the Group's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

1.21 Significant judgements and areas of estimation

The preparation of the financial statements requires the use of estimates, assumptions and judgements that affect the amounts reported in the financial statements. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although the estimates are based on management's best knowledge and judgements of current facts as at the balance sheet date, the actual outcome may differ from those estimates.

1. Accounting policies (continued)

1.21 Significant judgements and areas of estimation (continued)

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Assessment as an Investment Entity

Entities that meet the definition of an Investment Entity within IFRS 10 are required to measure their subsidiaries at fair value through profit and loss rather than consolidate them.

The criteria which define an Investment Entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business propose is to invest fund solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance for substantially all of its investments on a fair value basis.

The Group's investment policy details its objective which is to generate returns, in the form of capital appreciation and income to shareholders, through investing in a portfolio of businesses.

The Company reports to its investors through information provided on its website, and to its Board of Directors, via internal Board reports, on a fair value basis in the form of an Intrinsic NAV calculation. All investments are reported at fair value within the Intrinsic NAV calculation. The Group has an ultimate exit strategy noted for each investment.

The Board has also concluded that the Company meets the additional characteristics of an Investment Entity, in that it has more than one investment, the investments are predominantly in the form of equities and similar securities, it has more than one investor and its investors are not related parties.

The Board has concluded that the Company meets the definition of an Investment Entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Estimates and key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and estimations on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimate includes considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

1. Accounting policies (continued)

1.21 Significant judgements and areas of estimation (continued)

Fair value of financial instruments (continued)

The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, the Group performs sensitivity analysis or stress testing techniques.

The key assumptions used to determine the fair value of non-listed investments and sensitivity analyses are provided in note 27.

2. Determination of fair values

The Group measures its investments in subsidiaries and associates, as well as its investments in financial instruments, such as equities and investments in hedge funds, at fair value at each reporting date.

Fair value is the price that would be received or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs. Securities defined in these consolidated financial statements as "listed" are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

Unlisted equity investments have been valued as follows:

- Where applicable, on the basis of a similar recent investment transaction by an independent third-party in the equity of the portfolio company. Where the investment being valued was itself made fairly recently (within a period of one year), its cost provides a good indication of fair value.
- Using the discounted cash flow methodology, in which case:

  - Enterprise value is apportioned to the enterprise's financial instruments in order of ranking. The enterprise value is derived using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment.

  - Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations.

- Where limited information is available to calculate a value using the discounted cash flow method, the value is calculated using an adjusted NAV. The adjusted NAV value is calculated using the NAV of the investment and adjusting the value for the risk factors that management feel are most appropriate to that investment.

2. Determination of fair values (continued)

All assets and liabilities for which fair value is measured or disclosed as financial instruments are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for the lowest level of input that is significant to the fair value of measurement is unobservable

3. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations considered to be relevant to the operations of the Group are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these consolidated financial statements. These are to be applied to financial statements with periods commencing on or after the following dates:

Standard and Interpretations	Effective date#
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016

Subject to endorsement for use in the EU

IFRS 9

IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The effect on the Group of adoption of IFRS 9 has yet to be determined.

IFRS 15

IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effect on the Group of adoption of IFRS 15 has yet to be determined.

Investment Entities (Amendments)

The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. Adoption of these amendments is not expected to have any material impact on the Group.

IFRS 10 and IAS 28 (Amendments)

The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in IFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method. Once adopted, future disposals will need to be accounted for in accordance with these amendments.

IAS 27(Amendments)

The amendments introduce an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.

3. New standards and interpretations not yet adopted (continued)

The option to present its investments using the equity method result in the presentation of a share of profit or loss, and other comprehensive income, of subsidiaries, joint ventures and associates with a corresponding adjustment to the carrying amount of the equity accounted investment in the statement of financial position. Any dividends received are deducted from the carrying amount of the equity accounted investment, and are not recorded as income in profit or loss. As an Investment Entity that accounts for its investments in subsidiaries and associates at fair value through profit and loss, this amendment is not expected to have any impact on the Company.

The IASB and IFRIC have also issued or made amendments to IAS 16, IAS 19, IAS 38, IAS 41, IFRS 11 and IFRS 14, but these are not relevant to the current operations of the Group.

4. Income

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
133,042	**204,664**	Net gains on financial assets at fair value through profit and loss	**11,462**	8,811
93,966	**28,938**	Dividend income	**1,621**	6,223
2,861	**3,743**	Interest income	**210**	189
8,651	**5,654**	Fee income and performance fee income	**316**	573
22,505	**2,290**	Net foreign exchange gains	**128**	1,491
261,025	**245,289**		**13,737**	17,287

5. Operating expenses

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Administrative expenses		
(236)	**(207)**	Depreciation	**(12)**	(16)
16	**186**	Lease smoothing adjustment	**11**	1
(20,287)	**(32,730)**	Long term Management Incentive Scheme Award - equity settled share based payment expense (refer note 33)	**(1,833)**	(1,344)
(17,882)	**(27,610)**	Long term Management Incentive Scheme Award - cash element (refer note 33)	**(1,546)**	(1,184)
(8,275)	**(6,617)**	Exceptional, deal related and non-recurring costs	**(371)**	(548)
(7,166)	**(3,857)**	Operational expenses incurred by the hedge fund management businesses	**(216)**	(475)
(22,711)	**(21,337)**	Operational expenses incurred by Blackstar Group SE, Blackstar SA and Blackstar Cyprus	**(1,195)**	(1,504)
(76,541)	**(92,172)**		**(5,162)**	(5,070)

6. Operating profit

6.1 Operating profit

Operating profit per the consolidated statement of comprehensive income has been arrived at after crediting/(charging) the following:

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
(21,010)	**(12,796)**	Staff salary costs excluding amounts paid to Blackstar Group SE Directors (refer note 32 for Directors remuneration)	**(717)**	(1,674)
(236)	**(207)**	Depreciation of equipment	**(12)**	(16)
22,505	**2,290**	Net foreign exchange gains	**128**	1,491
(978)	**(1,234)**	Operating lease expense	**(69)**	(65)

6. Operating profit (continued)

6.2 Auditor's remuneration for the Company and its subsidiaries

Auditor's remuneration expense incurred by the Company and its subsidiaries (including subsidiaries which are not consolidated but rather designated at fair value through profit and loss) are as follows:

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Auditor's remuneration paid to Group auditors and their associates		
(887)	**(893)**	Audit fees for the Group and Company annual accounts	**(50)**	(59)
(1,769)	**(2,089)**	Paid to associates of BDO Malta for audit of subsidiaries	**(117)**	(117)
(51)	**(248)**	Other services	**(14)**	(3)
(2,707)	**(3,230)**		**(181)**	(179)

7. Employees

The average number of employees (excluding Blackstar Group SE Directors) during the year for the consolidated subsidiaries, by function, were as follows:

	2014	2013
Managerial	**6**	5
Administrative	**3**	8
Operational	**4**	3
	13	16

The average number of employees (excluding Blackstar Group SE Directors) during the current financial year for the Company and its subsidiaries (including subsidiaries which have not been consolidated) are as follows: 91 Managerial (2013: 50), 164 Administrative (2013: 71), and 187 Operational (2013: 393).

8. Net finance costs

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
3,156	**1,458**	Finance income	**82**	209
3,156	**1,458**	Interest income on bank balances	**82**	209
(3,364)	**(8,724)**	Finance costs	**(489)**	(223)
(164)	**—**	Interest expense on bank overdrafts	**—**	(11)
(3,200)	**(8,724)**	Interest expense and finance costs on borrowings from banks	**(489)**	(212)
(208)	**(7,266)**		**(407)**	(14)

9. Taxation

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
909	**361**	Current taxation	**20**	59
411	**167**	Current year	**9**	26
498	**194**	Prior years under provision	**11**	33
(1,243)	**(1,258)**	Deferred taxation	**(70)**	(83)
(1,232)	**(1,258)**	Current year	**(70)**	(82)
(11)	**—**	Prior years over provision	**—**	(1)
112	**760**	Withholding taxes	**42**	9
(222)	**(137)**		**(8)**	(15)

9. Taxation (continued)

The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in Malta applied to profits of 35% are as follows:

2013 R'000	2014 R'000		2014 £'000	2013 £'000
184,276	**145,851**	Profit before taxation	**8,168**	12,203
64,497	**51,048**	Tax at standard rate of corporate tax in Malta	**2,859**	4,271
(20,491)	**(32,629)**	Differing foreign tax rates	**(1,827)**	(1,358)
(44,827)	**(19,510)**	Income and expenses not subject to tax	**(1,093)**	(2,969)
487	**194**	Under provision from prior years	**11**	32
112	**760**	Withholding taxes	**42**	9
(222)	**(137)**	Current tax charge for the year	**(8)**	(15)

Assessed losses of the Group for which no deferred tax asset has been recognised amount R54,155,307 (£3,008,511) at 31 December 2014 and R39,758,000 (£2,281,000) at 31 December 2013. The deferred tax asset has not been recognised as it is not believed to be probable that it will be utilised.

10. Earnings per share

10.1 Basic and diluted earnings per share

2013 R'000	2014 R'000		2014 £'000	2013 £'000
183,857	**146,584**	Profit for the period attributable to equity holders of the parent	**8,210**	12,175
79,476	**80,642**	Weighted average number of shares in issue (net of treasury shares, in thousands)	**80,642**	79,476
231.34	**181.77**	Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)	**10.18**	15.32

10.2 Basic and diluted headline earnings per share ^

2013 R'000	2014 R'000		2014 £'000	2013 £'000
183,857	**146,584**	Profit for the period attributable to equity holders of the parent Adjusted for:	**8,210**	12,175
(5)	**—**	Profit on disposal of equipment	**—**	—
1	**—**	Total tax effects of adjustments	**—**	—
183,853	**146,584**	Headline earnings	**8,210**	12,175
231.33	**181.77**	Basic and diluted headline earnings per ordinary share attributable to equity holders (in cents/pence)	**10.18**	15.32

^ Disclosure of headline earnings has been provided in accordance with the JSE Listings Requirements.

11. Goodwill

2013 R'000	2014 R'000		2014 £'000	2013 £'000
875	**875**	BFM goodwill at the beginning of the year	**51**	64
—	**—**	Currency exchange losses during the year	**(2)**	(13)
875	**875**	BFM goodwill at the end of the year	**49**	51

11.1 Impairment testing of goodwill

Impairment testing of goodwill arising on acquisition of BFM

On acquisition of the shares in BFM in the latter half of 2012, goodwill amounting to R875,000, £64,000 was recognised. No impairment was recognised for either the 2013 or 2014 financial year.

12. Deferred taxation

12.1 Movement in net deferred taxation

2013 R'000	2014 R'000		2014 £'000	2013 £'000
221	**1,464**	Net deferred tax asset at the beginning of the year	**84**	16
1,232	**1,258**	Recognised in statement of comprehensive income	**70**	82
11	**—**	Over provision from prior years	**—**	1
—	**—**	Currency exchange losses during the year	**(3)**	(15)
1,464	**2,722**	Net deferred tax asset at the end of the year	**151**	84

12.2 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Net R'000	**Liabilities R'000**	**Assets R'000**	**2014**	**Assets £'000**	**Liabilities £'000**	**Net £'000**
(34)	**(34)**	**—**	Equipment	**—**	**(2)**	**(2)**
(15)	**(15)**	**—**	Trade and other receivables	**—**	**(1)**	**(1)**
4	**—**	**4**	Other financial liabilities	**—**	**—**	**—**
65	**—**	**65**	Trade and other payables	**4**	**—**	**4**
2,702	**—**	**2,702**	Assessed losses	**150**	**—**	**150**
2,722	**(49)**	**2,771**		**154**	**(3)**	**151**
—	**(6)**	**6**	Set-off of assets and liabilities	**—**	**—**	**—**
2,722	**(55)**	**2,777**	Deferred tax assets/(liabilities) per statement of financial position	**154**	**(3)**	**151**

Net R'000	Liabilities R'000	Assets R'000	2013	Assets £'000	Liabilities £'000	Net £'000
(26)	(26)	—	Equipment	—	(1)	(1)
(34)	(34)	—	Trade and other receivables	—	(2)	(2)
56	—	56	Other financial liabilities	3	—	3
37	—	37	Trade and other payables	2	—	2
1,431	—	1,431	Assessed losses	82	—	82
1,464	(60)	1,524		87	(3)	84
—	—	—	Set-off of assets and liabilities	—	—	—
1,464	(60)	1,524	Deferred tax assets/(liabilities) per statement of financial position	87	(3)	84

13. Equipment

2013 R'000	2014 R'000		2014 £'000	2013 £'000
2,234	**2,253**	Cost	**125**	128
(870)	**(1,064)**	Accumulated depreciation	**(59)**	(50)
1,364	**1,189**	Carrying amount	**66**	78
1,168	**1,364**	Carrying amount at the beginning of the year	**78**	85
599	**32**	Additions	**2**	40
(167)	**—**	Disposals	**—**	(11)
(236)	**(207)**	Depreciation	**(12)**	(16)
—	**—**	Currency exchange losses during the year	**(2)**	(20)
1,364	**1,189**	Carrying amount at the end of the year	**66**	78

14. Financial assets at fair value through profit and loss

2013 R'000	2014 R'000		2014 £'000	2013 £'000
191,320	**131,809**	**Financial assets held for trading**	**7,322**	10,976
23,565	**43,447**	Listed equity securities	**2,413**	1,352
167,755	**88,362**	Unlisted investments	**4,909**	9,624
989,152	**1,335,830**	**Financial assets designated at fair value through profit and loss**	**74,210**	56,745
312,014	**468,218**	Net investments in subsidiaries	**26,011**	17,899
677,138	**867,612**	Net investments in associates	**48,199**	38,846
1,180,472	**1,467,639**	Total financial assets at fair value through profit and loss	**81,532**	67,721
		Financial assets held for trading comprise the following investments:		
23,565	**43,447**	**Listed equity securities**	**2,413**	1,352
23,042	**22,634**	Ordinary shares in Shoprite Holdings Limited ("Shoprite")	**1,257**	1,322
—	**20,813**	Ordinary shares in Cadiz Holdings Limited ("Cadiz")	**1,156**	—
523	**—**	Other investments in ordinary shares	**—**	30
167,755	**88,362**	**Unlisted investments**	**4,909**	9,624
58,415	**5,318**	Investments in unlisted hedge funds	**296**	3,351
109,340	**80,000**	Ordinary shares in Robor Proprietary Limited ("Robor")	**4,444**	6,273
—	**3,044**	Other unlisted investments	**169**	—
191,320	**131,809**	Total financial assets held for trading	**7,322**	10,976
		Net changes in fair value of financial assets		
(28,348)	**29,554**	**Financial assets held for trading**	**1,655**	(1,878)
143,086	**1,227**	Realised gains	**69**	9,476
(171,434)	**28,327**	Unrealised gains/(losses)	**1,586**	(11,354)
161,390	**175,110**	**Financial assets designated at fair value through profit and loss**	**9,807**	10,689
(60,551)	**56,911**	Realised gains/(losses)	**3,187**	(4,010)
221,941	**118,199**	Unrealised gains	**6,620**	14,699
133,042	**204,664**	Net gains on financial assets at fair value through profit and loss	**11,462**	8,811

Refer note 15 and 16 for further details of net investments in subsidiaries and net investments in associates designated at fair value through profit and loss.

15. Net investments in subsidiaries

15.1 Net investments in subsidiaries designated at fair value through profit and loss

Blackstar meets the definition of an Investment Entity. Therefore, it does not consolidate some of its subsidiaries but rather recognises them as investments at fair value through profit and loss.

Principal place of business	Principal activity	Name of unconsolidated subsidiaries	Proportion of ownership rights 2014	2013
South Africa	Hedge fund	Blackstar Special Opportunities Fund ("BSOF")^^	**16.7%**	56.6%
South Africa	General Partner	Blackstar GP Proprietary Limited ("Blackstar GP")#	**100.0%**	100.0%
South Africa	Industrial steel company	Consolidated Steel Industries Proprietary Limited ("CSI"), (previously Stalcor Proprietary Limited ("Stalcor"))^^	**100.0%**	50.1%
South Africa	Steel roofing and cladding company	Global Roofing Solutions Proprietary Limited ("GRS")^	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering Proprietary Limited ("Helm")##	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Country Roofing Solutions Proprietary Limited ("Country Roofing") (formerly Starbuck Island Investments Proprietary Limited ("Starbuck"))##	**100.0%**	100.0%
South Africa	Investment company	New Bond Capital Limited ("NBC")^^	**100.0%**	100.0%
South Africa	Investment property company	CCPA Properties Proprietary Limited ("CCPA")^	**100.0%**	50.1%
South Africa	Investment property company	Blackstar Real Estate Proprietary Limited ("BRE")^^	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 Proprietary Limited ("Fantastic")**	**100.0%**	79.0%
South Africa	Investment property company	Firefly Investments 223 Proprietary Limited ("Firefly")**	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 Proprietary Limited ("Wonderdeals")**	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments Proprietary Limited ("Domel")**	**100.0%**	100.0%

\# Subsidiary of Blackstar Group SE
^ Subsidiary of Consolidated Steel Industries Proprietary Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate Proprietary Limited
Subsidiary of Global Roofing Solutions Proprietary Limited

Loans and receivables payable by subsidiaries designated at fair value through profit and loss

Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated at fair value through profit and loss. On assessment of the fair value of the net investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.

15. Net investments in subsidiaries (continued)

15.1 Net investments in subsidiaries designated at fair value through profit and loss (continued)

Loans and receivables payable by subsidiaries designated at fair value through profit and loss (continued)

Net investments in subsidiaries included in note 14 comprises the following investments:

2013 R'000	2014 R'000		2014 £'000	2013 £'000
180,000	—	Net investment in GRS	—	10,327
129,770	—	Equity share investment	—	7,445
50,230	—	Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments were made by GRS of R1.25 million per month	—	2,882
32,000	357,000	Net investment in CSI (previously Stalcor)	19,832	1,836
—	97,500	Equity share investment	5,416	—
32,000	259,500	Interest-free loan to CSI with no fixed terms of repayment. Monthly repayments are made by CSI, currently these amount to R2 million per month	14,416	1,836
		Investment in BSOF		
63,222	43,696	Equity share investment	2,427	3,627
		Investment in NBC		
3,600	2,198	Equity share investment	122	206
33,192	65,324	Net investment in BRE and the property subsidiaries	3,630	1,903
28,417	39,539	Equity share investments in BRE and the property subsidiaries	2,197	1,630
2,641	20,722	Interest-free loans to BRE and the property subsidiaries	1,151	152
11,997	—	Loans to property investment subsidiaries bearing interest of between South African Prime Rate and South African Prime Rate plus 200 basis points. Repayment terms range between interest payable quarterly in arrears and no fixed terms of repayment	—	688
4,535	5,063	Preference shares held in property subsidiary bearing interest at South African Prime Rate plus 200 basis points and repayable on demand	282	259
(14,398)	—	Loan from BRE bearing interest at South African Prime Rate with no fixed terms of repayment	—	(826)
312,014	468,218		26,011	17,899

Changes in net investments in subsidiaries designated at fair value through profit and loss

CSI – In June 2014, the process of restructuring the Group's steel investments, Stalcor and GRS, commenced. This included Blackstar acquiring the remaining shares in Stalcor that it did not already own and immediately thereafter disposing of its 100% equity interest and claims in GRS to Stalcor at their combined fair value of R225.0 million (£12.6 million). The GRS proceeds have resulted in an increase in the Stalcor shareholder loan to R259.5 million (£14.4 million) as at year end. Both the GRS and Stalcor investments are reflected within the net investment in CSI and thus there is no separately disclosed investment in GRS as at 31 December 2014. The final step in the restructure process was for Stalcor to acquire the GRS operations from the legal entity GRS. This was effective 1 January 2015. The merger of the two businesses has already resulted in improved efficiencies and increased profitability. As part of the restructure, Stalcor has been renamed Consolidated Steel Industries Proprietary Limited ("CSI").

CCPA – Blackstar's interest in CSI's wholly owned subsidiary CCPA increased from 50.1% to 100% as a result of the acquisition of the remaining shares in CSI that it did not already own.

15. Net investments in subsidiaries (continued)

15.1 Net investments in subsidiaries designated at fair value through profit and loss (continued)

Changes in net investments in subsidiaries designated at fair value through profit and loss (continued)

BSOF – in terms of the definition of control within IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to control the fund BSOF and thus it is classified as a subsidiary. Blackstar's percentage ownership of the fund is calculated based on the fair value of Blackstar's direct investment into BSOF relative to the other limited partners' investment in the fund carried at fair value. Blackstar's investment was diluted from 56.6% to 16.7% during the year, primarily as a result of additional funds being invested in BSOF by third party investors.

Restrictions

Blackstar receives income in the form of dividends and interest from its investments in unconsolidated subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds off and onshore.

Support

Blackstar and its consolidated subsidiaries have provided support in the form of equity and working capital loans to its subsidiaries. Details of these loans are provided in note 15 for equity loans and note 17 for working capital loans. Blackstar has no contractual commitments and may provide further financial or any other support to its unconsolidated subsidiaries should they require it and the Group has the funds available to do so.

Maximum credit exposure for loans designated at fair value through profit and loss

The maximum credit exposure for these loans would be equal to the original carrying amount of the loan prior to any fair value adjustments, details of which are provided below:

Original loan amount prior to fair value adjustments R'000	**Carrying Value R'000**	**2014**	**Carrying Value £'000**	**Original loan amount prior to fair value adjustments £'000**
259,500	**259,500**	Loan to CSI (previously Stalcor)	**14,416**	**14,416**
20,722	**20,722**	Loan to BRE	**1,151**	**1,151**
38,402	**24,408**	Loans to and preference shares in BRE and the property subsidiaries	**1,356**	**2,133**

Original loan amount prior to fair value adjustments R'000	Carrying Value R'000	2013	Carrying Value £'000	Original loan amount prior to fair value adjustments £'000
50,230	50,230	Loan to GRS	2,882	2,882
45,000	32,000	Loan to CSI (previously Stalcor)	1,836	2,582
(14,398)	(14,398)	Loan from BRE	(826)	(826)
30,512	19,173	Loans to and preference shares in BRE and the property subsidiaries	1,099	1,750

15. Net investments in subsidiaries (continued)

15.2 Investments in subsidiaries which are consolidated

Certain subsidiaries provide services that relate only to the Company's own investment activities, and thus they should be consolidated. The summary of subsidiaries that are consolidated is provided below:

Principal place of business	Principal activity	Name of consolidated subsidiaries	Proportion of ownership rights 2014	2013
Cyprus	Investment company	Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus")#	**100.0%**	100.0%
South Africa	Investment advisory company	Blackstar Group Proprietary Limited ("Blackstar SA")#	**100.0%**	100.0%
South Africa	Fund manager	Blackstar Fund Managers Proprietary Limited ("BFM")#**	**66.0%**	56.0%

Subsidiary of Blackstar Group SE

** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer to note 25)

16. Net investments in associates

As Blackstar meets the definition of an Investment Entity, interests in associates are not equity accounted but rather recognised as investments designated at fair value through profit and loss. Details of the associates within the Group are provided below:

Principal place of business	Principal activity	Name of associates	Proportion of ownership rights 2014	2013
South Africa	Media	Times Media Group Limited ("TMG")#	**32.5%**	25.2%
South Africa	Stock broker	Navigare Securities Proprietary Limited ("Navigare")	**25.0%**	25.0%

In the first quarter of 2014, Blackstar increased its stake in TMG from 25.2% to 32.5% which was funded by external debt

Investments in associates carried at fair value through profit and loss comprise the following:

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Investment in TMG		
672,138	**862,612**	Equity shares in TMG	**47,921**	38,559
5,000	**5,000**	Net investment in Navigare	**278**	287
3,820	**4,050**	Equity shares in Navigare	**225**	219
1,180	**950**	Loan to Navigare which is interest-free with no fixed terms of repayment	**53**	68
677,138	**867,612**		**48,199**	38,846

17. Investments classified as loans and receivables

Loans from Blackstar to subsidiaries of the Group which are considered to be working capital loans, and not part of equity, have been accounted for at amortised cost and comprise of the following:

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
8,174	**7,888**	Loan to subsidiary CCPA which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once the borrower has sufficient funds available	**438**	469
8,174	**7,888**		**438**	469

18. Trade and other receivables

2013 R'000	2014 R'000		2014 £'000	2013 £'000
206	**750**	Management and fee income receivables	**42**	12
921	**1,070**	Prepayments, deposits and accrued income	**59**	53
2,938	**103**	Other receivables	**6**	168
4,065	**1,923**		**107**	233

19. Cash and cash equivalents

2013 R'000	2014 R'000		2014 £'000	2013 £'000
122,893	**63,020**	Deposits and cash at bank	**3,501**	7,050
(4)	**—**	Bank overdrafts	**—**	—
122,889	**63,020**	Cash and cash equivalents per the statement of cash flows	**3,501**	7,050

Cash and cash equivalents held by South African subsidiaries of R2,426,000, £135,000 (2013: R6,281,000, £360,000) are ring-fenced and are not available to other entities within the Group. Transfers of cash are subject to South African exchange control regulations. Cash and cash equivalents held at the centre (comprising Blackstar Group SE and Blackstar Cyprus) amounted to R60,594,000, £3,366,000 (2013: R116,608,000, £6,690,000) at year end.

No cash and cash equivalents have been pledged as security at 31 December 2014 (2013: nil).

20. Other financial liabilities

2013 R'000	2014 R'000		2014 £'000	2013 £'000
201	**15**	Accrual arising on operating leases as a result of lease payments being recognised as an expense on a straight-line basis over the lease term	**1**	12
201	**15**		**1**	12

21. Borrowings

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Secured		
—	**72,673**	Facility which bears interest at the 3 month Johannesburg Interbank Accepted Rate ("JIBAR") plus 370 basis points. Interest is compounded and settled quarterly, with a bullet payment of the capital in April 2017	**4,037**	—
—	**72,673**		**4,037**	—

For the secured facility, Blackstar has ceded *in securitatem debiti* and has pledged to Rand Merchant Bank Limited "RMB", all of the Company's rights, titles and interests to:

- all equity instruments of CSI (refer note 15) and TMG (refer note 16);
- all claims that the Company has, of whatsoever nature, against CSI and TMG; and
- all disposal proceeds received by the Company pursuant to a disposal of any of its assets.

22. Trade and other payables

2013 R'000	2014 R'000		2014 £'000	2013 £'000
12,700	**19,473**	Salary related accruals	**1,082**	729
2,190	**3,064**	Other payables and accrued expenses	**170**	125
14,890	**22,537**		**1,252**	854

23. Share capital and reserves

23.1 Share capital

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Authorised		
1,553,754	**1,553,754**	150,000,000 ordinary shares of €0.76 each	**100,500**	100,500
		Issued and fully paid		
574,672	**574,672**	82,088,500 ordinary shares of €0.76 each	**55,347**	55,347

A reconciliation of the movement in ordinary shares of €0.76 each is provided below:

	Issued and fully paid Number of shares	Treasury shares Number of shares	Outstanding shares Number of shares
Balance as at 31 December 2012	**82,088,422**	**—**	**82,088,422**
Share split and consolidation	78	(213,541)	(213,463)
Repurchase of own shares	—	(8,027,949)	(8,027,949)
Issue of treasury shares	—	6,600,479	6,600,479
Balance as at 31 December 2013	**82,088,500**	**(1,641,011)**	**80,447,489**
Repurchase of own shares	—	(1,735,000)	(1,735,000)
Issue of treasury shares	—	2,584,453	2,584,453
Balance as at 31 December 2014	**82,088,500**	**(791,558)**	**81,296,942**

There were no movements of share capital in the current year. In the prior year, the consolidation and sub-division of Blackstar's share capital approved at the 2012 Annual General Meeting was implemented effective 28 June 2013. As part of the share split and consolidation, a Blackstar Group subsidiary acquired a total of 213,660 fraction shares from shareholders as well as the additional 78 Blackstar shares issued by the Company. Blackstar's existing treasury shares were reduced by 197 shares on implementation of the share consolidation.

During the current year Blackstar repurchased 1,735,000 (2013: 8,027,949) ordinary shares on the open market. Treasury share issues include 542,318 issued to a third party as part settlement for the acquisition of a property by BRE, and the balance comprises shares awarded as part of the Shareholder approved long term Management Incentive Scheme (refer note 33). All of the treasury shares held at year end amounting to 791,558 shares have been set aside for issue as an award by the long term Management Incentive Scheme (2013: 1,186,246 of the1,641,011 treasury shares held were set aside). The long term Management Incentive Scheme award includes 1,596,908 shares awarded in December 2014 and an additional discretionary award of 205,221 shares which occurred in the first quarter of 2015. In 2015 the Company will therefore issue 1,010,571 new shares in addition to the 791,558 treasury shares in order to settle this obligation. Refer note 33 for further details on the long term Management Incentive Scheme.

23.2 Reserves

The nature and purpose of each reserve within equity is described below:

Share premium

Share premium comprises the amount subscribed for share capital in excess of nominal value.

Capital redemption reserve

The capital redemption reserve comprises amounts transferred from share capital on redemption of issued shares.

Treasury shares reserve

This reserve comprises the cost of the Blackstar shares acquired and held as treasury shares by the Company.

23. Share capital and reserves (continued)

23.2 Reserves (continued)

Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising on translation of assets and liabilities denominated in the functional currency (Rands) into the presentational currency (Pounds Sterling).

Retained earnings

Retained earnings comprise cumulative net gains and losses recognised in the statement of comprehensive income.

24. Cash absorbed by operations

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
184,498	**145,988**	Profit for the period	**8,176**	12,218
(222)	**(137)**	Add back taxation	**(8)**	(15)
184,276	**145,851**	Profit before taxation	**8,168**	12,203
		Adjustments for non cash items:		
(5)	**—**	Profit on disposal of equipment	**—**	—
236	**207**	Depreciation of equipment	**12**	16
—	**(937)**	Foreign exchange gains on goodwill not denominated in Rands	**(51)**	—
(138,019)	**(203,812)**	Fair value adjustments on investments held at fair value through profit and loss	**(11,414)**	(9,110)
(96,827)	**(32,681)**	Dividends and interest accrued from loans and investments	**(1,831)**	(6,412)
(3,156)	**(1,458)**	Finance income	**(82)**	(209)
3,364	**8,724**	Finance costs	**489**	223
20,287	**32,730**	Long term Management Incentive Scheme Award - equity settled share based payment expense	**1,833**	1,344
		Changes in working capital:		
301	**2,142**	Decrease/(increase) in trade and other receivables	**118**	(37)
12,049	**7,647**	Increase in trade and other accounts payable	**430**	954
(16)	**(186)**	Decrease in lease accrual	**(11)**	(1)
(440,135)	**(242,492)**	Additions to investments	**(13,580)**	(29,151)
293,450	**167,774**	Proceeds on disposal of investments and repayments of loans to investment companies	**9,795**	19,452
(164,195)	**(116,491)**		**(6,124)**	(10,728)

25. Acquisition and disposals of consolidated subsidiaries

For all of the acquisitions in both the prior year and current financial year, the Group has elected to measure non-controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

25.1 Acquisitions

Acquisition of further interest in the hedge fund management business BFM

In June 2014 Blackstar acquired a further 10.0% stake in the hedge fund management business BFM for R150,000 (£8,400), bringing its investment in the company to 66.0%.

In 2013, Blackstar acquired a further 6.0% stake in the hedge fund management business BFM for R105,000 (£8,000), bringing its investment in the company to 56%.

BFM is responsible for the management of the BSOF and has been consolidated within these Group financial statements.

25. Acquisition and disposals of consolidated subsidiaries (continued)

25.2 Disposals

Winding down and strike off of Blackstar Gibraltar

During 2013 new legislation was released in Gibraltar, which affected the subsidiary Blackstar Gibraltar and it was determined that it was no longer beneficial to have a Group company in Gibraltar. Blackstar Gibraltar was therefore wound down, and all its assets were assigned to and liabilities assumed by Blackstar Group SE. The company was consolidated in the financial statements up to date of closure, being 1 November 2013.

25.3 Net cash outflows on acquisition of subsidiaries

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
(105)	**(150)**	Consideration paid for additional shares in BFM	**(8)**	(8)

26. Financial instruments and financial risk management

26.1 Categories of financial assets

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Financial assets		
1,180,472	**1,467,639**	**Financial assets at fair value through profit and loss**	**81,532**	67,721
312,014	**468,218**	Net investments in subsidiaries (refer note 15)	**26,011**	17,899
677,138	**867,612**	Net investments in associates (refer note 16)	**48,199**	38,846
191,320	**131,809**	Financial assets held for trading (refer note 14)	**7,322**	10,976
135,132	**72,831**	**Loans and receivables**	**4,046**	7,752
8,174	**7,888**	Investments classified as loans and receivables (refer note 17)	**438**	469
4,065	**1,923**	Trade and other receivables (refer note 18)	**107**	233
122,893	**63,020**	Cash and cash equivalents (refer note 19)	**3,501**	7,050
1,315,604	**1,540,470**		**85,578**	75,473
		Financial liabilities		
(15,095)	**(95,225)**	**Financial liabilities measured at amortised cost**	**(5,290)**	(866)
(201)	**(15)**	Other financial liabilities (refer note 20)	**(1)**	(12)
—	**(72,673)**	Borrowings (refer note 21)	**(4,037)**	—
(14,890)	**(22,537)**	Trade and other payables (refer note 22)	**(1,252)**	(854)
(4)	**—**	Bank overdrafts (refer note 19)	**—**	—
(15,095)	**(95,225)**		**(5,290)**	(866)

26.2 Financial risk management overview

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprises currency risk, interest rate risk and market price risk).

The Group's major financial risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying business maintaining an entrepreneurial focus. The risks within the underlying businesses are managed by their local management teams who are responsible for their own operations.

Due to the diverse structure and decentralised management of the Group, there is no formal Group policy regarding the management of financial risks. The investee company's board of directors is responsible for agreeing and reviewing the objectives, policies and processes for managing risks specifically relating to the investment portfolio.

26. Financial instruments and financial risk management (continued)

26.2 Financial risk management overview (continued)

Where Blackstar holds a controlling, or a significant interest, the management of each of these investee companies are responsible for designing and implementing a risk management strategy. The managing directors, financial directors and divisional heads of the companies are involved in the day-to-day management of the business, thereby identifying any financial risks. The investee companies have monthly executive management meetings, where areas of concern and risks, and management thereof, are discussed. Any significant issues are further escalated to the board of directors of each company where appropriate.

The information provided below for each financial risk has been collated for disclosure based on the way in which the business is managed and what is believed to be useful information for shareholders. For this reason certain information provided within the note is analysed by segment as referred to in the segmental report (refer note 36). This note presents information about the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

26.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investments, cash and cash equivalents and guarantees.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. The carrying values for trade receivables, investments classified as loans and receivables and cash and cash equivalents are provided in note 26.1.

26.3.1 Trade and other receivables

Refer note 18 Trade and other receivables.

The Group does not carry out daily trading activities with customers. Trade and other receivables arise from performance fees which are receivable for the management of the funds, monitoring and director fees from related parties, deposits and prepayments and Value Added Tax. The nature of each of these items is such that there is an underlying amount against which the amount receivable is recoverable. As a result, no impairment allowance has been raised in 2014 or 2013 as the Group is satisfied that all amounts are recoverable.

Due to the nature of items held as trade and other receivables, there is no formal Group credit policy. Each item is assessed on an individual basis and appropriate mitigating controls are enforced to reduce the respective credit risk. No collateral was held for trade and other receivables.

26. Financial instruments and financial risk management (continued)

26.3 Credit risk (continued)

26.3.2 Investments

Refer note 14 Financial assets at fair value through profit and loss and note 17 Investments classified as loans and receivables. Provided below are the total investments analysed by segment.

2013 R'000	2014 R'000		2014 £'000	2013 £'000
8,174	**7,888**	**Investments classified as loans and receivables**	**438**	469
8,174	**7,888**	Investments	**438**	469
1,180,472	**1,467,639**	**Investments at fair value through profit and loss**	**81,532**	67,721
1,025,644	**1,353,301**	Investments	**75,179**	58,840
121,636	**49,014**	Funds	**2,723**	6,978
33,192	**65,324**	Property	**3,630**	1,903
1,188,646	**1,475,527**	**Total Investments**	**81,970**	68,190

Included within Investments at fair value through profit and loss are net investments in subsidiaries which comprise equity interests and equity loans to subsidiaries. Detail of the maximum credit risk exposure for each of the loans to subsidiaries is provided in note 15. As described in note 21, the Group's investments in CSI and TMG have been pledged as collateral for borrowings drawn in the current year.

Investments within the Investment segment

An integral part of the Group's credit risk management process is the approval of all investment and financing transactions by the Board of Directors. The Group manages its credit risk by setting acceptable exposure limits for companies in the respective segments. The Group may provide financing to companies in which it has a controlling or significant interest. This financing is provided on the strength of the underlying companies in which the Group has invested.

The Blackstar Group SE Board meets on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors credit risk on an on-going basis.

Investments within the Fund segment

BSOF is managed via an investor memorandum (a "Mandate") which governs the products, asset classes and various exposure limits that can be taken by the fund. Limits are detailed as a percentage of NAV and these limits are monitored internally, by the prime broker and by the risk management third party service. The SA Alpha Blackstar Special Opportunity Fund ("BFM US Fund") is managed via an Investor Advisory Agreement. Daily risk management reports are delivered to the hedge fund managers and investment committee. Any breaches in Mandate limits are highlighted in risk reports and rectified immediately.

Investments within the Property segment

The Property segment is actively monitored by the property portfolio manager. The risk in the Property segment is limited as the majority of the properties are secured by triple net lease contracts and the majority of these properties are single-tenanted properties.

At the balance sheet date, the Group had no financial assets that were past due and no impairments (other than fair value adjustments to equity loans) were raised on investments in both the prior and current year.

An industry analysis of the investment portfolios, including investments at fair value through profit and loss and investments classified as loans and receivables, are set out in the tables below. No single industry is considered to be materially more risky in nature than another.

26. Financial instruments and financial risk management (continued)

26.3 Credit risk (continued)

26.3.2 Investments (continued)

Credit risk exposure on investments

2013 Exposure %	2013 Exposure R'000	2014 Exposure %	2014 Exposure R'000		2014 Exposure %	2014 Exposure £'000	2013 Exposure %	2013 Exposure £'000
56%	672,661	**59%**	**862,612**	Media	**59%**	**47,921**	56%	38,589
28%	329,514	**30%**	**444,888**	Industrial (Steel)	**30%**	**24,714**	28%	18,905
3%	33,192	**4%**	**65,324**	Property	**4%**	**3,630**	3%	1,903
10%	121,637	**3%**	**49,014**	Hedge funds	**3%**	**2,723**	10%	6,978
1%	8,600	**2%**	**31,055**	Financial	**2%**	**1,725**	1%	493
2%	23,042	**2%**	**22,634**	Retail	**2%**	**1,257**	2%	1,322
100%	1,188,646	**100%**	**1,475,527**		**100%**	**81,970**	100%	68,190

26.3.3 Cash and cash equivalents

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year end, overdrafts amounted to nil (2013:R4,000, £222) and cash and cash equivalents amounted to R63,020,000, £3,501,000 (2013:R122,893,000 £7,050,000). Of the carrying value of cash and cash equivalents an amount of R27,191,000, £1,510,000, 43% was held in AAA rated money market funds and the balance with BBB+ or lower rated financial institutions. In 2013, of the carrying value of cash and cash equivalents an amount of R74,624,000, £4,281,000, 61% was held in AAA rated money market funds and the balance with BBB+ or lower rated financial institutions. The credit risk on cash and cash equivalents is limited due to the high credit ratings assigned to the funds and financial institutions by international credit-ratings agencies.

26.3.4 Guarantees

Refer note 31 Contingencies and guarantees for further details of guarantees issued by the Group. The Group's maximum exposure to credit risk, without taking into account collateral or any other credit enhancements held, in respect of guarantees would be equal to the amounts disclosed in note 31.

26.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management maintain relationships with the investee companies' bankers and monitor cash reserves on an on-going basis to ensure there are sufficient cash resources to meet liabilities in the short term.

The management of Blackstar SA and BFM are responsible for managing liquidity risk in each of their respective businesses.

The fund management business mitigates liquidity in the following ways:

- Business continuity liquidity risk is mitigated by holding no less than R3.0 million (£0.2 million) as a capital adequacy requirement as per the category 2A hedge fund regulations;
- Market liquidity risk is mitigated by position size management relative to the underlying securities liquidity profile held by the fund; and
- Investor liquidity is mitigated by a 30 day notice period for withdrawals and no more than 20% of the fund may be withdrawn within a calendar month.

26. Financial instruments and financial risk management (continued)

26.4 Liquidity risk (continued)

26.4.1 Contractual maturities of non-derivative financial assets and liabilities

The table below details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial assets and liabilities. The table includes both interest and principal cash flows. To the extent that interest flows are at a floating rate, the undiscounted amount is derived utilising the interest rate at year end. The contractual maturity is based on the earliest date on which the Group may be required to pay.

			Undiscounted contractual cash flows				
As at 31 December 2014	Carrying amount R'000	Total R'000	6 months or less R'000	6-12 months R'000	1-5 years R'000	More than 5 years R'000	No fixed maturity R'000
Net investments in subsidiaries (refer note 15)	468,218	468,218	—	—	—	—	468,218
Net investments in associates (refer note 16)	867,612	867,612	—	—	—	—	867,612
Financial assets held for trading (refer note 14)	131,809	131,809	—	—	—	—	131,809
Investments classified as loans and receivables (refer note 17)	7,888	7,888	—	—	—	—	7,888
Trade and other receivables (refer note 18)	1,923	1,923	1,923	—	—	—	—
Cash and cash equivalents (refer note 19)	63,020	63,020	63,020	—	—	—	—
Total financial assets	1,540,470	1,540,470	64,943	—	—	—	1,475,527
Other financial liabilities (refer note 20)	(15)	(15)	(15)	—	—	—	—
Borrowings (refer note 21)	(72,673)	(89,281)	(3,541)	(3,599)	(82,141)	—	—
Trade and other payables (refer note 22)	(22,537)	(22,537)	(22,537)	—	—	—	—
Total financial liabilities	(95,225)	(111,833)	(26,093)	(3,599)	(82,141)	—	—

			Undiscounted contractual cash flows				
As at 31 December 2014	Carrying amount £'000	Total £'000	6 months or less £'000	6-12 months £'000	1-5 years £'000	More than 5 years £'000	No fixed maturity £'000
Net investments in subsidiaries (refer note 15)	26,011	26,011	—	—	—	—	26,011
Net investments in associates (refer note 16)	48,199	48,199	—	—	—	—	48,199
Financial assets held for trading (refer note 14)	7,322	7,322	—	—	—	—	7,322
Investments classified as loans and receivables (refer note 17)	438	438	—	—	—	—	438
Trade and other receivables (refer note 18)	107	107	107	—	—	—	—
Cash and cash equivalents (refer note 19)	3,501	3,501	3,501	—	—	—	—
Total financial assets	85,578	85,578	3,608	—	—	—	81,970
Other financial liabilities (refer note 20)	(1)	(1)	(1)	—	—	—	—
Borrowings (refer note 21)	(4,037)	(5,000)	(198)	(202)	(4,600)	—	—
Trade and other payables (refer note 22)	(1,252)	(1,252)	(1,252)	—	—	—	—
Total financial liabilities	(5,290)	(6,253)	(1,451)	(202)	(4,600)	—	—

26. Financial instruments and financial risk management (continued)

26.4 Liquidity risk (continued)

26.4.1 Contractual maturities of non-derivative financial assets and liabilities (continued)

As at 31 December 2013	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6-12 months R'000	1-5 years R'000	More than 5 years R'000	No fixed maturity R'000
Net investments in subsidiaries (refer note 15)	312,014	312,014	—	—	—	—	312,014
Net investments in associates (refer note 16)	677,138	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 14)	191,320	191,320	—	—	—	—	191,320
Investments classified as loans and receivables (refer note 17)	8,174	8,174	500	600	7,074	—	—
Trade and other receivables (refer note 18)	4,065	4,065	4,065	—	—	—	—
Cash and cash equivalents (refer note 19)	122,893	122,893	122,893	—	—	—	—
Total financial assets	1,315,604	1,315,604	127,458	600	7,074	—	1,180,472
Other financial liabilities (refer note 20)	(201)	(201)	—	(104)	(97)	—	—
Trade and other payables (refer note 22)	(14,890)	(14,890)	(14,890)	—	—	—	—
Bank overdrafts (refer note 19)	(4)	(4)	(4)	—	—	—	—
Total financial liabilities	(15,095)	(15,095)	(14,894)	(104)	(97)	—	—

As at 31 December 2013	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 6 months or less £'000	6-12 months £'000	1-5 years £'000	More than 5 years £'000	No fixed maturity £'000
Net investments in subsidiaries (refer note 15)	17,899	17,899	—	—	—	—	17,899
Net investments in associates (refer note 16)	38,846	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 14)	10,976	10,976	—	—	—	—	10,976
Investments classified as loans and receivables (refer note 17)	469	469	29	34	406	—	—
Trade and other receivables (refer note 18)	233	233	233	—	—	—	—
Cash and cash equivalents (refer note 19)	7,050	7,050	7,050	—	—	—	—
Total financial assets	75,473	75,473	7,312	34	406	—	67,721
Other financial liabilities (refer note 20)	(12)	(12)	—	(6)	(6)	—	—
Trade and other payables (refer note 22)	(854)	(854)	(854)	—	—	—	—
Bank overdrafts (refer note 19)	—	—	—	—	—	—	—
Total financial liabilities	(866)	(866)	(854)	(6)	(6)	—	—

26. Financial instruments and financial risk management (continued)

26.4 Liquidity risk (continued)

26.4.2 Undrawn Facilities

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Unsecured bank overdraft facility, reviewed annually and payable on call		
1,000	**1,000**	Fully unutilised	**56**	57
		Secured facility (refer note 21)		
—	**72,673**	Utilised	**4,037**	—
—	**127,327**	Unutilised	**7,073**	—
—	**200,000**		**11,110**	—

26.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk has been broken down into currency risk, interest rate risk and market price risk.

26.5.1 Currency risk

The Group's activities expose it to financial risks of changes in foreign currency. The exposure to currency risk has been discussed in further detail by segment.

Investment segment

Currency risk arises because the Group makes investments in currencies which differ from its functional currency Rands and presentational currencies Rands and Pounds Sterling. The value of these assets is exposed to currency risk giving rise to gains or losses on translation into Pounds and Rands. Currency risk also arises because operations within this segment incur costs from service providers in various parts of the world whose currency is not the same as the Group's functional and presentational currencies (Rands and Pounds Sterling). The Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Fund segment

All of the funds have access to financial products that are easily traded to mitigate currency risk. BFM US Fund is a US Dollar based fund. BSOF has a 25% offshore exposure limit which can be attained in various currencies to obtain a diversification of currencies and limit single currency risk factors. Both funds trade currency and future options to hedge out any exposure that may arise.

Property segment

Blackstar holds an investment in BRE, which in turn holds 100% of the shares in Domel, a Namibian investment property company. The currency risk in this property is limited as both the income and expense streams are based in Namibian Dollars. There is also very little volatility between the Namibian Dollar and the Rand which reduces the currency risk on the translation of the valuation of Domel from Namibian Dollars to Rands.

Non-segmental entities

The non-segmental entities are not invested in any activities that are exposed to currency risk. However, similarly to the Investments segment, the non-segmental entities carry monetary assets and liabilities (namely trade and other receivables, payables and cash) which differ to the Group's presentational and functional currencies being Rands and Pounds Sterling. As with the Investment segment, the Board of Directors meet on a quarterly basis to review the non-segmental entities and consequently monitor currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

26. Financial instruments and financial risk management (continued)
26.5 Market risk (continued)

26.5.1 Currency risk (continued)

Exposure to currency risk

As at 31 December 2014 Functional and presentational currency exposure	South African Rands R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwatcha R'000	Total R'000
Financial assets						
Net investments in subsidiaries (refer note 15)	468,218	—	—	—	—	468,218
Net investments in associates (refer note 16)	867,612	—	—	—	—	867,612
Financial assets held for trading (refer note 14)	103,857	—	5,318	—	22,634	131,809
Investments classified as loans and receivables (refer note 17)	7,888	—	—	—	—	7,888
Trade and other receivables (refer note 18)	1,890	—	—	33	—	1,923
Cash and cash equivalents (refer note 19)	18,469	30,759	13,639	153	—	63,020
Total financial assets	1,467,934	30,759	18,957	186	22,634	1,540,470
Financial liabilities						
Other financial liabilities (refer note 20)	(15)	—	—	—	—	(15)
Borrowings (refer note 21)	(72,673)	—	—	—	—	(72,673)
Trade and other payables (refer note 22)	(21,135)	(879)	—	(523)	—	(22,537)
Total financial liabilities	(93,823)	(879)	—	(523)	—	(95,225)

As at 31 December 2014 Functional and presentational currency exposure	South African Rands £'000	Pounds Sterling £'000	US Dollar £'000	Euro £'000	Zambian Kwatcha £'000	Total £'000
Financial assets						
Net investments in subsidiaries (refer note 15)	26,011	—	—	—	—	26,011
Net investments in associates (refer note 16)	48,199	—	—	—	—	48,199
Financial assets held for trading (refer note 14)	5,769	—	296	—	1,257	7,322
Investments classified as loans and receivables (refer note 17)	438	—	—	—	—	438
Trade and other receivables (refer note 18)	105	—	—	2	—	107
Cash and cash equivalents (refer note 19)	1,026	1,709	758	8	—	3,501
Total financial assets	81,548	1,709	1,054	10	1,257	85,578
Financial liabilities						
Other financial liabilities (refer note 20)	(1)	—	—	—	—	(1)
Borrowings (refer note 21)	(4,037)	—	—	—	—	(4,037)
Trade and other payables (refer note 22)	(1,174)	(49)	—	(29)	—	(1,252)
Total financial liabilities	(5,212)	(49)	—	(29)	—	(5,290)

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.1 Currency risk (continued)

Exposure to currency risk (continued)

As at 31 December 2013 Functional and presentational currency exposure	South African Rands R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwatcha R'000	Total R'000
Financial assets						
Net investments in subsidiaries (refer note 15)	312,014	—	—	—	—	312,014
Net investments in associates (refer note 16)	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 14)	109,864	—	58,414	—	23,042	191,320
Investments classified as loans and receivables (refer note 17)	8,174	—	—	—	—	8,174
Trade and other receivables (refer note 18)	3,308	227	315	215	—	4,065
Cash and cash equivalents (refer note 19)	42,440	66,642	12,459	1,352	—	122,893
Total financial assets	1,152,938	66,869	71,188	1,567	23,042	1,315,604
Financial liabilities						
Other financial liabilities (refer note 20)	(201)	—	—	—	—	(201)
Trade and other payables (refer note 22)	(13,159)	(957)	(359)	(415)	—	(14,890)
Bank overdrafts (refer note 19)	—	(4)	—	—	—	(4)
Total financial liabilities	(13,360)	(961)	(359)	(415)	—	(15,095)

As at 31 December 2013 Functional and presentational currency exposure	South African Rands £'000	Pounds Sterling £'000	US Dollar £'000	Euro £'000	Zambian Kwatcha £'000	Total £'000
Financial assets						
Net investments in subsidiaries (refer note 15)	17,899	—	—	—	—	17,899
Net investments in associates (refer note 16)	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 14)	6,303	—	3,351	—	1,322	10,976
Investments classified as loans and receivables (refer note 17)	469	—	—	—	—	469
Trade and other receivables (refer note 18)	190	13	18	12	—	233
Cash and cash equivalents (refer note 19)	2,435	3,823	715	77	—	7,050
Total financial assets	66,142	3,836	4,084	89	1,322	75,473
Financial liabilities						
Other financial liabilities (refer note 20)	(12)	—	—	—	—	(12)
Trade and other payables (refer note 22)	(754)	(55)	(21)	(24)	—	(854)
Bank overdrafts (refer note 19)	—	—	—	—	—	—
Total financial liabilities	(766)	(55)	(21)	(24)	—	(866)

Sensitivity analysis for exposure to foreign current risk

The following table demonstrates in Rands, the impact on net financial assets if the Rands strengthened/(weakened) by 10% and all other variables remained constant:

10% strengthening in the Rand Increase/(decrease) in net financial assets 2013 R'000	**2014 R'000**	**Currency exposed to:**	**10% weakening in the Rand Increase/(decrease) in net financial assets** **2014 R'000**	2013 R'000
(6,591)	**(2,988)**	Pounds Sterling	**2,988**	6,591
(7,083)	**(1,896)**	US Dollar	**1,896**	7,083
(115)	**34**	Euro	**(34)**	115
(2,304)	**(2,263)**	Zambian Kwatcha	**2,263**	2,304

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.1 Currency risk (continued)

Sensitivity analysis for exposure to foreign current risk (continued)

The following table demonstrates, in Pounds Sterling, the impact on net financial assets if the Pound Sterling strengthened/(weakened) by 10% and all other variables remained constant:

10% strengthening in Pounds Sterling Increase/(decrease) in net financial assets			10% weakening in Pounds Sterling Increase/(decrease) in net financial assets	
2013 £'000	**2014 £'000**	**Currency exposed to:**	**2014 £'000**	2013 £'000
6,538	**7,634**	South African Rands	**(7,634)**	(6,538)
406	**105**	US Dollar	**(105)**	(406)
7	**(2)**	Euro	**2**	(7)
132	**126**	Zambian Kwatcha	**(126)**	(132)

The following significant exchange rates applied during the year:

	2014	2013
South African Rands/Pounds Sterling		
Average Rate	**17.857**	15.099
Closing Rate	**18.001**	17.431

26.5.2 Interest rate risk

Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows associated with financial instruments will fluctuate because of changes in market interest rates. The following financial instruments are exposed to interest rate risk: loan investments, borrowings, other financial liabilities and cash and cash equivalents.

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.2 Interest rate risk (continued)

At the reporting date the interest rate profile of the Group's interest bearing financial instruments were as follows:

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Non-interest bearing instruments		
		Financial assets		
99,489	**287,703**	Net investments in subsidiaries^ (refer note 15)	**16,199**	5,708
99,489	**287,703**		**16,199**	5,708
		Variable rate instruments		
		Financial assets		
1,707	**19,554**	Net investments in subsidiaries^ (refer note 15)	**1,086**	98
8,174	**7,888**	Investments classified as loans and receivables (refer note 17)	**438**	469
122,893	**63,020**	Cash and cash equivalents (refer note 19)	**3,501**	7,050
		Financial liabilities		
—	**(72,673)**	Borrowings (refer note 21)	**(4,037)**	—
(4)	**—**	Bank overdrafts (refer note 19)	**—**	—
132,770	**17,789**		**988**	7,617
		Fixed rate instruments		
		Financial assets		
10,148	**11,367**	Net investments in subsidiaries^ (refer note 15)	**631**	582
10,148	**11,367**		**631**	582

^ Comprises equity loans to subsidiaries and associates reflected at their nominal value (being the value on which the interest is calculated if applicable) prior to any fair value adjustments

Investments

The Group's exposure to interest rates on investments is detailed in note 15 Net investments in subsidiaries, note 16 Net investments in associates and note 17 Investments classified as loans and receivables. Interest rate risk in respect of investments falling within the Investment's segment is managed by the Board of Directors, who meet on a quarterly basis to review the investment portfolio and consequently monitors interest rate risk on an on-going basis.

Borrowings

The Group adopts a policy of ensuring that its borrowings are at market-related rates. Operational management in each segment is responsible for monitoring borrowing levels and exposure to interest rate risk on an on-going basis. The variable rates are influenced by movements in the South African Prime borrowing rates. Refer note 21 for further details of the borrowings in place at year end.

Cash and cash equivalents

Any excess cash and cash equivalents are invested with banks at short term market interest rates. Overdrafts which arise are linked to the South African Prime Rate.

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.2 Interest rate risk (continued)

Sensitivity analyses

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting year. A 1% change has been used as this is what could reasonably be expected as a change in interest rates based on historical movements in interest rates within South Africa.

A 1% decrease in the South African Prime Rate effective from the beginning of the year, all other variables held constant, would have resulted in an increase of R905,000, £91,000 (2013: R1,328,000, £76,000) in the reported net asset value of the Group. A 1% increase in the South African Prime Rate effective from the beginning of the year, on the same basis, would have resulted in a decrease of R905,000, £91,000 (2013: R1,328,000, £76,000) in the reported net asset value of the Group.

26.5.3 Market price risk

Market price risk, or equity price risk, is the risk of unfavourable changes in the fair values of the equities as a result of changes in the levels of equity indices and the value of individual shares. The market price risk exposure arises from the Group's investments in equity securities. The Group manages this risk by investing in a variety of equities the portfolio of which is reviewed on a quarterly basis by the Board of Directors.

Investment segment

The Group is exposed to market price risk in its listed and unlisted investments. Listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and uncertainties about future prices in the case of listed investments. The Board of Directors meet on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Fund segment

The investments in the hedge funds are exposed to market price risk as this is the investment strategy within the fund. Hedging tools and products are utilised to reduce market price risk where necessary in various markets namely currencies, derivatives, shares and fixed income products.

Investments exposed to market price risk

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Financial assets		
63,222	**43,696**	Net investments in subsidiaries (refer note 15)	**2,427**	3,627
672,138	**862,612**	Net investments in associates (refer note 16)	**47,921**	38,559
81,980	**48,765**	Financial assets held for trading (refer note 14)	**2,709**	4,703
817,340	**955,073**		**53,057**	46,889

Sensitivity analysis

The Group is mainly invested in equities on the JSE. However, with the advent of the investment in the hedge funds, the Group has diversified its risk across global equity indices. Should global equity indices increase by 10%, the fair value of the Group's investments, if all other input factors remained constant, would increase by R95,507,000 £5,306,000 (2013: R81,734,000 £4,689,000). Should global equity indices decrease by 10%, the fair value of the Group's investments, if all other input factors remained constant, would decrease by R95,507,000 £5,306,000 (2013: R81,734,000 £4,689,000). The sensitivity analyses does not take into account the hedges that have been put in place by the hedge funds which ultimately limit the sensitivities of the Group's investments in the hedge funds to changes in market risk.

27. Fair value of assets

27.1 Fair value hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering the factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised in accordance with the manner in which the fair value is based:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Recurring fair value measurement of assets and liabilities

Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	2014	Total £'000	Level 3 £'000	Level 2 £'000	Level 1 £'000
				Financial assets				
43,696	**—**	**424,522**	**468,218**	Investment in subsidiaries	**26,011**	**23,584**	**—**	**2,427**
—	**—**	**357,000**	**357,000**	Investment in CSI (previously Stalcor)	**19,832**	**19,832**	**—**	**—**
43,696	**—**	**—**	**43,696**	Investment in BSOF	**2,427**	**—**	**—**	**2,427**
—	**—**	**2,198**	**2,198**	Investment in NBC	**122**	**122**	**—**	**—**
—	**—**	**65,324**	**65,324**	Investment in BRE and the property subsidiaries	**3,630**	**3,630**	**—**	**—**
862,612	**—**	**5,000**	**867,612**	Investment in associates	**48,199**	**278**	**—**	**47,921**
862,612	**—**	**—**	**862,612**	Investment in TMG	**47,921**	**—**	**—**	**47,921**
—	**—**	**5,000**	**5,000**	Investment in Navigare	**278**	**278**	**—**	**—**
48,765	**83,044**	**—**	**131,809**	Financial assets held for trading	**7,322**	**—**	**4,613**	**2,709**
43,447	**—**	**—**	**43,447**	Listed equity securities	**2,413**	**—**	**—**	**2,413**
5,318	**83,044**	**—**	**88,362**	Unlisted investments	**4,909**	**—**	**4,613**	**296**
955,073	**83,044**	**429,522**	**1,467,639**		**81,532**	**23,862**	**4,613**	**53,057**

Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	2013	Total £'000	Level 3 £'000	Level 2 £'000	Level 1 £'000
				Financial assets				
63,222	—	248,792	312,014	Investment in subsidiaries	17,899	14,272	—	3,627
—	—	180,000	180,000	Investment in GRS	10,327	10,327	—	—
—	—	32,000	32,000	Investment in CSI (previously Stalcor)	1,836	1,836	—	—
63,222	—	—	63,222	Investment in BSOF	3,627	—	—	3,627
—	—	3,600	3,600	Investment in NBC	206	206	—	—
—	—	33,192	33,192	Investment in BRE and the property subsidiaries	1,903	1,903	—	—
672,138	—	5,000	677,138	Investment in associates	38,846	287	—	38,559
672,138	—	—	672,138	Investment in TMG	38,559	—	—	38,559
—	—	5,000	5,000	Investment in Navigare	287	287	—	—
81,980	109,340	—	191,320	Financial assets held for trading	10,976	—	6,273	4,703
23,565	—	—	23,565	Listed equity securities	1,352	—	—	1,352
58,415	109,340	—	167,755	Unlisted investments	9,624	—	6,273	3,351
817,340	109,340	253,792	1,180,472		67,721	14,559	6,273	46,889

27. Fair value of assets (continued)

27.2 Valuation techniques

27.2.1 Level 1

Listed investments in subsidiaries, associates and equity securities

When fair values of publicly traded equity securities and managed funds are based on quoted market prices, or binding dealer quotations, in an active market for identical assets without any adjustments, the instruments are included in Level 1 of the hierarchy. The Group values these investments at the bid price of the investment at the end of the reporting period.

27.2.2 Level 2

Investment in unlisted equity securities

The Group has invested in privately held companies which are not quoted in an active market. The Group uses a market based valuation technique for the position in these privately held companies. The Group classifies the fair value of these investments as Level 2.

27.2.3 Level 3

Investment in CSI (previously Stalcor and now incorporating GRS) and Navigare

For these investments, the Group's investment manager determines comparable public companies (peers) based on industry, size, leverage and strategy and calculates a weighted average cost of capital amount ("WACC"). This WACC is then applied to the future cash flows of the respective investment to calculate a value based on a discounted cash flow model. The value derived from the discounted cash flow model is then compared to the NAV of the investment and the investment manager then determines a value of the investment which is discounted from the discounted cash flow model in relation to the NAV.

During the year, Stalcor acquired GRS from Blackstar and was renamed CSI. A discounted cash flow model has therefore been prepared based on the combined Stalcor and GRS operations now known as CSI. In the prior year, they were valued separately with GRS valued using a discounted cash flow model and Stalcor based on the NAV of Stalcor adjusted for various industry factors ("Adjusted NAV").

The Group classifies the fair value of these investments as Level 3.

BRE and the property subsidiaries

Where the Group has investments in BRE and the property subsidiaries, the Group values these investments using a yield percentage on an adjusted profit before interest and tax ("PBIT") basis. The adjustment made to the PBIT is to exclude items which are non-recurring. The Group classifies the fair value of these investments as Level 3.

Valuation process for Level 3 valuations

Valuations are the responsibility of the Board of Directors of the Group.

The valuation of BRE and the property subsidiaries is performed quarterly by the investment manager and reviewed by the Board of Directors. This is presented in the form of the Intrinsic NAV. The valuation of the underlying investment property is performed every 3 to 5 years by an independent valuator. On a quarterly basis, the investment manager shall review the respective valuations and inputs for significant changes, and shall consult with external sources where relevant.

The valuations are subject to quality assurance procedures performed by the Board of Directors. The Board of Directors verify the major inputs applied in the latest valuation by agreeing the information in the latest valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared to the valuations of the previous quarter and bi-annually to the valuation of the preceding year.

27. Fair value of assets (continued)

27.2 Valuation techniques (continued)

27.2.3 Level 3 (continued)

Valuation process for Level 3 valuations (continued)

On a quarterly basis, the Intrinsic NAV calculation (which includes the investments at fair value) is presented to the Board of Directors. This includes discussions of the major assumptions used in the valuations, with an emphasis on the more significant investments.

Any changes in valuation methods are discussed and agreed by the Group's Board of Directors.

Quantitative information of significant unobservable inputs – Level 3

Description	Fair value 2014 R'000	Fair value 2013 R'000	Fair value 2014 £'000	Fair value 2013 £'000	Valuation technique	Unobservable input	Range (weighted average)	Range (weighted average)
Investment in CSI	**357,000**	*	**19,832**	*	Discounted cash flows	WACC	10%-20%	10%-20%
						Perpetual growth	3%-5%	3%-5%
Investment in GRS	*	180,000	*	10,327	Discounted cash flows	WACC	10%-20%	10%-20%
						Perpetual growth	3%-5%	3%-5%
Investment in Stalcor	*	32,000	*	1,836	Adjusted NAV	#	#	#
Investment in NBC	**2,198**	3,600	**122**	206	Adjusted NAV	#	#	#
Investment in Navigare	**5,000**	5,000	**278**	287	Discounted cash flows	WACC	20%-30%	20%-30%
						Perpetual growth	3%-5%	3%-5%
Investment in BRE and the property subsidiaries	**65,324**	33,192	**3,630**	1,903	Yield on profit before interest and tax	Estimated operating profit before interest and tax per year	R240,000 to R5,500,000	£13,000 to £306,000
						Yield	9% to 15%	9% to 15%
						Occupancy rate	45% to 100%	45% to 100%
Total	**429,522**	253,792	**23,862**	14,559				

\# CSI and NBC use an adjusted NAV for the purposes of their valuations. There is no unobservable data that is used barring the information in the NAV value.

* Post restructuring of GRS and Stalcor in 2014, the operations of Stalcor and GRS (now known as CSI) are combined and one valuation is performed. In 2013, Stalcor and GRS were valued separately.

27. Fair value of assets (continued)
27.2 Valuation techniques (continued)
27.2.3 Level 3 (continued)
Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

			Effect on fair value increase/(decrease)			
Description	Input	Sensitivity used	2014 R'000	2013 R'000	2014 £'000	2013 £'000
Investment in CSI	WACC	1%	25,000	*	1,389	*
	Perpetual growth	1%	18,000	*	1,000	*
Investment in GRS	WACC	1%	*	(15,289)	*	(877)
	Perpetual growth	1%	*	15,095	*	866
Investment in Stalcor	#	#	#	#	#	#
Investment in NBC	#	#	#	#	#	#
Investment in Navigare	WACC	1%	(77)	(77)	(4)	(4)
	Perpetual growth	1%	58	58	3	3
Investment in BRE and the property subsidiaries	Estimated rental per annum per property	R 1,000,000 or £ 100,000	4,596	6,266	456	542
	Yield	1%	(2,877)	(2,200)	(159)	(110)
	Occupancy rate	5%	3,274	1,880	182	108

\# CSI and NBC utilise an adjusted NAV for the purposes of its valuation. There is no unobservable data that is used barring the information in the NAV value.

* Post restructuring of GRS and Stalcor in 2014, the operations of Stalcor and GRS (now known as CSI) are combined and one valuation is performed. In 2013, Stalcor and GRS were valued separately.

Investment in CSI (previously Stalcor and now incorporating GRS) and Navigare

Significant increase/decreases in the WACC shall result in a significantly lower/higher fair value measurement. A significant decrease/increase in the perpetual growth shall result in a decrease/increase in the fair value measurement.

BRE and the property subsidiaries

Significant increases/decreases in estimated operating profit before interest and tax and significant decreases/increases in the yield rate in isolation would result in a significant higher/lower fair value measurement. Significant decreases/increases in long term occupancy rates in isolation would result in a significantly lower/higher fair value measurement. Generally, a change in the assumption made for the estimated rental value is accompanied by a directional change in the rent growth rate and discount rate, as well as, an opposite change in the long term vacancy rate.

27. Fair value of assets (continued)

27.2 Valuation techniques (continued)

27.2.3 Level 3 (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of investments categorised within Level 3 between the beginning and the end of the reporting periods.

Investment in GRS R'000	Investment in CSI (previously Stalcor) R'000	Investment in NBC R'000	Investment in Navigare R'000	Investment in BRE and the property subsidiaries R'000		Investment in BRE and the property subsidiaries £'000	Investment in Navigare £'000	Investment in NBC £'000	Investment in CSI (previously Stalcor) £'000	Investment in GRS £'000
					2014					
180,000	**32,000**	**3,600**	**5,000**	**33,192**	Balance as at 1 January 2014	**1,903**	**287**	**206**	**1,836**	**10,327**
54,500	**110,500**	**(1,402)**	**231**	**8,054**	Total gains and losses in profit and loss	**451**	**13**	**(79)**	**6,188**	**3,052**
—	**—**	**—**	**—**	**548**	Interest and dividends accrued	**31**	**—**	**—**	**—**	**—**
—	**—**	**—**	**—**	**23,530**	Additions	**1,318**	**—**	**—**	**—**	**—**
(225,000)	**225,000**	**—**	**—**	**—**	Disposal of equity stake and claims in GRS to CSI (previously Stalcor)	**—**	**—**	**—**	**12,600**	**(12,600)**
(9,500)	**(10,500)**	**—**	**(231)**	**—**	Disposals or repayments of equity loans	**—**	**(13)**	**—**	**(588)**	**(532)**
—	**—**	**—**	**—**	**—**	Exchange losses	**(73)**	**(9)**	**(5)**	**(204)**	**(247)**
—	**357,000**	**2,198**	**5,000**	**65,324**	**Balance as at 31 December 2014**	**3,630**	**278**	**122**	**19,832**	**—**
					2013					
155,000	32,000	—	5,000	29,143	Balance as at 1 January 2013	2,116	363	—	2,323	11,254
14,050	—	3,600	98	11,102	Total gains and losses in profit and loss	735	6	238	—	931
—	—	—	—	2,026	Interest and dividends accrued	134	—	—	—	—
19,000	—	—	—	—	Additions	—	—	—	—	1,258
(8,050)	—	—	(98)	(9,079)	Disposals/equity loan repayments	(601)	(6)	—	—	(533)
—	—	—	—	—	Exchange losses	(481)	(76)	(32)	(487)	(2,583)
180,000	32,000	3,600	5,000	33,192	Balance as at 31 December 2013	1,903	287	206	1,836	10,327

28. Capital management

Through two capital raisings the Company raised £80 million (£75.4 million after capital raising expenses) in 2006. In 2011, the Company raised a further R100 million (£8.9 million). The capital includes share capital, share premium and all distributable and non-distributable reserves, and is managed in accordance with the Group's investment strategy.

The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses. Whilst not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in Southern Africa, with a particular focus on South Africa. Investments outside Southern Africa will be considered where the Board believes the opportunities are particularly attractive. The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

28. Capital management (continued)

The Board of Directors meets on a quarterly basis and is responsible for reviewing the capital structure of the Group. The Board seeks to maintain a balance between return on capital, gearing within the Group and usage of the Group's equity capital. The key performance indicator for the Group is return on capital employed.

The Group finances its portfolio of investments out of its own capital resources and utilises third-party debt funding as appropriate on a limited basis. In addition, investee companies may themselves have gearing, which is ring-fenced within the companies and is based on the levels of gearing that the companies can sustain. The Directors review the level of gearing in the Group on a regular basis.

From time to time the Company acquires its own ordinary shares in the market. Such buy-backs depend on market prices and available cash resources and reserves. During the current financial year, the Company bought back a total of 1,735,000 (2013: 8,027,949) ordinary shares in the ordinary market. Treasury shares were issued as part of the Shareholder approved long term Management Incentive Scheme and also to effect the BRE property acquisition (refer note 23 for further details on movements in treasury shares).

The Company looks to maintain a flexible policy regarding the payment of dividends. The Company is of the view that the Group requires a balance between the retention of earnings for investment opportunities and the establishment of consistent dividend declarations as they form an important part of shareholder wealth creation. There are accordingly no fixed dates for declaration and payment of dividends by the Company.

The Group has externally imposed capital requirements as set out in note 26.4, which took effect in the current year and have been complied with since their introduction. There have been no other changes in the capital that it manages.

29. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
(1,355)	**(15)**	Land and buildings	**—**	(77)
(947)	**30**	Less than one year	**2**	(54)
(408)	**(45)**	Due between one and five years	**(2)**	(23)
—	**—**	More than five years	**—**	—
(363)	**(28)**	Equipment	**(2)**	(21)
(75)	**1**	Less than one year	**—**	(4)
(288)	**(29)**	Due between one and five years	**(2)**	(17)
—	**—**	More than five years	**—**	—
(1,718)	**(43)**		**(2)**	(98)

30. Capital commitments

As at year end, management of consolidated Group companies had not committed to any contracted capital expenditure (2013: nil) nor any non contracted capital expenditure (2013: nil).

31. Contingencies and guarantees

31.1 Guarantees

Blackstar Group SE has provided guarantees to banks in respect of mortgage bonds taken out by BRE to acquire properties for the amount of R82,684,000 (£4,593,000).

Blackstar Group SE has provided guarantees to a bank in respect of financing provided to CSI for the amount of R20,000,000 (£1,111,000).

Blackstar Group SE together with Blackstar Cyprus has a written cession in securitatem debiti and pledge agreement with RMB which operates as a security cession in respect of the facility held by Blackstar (refer note 21).

31. Contingencies and guarantees (continued)

31.1 Guarantees (continued)

Blackstar Group SE has a limited warranty and indemnity for the obligations of Firefly (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for investment property acquired.

31.2 Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2014 (2013: nil).

32. Directors' fees

Total R'000	Salary earned as employee of a subsidiary of the Group: Other benefits R'000	Salary earned as employee of a subsidiary of the Group: Salary R'000	Non-executive Directors fees R'000		Non-executive Directors fees £'000	Salary earned as employee of a subsidiary of the Group: Salary £'000	Salary earned as employee of a subsidiary of the Group: Other benefits £'000	Total £'000
				2014				
664	**—**	**—**	**664**	John Broadhurst Mills	**37**	**—**	**—**	**37**
2,647	**553***	**1,659**	**435**	Andrew David Bonamour^	**24**	**93**	**31***	**148**
536	**—**	**—**	**536**	Marcel Ernzer	**30**	**—**	**—**	**30**
222	**—**	**—**	**222**	Richard Thomson Wight	**12**	**—**	**—**	**12**
4,069	**553**	**1,659**	**1,857**		**103**	**93**	**31**	**227**
				2013				
577	—	—	577	John Broadhurst Mills	38	—	—	38
4,626	837*	3,429**	360	Andrew David Bonamour^	24	227**	56*	307
386	—	—	386	Wolfgang Andreas Baertz	26	—	—	26
472	—	—	472	Marcel Ernzer	31	—	—	31
130	—	—	130	Richard Thomson Wight	9	—	—	9
6,191	837	3,429	1,925		128	227	56	411

Amounts awarded through the long term Management Incentive Scheme were as follows:

Long term Management Incentive Scheme Award R'000	Andrew David Bonamour^	Long term Management Incentive Scheme Award £'000
21,565	**2014**	**1,208**
14,601	2013	967

* Other benefits include medical aid, security and motor vehicle allowance

^ From 1 October 2013, Andrew Bonamour earned the majority of his salary directly from TMG and his Blackstar remuneration is now incentive based and calculated in terms of the rules for the long term Management Incentive Scheme

** An amount of R0.3 million (£0.02 million) was recovered by Blackstar SA from TMG in the form of Andrew Bonamour's directors fees earned for the current financial year. This was not taken into account on calculation of the salary cost as disclosed above. Of the direct salary cost incurred in 2013 by the subsidiary for Andrew Bonamour, 42.5% was recovered from TMG

The Group is not considered to have any key management personnel as defined by IAS24 Related Party Disclosures, in addition to its Directors.

The Company does not operate a pension scheme for its Directors.

All Directors' fees payable to John Mills are payable to the Maitland Luxembourg S.A. ("Maitland").

No Directors of Blackstar Group SE held any share options and no options were granted or exercised during the year (2013:nil).

Details of the Director's beneficial interest in the ordinary share capital of the Company at year end is provided in the Directors' Report.

33. Blackstar long term Management Incentive Scheme

Prior to 2013, Blackstar did not have a formalised share incentive scheme in place to remunerate and retain its management team and key employees ("Management" or "Participants"). Much of Blackstar's success is based on intellectual capital that is within current Management. It was vital that Blackstar align all management incentives with the performance expectations of the Company's shareholders. The long term Management Incentive Scheme ("the Scheme") implemented is therefore linked to the Intrinsic NAV per share of the Group. Share prices will fluctuate over time but ultimately NAV per share will drive the Company's share price. The Scheme is structured so that it is non-dilutive for shareholders of the Company.

Pursuant to the approval of the long term Management Incentive Scheme by the Blackstar Group SE Board of Directors ("the Board") and the adoption of this at the 2012 Annual General Meeting, the Scheme was implemented with effect from 1 January 2013.

The Intrinsic NAV is determined on a semi-annual basis (the Relevant Dates being 30 June and 31 December) and subject to a review by the Company's auditors. The NAV at the end of each six month period is compared to the NAV at the beginning of the period and 15% of the increase in the NAV is allocated to the Incentive Pool. The hurdle is the South Africa Short Term Fixed Interest Benchmark Rate ("STEFI") and is subject to a catch up. Should the NAV decline over a reporting period, the Company would need to recover that decline and the NAV would need to increase to the high watermark plus hurdle, before any amount would be allocated to the Incentive Pool. The award is therefore performance based and no award is made if there is a decline in the value of the NAV per share. The NAV would be adjusted for corporate events including share buy backs, dividends and capital raisings.

Of the Incentive Pool calculated at each Relevant Date, 50% is settled in cash and 50% is settled in Blackstar shares. The number of shares to be issued is calculated by dividing the 50% shares Incentive Pool by the Blackstar closing share price on the Relevant Date as quoted by the AltX stock market of South Africa. The shares issued pursuant to the Scheme vest immediately but have a restriction on selling of three years or such shorter period as the Chairman of the Board may determine in his absolute discretion. Unless there are exceptional circumstances, the Chairman of the Board will not exercise this discretion save that, if conditions warrant it, he may do so to release one-third of the shares from lock-up on the first anniversary of the date of issue or transfer and a further third on the second anniversary of the date of issue or transfer. If a Participant ceases to be an employee of the Blackstar Group at a time when any of his shares are still restricted in circumstances in which he is a "bad leaver", the Board may require those shares which are still restricted to be forfeited.

In addition, the Board has the discretion to issue up to 0.25% of the issued number of shares for the six month period ending on the Relevant Date depending on performance criteria specified by the Board from time to time.

All calculations in respect of the Scheme and all allocations of the Incentive Pool are determined in Rands. Any amounts payable under the Scheme will be subject to the availability of cash resources in the Company and will be deferred until cash resources become available.

The cost of equity settled shares awarded to Participants as part of the Scheme (equal to 50% of the Incentive Pool) are charged to profit and loss on the Relevant Date (being the date on which the obligation arises) and a corresponding entry is raised directly to retained earnings within the consolidated statement of changes in equity. On the date on which the shares are actually issued, a debit entry is made to retained earnings and the issue of fresh shares or re-issue of treasury shares is recognised against the share capital and share premium account or treasury share reserve and share premium account respectively.

Per the Scheme rules, the shares vest immediately (although the shares are subject to certain restrictions as mentioned above) and thus the full cost is recognised in profit and loss on the Relevant Date. The fair value of the services received cannot be reliably estimated, and therefore the cost of the equity settled share award is calculated with reference to the fair value of the equity instruments granted, being the value of 50% of the Incentive Pool.

33. Blackstar long term Management Incentive Scheme (continued)

The cash award is equal to 50% of the Incentive Pool which is calculated based on growth in Intrinsic NAV and with no reference to Blackstar's share price. Therefore the cash award does not meet the definition of a cash-settled share based payment in accordance with IFRS 2 Share Based Payments. The obligation arises on the Relevant Date and an expense is recognised within profit and loss and a corresponding accrual raised. The accrual is reversed on payment of the cash to Participants.

The cost of the discretionary award is recognised in profit and loss and is calculated with reference to the fair value of the equity instruments granted (being the Blackstar closing share price on the date of issue of the shares to Participants). The obligation to transfer these shares to Participants arises on the date that the discretionary award is approved by the Board of Directors.

Shares issued under the Scheme

2014	**Share price on date of issue R**	**Shares issued Number**	**Total equity settled share based payment expense recognised in profit and loss R'000**	**£'000**
30 June 2014 award	**13.35**	**855,890**	**11,426**	**640**
31 December 2014 award	**11.85**	**1,596,908**	**18,923**	**1,060**
31 December 2013 optional award^	**11.60**	**205,221**	**2,381**	**133**
		2,658,019	**32,730**	**1,833**

^ During March 2014, the Board approved an additional discretionary award of 205,221 shares to Participants for the year ended 31 December 2013. These shares were issued out of the treasury shares held by Blackstar in March 2014. Discretionary share awards are only recognised once approved by the Board of Directors

Cash award under the Scheme

2014	**Total cost of the cash recognised award in profit and loss R'000**	**£'000**
30 June 2014 award	**8,686**	**486**
31 December 2014 award	**18,924**	**1,060**
	27,610	**1,546**

Shares issued under the Scheme

2013	Share price on date of issue R	Shares issued Number	Total equity settled share based payment expense recognised in profit and loss R'000	£'000
30 June 2013 award	11.25	791,926	9,005	597
31 December 2013 award	11.50	981,025	11,282	747
		1,772,951	20,287	1,344

Cash award under the Scheme

2013	Total cost of the cash recognised award in profit and loss R'000	£'000
30 June 2013 award	6,600	437
31 December 2013 award	11,282	747
	17,882	1,184

33. Blackstar long term Management Incentive Scheme (continued)

Cash award under the Scheme (continued)

All shares issued during both the current and prior financial year were issued out of the treasury shares held by Blackstar in the treasury share reserve. The cost of the share award is equal to the fair value of the shares issued to Participants (based on the share price on date of issue). The treasury share reserve is reduced by the cost of the treasury shares issued (calculated on a weighted average basis) and the difference is recorded against the share premium account.

The award of 1,596,908 shares at 31 December 2014 was only settled subsequent to year end through the issue of the remaining 791,558 shares held in treasury and the balance through the issue of new shares to Participants. Thus the remaining treasury shares and share capital reserves will only be adjusted on the actual issue of the shares in 2015 at which point an R18,923,000, £1,060,000 debit entry to retained earnings will be raised.

Subsequent to year end, the Board approved an additional award of 205,221 shares to Participants. These shares will be issued out of a fresh issue of shares by Blackstar. Discretionary share awards are only recognised once approved by the Board of Directors.

34. Related parties

Blackstar Group SE's subsidiaries and associates designated at fair value through profit and loss are considered to be related parties of the Company and its consolidated subsidiaries. Balances and transactions between these related parties are disclosed within this note. Balances and transactions between the Company and its consolidated subsidiaries (which are also related parties of the Company), have been eliminated on consolidation and are therefore not disclosed in this note.

Equity loans to subsidiaries and associates, and equity investments in subsidiaries and associates are reflected at fair value in the table below. Notes 14, 15 and 16 can be referred to for further details.

Working capital loans to subsidiaries are reflected at amortised cost (refer note 17).

2014	CSI R'000	CCPA R'000	GRS R'000	BRE R'000	Firefly R'000	Domel R'000	Wonderdeals R'000	Fantastic R'000	TMG R'000	Navigare R'000
Monitoring fees earned	412	—	500	—	—	—	—	—	—	214
Guarantee fees earned	113	—	—	—	—	—	—	—	—	—
Interest income/ (cost) on loans	—	734	—	(861)	1,109	—	—	—	—	—
Dividend received	—	—	—	—	—	—	—	—	24,646	—
Dividend income on preference shares issued	—	—	—	—	529	—	—	—	—	—
Accounting fees earned	—	—	—	364	118	120	51	25	—	—
	525	734	500	(497)	1,756	120	51	25	24,646	214

2014	CSI £'000	CCPA £'000	GRS £'000	BRE £'000	Firefly £'000	Domel £'000	Wonderdeals £'000	Fantastic £'000	TMG £'000	Navigare £'000
Monitoring fees earned	23	—	28	—	—	—	—	—	—	12
Guarantee fees earned	6	—	—	—	—	—	—	—	—	—
Interest income/ (cost) on loans	—	41	—	(48)	62	—	—	—	—	—
Dividend received	—	—	—	—	—	—	—	—	1,380	—
Dividend income on preference shares issued	—	—	—	—	30	—	—	—	—	—
Accounting fees earned	—	—	—	20	7	7	3	1	—	—
	29	41	28	(28)	99	7	3	1	1,380	12

34. Related parties (continued)

2013	CSI R'000	CCPA R'000	GRS R'000	BSOF R'000	BRE R'000	Firefly R'000	Domel R'000	Wonderdeals R'000	Fantastic R'000	NBC R'000	TMG R'000	Navigare R'000
Monitoring fees earned	405	—	257	—	—	—	—	—	—	1,500	—	180
Guarantee fees earned	54	—	278	—	—	—	—	—	—	—	—	—
Interest income on loans	—	281	—	—	633	948	—	—	—	—	—	—
Dividend received	—	—	—	—	—	—	8,550	—	—	87,460	—	—
Dividend income on preference shares issued	—	—	—	—	—	450	—	—	—	—	—	—
Directors' fees earned	—	—	—	—	—	—	—	—	—	150	2,408	—
Performance and management fees earned from BFM	—	—	—	5,765	—	—	—	—	—	—	—	—
Accounting fees earned	—	—	—	—	108	112	—	48	24	—	—	—
	459	281	535	5,765	741	1,510	8,550	48	24	89,110	2,408	180

2013	CSI £'000	CCPA £'000	GRS £'000	BSOF £'000	BRE £'000	Firefly £'000	Domel £'000	Wonderdeals £'000	Fantastic £'000	NBC £'000	TMG £'000	Navigare £'000
Monitoring fees earned	27	—	17	—	—	—	—	—	—	99	—	12
Guarantee fees earned	4	—	18	—	—	—	—	—	—	—	—	—
Interest income on loans	—	19	—	—	42	63	—	—	—	—	—	—
Dividend received	—	—	—	—	—	—	566	—	—	5,792	—	—
Dividend income on preference shares issued	—	—	—	—	—	30	—	—	—	—	—	—
Directors' fees earned	—	—	—	—	—	—	—	—	—	10	159	—
Performance and management fees earned from BFM	—	—	—	382	—	—	—	—	—	—	—	—
Accounting fees earned	—	—	—	—	7	7	—	3	2	—	—	—
	31	19	35	382	49	100	566	3	2	5,901	159	12

John Mills is deemed to be a related party, as in addition to being a Director, funds associated with John Mills are interested in 0.9% of the issued share capital of the Company. In addition John Mills is a Director of Maitland Luxembourg S.A. ("Maitland Luxembourg"). Maitland Malta Limited ("Maitland Malta"), an entity related to Maitland Luxembourg, have provided services to the Company, on a commercial, arm's length basis including sub-letting of office space and administrative services. In 2014 total fees paid to Maitland Malta amounted to R265,000, £15,000 (2013: R923,000, £61,000). At balance sheet date there were no amounts owing to Maitland (2013: R50,000, £3,000).

Further to the amounts above, BSOF has provided Maitland Group South Africa Limited, an entity related to Maitland Luxembourg, a fee of R313,000, £17,000 (2013: R54,000, £3,000) for the administration of BSOF and at year end there was no amount outstanding (2013: nil).

Andrew Bonamour is deemed to be a related party as in addition to being a Director, funds associated with Andrew Bonamour are interested in 10.4% (2013: 9.5%) of the issued share capital of the Company as at 31 December 2014. Andrew Bonamour has an interest in 56 Church Street Proprietary Limited ("56 Church Street"). Blackstar SA rents office space from 56 Church Street and paid a market related rental of R181,000, £10,000 during the year (2013: nil).

Details of Directors' remuneration are provided in note 32 to the consolidated financial statements. There are no other related parties transactions to disclose.

35. Post balance sheet events

35.1 Proposed transaction

On 8 December 2014, the Company announced a proposed transaction involving two inter-conditional acquisitions (as detailed below). At the same time it announced its intention to make an application to the London Stock Exchange for its shares to be admitted to the Specialist Funds Market ("SFM") (with its admission to trading on AIM to be cancelled) and for the transfer of its listing from the AltX market of the JSE to the Main Board of the JSE. The Company's shares are currently suspended on AIM and the AltX market. The proposed transaction required shareholder approval and the publication of a Prospectus.

35. Post balance sheet events (continued)

35.1 Proposed transaction (continued)

Blackstar is proposing two inter-conditional acquisitions:

1. the acquisition of the remaining issued share capital not already owned by Blackstar in TMG, a South African incorporated media company listed on the Main Board of the JSE, in which Blackstar currently has a 32.5% interest. This is to be effected by way of a South African scheme of arrangement to be settled with a combination of new Blackstar ordinary shares ("BLK Shares") and cash (the "TMG Scheme"); and

2. the acquisition of a 22.9% interest in Kagiso Tiso Holdings Proprietary Limited ("KTH") for a combination of BLK Shares and cash (the "Tiso Transaction"). KTH is a private investment company with an African focus.

Each acquisition would constitute a reverse takeover pursuant to AIM Rule 14 which triggered the suspension in Blackstar's shares. A circular to Blackstar shareholders providing further information on the proposed transaction was published on 26 February 2015 which convened an EGM for Monday 23 March 2015. Blackstar shareholders were asked to vote on a number of resolutions in order to allow the acquisitions to complete. On 23 March 2015, Blackstar shareholders voted in favour of both inter-conditional acquisitions and the TMG Scheme Meeting and General Meeting were held on 30 March 2015 with all resolutions passed by the requisite majority of TMG shareholders. The implementation of the acquisition of TMG and the 22.9% stake in KTH remains subject to the fulfilment (or waiver where applicable) of the outstanding conditions and terms envisaged as detailed in both the TMG Scheme Circular and Blackstar Circular. Should the outstanding conditions not be fulfilled or waived and the acquisitions not able to complete, the Company will then request that the suspension of its shares be lifted and trading will resume on AIM and AltX.

Overview of the TMG Scheme

The announcement of 8 December 2014 stated that the Company and the directors of TMG had agreed the terms of a recommended cash and share offer pursuant to which the Company or Blackstar Cyprus would acquire the shares it did not already own ("Scheme Shares") for a cash consideration of R22.00 (£1.24) or 1.44885 BLK Shares per Scheme Share (which would value a TMG share at R24.50 (£1.38)). The aggregate cash consideration offered to the holders of Scheme Shares is limited to a maximum amount of R500 million (£28 million) with the remaining portion being settled by the issue of BLK Shares. The total consideration payable in terms of the TMG Scheme is expected to be approximately R2 billion (£113 million). The actual number of BLK Shares to be issued will depend on the amount of cash elected to be received by the holders of Scheme Shares. In the event that the maximum cash consideration is paid, 90,794,152 BLK Shares will be issued, or if no cash consideration is paid, 123,722,561 BLK Shares will be issued.

TMG shareholders holding in excess of 80% of the Scheme Shares provided Blackstar with letters of firm support to vote in favour of the TMG Scheme. The TMG Scheme documentation was published on 27 February 2015 and the Extraordinary General Meeting for TMG shareholders was convened for 30 March 2015. All resolutions were passed by the requisite majority.

The TMG Scheme is subject to various conditions precedent, including, *inter-alia*, the approval of the Scheme by 75% of the holders of Scheme Shares.

Overview of the Tiso Transaction

In the same announcement, the Company also stated that it had agreed with Tiso Investment Holdings Proprietary Limited (RF) ("TIH") and the Tiso Foundation Charitable Trust ("Tiso Foundation"), together ("Tiso"), the terms of an acquisition pursuant to which the Company or Blackstar Cyprus, will acquire the 22.9% interest in KTH. This is for a total purchase price of approximately R2.06 billion (£116 million) comprising no more than R500 million (£28 million) and 92,831,798 BLK Shares.

The Tiso Transaction is conditional upon, *inter-alia*, the successful Implementation of the TMG Scheme by no later than 31 August 2015.

35. Post balance sheet events (continued)

35.1 Proposed transaction (continued)

Overview of the Tiso Transaction (continued)

KTH was formed from the merger of Tiso Group Proprietary Limited ("Tiso Group") with Kagiso Trust Investments Proprietary Limited ("KTI") in July 2011. Tiso Group is the investment holding company of TIH which was established in 2001 and is jointly owned and managed by co-founders David Adomakoh and Nkululeko Sowazi. It is proposed that both co-founders will join the Board of the enlarged group.

The KTH investment portfolio currently has an aggregate NAV in excess of approximately R9 billion (£507 million), comprising established companies principally in South Africa, and increasingly, other parts of the African continent. These include investments in the media, resources, infrastructure, power and financial services sectors and include a mix of both listed and private investments.

The enlarged group

Immediately upon completion of the proposed transaction the enlarged group will change its name to Tiso Blackstar Group SE ("TBG").

35.2 Bataung Capital Advisors Proprietary Limited ("Bataung")

Subsequent to year end, Blackstar bought a 49% interest in Bataung for R1.0 million (£0.06 million). Bataung is a global investment management company who manages investment portfolios for institutional and retail clients. Bataung manages $45 million across three capital markets portfolios.

35.3 Treasury shares

Refer to note 33 for details of treasury share issues which occurred subsequent to year end.

36. Segmental information

For the purpose of reporting to the Blackstar Board of Directors (who are considered to be the chief operating decision maker of the Company), the Group is organised into three segments, namely Investments, Funds and Property. These segments are compared by considering both the growth in their fair value as well as the returns on the respective segment. In addition to these segments are the non-segmental entities. The non-segmental entities house the overhead costs of the Group which are not directly linked to returns on investments and as a result, these entities cannot be compared to the segmental entities.

The segments have been further explained as follows:

Investments

The Investments segment includes investments in the steel sector, namely, CSI (previously Stalcor) (which includes the Stalcor and GRS operations), Robor and their respective subsidiaries.

Blackstar increased its shareholding in CSI to 100% effective 30 June 2014 (2013: 50.1%) and immediately thereafter Blackstar disposed of its 100% shareholding in GRS to Stalcor effective 30 June 2014. Blackstar accounts for CSI (including both Stalcor and GRS) as an investment in a subsidiary designated at fair value through profit and loss (refer note 15).

CSI is a processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. GRS is a steel roofing and cladding company.

Robor is a manufacturer and supplier of welded steel tube and pipe and cold formed steel profiles. Blackstar holds a 19.4% (2013: 11.1%) interest in Robor and accounts for this investment as an investment at fair value through profit and loss (refer note 14).

36. Segmental information (continued)

Investments (continued)

Also included in the Investments segment is TMG. Listed on the JSE, TMG is a media and entertainment company that informs, educates and entertains. Blackstar has increased its shareholding in TMG from 25.2% at the end of the 2013 period to 32.5% at the end of 2014. Blackstar accounts for TMG as an investment in an associate designated at fair value through profit and loss (refer note 16).

Litha, a diversified healthcare company, was also included in this segment. In August 2013, Blackstar disposed of its remaining interest in Litha.

In June 2013, Blackstar offered to acquire all the shares of NBC via an issue of Blackstar shares. The investment in NBC is accounted for as a subsidiary designated at fair value through profit and loss (refer note 15). NBC is currently in the process of being wound down and deregistered.

The Investment segment also includes the investment held by Blackstar in Navigare. Navigare is a boutique institutional trading firm. Blackstar holds a 25.0% (2013: 25.0%) interest in Navigare and accounts for Navigare as an investment in an associate designated at fair value through profit and loss (refer note 16).

In addition to the above, the investments sector includes a small portfolio of investments in listed equities which are traded for the purpose of making short term profits. These investments are accounted for as investments at fair value through profit and loss (refer note 14).

Funds

The Funds segment consists of the investments in BSOF, BGOF (up to date of closure in May 2014) and BFM US Fund.

Blackstar launched the BSOF in October 2012 which is a multi-strategy fund with an emphasis on special opportunities within the South African market. During October 2013, an additional fund, BFM US Fund, was started and Blackstar took up an initial 5,000 shares in this fund. BFM were appointed as advisors to the fund and the intention is for the BFM US Fund to mirror the positions held in BSOF, the only difference being the investments in the BFM US Fund shall be held in US Dollars, whilst the investments held in BSOF shall be held in South African Rands.

Property

Blackstar invests in property opportunities where the tenants ability to meet rental obligations can be reasonably assessed and understood. The properties which Blackstar has invested in are predominantly commercial and industry properties. The properties in the Group are held by BRE and its respective subsidiaries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

36. Segmental information (continued)

Segmental operating profit

31 December 2013 R'000	**31 December 2014 R'000**		**31 December 2014 £'000**	31 December 2013 £'000
186,539	**132,570**	**Investments**	**7,424**	12,354
90,758	**128,597**	Net gains on financial assets at fair value through profit and loss	**7,202**	6,011
93,966	**632**	Dividend income	**35**	6,223
483	**1,745**	Interest income	**98**	32
1,332	**1,596**	Fee income	**89**	88
24,441	**(1,982)**	**Funds**	**(111)**	1,619
17,726	**(4,694)**	Net gains/(losses) on financial assets at fair value through profit and loss	**(263)**	1,174
6,715	**2,712**	Fee income and performance fee income	**152**	445
27,286	**9,338**	**Property**	**523**	1,806
24,558	**8,054**	Net gains on financial assets at fair value through profit and loss	**451**	1,626
2,377	**548**	Interest income	**31**	157
351	**736**	Fee income	**41**	23
(53,782)	**13,191**	**Non-segmental entities**	**739**	(3,562)
184,484	**153,117**	**Operating profit reported by the Group**	**8,575**	12,217

Segmental assets

31 December 2013 R'000	**31 December 2014 R'000**		**31 December 2014 £'000**	31 December 2013 £'000
1,033,818	**1,361,189**	Investments	**75,617**	59,309
121,636	**49,014**	Funds	**2,723**	6,978
33,192	**65,324**	Property	**3,630**	1,903
130,909	**69,939**	Non-segmental entities	**3,886**	7,511
1,319,555	**1,545,466**	**Total assets reported by the Group**	**85,856**	75,701

All Group revenues are derived in Southern Africa and all of the Group's assets that are expected to be recovered more than twelve months after the balance sheet date are located in Southern Africa.

No further geographical information is presented for the segments as this would not influence management's decision pertaining to the respective investment.

Company statement of changes in equity
for the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 31 December 2012	**55,347**	**1,974**	**4,599**	**—**	**(15,311)**	**36,256**	**82,865**
Total comprehensive income/(loss) for the year	—	—	—	—	(18,784)	12,368	(6,416)
Income for the year	—	—	—	—	—	12,368	12,368
Other comprehensive loss for the year	—	—	—	—	(18,784)	—	(18,784)
Purchase of treasury shares	—	—	—	(5,955)	—	—	(5,955)
Effect of share split and consolidation	—	—	—	(166)	—	—	(166)
Treasury shares issued to acquire NBC	—	(30)	—	4,262	—	—	4,232
Equity settled share based payment	—	—	—	—	—	1,344	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme	—	(14)	—	611	—	(597)	—
Dividend paid	—	—	—	—	—	(1,382)	(1,382)
Balance as at 31 December 2013	**55,347**	**1,930**	**4,599**	**(1,248)**	**(34,095)**	**47,989**	**74,522**
Total comprehensive income/(loss) for the year	—	—	—	—	(2,426)	8,357	5,931
Income for the year	—	—	—	—	—	8,357	8,357
Other comprehensive loss for the year	—	—	—	—	(2,426)	—	(2,426)
Purchase of treasury shares	—	—	—	(1,147)	—	—	(1,147)
Treasury shares issued for property acquisition	—	14	—	357	—	—	371
Equity settled share based payment	—	—	—	—	—	1,833	1,833
Treasury shares issued during the year as part of the long term Management Incentive Scheme	—	80	—	1,325	—	(1,405)	—
Dividend paid	—	—	—	—	—	(1,034)	(1,034)
Balance as at 31 December 2014	**55,347**	**2,024**	**4,599**	**(713)**	**(36,521)**	**55,740**	**80,476**

A 2013 interim dividend of 8 South African cents, 0.50 pence per ordinary share was paid on 22 November 2013.

A 2013 final dividend of 14 South African cents, 0.80 pence, per ordinary share was paid on 30 May 2014.

A 2014 interim dividend of 9 South African cents, 0.49 pence per ordinary share was paid on 10 November 2014.

A 2014 final dividend of 14 South African cents, 0.77 pence, per ordinary share, has been proposed, to be paid on 8 June 2015.

The notes on pages 76 to 83 form part of the Company financial statements.

Company statement of financial position
as at 31 December 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000
Assets			
Financial assets at fair value through profit and loss	3	**77,494**	70,719
Net investments in subsidiaries	4	**54,876**	44,325
Net investments in associates	5	**22,618**	23,357
Financial assets held for trading	3	**—**	3,037
Investment classified as loans and receivables	6	**438**	469
Trade and other receivables	7	**2,599**	329
Cash and cash equivalents	8	**1,093**	4,641
Total assets		**81,624**	76,158
Liabilities			
Current tax liability		**—**	(29)
Trade and other payables	9	**(1,148)**	(1,607)
Total liabilities		**(1,148)**	(1,636)
Total net assets		**80,476**	74,522
Equity			
Share capital	10	**55,347**	55,347
Share premium	10	**2,024**	1,930
Capital redemption reserve	10	**4,599**	4,599
Treasury shares reserve	10	**(713)**	(1,248)
Foreign currency translation reserve	10	**(36,521)**	(34,095)
Retained earnings	10	**55,740**	47,989
Total equity attributable to equity holders		**80,476**	74,522

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2014 was 0.78 (2013: 0.83) and 14.04 (2013: 14.57) respectively.

The notes on pages 76 to 83 form part of the Company financial statements.

The Company financial statements were approved by the Board and authorised for issue on 24 April 2015.

John Mills
Non-executive Director

Andrew Bonamour
Non-executive Director

Company statement of cash flows
for the year ended 31 December 2014

	Notes	**31 December 2014 £'000**	31 December 2013 £'000
Cash flow from operating activities			
Cash absorbed by operations	11	**(1,941)**	(6,874)
Dividend and interest income received		**712**	24
Interest received		**48**	158
Interest paid		**—**	(11)
Taxation (paid)/refunded		**(67)**	3
Cash absorbed by operating activities		**(1,248)**	(6,700)
Cash flow from investing activities			
Purchase of equipment		**—**	(1)
Cash absorbed by investing activities		**—**	(1)
Cash flow from financing activities			
Movement in borrowings		**—**	(8)
Acquisition of Blackstar shares as a result of the share split and consolidation		**—**	(166)
Purchase of treasury shares		**(1,147)**	(5,955)
Dividends paid to equity holders of the parent		**(1,034)**	(1,382)
Cash absorbed by financing activities		**(2,181)**	(7,511)
Net decrease in cash and cash equivalents		**(3,429)**	(14,212)
Cash and cash equivalents at the beginning of the year		**4,641**	21,657
Exchange losses on cash and cash equivalents		**(119)**	(2,804)
Cash and cash equivalents at the end of the year	8	**1,093**	4,641

The notes on pages 76 to 83 form part of the Company financial statements.

Notes to the Company financial statements
for the year ended 31 December 2014

1. Accounting policies

The principal accounting policies adopted in the preparation of the Company financial statements have been consistently applied across all periods presented in the Company financial statements, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Company during the current reporting period. The Company financial statements are presented in Pounds Sterling and all financial information has been rounded to the nearest thousand unless stated otherwise.

The financial statements of the Company are presented as required by the Malta Companies Act, 1995. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards (''IFRSs'') published by the International Accounting Standards Board (''IASB'') as endorsed for use by the European Union and with those parts of the Malta Companies Act, 1995 applicable to companies preparing their accounts under IFRS.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 26 to the consolidated financial statements.

The Company is an Investment Entity and as such in its Group consolidated financial statements does not consolidate all of the entities it controls. Instead, certain interests in subsidiaries are classified as financial assets at fair value through profit and loss and measured at fair value. As a result of this, the Company does not account for its investments in subsidiaries at cost less provision for impairment but rather carries these investments at fair value. Investments in associates are also classified as financial assets at fair value through profit and loss, and measured at fair value.

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Where the Company has the power to participate in the financial and operating policy decisions of an entity, it is classified as an associate.

Any gains or losses arising from changes in the fair value of investments in subsidiaries and associates are recognised in profit and loss in the period in which they occur.

The principal accounting policies which are relevant in the preparation of the Company financial statements are listed below and can be found on pages 22 to 33 of the consolidated financial statements:

Note 1.7	Financial instruments
Note 1.8	Offsetting of financial instruments
Note 1.10	Cash and cash equivalents
Note 1.11	Dividend distributions
Note 1.12	Equity instruments and treasury shares
Note 1.13	Dividend and interest revenue
Note 1.14	Net gains or losses on financial assets and liabilities at fair value through profit and loss
Note 1.16	Finance income and finance costs
Note 1.17	Share-based payments
Note 1.18	Tax
Note 1.19	Foreign currencies
Note 1.21	Significant judgements and areas of estimation
Note 2	Determination of fair values

Notes to the Company financial statements continued
for the year ended 31 December 2014

2. Profit for the year

The Company has taken advantage of the exemption allowed under section 183(8) of Malta Companies Act, 1995 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a profit after taxation of £8,357,000 (2013: £12,368,000) for the Company.

3. Financial assets at fair value through profit and loss

	2014 £'000	2013 £'000
Financial assets held for trading	**—**	3,037
Unlisted investments – investment in unlisted hedge fund	—	3,037
Financial assets designated at fair value through profit and loss	**77,494**	67,682
Net investments in subsidiaries	**54,876**	44,325
Net investments in associates	**22,618**	23,357
Total financial assets at fair value through profit and loss	**77,494**	70,719

4. Net investments in subsidiaries

Details of the Group's subsidiaries are as follows:

Principal place of business	Principal activity	Name of subsidiaries	Proportion of ownership rights 2014	2013
Subsidiaries not consolidated in the Group consolidated financial statements:				
South Africa	Hedge fund	Blackstar Special Opportunities Fund ("BSOF") ^^	**16.7%**	56.6%
South Africa	General Partner	Blackstar GP Proprietary Limited ("Blackstar GP") #	**100.0%**	100.0%
South Africa	Industrial steel company	Consolidated Steel Industries Proprietary Limited ("CSI") (previously Stalcor Proprietary Limited ("Stalcor")) ^^	**100.0%**	50.1%
South Africa	Steel roofing and cladding company	Global Roofing Solutions Proprietary Limited ("GRS") ^	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering Proprietary Limited ("Helm") ##	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Country Roofing Solutions Proprietary Limited ("Country Roofing") (formerly Starbuck Island Investments Proprietary Limited ("Starbuck")) ##	**100.0%**	100.0%
South Africa	Investment company	New Bond Capital Limited ("NBC") ^^	**100.0%**	100.0%
South Africa	Investment property company	CCPA Properties Proprietary Limited ("CCPA") ^	**100.0%**	50.1%
South Africa	Investment property company	Blackstar Real Estate Proprietary Limited ("BRE") ^^	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 Proprietary Limited ("Fantastic") **	**100.0%**	79.0%
South Africa	Investment property company	Firefly Investments 223 Proprietary Limited ("Firefly") **	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 Proprietary Limited ("Wonderdeals") **	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments Proprietary Limited ("Domel") **	**100.0%**	100.0%
Subsidiaries consolidated in the Group consolidated financial statements:				
Cyprus	Investment company	Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus") #	**100.0%**	100.0%
South Africa	Investment advisory company	Blackstar Group Proprietary Limited ("Blackstar SA") #	**100.0%**	100.0%
South Africa	Fund Manager	Blackstar Fund Managers Proprietary Limited ("BFM") *** #	**66.0%**	56.0%

Subsidiary of Blackstar Group SE
^ Subsidiary of Consolidated Steel Industries Proprietary Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate Proprietary Limited
Subsidiary of Global Roofing Solutions Proprietary Limited
*** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer note 25 of the consolidated financial statements)

4. Net investments in subsidiaries (continued)

Loans and receivables payable by subsidiaries designated at fair value through profit and loss
Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated as at fair value through profit and loss. On assessment of the fair value of the net investments in subsidiaries, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.

Net investments in subsidiaries included in note 3 comprises the following investments at fair value:

	2014 £'000	2013 £'000
Net investments in subsidiaries where equity held by the Company:		
Net investment in GRS	**—**	10,327
Equity share investment	**—**	7,445
Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments were made by GRS of R1.25 million per month	**—**	2,882
Investment in Blackstar Cyprus	**39,246**	32,243
Equity share investment	**35,888**	28,775
Preference shares	**3,358**	3,468
Investment in BFM	**63**	57
Equity share investment	**63**	57
Net investments in subsidiaries where equity held by Blackstar Cyprus:		
Net investment in CSI	**14,416**	1,836
Interest-free loan to CSI with no fixed terms of repayment. Monthly repayments are made by CSI, currently these amount to R2 million per month	**14,416**	1,836
Net investment in BRE	**1,151**	(826)
Interest free loan to BRE	**1,151**	—
Loan from BRE bearing interest at South African Prime Rate with no fixed terms of repayment	**—**	(826)
Net investment in Firefly	**—**	688
Loan to Firefly bearing interest at South African Prime Rate plus 200 basis points with no fixed terms of repayment	**—**	688
	54,876	44,325

Changes in net investments in subsidiaries designated at fair value through profit and loss
CSI – In June 2014, the process of restructuring the Group's steel investments, Stalcor and GRS, commenced. This included Blackstar acquiring the remaining shares in Stalcor that it did not already own and immediately thereafter disposing of its 100% equity interest and claims in GRS to Stalcor at their combined fair value of R225.0 million (£12.6 million). The GRS proceeds have resulted in an increase in the Stalcor shareholder loan to R259.5 million (£14.4 million) as at year end. Both the GRS and Stalcor investments are reflected within the net investment in CSI and thus there is no separately disclosed investment in GRS as at December 2014. The final step in the restructure process was for Stalcor to acquire the GRS operations from the legal entity GRS. This was effective 1 January 2015. The merger of the two businesses has already resulted in improved efficiencies and increased profitability. As part of the restructure, Stalcor has been renamed Consolidated Steel Industries Proprietary Limited ("CSI").

CCPA – Blackstar's interest in CSI's wholly owned subsidiary CCPA increased from 50.1% to 100% as a result of the acquisition of the remaining shares in CSI that it did not already own.

4. Net investments in subsidiaries (continued)

Changes in net investments in subsidiaries designated at fair value through profit and loss (continued)

BSOF – in terms of the definition of control within IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to control the fund BSOF and thus it is classified as a subsidiary. Blackstar's percentage ownership of the fund is calculated based on the fair value of Blackstar's direct investment into BSOF relative to the other limited partners' investment in the fund carried at fair value. Blackstar's investment was diluted from 56.6% to 16.7% during the year, primarily as a result of additional funds being invested in BSOF by third party investors.

Restrictions

Blackstar receives income in the form of dividends and interest from its investments in subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds off and onshore.

Support

Blackstar has provided support in the form of equity and working capital loans to its subsidiaries. Details of these loans are provided in note 4 for equity loans and note 6 for working capital loans. Blackstar has no contractual commitments and may provide further financial or any other support to its subsidiaries should they require it and the Group has funds available to do so.

Maximum credit exposure for loans designated at fair value through profit and loss

The maximum credit exposure for these loans held by the Company with subsidiaries would be equal to the original carrying amount of the loan prior to any fair value adjustments, details of which are provided below:

	Carrying value 2014 £'000	**Original loan amount prior to fair value adjustments 2014 £'000**	Carrying value 2013 £'000	Original loan amount prior to fair value adjustments 2013 £'000
Loan to CSI	**14,416**	**14,416**	1,836	2,582
Loan to BRE	**1,151**	**1,151**	—	—
Loan to GRS	**—**	**—**	2,882	2,882
Loan from BRE	**—**	**—**	(826)	(826)
Loan to Firefly	**—**	**—**	688	688

5. Net investments in associates

The principal associates of the Group at 31 December are as follows:

Principal place of business	**Principal activity**	**Name of associates**	**Proportion of ownership rights 2014**	**Proportion of ownership rights 2013**
South Africa	Media	Times Media Group Limited ("TMG")^	**32.5%**	25.2%
South Africa	Stock broker	Navigare Securities Proprietary Limited ("Navigare")	**25.0%**	25.0%

^ As at 31 December 2014, the Company holds a 15.1% (2013: 15.1%) interest in TMG, whilst Blackstar Cyprus holds a further 17.4% (2013: 10.1%) resulting in a Group shareholding in TMG of 32.5% (2013: 25.2%). Since the Company controls Blackstar Cyprus, TMG is deemed to qualify as an associate of the Company

5. Net investments in associates (continued)

Net investments in associates carried at fair value through profit and loss comprise the following:

	2014 £'000	2013 £'000
Investment in TMG	**22,340**	23,070
Equity shares in TMG	**22,340**	23,070
Net investment in Navigare	**278**	287
Equity shares in Navigare	**225**	219
Loan to Navigare which is interest-free with no fixed terms of repayment	**53**	68
	22,618	23,357

6. Investments classified as loans and receivables

Loans from Blackstar to subsidiaries of the Company, which are considered to be working capital loans and not part of equity, have been accounted for at amortised cost and comprise of the following:

	2014 £'000	2013 £'000
Loan to subsidiary CCPA which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once the Borrower has sufficient funds available	**438**	469
	438	469

7. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables due by subsidiary companies	**—**	23
Trade receivables due by external parties	**2**	2
Total trade receivables net of impairment allowance	**2**	25
Other receivables due by subsidiary companies	**2,592**	281
Prepayments and accrued income	**5**	23
	2,599	329

8. Cash and cash equivalents

	2014 £'000	2013 £'000
Deposits and cash at bank	**1,093**	4,641
Cash and cash equivalents per the statement of cash flows	**1,093**	4,641

Cash and cash equivalents include cash in current accounts and term deposits.

9. Trade and other payables

	2014 £'000	2013 £'000
Trade payables due to external parties	**(31)**	(11)
Payable due under the long term Management Incentive Scheme	**(1,051)**	(647)
Other payables due to subsidiary companies	**(5)**	(887)
Accrued expenses	**(61)**	(47)
Other payables	**—**	(15)
	(1,148)	(1,607)

10. Share capital and reserves

Details of share capital and reserves are set out in note 23 to the consolidated financial statements.

11. Cash absorbed by operations

	2014 **£'000**	2013 £'000
Profit for the period	**8,357**	12,368
Add back taxation	**44**	6
Profit before taxation	**8,401**	12,374
Adjustments for non cash items:		
Fair value adjustments on investments held at fair value through profit and loss	**(11,915)**	(9,580)
Dividends and interest accrued from loans and investments	**(703)**	(79)
Finance income	**(48)**	(158)
Finance costs	**—**	11
Long term Management Incentive Scheme Award - equity settled share based payment expense	**1,833**	1,344
Changes in working capital:		
Decrease in trade and other receivables	**40**	178
Increase in trade and other accounts payable	**454**	442
Additions to investments	**(14,476)**	(14,358)
Proceeds on disposal of investments and repayments of loans to investment companies	**14,473**	2,952
	(1,941)	(6,874)

12. Financial instruments

The Company is exposed to one or more of the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprise currency risk, interest rate risk and market price risk).

Information related to financial instruments and management of these risks is set out in note 26 to the consolidated financial statements. The following information relates specifically to the Company.

12.1 Financial instruments by category

	2014 **£'000**	2013 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss	**77,494**	70,719
Loans and receivables	**4,130**	5,439
Investments classified as loans and receivables	**438**	469
Trade and other receivables	**2,599**	329
Cash and cash equivalents	**1,093**	4,641
	81,624	76,158
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	**(1,148)**	(1,607)
	(1,148)	(1,607)

12. Financial instruments (continued)

12.2 Credit risk

At the balance sheet date, the Company had no financial assets that were past due or impaired (other than fair value adjustments to equity loans). The Company's maximum exposure to credit risk on loans and receivables is equal to the carrying amount of the financial assets recorded in the financial statements (as detailed in note 12.1 above). The Company's maximum exposure to credit risk on equity loans is set out in note 4. The credit quality of financial instruments that are not past due or impaired is considered to be good.

12.3 Liquidity risk

All financial liabilities have a contractual maturity of less than six months and the expected maturity is not believed to differ from the contractual maturity.

12.4 Market risk

12.4.1 Currency risk

A 10% strengthening of the Rand against Pounds Sterling at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £7,314,000 (2013: £6,775,000) in the reported net asset value of the Company. A 10% weakening of the Rand against Pounds Sterling at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £7,314,000 (2013: £6,775,000) in the reported net asset value of the Company.

12.4.2 Interest rate risk

A 1% increase in the South African Prime Rate, all other variables held constant, would have resulted in an estimated increase of £49,000 (2013: £38,000) in the reported net asset value of the Company. A 1% decrease in the South African Prime Rate, on the same basis, would have resulted in an estimated decrease of £49,000 (2013: £38,000), in the reported net asset value of the Company.

12.4.3 Market price risk

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £2,234,000 (2013: £2,611,000) in the reported net asset value of the Company. A decrease of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £2,234,000 (2013: £2,611,000) in the reported net asset value of the Company.

12.5 Fair value

12.5.1 Fair value of financial instruments carried at amortised cost

The fair values of the financial instruments accounted for at amortised cost have been determined for both the current and prior year and approximate the carrying amounts at the respective year ends. Investments classified as loans and receivables and borrowings have a fair value which approximates the carrying amount due to the fact that the aforementioned instruments bear interest at rates linked to the South African Prime Rate and are believed to approximate the market related discount rates which would be utilised in a discounted cash flow technique in order to calculate a fair value.

12. Financial instruments (continued)
12.5 Fair value (continued)
12.5.2 Fair value of financial instruments carried at fair value in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (as defined in note 27 of the consolidated financial statements) based on the degree to which the fair value is observable:

2014	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss (refer note 3)	**22,340**	**—**	**55,154**	**77,494**

2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss (refer note 3)	26,107	—	44,612	70,719

There were no transfers between levels during the current or prior years.

The fair value of the investments in Blackstar Cyprus and BFM were determined based on the underlying NAV of these companies. Refer to note 27 in the consolidated financial statements for further information on the determination of the fair value of the other investments.

13. Related parties

Details of related parties are set out in note 34 to the consolidated financial statements. In addition to this, the subsidiaries and associates (set out in note 4 and 5 respectively to the Company financial statements) are related parties to the Company.

The Company pays an advisory fee, paid quarterly in advance, to Blackstar SA. The advisory fee for the year ended 31 December 2014 amounted to £0.5 million (2013: £1.0 million). Blackstar SA may incur expenses on behalf of the Company and vice versa. These amounts are invoiced and reimbursed on a monthly basis.

14. Long term Management Incentive Scheme

Details of the long term Management Incentive Scheme are set out in note 33 to the consolidated financial statements.

15. Capital under management

Information related to capital under management is set out in note 28 to the consolidated financial statements.

16. Contingencies and guarantees

Information relating to contingencies and guarantees is set out in note 31 to the consolidated financial statements.

17. Post balance sheet events

Information relating to post balance sheet events is set out in note 35 to the consolidated financial statements.

Company information

Directors
J B Mills (Non-executive Chairman)
A D Bonamour (Non-executive)
R T Wight (Non-executive)
M Ernzer (Non-executive)

Registered Office
Blackstar Group SE
3rd Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
Tel: +356 2137 3360
E-mail: info@blackstar.eu
Website: www.blackstar.eu

Nominated Adviser and Broker
(United Kingdom)
ZAI Corporate Finance Limited
1 Hobhouse Court
Suffolk Street
London
SW1Y 4HH

Legal Adviser
(as to English Law)
Paul Hastings (Europe) LLP
Ten Bishops Square, Eighth Floor
London
E1 6EG

Legal Adviser
(as to Maltese Law)
Ganado & Associates Advocates
171 Old Bakery Street
Vallette
VLT 1455
Malta

Primary listing
AIM of the London Stock Exchange

Secondary listing
AltX of the JSE Limited

Auditors
BDO Malta
Tower Gate Place
Tal-Qroqq Street
Msida MSD 1703
Malta

Nominated Adviser and Broker
(South Africa)
PSG Capital Proprietary Limited
1st Floor Ou Kollege Building
35 Kerk Street
Stellenbosch
7600

Legal Adviser
(as to South African law)
Edward Nathan Sonnenbergs Inc
150 West Street
Sandton
2196

Registrars and Receiving Agents
(United Kingdom)
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registrar and Receiving Agents
(South Africa)
Link Market Services Proprietary Limited
13th Floor Rennie House
19 Ameshoff Street
Braamfontein
2000

BLACKSTAR

NOTICE OF ANNUAL GENERAL MEETING 2015

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposals referred to in this document, or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares in the Company, please pass this document together with the accompanying document(s) to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Blackstar Group SE
(registered in Malta with number SE4)
3rd Floor
Avantech Building
St Julian's Road
San Gwann
SGN 2805
Malta
(the "Company")

24 April 2015

Dear Shareholder,

Notice of Annual General Meeting to be held on Tuesday, 9 June 2015
I am writing to give you notice of the Company's Annual General Meeting ("AGM" or "Annual General Meeting") that is to be held at the registered office of the Company at 3rd Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805 Malta on Tuesday, 9 June 2015 at 10.00 a.m. (CEST). The Notice of AGM is set out in Part 2 of this document.

The following items are also included in this document:

- Part 1: An explanation of certain resolutions at the AGM; and
- Part 3: A Proxy Form (for use by registered shareholders only); and
- Part 4: A Form of Direction (for use by holders of Despository Interests only).

Please read the notes to the Notice of Annual General Meeting as these set out other rights of Shareholders and further requirements which you should check to ensure your proxy vote will be valid.

Recommendation on voting
The Directors consider that all of the resolutions to be put to the AGM are in the best interests of the Company and its shareholders. Your Directors will be voting unanimously in favour of each of them and recommend that you do so as well.

Yours sincerely

John Broadhurst Mills
Chairman

PART 1 – EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The Notice of Annual General Meeting appears on page 85 of this document. The following information provides additional background information to the resolutions proposed which are not ordinary business.

Resolution 6 – General authority to allot shares
This resolution will extend the general authority of the directors to allot shares until the Company's next AGM or, if earlier, 30 September 2016. The authority will be in respect of shares with an aggregate nominal value of €75,912,202, representing one third of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for the TMG Scheme Shares.

Resolution 7 – Authority to allot shares for cash free from pre-emption rights
This resolution will dis-apply shareholders' statutory pre-emption rights in relation to the Company's allotment for cash of its own shares pursuant to Resolution 6 or in relation to the Company's sale of its own shares held in treasury, and shall expire when the Board no longer remains authorised to issue Equity Securities (as defined in the Articles). The dis-application will permit the Board to allot shares for cash pursuant to Resolution 6 or to sell treasury shares, without first offering them to all existing Shareholders pursuant to their statutory pre-emption rights under article 88 of the Companies Act (Cap. 386 of the Laws of Malta). Any such allotments or sales must be limited to shares with an aggregate nominal value not exceeding €11,386,830, representing 5% of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares.

Resolution 8 – Company's authority to purchase its own shares
The Board is proposing to renew the authority for the Company to make market purchases of its own shares, including depository interests relating to such shares. In certain circumstances it may be advantageous for the Company to purchase its own shares and this resolution seeks authority from Shareholders to make such purchases in the market. The Board considers it to be desirable for this general authority to be available to provide flexibility in the management of the Company's capital resources and to enable the Board to narrow the discount to the Company's net asset value. You are asked to consent to the purchase by the Company of up to a maximum aggregate of 10% of the Enlarged Share Capital which is a maximum of 29,965,343 Shares on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares.

PART 2 – NOTICE OF ANNUAL GENERAL MEETING

BLACKSTAR GROUP SE

(registered in Malta with registered number SE 4)
3rd Floor, Avantech Building,
St Julian's Road,
San Gwann, SGN 2805,
Malta

Notice is hereby given to all the Members, Directors and Auditors of Blackstar Group SE (the "Company") that the Annual General Meeting ("AGM" or "Annual General Meeting") of the Company will be held at 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Tuesday, 9 June 2015 at 10h00 CEST (or shortly thereafter in case of delays) for the purpose of considering and, if thought fit, approving the following resolutions with or without modification:

ORDINARY BUSINESS:

Approval of Accounts, Appointment of Auditors and Election of Directors

1. To receive and consider the accounts and reports of the Directors, statutory auditor and the independent auditors, and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2014 and to the consolidated accounts for the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.
2. To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2014.
3. To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2014.
4. To re-elect Richard Wight, who retires from office by rotation in accordance with the articles of association of the Company ("Articles"), as a director of the Company with effect from the date of the Annual General Meeting for a period not exceeding three years.
5. To appoint BDO Malta CPA as the Company's independent auditor for the financial year ending 31 December 2015 and to authorise the directors to determine their terms of engagement inclusive of remuneration.

Ordinary Resolution which Constitutes Special Business

6. **Directors' Authority to Allot and Issue Shares**
   That, in substitution for all previous authorisations currently in force other than the authority given to the Board of Directors ("Board") at the Company's extraordinary general meeting on 23 March 2015 to allot and issue Equity Securities (as defined in the Articles) in the Company up to an aggregate nominal amount of €164,581,313 in connection with the Company's acquisition by the Company of all the ordinary shares in Times Media Group Limited not already owned by it and its subsidiaries, and a 22.9% equity interest in Kagiso Tiso Holdings Proprietary Limited (the "Acquisitions"), and in accordance with Article 4.1 of the Articles, the Board be generally and unconditionally authorised pursuant to article 85 of the Companies Act (Chapter 386 of the laws of Malta) (the "Companies Act") to exercise all the powers of the Company to allot and issue Equity Securities (as defined in the Articles), up to a maximum aggregate nominal amount of €75,912,202. The amount of €75,912,202, represents one third of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for the TMG Scheme Shares. This authority will be valid for a period expiring (unless previously revoked, varied or renewed) on 30 September 2016 or, if sooner, the annual general meeting to be held in 2016, but if the Company has, before such expiry, made an offer or entered into an agreement which would or might require Equity Securities to be allotted after this authority expires, the directors may allot Equity Securities in pursuance of such offer or agreement as if this authority had not expired.

EXTRAORDINARY RESOLUTIONS WHICH CONSTITUTE SPECIAL BUSINESS

7. **Dis-application of statutory pre-emption rights**

Purpose:

To authorise the Directors to restrict or withdraw the shareholders' statutory pre-emption rights in respect of:

(a) issues of shares for cash, and

(b) the sale of treasury shares by the Company if such statutory pre-emption rights are applicable in relation thereto,

for as long as the Board of Directors remains authorised to issue Equity Securities under Resolution 6.

Proposal:

That in substitution for any previous authorisations currently in force but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities and that, subject to the passing of resolution 6 (Directors' Authority to Allot and Issue Shares), and pursuant to Article 88(7) of the Companies Act and in accordance with Article 4.4 of the Articles, the Board be generally authorised to restrict the statutory pre-emption rights of the Company's shareholders in respect of new issue of shares for cash by the Company and in respect of the sale of treasury shares by the Company, for as long as the Directors remain authorised to issue Equity Securities, provided that this power shall be limited to the allotment of Equity Securities up to an aggregate nominal amount of €11,386,830. The amount of €11,386,830 represents 5% of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares.

The power granted by this resolution will expire when the Board no longer remains authorised to issue Equity Securities, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

8. **Company's Authority to Purchase Its Own Shares**

Purpose:

To authorise the Company to re-purchase its own shares within the parameters of the Companies Act.

Proposal:

That:

8.1 The Company be and is generally and unconditionally authorised pursuant to Article 3.4 of the Articles and in accordance with article 106 of the Companies Act to make market purchases of its own ordinary shares, including depository interests relating to such ordinary shares (the "Ordinary Shares") on such terms and in such manner as the Directors shall determine, provided that:

8.1.1 the Ordinary Shares to be purchased are fully paid up;

8.1.2 the maximum aggregate number of Ordinary Shares to be acquired is 29,965,343 shares representing a maximum aggregate nominal value of Ordinary Shares of 10% of the Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares;

8.1.3 the maximum price which may be paid for each Ordinary Share shall be 5% above the average of the middle market quotations for an Ordinary Share on the exchange on which the Ordinary Shares are purchased for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

8.1.4 the minimum price which may be paid for each Ordinary Share shall be one euro cent; and

8.1.5 all conditions and limitations imposed by the Companies Act are adhered to including the condition that the nominal value of the Ordinary Shares to be acquired by the Company, including any shares previously acquired by the Company and held by it, shall not exceed 50% of the issued share capital of the Company.

8.2 This authority (unless previously revoked, varied or renewed) shall expire on 30 September 2016 or, if sooner, at the end of the annual general meeting of the Company to be held in 2016 except that in relation to any offers or promises for the purchase of Ordinary Shares made before such date, the contract in relation to such acquisitions may be executed wholly or partly after such date as if such authority has not expired.

Resolutions 1 to 6 are ordinary resolutions. Resolutions 7 to 8 are extraordinary resolutions.

The quorum requirement in relation to all Resolutions is at least two Members present or represented at the Annual General Meeting. If the Annual General Meeting is not quorate, it can be adjourned to a date not less than seven and not more than 30 days after the Annual General Meeting as the chairman shall determine.

Ordinary resolutions may be passed at the Annual General Meeting by a member or members holding more than 50% of the voting rights attached to shares represented and entitled to vote at the meeting.

Extraordinary resolutions require:

- a 75% majority by nominal value of the shares represented at the Annual General Meeting and entitled to vote thereat; and
- a majority vote of at least 51% in nominal value of all the shares entitled to vote at the Annual General Meeting.

If one but not both of the majorities for an extraordinary resolution is met, a second meeting may be convened within 30 days to take another vote. At the said second meeting, either one of the following majorities will suffice:

- 75% majority by nominal value of the shares represented and entitled to vote at the second meeting; or
- a simple majority in nominal value where more than half in nominal value of all of the shares entitled to vote are represented at the meeting.

By order of the Board

Leanna Isaac
Company Secretary

24 April 2015

Notes:

1. This notice of Annual General Meeting is being mailed to the Members on the Register of Members of the Company. Members registered on the Register of Members as at Friday, 5 June 2015 (the "Record Date") shall have the right to participate and vote at the Annual General Meeting. Accordingly, the last day to trade for Shareholders on the South African sub-register in order to be able to participate and vote at the meeting is Friday, 5 June 2015. Any change to an entry on the Register after the Record Date shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

2. A member entitled to attend and vote may appoint a proxy to attend and vote instead of him/her using the enclosed Form of Proxy; the appointed proxy need not be a member.

3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu. In either case by no later than Friday, 5 June 2015 at 10h00 (CEST). In order to assist shareholders:

   (a) certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Stock Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than Friday, 5 June 2015 at 10h00 (SAST); and

   (b) certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than Friday, 5 June 2015 at 09h00 (BST), so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than Friday, 5 June 2015 at 10h00 (CEST).

4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than Friday, 5 June 2015 at 10h00 (SAST).

5. Holders of Depository Interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on Friday, 5 June 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on Friday, 5 June 2015.

6. Please indicate in the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

7. A Form of Proxy which may be used to appoint a proxy and give proxy directions accompanies this Notice of Annual General Meeting. If you are a shareholder on the AIM sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Asset Services on 0871 664 0300 or from overseas +44 208 639 3399. Calls cost 10 pence per minute plus network charges, lines are open 08h30 – 17h30 (BST) Monday – Friday. If you are a shareholder on the South African sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Link Market Services South Africa (Pty) Limited on +2711 713 0800, lines are open 08h30 – 16h30 (SAST) Monday – Friday.

8. In order to participate and vote at the Annual General Meeting, a Member being a body corporate, association of persons, foundation or other body of persons, a representative thereof will only be eligible to attend and be admitted to the Annual General Meeting, and to vote thereat, if a Form of Proxy has been (a) duly executed in

his/her favour by the competent organ of the entity which he/she represents, and (b) submitted to the Company Secretary in accordance with the procedures set out at note 3 above.

9. Any one of the joint holders of any share for the time being conferring a right to vote may vote either personally or by proxy at any meeting in respect of such share as if he were the sole holder, provided that if more than one of the joint holders is present at any meeting, either personally or by proxy, the person whose name stands first in the register as one of such holders, and no other, shall be entitled to vote in respect of the share.

10. Admission to the Annual General Meeting will commence one hour before the advertised and appointed time.

11. After the Annual General Meeting has proceeded to business, voting documents will continue to be issued until such time as the Annual General Meeting proceeds to vote on the first Resolution of the Agenda whether by show of hands or by poll. Thereafter no further voting documents will be issued and admittance to the Annual General Meeting will be discontinued.

12. The following information is also made available to the Members on the Blackstar Group SE website (www.blackstar.eu) located at Publications, 2015 AGM Documents section:

    (a) a copy of this Notice of Annual General Meeting;

    (b) the total number of shares and voting rights at the date of the Notice of Annual General Meeting;

    (c) the documents to be submitted to the Annual General Meeting; and

    (d) the form of proxy for the Annual General Meeting.

13. Definitions:

"Acquisitions"	collectively, the Tiso Transaction and the acquisition of the ordinary shares in TMG not already owned by the Company by way of the Scheme
"Admission"	admission of the Enlarged Share Capital to trading on the London Stock Exchange
"BCIL"	Blackstar (Cyprus) Investors Limited (company number HE 177097), a limited liability company incorporated in accordance with the laws of the Republic of Cyprus and a wholly-owned subsidiary of Blackstar
"Enlarged Share Capital"	the issued share capital of the Company upon Admission, comprising the Existing Shares and the New Shares
"Existing Shares"	the existing ordinary shares of €0.76 each in the issued share capital of the Company at the date of this notice
"KTH"	Kagiso Tiso Holdings Proprietary Limited (Registration Number 2011/000848/07), a private company incorporated in accordance with the laws of South Africa
"New Shares"	new ordinary shares of €0.76 each to be created and issued by Blackstar in connection with the Acquisitions
"Scheme"	the scheme of arrangement, proposed by the TMG Independent Board, pursuant to which Blackstar and/or BCIL proposes to acquire the Scheme Shares for the Scheme Consideration
"Scheme Consideration"	the aggregate value of the consideration to be paid pursuant to the Scheme to Scheme Participants based on R22.00 (£1.24) in cash or 1.44885 New Shares for each Scheme Share
"Scheme Participants"	the holders of Scheme Shares as at the Scheme Record Date who can participate in the Scheme
"Scheme Record Date"	the date upon which the holders of Scheme Shares qualify and are recorded for participation in the Scheme
"Scheme Shares" or **"TMG Shares"**	the 85,393,630 ordinary shares of no par value each, in the share capital of TMG (not already owned by BCIL and/or the Company, and excluding 606,733 treasury shares held by TMG subsidiaries) which Blackstar or BCIL proposes to acquire through the Scheme

"TIH"	Tiso Investment Holdings Proprietary Limited (RF) (Registration Number 2000/027686/07), a private company incorporated in accordance with the laws of South Africa
"Tiso"	TIH and Tiso Foundation (collectively)
"Tiso Foundation"	the trustees for the time being of The Tiso Foundation Charitable Trust (Master's Reference Number IT 2962/02), a trust registered in accordance with the laws of South Africa
"Tiso Transaction"	the proposed acquisition of the KTH Interest by BCIL in exchange for the Tiso Transaction Consideration
"Tiso Transaction Consideration"	the consideration to be paid to Tiso for the KTH Interest comprising approximately 93 million New Shares and no more than R500 million (£28 million)
"TMG"	Times Media Group Limited (Registration No. 2008/009392/06), a public company incorporated in accordance with the laws of South Africa, the ordinary shares of which are currently listed on the JSE Main Board and held as follows: approximately 32.5% (excluding treasury shares) by Blackstar and/or BCIL and the balance by the public. Incorporates Times Media Group Limited and its subsidiaries
"TMG Independent Board"	the members of the TMG board of directors who are not also members of the Blackstar Board who have recommended the Scheme to the holders of Scheme Shares

Form of Proxy

BLACKSTAR GROUP SE

(registered in Malta with registered number SE4)

3rd Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta (the "Company")

FORM OF PROXY

For use by registered shareholders at the Annual General Meeting to be held in 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Tuesday, 9 June 2015 at 10h00 (CEST).

Please read the Notice of Annual General Meeting (attached as Part 2 of this document) and the explanatory notes below before completing this form.

HOLDERS OF DEPOSITORY INTERESTS SHOULD COMPLETE THE FORM OF DIRECTION IN PART 4 AND SHOULD NOT COMPLETE THIS FORM OF PROXY.

I/We ....

(Please insert full name in block capitals)

Of ....

(Please insert address in block capitals)

being (a) member(s) of Blackstar Group SE (the ''Company''), hereby appoint the Chairman of the Annual General Meeting,

or .... (see Note 1)

as my/our proxy in relation to all/ .... of my/our shares, to attend and vote for me/us at the Annual General Meeting of the Company to be held on Tuesday, 9 June 2015 at 10h00 (CEST) and at any adjournment of that meeting. I/We direct the proxy to vote in relation to the resolutions referred to below as follows:

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made ☐

For the appointment of one or more proxy see Note 1.

Resolutions	For	Against
Ordinary Resolutions 1 To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2014 and to the consolidated accounts for the Group for the year ended 31 December 2014.		
2 To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2014.		
3 To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2014.		
4 To re-elect Richard Wight as a director of the Company.		
5 To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6 (a) To grant the Directors of the Company authority to issue and allot shares in accordance with the terms of the Acquisitions; and (b) to grant the Directors of the Company certainty to issue and allot shares in respect of a maximum aggregate nominal amount of €75,912,202, in addition to those issued pursuant to the Acquisitions.		
Extraordinary Resolutions 7 To dis-apply statutory pre-emption rights on the issue of shares and sale of treasury shares by the Company, up to an aggregate nominal amount of €11,386,830.		
8 To authorise the Company to purchase its own shares.		

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting.

Please indicate below whether or not you intend to be present at the meeting. This information is sought for administrative purposes only and will not affect your right to attend the meeting, notwithstanding any indication to the contrary.

I will be attending the Annual General Meeting ☐ I will not be attending the Annual General Meeting ☐

Signature .... Date 2015

Form of Proxy continued

Notes:

1. To appoint as a proxy a person other than the Chairman of the Annual General Meeting insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
   (a) To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (b) To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'the Chairman of the Annual General Meeting (or)' and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (c) To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Annual General Meeting'. All forms must be signed and should be returned together in the same envelope.
2. If no voting indication is given, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu in either case by no later than Friday, 5 June 2015 at 10h00 (CEST). In order to assist shareholders:
   (a) certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Securities Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than Friday, 5 June 2015 at 10h00 (SAST); and
   (b) certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than Friday, 5 June 2015 at 09h00 (BST) as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than Friday, 5 June 2015 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than Friday, 5 June 2015 at 10h00 (SAST).
5. Holders of Depositary Interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on Thursday, 4 June 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on Thursday, 4 June 2015.
6. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
7. The Form of Proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the Annual General Meeting should you subsequently decide to do so.

BLACKSTAR GROUP SE

(registered in Malta with registered number SE4)

3rd Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta (the "Company")

FORM OF DIRECTION

Form of Direction for completion by holders of Depository Interests representing shares on a one for one basis in the Company in respect of the Annual General Meeting of the Company to be held at 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Tuesday, 9 June 2015 at 10h00 CET.

This Form of Direction is for use by holders of Depository Interests issued by Capita IRG Trustees Limited only.

Capitalised terms which are used in this Form of Direction but which are not defined shall have the meaning attributed thereto in the Notice of Annual General Meeting dated 24 April 2015.

I/We ....

of..

(Please insert full name(s) and address(es) in BLOCK CAPITALS)

being a holder of Depository Interests representing shares in the Company hereby instruct Capita IRG Trustees Limited (the "**Depository**"), to vote for me/us and on my/our behalf in person or by proxy at the 2015 Annual General Meeting of the Company to be held on the above date (and at any adjournment thereof) as directed by an X in the spaces below.

Please indicate with an "X" in the spaces below how you wish your vote to be cast. If no indication is given, you will be deemed as instructing the Depository to abstain from voting on the specified resolution.

Resolutions		**For**	**Against**
Ordinary Resolutions			
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2014 and to the consolidated accounts for the Group for the year ended 31 December 2014.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2014.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2014.		
4	To re-elect Richard Wight as a director of the Company.		
5	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6	(a) To grant the Directors of the Company authority to issue and allot shares in accordance with the terms of the Acquisitions; and (b) to grant the Directors of the Company certainty to issue and allot shares in respect of a maximum aggregate nominal amount of €75,912,202, in addition to those issued pursuant to the Acquisitions.		
Extraordinary Resolutions			
7	To dis-apply statutory pre-emption rights on the issue of shares and sale of treasury shares by the Company, up to an aggregate nominal amount of €11,386,830.		
8	To authorise the Company to purchase its own shares.		

Signature ....   Date 2015

Form of Direction continued

Notes:

1. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than Thursday, 4 June 2015 at 09h00 (GMT) or 72 hours before the time appointed for holding any adjourned meeting.
2. Any alterations made to this Form of Direction should be initialled.
3. In the case of a corporation this Form of Direction should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. Please indicate how you wish your votes to be cast by placing "X" in the box provided. On receipt of this form duly signed, you will be deemed to have authorised the Depository to vote, or to abstain from voting, as per your instructions.
5. Depository Interests held in uncertified form (i.e. in CREST), representing shares on a one for one basis in the Company, may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. The CREST message must be received by the issuer's agent RA10 by 09h00 (GMT) on Friday, 5 June 2015.
6. The Depository will appoint the Chairman of the Annual General Meeting as its proxy to cast your votes. The Chairman may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the Annual General Meeting.
7. Depository Interest holders wishing to attend the Annual General Meeting should contact the Depository at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by e-mail at custodymgt@capita.co.uk by no later than Tuesday, 2 June 2015 at 09h00 (GMT) or seven days before the time appointed for holding any adjourned meeting.

Blackstar Group SE
3rd Floor Avantech Building
St Julian’s Road San Gwann
SGN 2805 Malta
www.blackstar.eu

ANNEX II

FINANCIAL INFORMATION ON TMG

AVUSA

Live Inspired

Integrated Annual Report 2012

ABOUT AVUSA

Listed on Johannesburg's Stock Exchange, Avusa is a media and entertainment company that informs, educates, entertains and connects people. We aim to provide compelling content and creative solutions to enrich lives, helping people to know more, do more and to live inspired. We focus on building internal and external partnerships, investing in quality content delivered via physical and digital channels to best serve our customers' needs. In a continent where economic progress and social reform are critical goals, we believe that concentrating on our core drivers will ensure appropriate investments to best achieve our vision.

Group overview

Annual financial statements

Shareholder information

This integrated annual report is printed mainly on Triple Green Paper which is made of 60% recycled sugar cane. It is chlorine- and acid-free and all wood fibre is obtained from sustainable, certified afforestation.

AVUSA'S PERFORMANCE

	2012 Rm	2011 Rm	2010 Rm	2009 Rm
From continuing operations				
Revenue	5 963	5 310	4 712	4 892
Profit from operations	273	324	250	402
Net finance (costs) income	(10)	3	12	23
Share of profits of associates (net of income tax)	3	5	9	-
Profit before taxation	266	332	271	425
Profit after taxation	169	217	177	293
Attributable earnings per ordinary share (cents)	126	176	153	261
From discontinued operations				
Profit from discontinued operations	-	-	2	39
Attributable earnings per ordinary share (cents)	-	-	2	38
From continuing and discontinued operations				
Profit for the year	169	217	179	332
Attributable earnings per ordinary share (cents)	126	176	155	299
Headline earnings per ordinary share (cents)	111	176	149	242
Dividend declared per ordinary share (cents)	-	85	75	60
Statement of financial position				
Total equity	2 234	2 199	1 581	1 473
Long-term borrowings	272	284	3	3
Cash and cash equivalents	493	529	504	416
B-BBEE scorecard				
Level	3	3	4	5

THE AVUSA PREMISE

Strategic Intent ***Our Vision***

To enrich society with quality information, education, entertainment and creative ideas

What Drives Us ***Our Mission***

We aim to provide compelling content and creative solutions that enrich lives

Strategic Focus

INPUTS Avusa operational excellence, compelling content and creative solutions

Supported by

- Multiple Delivery Channels ■ Brands ■ Innovation ■ Marketing ■ Sales
- Project Management ■ Key Account Management ■ Market Research
- Human Capital

To Deliver

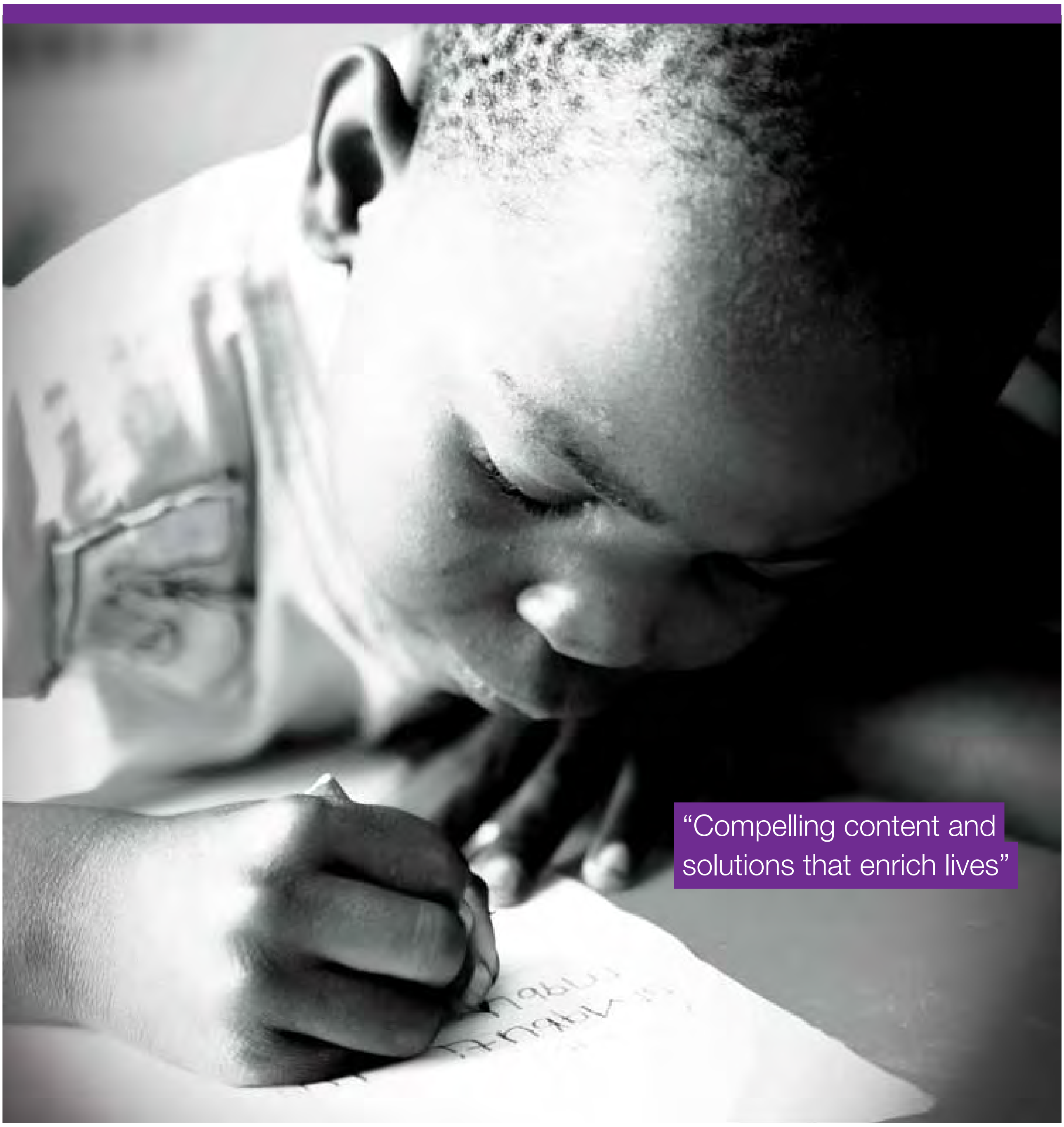
- News ■ Stories ■ Movies ■ Music ■ Solutions

Our Unifying Value Proposition

OUTPUTS Stakeholder Benefits

- Knowledge ■ Infomation ■ Entertainment ■ Connection ■ Expertise ■ Value

Know More - Do More - Live Inspired


"Compelling content and
solutions that enrich lives"

MEDIA

Newspapers, magazines, digital and out-of-home

Revenue

R2,123 billion

2011: R2,129 billion

Newspapers: Sunday Times, The Times, Avusa Media Live, Business Day, Sowetan, Sunday World, Daily Dispatch, The Herald, Avusa community newspapers
Magazines: Financial Mail, South African Home Owner, Elle, Elle Décor, MIMS and other titles
Digital: I-Net Bridge, Interactive Junction Holdings, Amorphous
Out-of-home: Airport Media, Boo Media

RETAIL SOLUTIONS

Retail advertising production systems, related database management and development, and retail printing

Revenue

R1,265 billion

2011: R493 million (5 months)

Hirt & Carter

Uniprint

Paton Tupper

BOOKS

Book retail, book and map publishing, digital mapping and book logistics

Revenue

R1,514 billion

2011: R1,489 billion

Book retail: Exclusive Books, Van Schaik Bookstore, Exclusives.co.za
Book and map publishing: Random House Struik, Struik Christian Media, New Holland Publishers (UK, Australia, New Zealand), Map Studio
Digital mapping: MapIT
Book logistics: Booksite Afrika, Mega Digital

ENTERTAINMENT

Film and music

Revenue

R1,061 billion

2011: R1,199 billion

Film: Nu Metro Films (film distribution), Nu Metro Cinemas, Nu Metro Home Entertainment,Popcorn Cinema Advertising
Music: Gallo Music
Platform businesses: Compact Disc Technologies (CDT) (CD and DVD manufacture), Entertainment Logistics Services (ELS) (CD and DVD distribution), Associated Music Distributors (AMD) (debt factoring for the film and music industries), Collage Litho

Directorate

1 M S M XAYIYA (51)
BA (Unisa), Cert of Defence Management (Wits), Emerging Market Leadership Programme (University of Pennsylvania)
Non-executive chairman
Joined group 21 April 2008
Mikki served in various capacities in the African National Congress from 1977. In 1995, he was appointed as a policy advisor to the Office of the Premier, Gauteng Provincial Government. He left public office and joined Mawenzi Asset Managers as managing director. In 1998, he co-founded Mvelaphanda Holdings and is currently the executive chairman of Mvelaphanda Group and Mvelaphanda Holdings. Mikki was appointed interim non-executive chairman of the Avusa board on 19 September 2011 and non-executive chairman of the Avusa board on 3 October 2011.

2 M W ROBERTSON (52)
Acting group chief executive officer
Appointed 3 October 2011
Mike's career in journalism and media began in 1981 as a reporter for the Daily News. In 1985 he became deputy news editor of Business Day. In 1991, he moved to the Sunday Times as political correspondent. He was appointed Sunday Times editor in 1998, becoming its publisher in 2002, and managing director of Johncom's media division (now Avusa Media) in 2003.

3 H BENATAR (47)
BCom, BAcc, CA(SA)
Chief financial officer
Joined group 18 September 2002
Howard joined what was then Johnnic Publishing as finance director in September 2002 and, following the group restructure in July 2003, was appointed Avusa's group executive: finance and administration. He was appointed chief financial officer in April 2005.

4 A D BONAMOUR (41)
BCom
Non-executive director
Joined group 12 March 2012
Andrew is the founder of Blackstar Group SE and is the executive chairman of Blackstar Group. Andrew previously worked at Brait where he held various corporate finance and investment banking positions. Andrew was appointed interim chief executive officer of Mvelaphanda Group in January 2012. Andrew serves on the boards of several listed and unlisted companies including Litha Healthcare Group.

5 C B CARY (58)
Non-executive director
Joined group 1 July 2011
Colin joined the Avusa board after 35 years as founder and major shareholder of the modern-day Hirt & Carter which was acquired by Avusa on 1 November 2010. He built Hirt & Carter into a national organisation and acknowledged leader in providing solutions for retail marketing communications and advertising, used by most major South African fast-moving consumer goods retailers.

6 A N GILLWALD (52)
BJourn (Hons) (African political studies), MA, Certificate in Economics and Public Finance, PhD
Independent non-executive director
Joined group 1 January 2012
Alison is executive director of Research ICT Africa, an 18-African country ICT policy and regulatory research network based in Cape Town, which is funded to support evidence-based policy development on the African continent. She is adjunct professor at the Management of Infrastructure Reform and Regulation Programme at the University of Cape Town Graduate School of Business. She served on the founding council of the South African Telecommunications Regulatory Authority (SATRA) and prior to that established the policy department at the first Independent Broadcasting Authority. She has served on several public boards and advisory bodies including chairing the National Digital Broadcasting Advisory Body. She has consulted widely for multilateral agencies and governments and is published in the areas of telecommunications and broadcasting policy and regulation, gender and politics more broadly.

7 A Z JIVHUHO (34)
BBusSc (Hons)
Independent non-executive director
Joined group 1 January 2012
Amanda is the group chief executive of Z-Capital, a diversified investment and management consultancy group. Her experience includes enterprise resource planning implementations, change management and turnaround strategies. Prior to establishing Z-Capital, she worked for Accenture in various executive roles both in South Africa and in the United Kingdom. She has extensive experience in both oversight and business management consulting in the private and public sectors, and has worked in various niche consulting firms including MAC Consulting. Amanda serves on various boards within Z-Capital's investment portfolio.

8 L M MACHABA-ABIODUN (51)
BCom (Law), HDip Ed (post graduate), MBA, MA, OCM (Harvard)
Independent non-executive director
Joined group 1 May 2007
Laura serves as an organisational consultant and leadership coach to top executives, advising chief executives and board chairmen on critical issues such as selection of people, succession management, leadership and strategy clarification, as a founder of the management consultancy firm AMC International Group. She helps boards become a competitive advantage and executives to leverage leadership capability for strategic growth. Laura brings public and private sector experience across media, energy, aviation, manufacturing, financial and professional services, both globally and locally. She most

recently completed an 18 months turnaround for human resources enterprise wide as global chief human resources officer (CHRO) and strategic adviser for Alexander Forbes Equity Holdings Group. She is chairman of the Argus Voting Trust, former vice-chairman of the American International School of Johannesburg (AISJ), and serves on the human resources and remuneration committees of the South African Revenue Service (SARS). Laura completed a two-year period of service on the council of the Institute of Directors Southern Africa (IoDSA).

9 H K MEHTA (62)
Diploma in Printing Technology (Leeds), BSc Industrial Engineering (University of Wisconsin) , MBA (University of Wisconsin)
Non-executive director
Joined group 1 July 2011
Harish is currently the executive chairman of Clearwater Capital, an investment company. He was previously the group managing director of the Universal Print Group (Uniprint) from 1978 to 30 June 2011. Uniprint was a family business from 1926 until its acquisition by Avusa on 1 November 2010. Harish is a non-executive director of Redefine and the Spar Group.

10 R NAIDOO (47)
BSc (Hons), MBA
Independent non-executive director
Joined group 1 January 2012
Ravi is the founder and managing director of Interactive Africa, a media, marketing and project management company established in 1994. Prior to that, he spent three years as an account director at Young and Rubicam where he managed a number of multinational accounts. Ravi project-managed the first African in Space mission, as well as South Africa's bid campaign for the Football World Cup and the African Connection Rally. Among other accomplishments, he is well known for establishing the International Design Indaba.

11 T R A OLIPHANT (67)
Management Advancement Program (MAP)
Independent non-executive director
Joined group 21 August 2003
Tommy spent 24 years at the Metal and Electrical Workers Union of South Africa, latterly as general secretary. He joined Fedsure Life in 1995 as national sales manager. In 2002, he was appointed chairman of Aventura Resorts, resigning in 2005. He is a former chairman of Airports Company South Africa and Bonitas Medical Fund. Tommy serves as chairman of DHL Forwarding SA, and on the boards of LA Group and African Legend Investments.

12 A C RUITERS (50)
BA, Higher Diploma in Education, Executive Programme at Graduate School of Business (Stanford University)
Independent non-executive director
Joined group 1 January 2012
Tony currently serves as the non-executive chairman of Business Connexion and Sentio Capital Management. He is the former chief executive officer of African Harvest and former managing director of African Harvest Fund Managers. He is an entrepreneur and businessman with operational and leadership experience in listed and unlisted companies in key sectors of the South African and southern African economies for the past 15 years. He is founder and trustee of the Dullah Omar Foundation and the Lillian Mary Ruiters Trust.

13 J H SCHINDEHÜTTE (53)
BCom (Hons), CA(SA), HDip Tax
Independent non-executive director and lead independent director
Joined group 1 July 2011
Jacques is the chief financial officer of Telkom SA, and the past financial director of Absa Group. Prior to joining Absa, Jacques was employed by Transnet in a number of senior roles. Jacques was appointed lead independent director on 3 October 2011.

14 M J WILLCOX (42)
BA, LLB, Postgraduate Dip (Tax) (UCT)
Non-executive director
Joined group 21 April 2008
After completing his studies, Mark worked for an investment bank in the USA. During this period, he was exposed to various significant mining and property transactions in the USA, the Far East and Africa. Mark is the chief executive officer of Mvelaphanda Holdings.

B NGONYAMA
BCom, CA(SA,) MBA, HDip Banking Law
Independent non-executive director
Joined group 1 July 2011.
Resigned 19 September 2011

D B NTSEBEZA
BA, BProc, LLB, LLM (International Law)
Independent non-executive chairman
Joined group 30 September 2008
Resigned 19 September 2011

T A WIXLEY
BCom, CA(SA)
Independent non-executive director
Joined group 24 June 2002
Resigned 19 September 2011

P C DESAI
BCom, BCompt (Hons), CA(SA)
Group chief executive officer
Joined group 1 March 1999
Stepped down 3 October 2011

B D HOPKINS
BCom (Hons) (Accounting and Tax) (UCT), CA(SA)
Non-executive director
Joined group 1 July 2011
Resigned 6 February 2012

Avusa's resilience was demonstrated in the year ended 31 March 2012, a period characterised by difficult trading conditions in the media and entertainment sectors exacerbated by the general downturn in the economy. We refocused our strategy to leverage Avusa's considerable strengths and to align capital expenditure to our media and entertainment businesses, away from new digital investments.

People

Knowledge is the cornerstone of the Avusa group in one form or another – from the seasoned journalists and photographers who deliver the news to those who source and develop the content of our digital platforms. These people are our lifeblood, and retaining and developing their skills and intellectual capital underpins our sustainability.

Our multifaceted development programme spans secondary, tertiary and post-graduate levels as well as our own employees. These programmes were specifically developed to meet the needs of the group while addressing the shortage of skills in various parts of our economy. These are detailed in the relevant sections of our expanded sustainability report.

The expertise of our people was again acknowledged during the year, as summarised in the awards table on page 23.

Although the refocused strategy implemented in the second half required reducing costs, some of which rested on decreasing the workforce by 7%, retrenchments were managed as sensitively as possible and in full compliance with labour legislation in South Africa.

Transformation

As a responsible and committed corporate citizen, Avusa plays a significant role in the transformation of South Africa. Acknowledging that economic empowerment is a strategic business imperative in this country, we are making steady progress in building a representative workforce. We are making equally significant progress in developing people's skills through organic growth, skills retention and preserving intellectual capital.

B-BBEE rating

During the period, we maintained our broad-based black economic empowerment (B-BBEE) rating as a level 3 contributor, up from level 5 four years ago. This is a commendable achievement, and reflects the investment and effort committed to improving the disparate aspects that form part of the B-BBEE scorecard.

The media industry

The South African media industry has a world-class self-regulation system in place – including a press council, ombudsman's office and appeals panel.

During the review period, and building on much groundwork completed in the prior year, a new set of press codes was introduced to regulate reporting on matters affecting privacy, dignity, public interest and the use of anonymous sources. We trust that scrupulous adherence to these codes will obviate the need for more drastic measures to regulate the media.

Avusa also continues to work with Print Media South Africa, funding reports generated by the Press Freedom Commission under Justice Pius Langa. The commission was established to explore ways of strengthening the regulatory system even further. We fully support the commission's proposals, believing they present a more sustainable and democratic alternative to a media tribunal, and underscoring the crucial role of freedom of expression as a constitutional cornerstone.

Equally, we are working with other media groups in developing an industry charter against which our transformation will be measured – looking particularly at ownership and control, but not ignoring the importance of addressing other areas requiring transformation. Within Avusa, good progress was made on all fronts during the year.

Given that Avusa already complies with most of the B-BBEE targets stipulated by the Department of Trade and Industry, as reflected in the group's steady progress to level 3 on the B-BBEE scorecard, the implementation of a media charter will require little change to the way we conduct our business.

Directorate

Mesdames Alison Gillwald and Amanda Jivhuho, and Messrs Ravi Naidoo and Tony Ruiters were appointed as independent non-executive directors in January 2012. Mr Bryan Hopkins resigned as a non-executive director in February 2012, while Mr Andrew Bonamour was appointed a non-executive director in March 2012. I was appointed non-executive chairman in October 2011. My appointment was therefore balanced by appointing Mr Jacques Schindehütte as lead independent director.

By strengthening independent non-executive representation on the board we aim to ensure balanced debates on material issues, in line with King III. The appointment of a lead independent director is further testament to our commitment to ensuring the broad spectrum of interests across large and minority shareholders is considered.

Post year-end event

In June 2012 we received an offer from Mvelaphanda Group through its wholly-owned subsidiary, Richtrau No. 229, to acquire Avusa's issued share capital not already held by Richtrau. Details of the offer were advised to shareholders via a JSE SENS announcement on 12 June 2012.

To assess this offer, Avusa established an independent board comprising the company's independent non-executive directors.

Final details and dates were released on 18 July 2012 by way of a circular to shareholders.

Thanks

This has been a year of challenge and change for the people of Avusa. Their individual and collective response has convincingly proven the calibre of people in this group – respected by their peers for their integrity and acknowledged for their commitment. On behalf of the board, I thank every one of you, particularly Michael Robertson who has so capably served as acting group chief executive officer, and extend my gratitude to my fellow directors for their counsel and guidance during the year.

Outlook

Avusa's business will always depend on economic growth and consumer disposable income. While global economic conditions in the year ahead are difficult to forecast accurately, we are implementing measures to protect the group during times of economic uncertainty and to ensure improved performance.

Mikki Xayiya
Chairman

The chairman's report has set out Avusa's refocused strategy. The benefits of implementing this strategy began to emerge when second-half results showed a marked improvement on the first six months. Despite tough trading conditions and depressed consumer spending, the encouraging improvement in revenue and profit from operations by year end reflects focused management intervention and early benefits from a cost-savings drive.

The group recorded notable highlights during the year, which included audited circulation for our newest title, The Times, surpassing that of its major competitor, and triple-digit growth in operating profit from The Times, Sowetan and Sunday World. The last-mentioned title traded profitably for the first time since its launch a decade ago. In addition, significant business remodelling was completed for our Media, Books and Entertainment business units, while synergies from the Retail Solutions acquisition started to unfold.

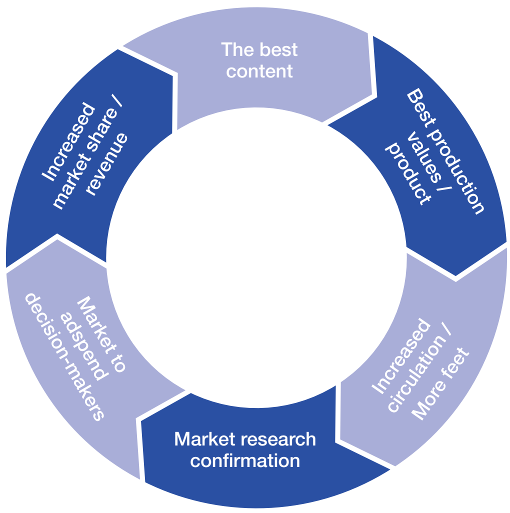
Acknowledging the calibre of professionals in this group, Avusa journalists received numerous awards and accolades during the year. Among these, the Sunday Times investigations team of Mzilikazi wa Afrika, Stephan Hofstatter and Rob Rose scooped the coveted Taco Kuiper award for investigative journalism. For wa Afrika and Hofstatter, this was the second consecutive year, while Rob Rose also won this award in 2009. We are extremely proud of this investigations team, which has proved again just how valuable a free and inquiring press is to a democracy. Other awards received during the year are summarised on page 23.

We aim to transform the group into the leading South Africa-based media group by focusing on securing stakes in those sectors of the media industry that will continue to hold the biggest slice of media spend in the next five years. As part of this focus, we will actively seek mergers or acquisitions that provide access to radio and television spend, while carefully reviewing the fit of all units in our portfolio.

According to research conducted by PwC, key segments in the future of our industry are not likely to change substantially in the foreseeable future.

This scenario, which concurs with our own research and business intelligence, indicates traditional media will continue to dominate advertising expenditure over the next five years. Simultaneously, the roll-out of digital terrestrial television and partnerships with technology companies will allow Avusa Entertainment to offer its content directly to customers, in line with global trends. As a group,

Group strategy



Avusa is strategically moving away from free content online as we maximise revenue from our digital operations. This will culminate in online pay-walls for both Business Day, which is rolling out a comprehensive financial information service this year, and the Sunday Times.

An industry in metamorphosis

Globally, the media industry is undergoing structural change. While the importance of traditional media is not forecast to lessen materially in the next five years – as detailed in the strategy section – we are preparing for step changes in our business, with progress evident across our business units:

- Our South African book publishing business increased turnover by 5% despite tough trading conditions, partly by converting books into digital format and making titles available across a number of digital platforms
- Our entertainment business unit is moving away from being an intermediary to a consumer-facing entity, with rising video-on-demand revenues partially compensating for reduced DVD volumes
- The arrival of digital terrestrial television offers long-term opportunities to partner with technology companies.

Prior investments in digital platforms and ongoing initiatives to capitalise on opportunities in the digital marketplace mean Avusa is well placed to maintain and expand its role in a transformed media sector.

Performance

Revenue for the year ended 31 March 2012 grew 12% on the prior period to R6 billion. Excluding the first full-year contribution from the Retail Solutions business unit, revenue contracted by 2%. The decline, which also reflects the benefit of R36 million in 2010 Soccer World Cup revenue in the prior year, was largely the result of adverse trading conditions in the current global economic slowdown. Profit from operations decreased to R273 million, and no dividend was declared for the year given the acquisition offer from Mvelaphanda Group detailed by the chairman.

Following the November 2010 acquisition of the Retail Solutions business unit, 20 555 555 new Avusa shares were allotted and issued, borrowings were incurred, and the company moved from an interest-earning to interest-paying position. Avusa's financial position at 31 March 2012 remained strong, however, with net cash of R493 million compared to R265 million at the half-year stage.

Diluted headline earnings per share of 111 cents declined 36% from 174 cents in the prior period, a significant improvement on the 90% decrease at the interim stage.

During the period, we reduced our staff complement by 380 people, or 7%, leading to future employment cost savings in the region of R67 million. By year end, this process was largely complete.

Detailed operational reviews appear on pages 12 to 19. The salient features of each business unit's performance are set out below, reflecting the growing traction of our intervention strategy and cost-savings drive.

Media

The media business unit reported a 33% drop in operating profit to R103 million, with advertising and circulation revenue remaining depressed, in line with the industry. During the year, outsource printing contracts were finalised and our newspapers are now able to offer advertisers improved regional insert options.

Our digital strategy is on track to leverage our strong brands and content. The investment phase at Interactive Junction is now complete, while I-Net Bridge continues to invest in new-generation products.

As part of the strategic focus to make Avusa content available on multiple channels and devices, the Sunday Times iPad application was launched, and Business Day will launch a new business content portal, Business Day Live, in the first half of the new financial year.

Our magazine division reported profit growth of 60% over the prior year.

Retail Solutions

The integration of this business unit is adding value, with Uniprint benefiting from large volumes of Hirt & Carter and Avusa print work.

Retail Solutions will continue to focus on growing its key account base, which includes prudent investment in print technology for sustained growth.

Books

The books business unit delivered strong academic book sales and triple-digit growth in digital revenues from our book publishing business. To counter depressed consumer spending, Exclusive Books has addressed its trading terms and a number of major expense items.

MapIT is transforming from providing purely mapping data into a mapping solutions provider.

Entertainment

The entertainment business unit, which includes Nu Metro and Gallo Music, again faced multiple challenges, resulting in a loss for the review period. Nu Metro benefited from the increased number of 3D titles released and an improved confectionery mix, and has made progress with its strategy of terminating leases at underperforming cinema sites.

Strategic interventions to transform this business unit have been implemented, with encouraging early results. This includes moving away from being the intermediary to engaging directly with consumers, as elaborated below.

Integrated reporting

While Avusa has reported on non-financial performance for several years, we produced our first integrated annual report last year. Our second integrated annual report is again compiled against the requirements of South Africa's standard for corporate governance, King III, and the guidelines of the international benchmark on sustainability disclosure, Global Reporting Initiative (GRI). It is also available on our website at www.avusa.co.za.

This level of disclosure underscores our commitment to full and meaningful reporting to our stakeholders and will improve incrementally as we integrate their feedback with global best practice.

The chairman has noted the challenges facing the media industry in South Africa at present. We continue to work closely with industry bodies such as Print Media South Africa (PMSA) and the South African National Editors Forum (Sanef) to find workable solutions that maintain the constitutional rights of citizens. Equally, our focus on skills development in our group and industry is aimed at producing a press corps that is both demographically representative and committed to the ethical standards required to produce factual content, while exploring the opportunities that this focus offers, particularly using alternative platforms such as digital.

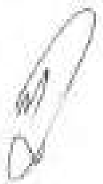
Appreciation

The review period tested the mettle of our people, both in coping with the quantum of internal restructuring and the pace of change under way in our industry. At all levels, our people rose to the challenge, providing daily proof of their commitment, innovation and integrity.

Avusa continues to enjoy a growing base of loyal customers and valued partners. Thank you for your ongoing support.

Outlook

Economic conditions during the year remained uncertain and challenging. Mindful of the economic environment, Avusa implemented a number of interventions, detailed above, to improve the group's performance. Further growth and efficiency initiatives, including restructuring, will continue to be implemented in the new financial year to grow revenues, enhance margins and contain costs.



Michael Robertson
Acting group chief executive officer


Keep area free of any objects!
“Striving for operational excellence”

MEDIA

STARTING THE CONVERSATION

Mike Robertson Managing Director: Media

The Media business unit includes the group's interests in newspapers, magazines, out-of-home advertising, and the digital businesses of I-Net Bridge, Interactive Junction Holdings (formerly Career Junction) and Amorphous.

Advertising and circulation revenue remained depressed in the year under review with the banking and telecommunications sectors most affected. Recruitment advertising was largely stagnant in an economy that continues to shed jobs. Growth in our share of retailer advertising was insufficient to offset the decline in other main advertising expenditure categories.

Following restructuring measures in the first half, the business unit's operating profit was 33% behind last year (from 54% at the half-year), including straight-lining of leases, provisioning for post-retirement medical aid costs, a R9 million correction of subscription liabilities at the 50%-owned BDFM unit, once-off retrenchment costs of R11 million, mostly from the Eastern Cape operations, and a R25 million pension fund surplus credit.

Our flagship title, The Sunday Times, traded 20% below the prior year's operating profit, while the Sowetan, The Times and Sunday World all recorded triple-digit percentage improvements in operating profits. Notably, Sunday World traded profitably for the first year since its launch more than a decade ago.

Circulation among Avusa's newspaper titles remained steady in a market showing steep declines for many of our competitors. The profit contribution of the Eastern Cape titles improved towards the end of the year with the new press coming on stream but, for the full year, profits were significantly down, reflecting the depressed state of that province's economy. After extensive restructuring, the magazine division recorded profit growth of 60%.

The profit contribution from the digital businesses was 60% behind last year primarily due to ongoing investment in new-generation products. The investment phase is complete at Interactive Junction Holdings, which launched Auto Junction and Property Junction earlier in the period to complete its suite of classified offerings alongside the successful Career Junction. I-Net Bridge continues to invest in new-generation products, and launched its I-Graph version 3 product in the first half.

BDFM, in conjunction with I-Net Bridge and Avusa's newspaper titles, is developing a new business content portal, Business Day Live. This is scheduled to launch in the first half of the 2013 financial year.

Content that counts

The Sunday Times invested in three new supplements:

- **Home Weekly** – an informative, inspiring and highly visual tabloid covering décor news and trends, home improvement advice, and features on property, gardening and homes.
- **Food Weekly** – aimed at readers who love to cook or simply enjoy all things food, this is a tabloid with news, trend-spotting, recipes and features.
- **Travel Weekly** – a stand-alone supplement, with local and international editorial, advice columns, special offers and reader contributions. The supplement grew out of the original Travel & Food supplement in response to demand from readers and advertisers for dedicated environments.

The three supplements were designed to give readers and advertisers a magazine feel in a newspaper environment. From the advertiser's point of view, weekly newspaper deadlines, as opposed to the longer magazine lead times, has provided more flexibility, in particular for retailers with special offers and new products to promote. For the reader, the short deadline also means the editorial teams are able to 'scoop' home and food magazines with their much longer lead times.


"Investing in quality content"
NEWS
Picks Up
Real estate market
Effective Tax Rates (in local currency)

RETAIL SOLUTIONS
EMPOWERING CUSTOMERS

Colin Cary Managing Director: Retail Solutions

The Retail Solutions business unit comprises Hirt & Carter and Uniprint, which have been part of Avusa since 1 November 2010.

While both businesses faced tough trading conditions during the review period, they successfully continued to provide specialist expertise, services and product. Pressure on the top line was substantial in certain market segments where customers restricted spending.

With customers and potential customers carefully reviewing their marketing budgets, differentiation through innovation remains a strong driver for Hirt & Carter, delivering efficiencies and cost-savings to customers. The strategic focus on retaining and growing a strong key account base continues to prove its worth, and will be reinforced by additional investment in research, development and computer software, including large-format digital printing, where clients are using outdoor as a communication medium.

Tight control of overheads continues. In addition to investing in a five-colour press to maintain Hirt & Carter's leadership in print technology, investments have been made in software and associated print technology to ensure the business continues to offer innovative and cost-effective print solutions to its clients.

Uniprint designs, manufactures and distributes a wide range of commercial print products and services to corporate customers and institutions with consumer mass markets or branch networks in South Africa and throughout Africa.

Despite a year typified by tough trading and significant cost pressures, with international clients applying global costing standards in awarding business, Uniprint performed strongly. With limited opportunities to improve operating efficiencies further, management will focus on differentiation strategies to generate sustainable revenue growth in the year ahead. Continued capital investment keeps the company abreast of international print technology advancements and ensures continued growth. Uniprint has benefited from the internalisation of large volumes of Hirt & Carter and other Avusa print work.

The forms division secured printing tenders for local and general elections in South Africa and Zambia, and a number of print and fulfilment contracts with major South African users. It remains the leading manufacturer of pre-paid cellphone vouchers. Investment in capital equipment continued, with a state-of-the-art press installed in January. A point-of-sale till-roll manufacturing line was also commissioned, and this fully-integrated production line should secure a meaningful share of this high-volume market.

Point-of-purchase and commercial printing faced a shift in buying patterns with a number of large FMCG (fast-moving consumer goods) manufacturers using specialist procurement agencies, which has suppressed market prices. The unit has to reformulate its marketing approach, as creativity in concept and design is an integral part of point-of-sale products. A multi-colour litho press was installed to support growth. Progress is being made toward ISO 22000 accreditation.

Turnover in the labels division was below expectation, but budgeted profits were achieved through strategic raw material buying and controlled labour costs. The division is well-placed to grow its shrink-sleeve, wrap-around and self-adhesive labels business. A state-of-the-art 10-colour press has replaced a number of older presses and this, together with new finishing equipment, offers customers a cost-effective labelling solution.

Web printing, Uniprint's largest operation, enjoys strong support from businesses in the Avusa stable. Key focus areas include securing additional long-term contracts as a strategic supplier to public-sector and corporate customers.

Providing holistic solutions

The Hirt & Carter strategy of providing holistic solutions that focus on the retail sector continues to prove its worth, as does its increased investment in software, research and development.

MediaTracker3 - the advertising, marketing and promotion software system - is currently being used by some of South Africa's major retailers. It is also being evaluated by a number of potential users. Confirming its record of innovation, Hirt & Carter is upgrading the successful MediaTracker3 to version 4, which will offer users even more functionality.

Internal software and systems have been enhanced, and additional equipment commissioned, to further improve the group's ability to 'help sell more product', a phrase that encapsulates Hirt & Carter's drive to offer solutions that integrate promotional activity into the client's preferred medium – printed inserts, in-store activity, point-of-sale displays and material, or outdoor.

The digital advertising service is being strengthened to cater for the increasingly complex analyses being requested by clients. This service provides retailers with daily information on competitive pricing and promotional activity, and is used by manufacturers to monitor the ways in which their products (and those of their competitors) are being promoted by retailers.

In addition, output capacity at SKU.Works, a Hirt & Carter subsidiary that runs the country's biggest FMCG digital library, is being expanded to cater for the ever-increasing volumes required to support the quantum of promotional activity in the retail sector.

BOOKS

BRINGING STORIES TO LIFE

Brian Wootton Managing Director: Books

The Books business unit consists of book retail (Exclusive Books, Van Schaik Bookstore and Exclusives.co.za), book and map publishing (Random House Struik, Struik Christian Media, New Holland Publishers and Map Studio), digital mapping (MapIT) and book logistics (Booksite Afrika and Mega Digital).

The sale of two commercial properties acquired under purchase options on lease terminations generated a profit of R28 million.

Exclusive Books was affected by the depressed economic environment and resultant impact on disposable income, characterised by lower demand for leisure books and a behavioural shift, with consumers 'buying down'. Trading was also hampered by the refurbishment of two stores and construction work in four shopping malls housing Exclusive Books shops. In line with international trends, online and digital sales continue to grow. The business has addressed its trading terms and a number of its major expense lines to improve margins and reduce costs, with the full benefits expected to emerge in the 2013 financial year.

Academic book sales through Van Schaik Bookstore were strong as the business benefits from growing student numbers at tertiary institutions and increased bursary funding by government. In addition, more education institutions are using bursary administrators with the benefit that bursary monies are ring-fenced, resulting in increased spending at academic bookstores. Van Schaik has also expanded its product range to include general books and non-book merchandise.

Trade book sales remained weak across all territories as traditional retailers struggled to adjust to the changing landscape, including the growth in e-book sales and growing dominance of Amazon.

Even in difficult trading conditions, the South African book publishing businesses increased turnover from the prior year by 5%. Responding to growth in the digital and e-book market, the businesses are converting books into digital formats and making titles available across a number of digital platforms. Digital revenues grew over 330% on the prior year, although off a low base.

The offshore publishing businesses continued to struggle in extremely tough international book markets. In response, a significant downsizing exercise was completed during the year in the United Kingdom and staff numbers were reduced by 60%.

Map Studio's paper-based mapping remained under pressure with the shift to digital applications. Turnover was 5% down on the prior year. MapIT was affected by declining navigational revenues, its largest income stream, as a result of pressure on data prices, impact of the strong rand on euro-denominated earnings and lower volumes of personal navigation devices sold. The business also lost a major navigation customer in the first half, following that customer's alignment with its international parent. Accordingly, the business focused on transforming from a pure mapping data provider to becoming a mapping solutions provider, with non-navigational revenues growing over the year by 25%. In the last quarter of the year, MapIT signed an exclusive distribution agreement for sub-Saharan Africa with deCarta, a leading independent enabler of location-based services.

The book logistics business performed well over the year, but was affected by the loss of a major customer, Penguin Books, which consolidated its trade book distribution into its in-house educational book distribution in February. Mega Digital, our digital book-printing business, performed ahead of the prior year on strong growth from the educational submissions business.

One-stop-shop mapping solutions

Marking a first for the South African mapping and location-based services industry, MapIT signed an exclusive distribution agreement for sub-Saharan Africa with deCarta, a leading independent enabler providing software and services that add mapping, routing and local-search functionality to companies' services.

Complemented by the partnership with shareholder TomTom Africa, whose portfolio includes digital maps and real-time traffic products, the deCarta agreement enables MapIT to provide a greatly enhanced and one-stop-shop digital mapping solution.

Industry users that will benefit from this solution include:

- Mobile network operators (including service delivery platform providers and network equipment providers).
- Manufacturers of mobile handset, tablet and navigation devices.
- Local media companies and advertising networks including internet-based business directories.
- Application developers and content publishers including developers of navigation applications.

deCarta's customers and technology partners rank among the leaders in mobile and enterprise markets and include Ford, Samsung, T-Mobile and Verizon.

ENTERTAINMENT

CAPTIVATING THE MIND

Fay Amaral Managing Director: Entertainment

The Entertainment business unit comprises Nu Metro (Films, Cinemas, Home Entertainment and Popcorn Cinema Advertising), Gallo Music, Compact Disc Technologies (CDT), Entertainment Logistics Services (ELS), Associated Musical Distributors (AMD) and Collage Litho.

The business unit faced multiple challenges during the year. Retail businesses – Home Entertainment and Gallo Music – tackled weaker content, price deflation, format shifts and constrained consumer disposable income. In addition, the rental store base reduced dramatically, with around 25% of South Africa's video stores closing down during the year. However, market share of the DVD business showed slight growth in both revenue and units. Reduced retail volumes and unit prices had a knock-on effect at the business unit's manufacturing arm, CDT, and at its logistics businesses, ELS and AMD.

Content feed through Nu Metro Films was fair in respect of theatrical successes, such as Breaking Dawn, but hampered by the downturn in the home entertainment market. Video-on-demand (VOD) revenues have started rising, partially compensating for reduced DVD volumes. Nu Metro Cinemas had reasonable content, particularly over key holiday periods. While attendance fell 10% year on year, largely due to disposable income pressures, revenue benefited from the increased number of 3D titles released and an improved confectionery product mix. The Sunnypark cinema site in Tshwane was closed at a cost of R11 million after an early termination of the lease and related asset write-offs. Popcorn Cinema Advertising posted increased advertising and eventing revenues.

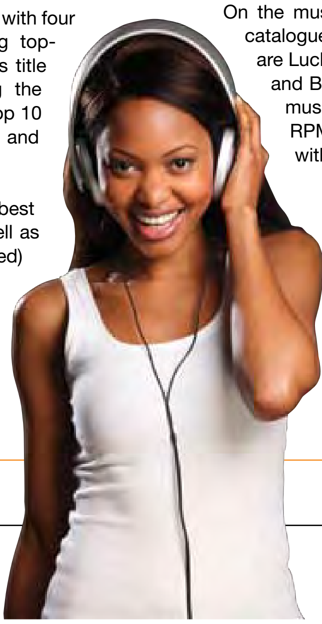
The business remodelling exercise planned for the second half to address costs and restructure the business to better manage format declines and price deflation was implemented, and key licenses were renewed.

Content, content, content

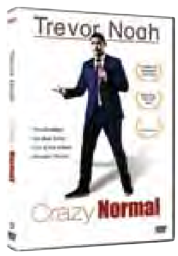
Nu Metro Films had a successful year at the box office, with four of the top 10 titles in the review period, including top-performer, Twilight Saga: Breaking Dawn Part 1. This title achieved excellent box-office sales, out-performing the nearest contender by over 20%. The other featured top 10 titles included Rio in 3D, Harry Potter 7 part 2 in 3D, and Hangover 2.

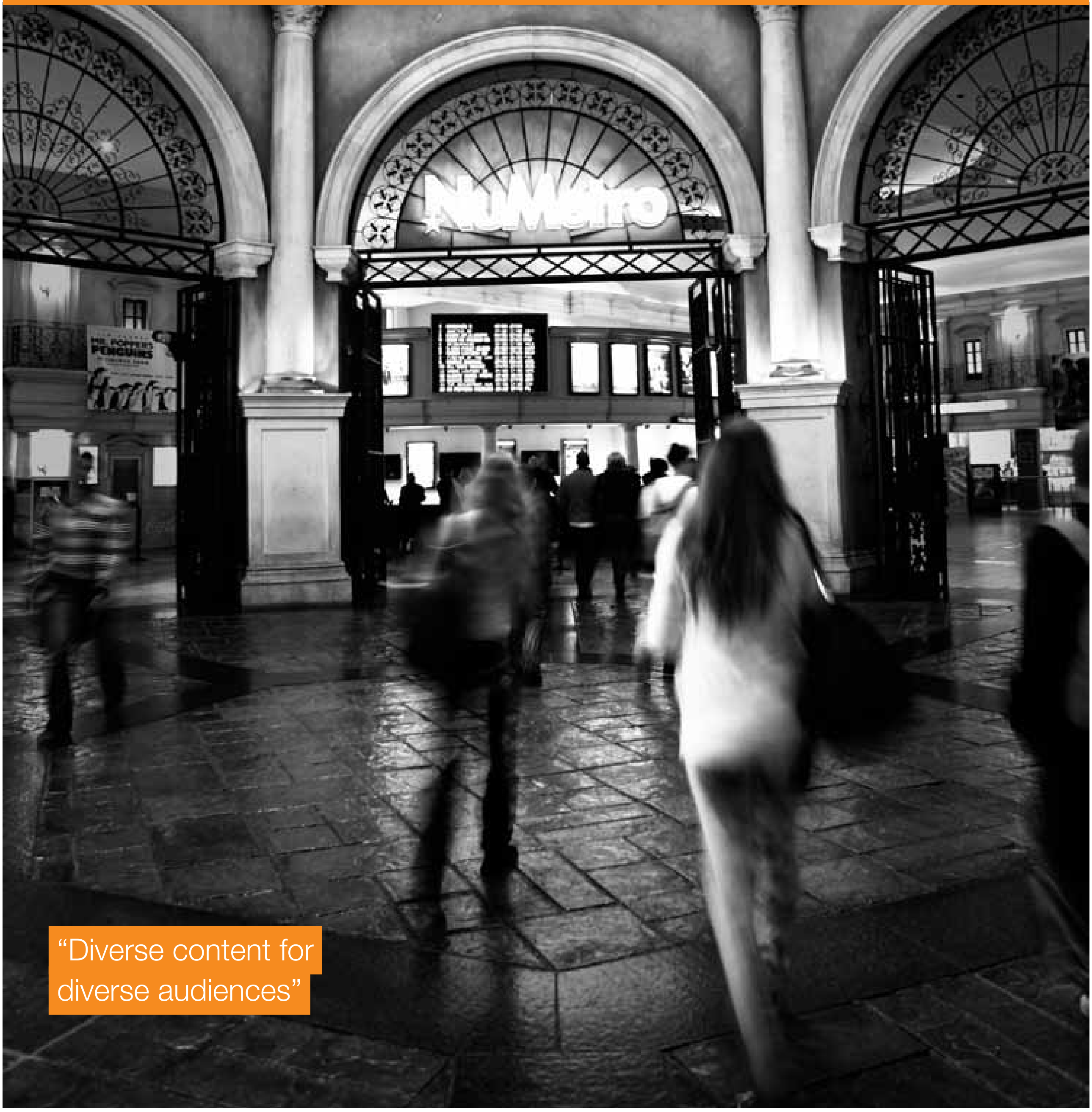
In October 2011, Nu Metro Films was awarded best licensee territory for 2011 by 20th Century Fox, as well as an international award for excellence (highly commended) for the Rio campaign.

In keeping with its strategy to ensure a diverse range of content, the comedy category has become increasingly important to the business – Crazy Normal, Trevor Noah's latest comedy show released on DVD, has proved to be a big release of the year.



On the music side, Gallo's Great Performer series – a major catalogue re-issue – has sold over 120 000 units. Included are Lucky Dube, Stimela, Mango Groove, Mbongeni Ngema and Bles Bridges. Other trailblazers in popular traditional music include The Soul Brothers, BY4 and Buselaphi. RPM Dance reclaimed its share of the dance market with the double-CD release of Floorfillers volume 4.





"Diverse content for diverse audiences"

APPROACH TO SUSTAINABILITY

At Avusa, we contribute to customers and the broader community because we open up more choice in media and entertainment, and we bring people the content they value and trust. We innovate to make things better and we help thousands to access opportunities. We create direct employment for over 5 000 permanent staff members and our corporate investments support development across a number of industries.

But while we're proud of the benefits created by our day-to-day businesses, we understand how important it is to see the full picture. Acting responsibly and making a broader contribution is vital to earning the trust of stakeholders and achieving long-term sustainable success.

That is why we strive to use our capabilities to make the biggest possible difference to the issues people care about. In South Africa today, arguably the most pressing issue is education – including access, quality and affordability. Education in its broadest sense is therefore our focus, from developing our own people to providing container libraries for underprivileged schools. But this focus is only one part of a holistic view of our world that extends to societal and environmental issues.

We believe this approach makes good business sense. It is also the right thing to do – for our own people and our millions of readers and customers.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

The issues below were identified by stringent risk management processes, stakeholder engagement and GRI guidelines (page 21). Collectively, they represent the key factors determining Avusa's sustainability. All are cross-referenced to detailed explanations elsewhere in this report.

Operational	Issue	Response	Page
Content delivery shifting from physical to digital	Loss of revenue	Bolster physical product and adopt digital delivery	57
Printing failure	Loss of revenue	Contingency plans are in place to print at alternative locations	57
Piracy	Loss of revenue	Educating the public to avoid buying pirated products. Entertainment business provides financial support to SAFACT* to combat piracy	57
Loss of licences and agencies	Loss of revenue and credibility	The group's licences are strategically managed, which includes building and maintaining relationships with licensors	57
Loss of key customers in specific businesses	Business sustainability	Key customers are strategically managed; relationships are built and maintained	57
Disruption in newsprint supply	Loss of revenue	Use of alternate supplier; import replacement	57
Social performance			
Responsible citizen	Socio-economic (projects, donations)	Avusa operations actively participate in community development initiatives	40-43
Employee retention	Shortage of critical skills	Appropriate training, development and retention initiatives; succession planning	32-37
Loss of key personnel	Intellectual capital base	Succession planning in place for key personnel	57

Environment	Issue	Response	Page
Paper use	Sustainable and environmentally responsible supply	Certified suppliers with sustainable forestry practices	39
Energy	Availability, security of supply, efficient and responsible use of power resources	Contingency plans for power outages include generators to power critical sites and processes. Initiatives under way to use energy even more efficiently	38
Social performance			
Compliance and ethical standards	Upholding industry standards of fair, ethical reporting	Avusa complies with industry standards and codes, and gives readers an appropriate avenue for complaints	24-29
Contravention of Competition Act, relevant legislation	Adherence to applicable laws and regulations	Regular compliance reviews	44

** SAFACT: Southern African Federation Against Copyright Theft*

SCOPE OF REPORT

Avusa's 2012 integrated annual report covers the group's financial and non-financial performance. This integrates our economic, social and environmental results for a group-wide understanding, and sets out the challenges and opportunities ahead.

Our financial reporting covers the full scope of the group, including non-controlled entities, in accordance with IFRS (International Financial Reporting Standards) and other relevant requirements and legislation.

In terms of non-financial reporting, acquisitions have made data comparability challenging in some areas. Where possible, methodologies for determining specific indicators are described in this report. We will continue developing group standards to make stakeholder reporting more relevant and our progress more measurable against published targets for key indicators.

Avusa's triple bottom-line reporting will remain a cornerstone of our commitment to sustainable development and our determination to entrench best practices in sustainable development in all operations.

Avusa therefore reports against the 2006 guidelines of the Global Reporting Initiative (G3), and the content of the 2012 report has been prepared in line with GRI intermediate application level C (page 47).

Sustainability performance in this report spans the 12 months from 1 April 2011 to 31 March 2012. In addition to the printed version, Avusa's 2012 integrated annual report is available on our website at www.avusa.co.za. This sustainability report includes all wholly-owned operations and those where we have management control or joint management control.

In determining material issues to include in this report, Avusa uses the methodology recommended by G3 which spans external and internal factors as follows:

External	Internal
■ Key sustainability issues raised by stakeholders ■ Sectoral issues and challenges reported by peers and industry bodies ■ Relevant legislation and voluntary agreements (local and international) of strategic significance to the group and its stakeholders ■ High-profile sustainability issues, impacts or opportunities, from climate change to HIV/Aids	■ Avusa's values, policies, strategies, processes and targets ■ The interests and expectations of stakeholders for whom our corporate progress is paramount, including employees, shareholders and suppliers ■ Key risks defined by corporate risk methodologies ■ Critical factors for Avusa's success, including the synergy between our operations and the universal aims of sustainable development.

Ongoing feedback from a range of stakeholders helps us to contextualise certain issues better for more informed understanding by readers. Feedback is a critical element of our reporting process and any comments should be directed to:

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E-mail: motloungl@avusa.co.za
Telephone: +27 011 340 9314
Fax: +27 011 280 5099
www.avusa.co.za/contact-us/

ASSURANCE

Avusa's internal systems record and monitor the quality (accuracy, completeness and consistency) of management information and any data gaps in the group.

Avusa has considered the value of obtaining external assurance on the sustainability report and concluded that it would serve a limited useful purpose. This decision is reviewed periodically against changes in the business, our operating environment and best practice in our industry.

Avusa in context - the media industry in South Africa

Combined, Avusa Media reaches a total newspaper and digital audience of 9,3 million, clustered in the middle- to upper-income market segments.

Avusa's total newspaper audience:

- 77% of readers are black, 12% white, 6% coloured and 5% Indian
- Average age of 36
- Half are working – more so than the population average of a third
- Higher concentration in Gauteng, South Africa's most affluent province
- Nearly 60% in LSM 7-10
- Significantly higher personal and household incomes than the population average
- More educated than the average South African – 41% have completed grade 12 and more than a quarter have tertiary education
- More sophisticated audience:
    - 37% have accessed the internet in the past month; significantly higher than the South African norm at 20% (both rising percentages)
    - 34% have internet access at home
    - 31% have a motor vehicle
    - Nearly eight in ten have a bank account
    - 92% have a cellphone
    - 46% subscribe to cable television services, compared to 27% of the total adult population

Source AMPS 2011AB/DMMA ratings February 2012

Sunday Times 3 733 000 readers	WeekendPost 209 000 readers
The Times 322 000 readers	SundayWorld 1 547 000 readers
Sowetan 1 722 000 readers	Times LIVE 491 000 unique browsers
The Herald 238 000 readers	Sowetan LIVE 490 000 unique browsers
Daily Dispatch 232 000 readers	SundayWorld.co.za 143 000 unique browsers
Saturday Dispatch 91 000 readers	Mobi-Sites 96 000 unique browsers

AWARDS

Avusa's strengths are embodied in its people, quality of content and multifaceted delivery of that content. During the year, Avusa companies and employees received numerous awards for these skills, as well as for broader contributions to their industries and communities.

Business unit	Business entitiy	Award
Media	Sunday Times	■ **Taco Kuiper Award for Investigative Journalism** – winners Mzilikazi wa Afrika, Stephan Hofstatter, Rob Rose. This was the second consecutive award for wa Afrika and Hofstatter
	Daily Dispatch	■ Runners up in the Taco Kuiper award: Michael Kimberley, Msindisi Fengu, Lindile Sifile, Mark Andrews
	The Herald	■ Special mention: Khanyi Ndabeni
	Sunday Times	■ **Mondi Shanduka Newspaper Awards** – hard news category: Mzilikazi wa Afrika, Stephan Hofstatter
	The Herald	■ Premier award for news photography: Judy de Vega
	The Times	■ Premier award for sports photography: Alon Skuy
	Sunday Times	■ **Vodacom Journalist of the Year** – hard news category: Mzilikazi wa Afrika, Stephan Hofstatter
	The Herald	■ Premier award for news photography: Judy de Vega
	Sowetan	■ **North West Journalist of the Year** – Boitumelo Tshehle
	Sunday Times	■ **Sanlam Award for Excellence in Financial Journalism** – economy and industry category: Stephan Hofstatter, Rob Rose
	Sunday Times	■ **Nieman Fellow 2011/12** – Fred Khumalo
	The Times	■ **Women in Media** – Phylicia Oppelt (editor)
	Daily Dispatch	■ **CNN MultiChoice African Journalism award** – online team (digital journalism, second consecutive year)
	The Herald	■ **Pulitzer Centre for Crisis Reporting fellowship 2012** – Estelle Ellis
	Elle	■ **2011 Pica awards** – Consumer magazine of the year. Editor of the year (consumer): Jackie Burger. Overall magazine design: highly commended. Layout of the year: Anton Sassenberg (creative director)
	Stuff magazine	■ Special mention: editor of the year (consumer) – Toby Shapshak
	Avusa Media Live	■ **Bookmarks awards for the online industry 2011** – TimesLIVE bronze (publisher, mass appeal); SowetanLIVE (editorial)
	I-Net Bridge	■ **Topco Media** – leading performer in ITC sector
Retail Solutions	Uniprint	■ **Propak 2011 and World Star 2012 award** for Poncho sleeves product
Books	Book Publishing	■ Struik Lifestyle, an imprint of Random House Struik, was the South African winner of five **Gourmand World Cookbooks** awards for 2011 ■ The winning Struik Lifestyle titles were: □ *Zhoozsh! Faking It* – Jeremy and Jacqui Mansfield: best easy recipes □ *Springbok Kitchen* – Duane and Warren Heath: best fund-raising book - Africa □ *Braai Buddy 2* – De Waal Davis, illustrations by Colin Daniel: best cookbook illustrations □ *Help! There's a Stove in My Kitchen* – Annabel Frere: best design for professionals □ *Savour* – Marc Hirschowitz, Karen Alsfine, Estelle Sacharowitz – best cookbook photography
	Van Schaik Bookstore	■ **Mediclinic** – service excellence award
Entertainment	Nu Metro Home Entertainment	■ **Sony Pictures Home Entertainment** – marketing excellence award
	Ochre Media	■ **Input 2012** (international conference for public television networks that recognises innovation in broadcasting) – nominated – In Debt, entertainment reality series produced for SABC 1
	Gallo Records	■ **18th Annual MTN South African Music Awards** – Gallo artists and professionals received 15 nominations, winning: ■ *Best Traditional Music Album* – Soul Brothers for Amaphutha ■ *Best Live DVD* – Simphiwe Dana for An Evening with Simphiwe Dana (Live in Concert)

KEY SUSTAINABILITY INDICATORS

	2012	2011
Revenue (Rm)	5 963	5 310
Total comprehensive income for the year (Rm)	173	220
Earnings per share (cents)	126	176
Headline earnings per share (cents)	111	176
Net cash flow from operations (Rm)	417	438
HDI* at board level (%)	57	63
HDI* at top management level (%)	33	50
HDI* at senior management level (%)	34	40
HDI* at middle management level (%)	44	41
HDI* at junior management level (%)	63	61
Black female staff at senior management level (%)	9	10
Black female staff at middle management level (%)	15	16
Black female staff at junior management level (%)	24	22
Overall B-BBEE rating (level)	3	3

**Historically disadvantaged individual*

While the economic, social and environmental elements that constitute the so-called triple bottom line have long been part of the way our group operates, these are now being formally integrated across Avusa – from strategy to operations.

CODE OF CONDUCT

Given the nature of the Avusa group, ethical practices underpin our corporate code of conduct. Accordingly, our people are expected to uphold fair practices by:

- Maintaining the highest standards of integrity in all business relationships
- Carefully guarding against influences that may compromise independent judgement and action
- Using their approved authority to act in Avusa's best interests at all times.

The group's code of conduct details the behaviour expected from employees at every level when dealing with stakeholders including customers, shareholders, suppliers, colleagues and competitors. The code also sets out expectations for the group as a responsible corporate citizen.

Avusa does not condone any unethical business dealings (including fraud, bribery and money laundering) by employees or the violation of any law. To protect the group's reputation, particularly its media operations, employees are cautioned to guard against perceived violations. To assist employees, the code details acceptable limits on gifts, hospitality, free trips and favours. The code details situations (including outside employment and personal investments) that may lead to conflicts of interest, and limits directorships of companies outside the Avusa group to two. Employees are encouraged to discuss these situations with line management to achieve equitable resolutions.

Summary of Avusa's safety, health and environmental policy

Avusa is committed to taking requisite precautions to facilitate a safe environment for employees, customers and independent contractors. Equally, Avusa conducts its business in a manner that mitigates harm to the environment.

Our comprehensive safety, health and environmental (SHE) policy was drafted using international benchmarks such as the Global Reporting Initiative (GRI), United Nations Global Compact and South African legislation such as the acts governing basic conditions of employment, compensation for occupational injuries and diseases, and labour relations. It also incorporates recommendations on sustainability set out in King III – the local benchmark for corporate governance.

The acting group chief executive officer and senior management are responsible for implementing the policy, and developing and maintaining a system to ensure compliance with both the policy and applicable safety, health and environmental laws and standards.

All employees are responsible for complying with the policy, and are expected to give appropriate and timely attention to issues covered by the policy. Any employee who becomes aware of circumstances relating to the company's operations or activities that pose a real or potential safety, health and environmental risk to other employees or the wider community has a responsibility to report the matter in line with procedures set out in the policy.

Avusa clearly communicates stipulations on the use of sensitive information imposed by the Companies Act, Insider Trading Act, JSE Limited and other regulatory bodies and industry associations. To guard against corruption and to promote sound corporate governance, the code details procedures for employees to disclose contraventions or irregular conduct.

To ensure these standards are applied and maintained, the human resources, transformation, remuneration, and social and ethics committee of the board operates against a checklist which is summarised below.

Social and ethics matters	Compliant	Policies
Social and economic development		
United Nations Global Compact – ten principles	✓	■ Employment ■ Relationship building ■ Whistleblowers ■ Safety, health and environment
OECD recommendations on corruption	✓	■ Code of conduct and ethics ■ Whistleblowers ■ Fraud and crimes of dishonesty
Employment equity act	✓	■ Employment ■ Employment equity
Broad-based Black Economic Empowerment Act	✓	■ B-BBEE
Good corporate citizenship		
Promoting equality, preventing unfair discrimination, reducing corruption	✓	■ Employment equity ■ Relationship building
Contribution to development of associated communities	✓	■ Corporate social investment
Record of sponsorship, donations and charitable giving	✓	■ Corporate social investment
Environment, health and public safety		
Company's activities and impact of its products and services	✓	■ Safety, health and environment
Consumer relationships		
Compliance with consumer protection laws and public relations	✓	■ Consumer Protection Act
Labour and employment		
Standing in terms of International Labour Organisation protocol on decent work and working conditions	✓	■ Code of conduct and ethics ■ Human resources development
Employment relations and contribution to the educational development of employees	✓	■ Human resources development ■ Relationship building ■ Education assistance

Ten principles of the United Nations Global Compact

Human rights

Principle 1 – support and respect the protection of internationally proclaimed human rights
Principle 2 – not complicit in human rights abuses

Labour

Principle 3 – uphold freedom of association and the effective recognition of the right to collective bargaining
Principle 4 – elimination of all forms of forced and compulsory labour
Principle 5 – effective abolition of child labour
Principle 6 – elimination of discrimination in respect of employment and occupation

Environment

Principle 7 – support a precautionary approach to environmental challenges
Principle 8 – undertake initiatives to promote greater environmental responsibility
Principle 9 – encourage the development and diffusion of environmentally friendly technologies

Anti-corruption

Principle 10 – work against corruption in all its forms, including extortion and bribery

CORRUPTION

Avusa's code of conduct is aligned with the recommendations of the OECD on corruption. We are committed to fair dealing and integrity in conducting business, with various policies in place to ensure compliance. Avusa's standing in terms of the OECD recommendations is entrenched, and integral to the working culture across the group. Non-adherence to these standards is taken very seriously and disciplinary measures are in place.

OECD recommendations on corruption

The Organisation for Economic Co-operation and Development (OECD) has developed specific guidelines on corruption in the business world. These are summarised below:

- Risk assessment – customised to ensure effective controls in place, regularly reviewed and revised
- Policy – visible and enforced
- Training – ongoing and group-wide
- Responsibility – accountability at all levels
- Support – leading by example
- Oversight – top-level monitoring
- Specific risk areas – detailed policies facilitate compliance and monitoring
- Business partners – ensuring the same standards and controls are in place from the outset
- Accounting – fair and accurate records prevent bribery from being concealed
- Guidance and advice – general information as well as a confidential reporting facility
- Discipline – appropriate procedures for addressing violations and deterring future transgression

AVUSA PUBLIC EDITOR

Avusa's public editor acts as the voice of readers, ensuring their interests are served across the group's newspaper titles. The public editor is also charged with ensuring that Avusa newspapers adhere to editorial policies and the South African Press Code in providing truthful, accurate and balanced reporting.

In 2011 Joe Latakgomo – widely regarded as one of the wise elders of South Africa's journalism fraternity – was appointed public editor. Latakgomo was the founding editor of the Sowetan and has been at the helm of a number of the country's leading publications.

We believe the position of public editor is a critical part of newspapers, demonstrating commitment to high standards of journalism. As an independent, fair-minded advocate, we also believe Latakgomo's four decades of experience in journalism serve him well to deal with issues raised as a concern by readers.

Report by the public editor for the review period

"All of us in the news business ought to remember that our primary responsibility is to the man who buys his newspaper…expecting us to give him in so far as is humanly possible not only the truth and nothing but the truth, but the whole truth."

Elmer Davis, journalist and author of History of the New York Times: 1851-1921

When the institution of public editor was first introduced by Avusa Media, there were many who believed it was intended to limit the editors of publications to carry out their mandated responsibilities. They feared they would not be able to "publish and be damned", and that this was a recipe for conflict between the public editor and those editors over whose newspapers he would have oversight.

The role of the public editor is to appraise and report on the performance of the media, to observe trends that might threaten the freedom of independence of the media, to be the champion of the reader who might not have the access necessary to take up issues with the media.

I am pleased to report that the co-operation from editors and their willingness to admit errors and correct them promptly has largely been excellent. It never was the intention, nor should it be, of the public editor to tell editors how to run their newspapers. At Avusa, the editors have proven to be highly professional, and this investment will go a long way to protecting the media generally, and Avusa newspapers in particular, from attacks by those who advocate for political intervention and regulation. They have realised that a respected observer and public-interest advocate cannot be fatal to the press but, rather, is a tonic.

The purpose of the public editor role is to assist our publications to carry out their watchdog role responsibly, accurately and fairly. Newspapers operate in an environment of public scepticism, and the challenge for the media is to ensure that we perform our duty effectively in informing the public about what is happening in our country, to our country, and in the rest of the world.

The role of the public editor is to interact with readers of our newspapers, to listen to their concerns, and to make considered judgment on these in regular columns in group newspapers. Newspapers should always strive to improve the quality of their products, and to remain accountable to the people who buy their products. In today's age of mass communication, editors have to remain vigilant and be proactive in taking up reader concerns as confidence dwindles and people turn to other sources for their news.

The role of the public editor has become more and more critical as the media has to engage in more and more complex forms of journalism and information gathering. The impact of new media on how newspapers operate, the political environment and consequent threat to press freedom or freedom of expression, have all posed new challenges for the institution of the public editor. Accuracy has become the primary keyword in media operations, and readers can quickly and easily verify the accuracy of news reports.

Newspaper editors are, however, not easily accessible. This is where the public editor steps in. And, in the period under review, it has been my privilege to be that link between readers and newspaper executives at various levels. It has also been my pleasure to see happy customers, be it readers or editors, after issues have been resolved.

The complaints received can be divided into three categories: errors of fact, perceived bias, or omission or wrong attribution. In addition, I have had to deal with complaints about advertising, subscriptions, mistakes in the crossword puzzles and even prison conditions!

The sources of complaints are just as varied: from high-profile politicians, both in government and in opposition parties, from all provinces. Most complaints were resolved through discussion and arbitration, and few ended up with major space demands for corrections.

Report by the public editor for the review period (continued)

My approach has been to deal with issues through columns generically. This has worked well, and resulted in greater satisfaction from those readers who raise the issues. In exceptional circumstances, editors have provided space for corrections and apologies. In a limited number of cases, complainants preferred to go to the South African Press Council ombudsman, mostly because they believed that an internal process might prejudice their case. I encouraged them to do so, because I believe the process has to be absolutely credible for us to achieve resolution with a complainant. However, an equal number of complainants withdrew their cases at the press ombudsman and submitted them to me because they are required under the ombudsman rules to wave their rights to any further legal action.

Of the 16 formal complaints received – many more were informal telephonic complaints or concerns that were quickly resolved – only eight required publishing corrections and retractions after arbitration. The majority were resolved through explanation of newspaper processes, and complainants were satisfied. Only a handful were dismissed out of hand.

Through dealing with issues in my columns, many matters that might otherwise have reached complaint stage were also dealt with. The biggest issue was the flood of complaints received following the publication by The Sowetan of what appeared to be explicit sexual positions by a policeman and a correctional services officer. It was a matter I dealt with pre-emptively, and The Sowetan accepted my findings.

My columns, however, dealt with broader issues, particularly threats to press freedom as a result of the protection of information bill, the threat to burn down the Port Elizabeth offices of Avusa, threats to journalists, and attacks by various politicians.

Towards the end of the period under review, there was a marked decline in complaints, and only ethical concerns were being raised, which were dealt with either in columns or through correspondence. Most editors claim better performance, higher levels of accuracy and improved public attitude towards their publications, hopefully with the public editor's presence playing a role.

Joe Latakgomo
Avusa public editor

WHISTLE-BLOWING

Avusa has group policies on fraud prevention and whistle-blowing. This sets out our zero-tolerance approach to fraud, dishonesty and corruption, and details the steps to bring such acts to management's attention.

For the period under review, 13 incidents of alleged fraud or corruption were reported on the whistle-blowing service, Avusa Tip-offs Anonymous. Each incident was investigated, and appropriate action taken. Management has also taken the required steps to recover losses and prevent further similar offences.

EDITORIAL INDEPENDENCE AND QUALITY OF CONTENT

Avusa's media titles recognise that the right to media freedom flows from the right to freedom of expression guaranteed in section 16 of the Constitution of South Africa.

Freedom of expression entails the right of the public to be informed, and to receive and impart information, ideas and opinions freely. These rights make it possible for citizens to make decisions and judgments about the society they live in, to exercise their rights and duties as citizens, and to facilitate greater understanding among the people of South Africa and the world.

Freedom of expression, by its nature, protects and defends other rights necessary to the functioning of a democracy where every citizen enjoys equality, human dignity and freedom.

Our newspapers play a vital and indispensable role in facilitating the dissemination of information in South Africa. This role places on us a duty to act as a trustee for the public interest. In performing this duty, we uphold the values of the constitution.

Accordingly, we pledge:

- To perform our duties to the highest standards of excellence and integrity
- True, accurate, fair and balanced reporting
- To investigate and expose abuses of power – whether political, economic, commercial or social – with courage and with commitment to the truth. We do so without being beholden to any interest group other than our readers and the citizens of South Africa
- To take seriously our role as a watchdog over the people, institutions and forces that shape our society. We do so on behalf of our readers and of the citizens of South Africa, especially those who otherwise would not have a voice
- To seek diversity in the views and opinions we publish
- To uphold the South African Press Code.

As a leading media group in South Africa, editorial independence and quality of content are paramount. The pledge is the precursor to a detailed set of editorial policies for journalists and editors that spans print and electronic media and communication, and is closely aligned to the South African Press Code.

Throughout the media division, editorial independence and quality of content are clearly stipulated and rigorously enforced. Avusa's editorial policies are available on the group intranet and also on our website at www.avusa.co.za/business/media/.

CONFLICT OF INTEREST

Avusa has appropriate policies in place to avoid conflicts of interest, from board level down. These are adapted to suit the requirements of specific business units and their respective industries.

In the media division, Avusa journalists may not work for business concerns competing directly with the company, nor may they hold another full-time job. Any outside, paying work must be approved in writing by the editor in the first instance, or by the deputy editor. Any approved part-time or temporary work must not infringe on the company's resources or disrupt the journalist's responsibility to the company. Journalists may not promote the business, political or other interests of family members in their stories.

STAKEHOLDER ENGAGEMENT

Avusa engages with the following stakeholder groups to advance the interests of both our organisation and interested parties:

Media

As a media company, Avusa fully understands the power of media and using appropriate channels to convey the corporate story. As such, using both print and online mediums that are accessible to our stakeholders is an essential part of our investor relations programme. In delivering financial and other information about the company, we use both passive and active mediums. During this reporting period, Avusa has published financial results in the press and direct interviews with the acting group chief executive officer and the chief financial officer were conducted in which participants from a broad spectrum of media had the opportunity to informally engage on key issues. We maintain a database of journalists who follow the industry and the organisation to accurately target our media engagement approach.

Investor community

Engagement with the investor community is driven by three key pillars: market intelligence, compliance and communications. As a company, we concentrate on gauging the information requirements of our shareholders directly through periodic surveys. These also help to identify any specific areas of concern, or misperceptions. This allows us to formulate quality responses and proactively plan our future engagements.

We strive to go beyond compliance with the letter of the law. Our goal is to create a holistic view of the company, seen by shareholders from a range of vantage points that enable them to make informed decisions about our group.

During the review period, we conducted surveys before interim and annual results presentations by our executive directors to assist with formal and informal engagements with key shareholders, institutional shareholders and analysts. Post-results surveys were conducted to assist in closing information gaps and improving interactions.

The Avusa website is regularly updated with financial and corporate information. Shareholders also receive electronic communication. Given the accelerating pace of technological change, further mediums of communication are being investigated to ensure a valuable online presence.

Avusa also capitalises on industry platforms and conferences to present the company strategy, opportunities, trends, performance, risks and other pertinent areas to ensure ongoing transparency on matters of interest.

Employees

Our people are an essential element of our value proposition and thus key in advancing the company's interests and achieving our goals. Critical to ensuring long-term organisational success is the need to enhance understanding and awareness of the purpose, strategy, goals and direction of the business. Given the diversity of businesses in the group, it is also important for staff to understand Avusa as a whole. Again, we use various mediums. Staff are notified of key events and updates through Avusa Billboard, an email mechanism for key messages. MyAvusa is a quarterly online newsletter distributed to staff members to communicate key achievements and activities in our various businesses. Announcements are also available on the Avusa intranet (Avusanet). All departments have appropriate forums and meetings to communicate business challenges and priorities.

In the quest for continuous improvement, we are investigating ways of minimising information gaps as far as possible, creating other forums for further staff and management interactions, and providing greater management accessibility. The way we engage with our staff is reviewed regularly to ensure that the company communicates for performance, supporting the creation of an environment in which organisational goals can be achieved.

Industry bodies

Our continued involvement with key industry organisations includes:

- World Association of Newspapers
- Print Media South Africa
- Newspaper Association of South Africa
- Magazine Publishers Association of South Africa
- Printing Industries Federation of South Africa
- Southern African Federation Against Copyright Theft
- National Organisation for Reproduction Rights in Music in Southern Africa
- Content Delivery and Storage Association
- Recording Industry of South Africa
- South African Music Performance Rights Association
- Publishing Association of South Africa
- South African Booksellers' Association
- International Map Trade Association
- Sustainable Energy Society of Southern Africa

Avusa is represented by appropriate senior managers and decision-makers in these organisations to ensure quality interactions. This allows us to play a pivotal role in positively influencing industry-related matters for the benefit of all participants.

GOVERNMENT AND NON-GOVERNMENT FINANCIAL ASSISTANCE

Avusa receives no financial assistance from government, although various government departments do place recruitment and other advertisements in various Avusa publications. In recent years, the quantum of recruitment advertising carried by all print media has dropped significantly, given the economic downturn. Avusa receives no significant financial assistance from non-government sources.

DEFINED BENEFIT RETIREMENT PLAN OBLIGATIONS

Avusa's only defined benefit retirement plan, the Johnnic Entertainment Pension Fund, is in liquidation, with the employer's surplus account, which stood at R37 million at year-end, recognised as an asset (see note 36 of the annual financial statements).

SUPPLY CHAIN MANAGEMENT

Acknowledging that Avusa is a diverse group with many different operations, and sometimes decentralised controls, its procurement policy is designed as a framework for users.

The procurement policy regulates transactions with related parties, and transactions that give rise to conflicts of interest. The responsibility for complying with broad-based black economic empowerment (B-BBEE) criteria rests with the business units, although guidance on specific criteria for the group as a whole is provided. Where possible and appropriate, goods and services are procured from BEE-compliant entities.

Avusa has guidelines on labour standards and human rights that govern its relationships with suppliers and business partners, specifically:

- Not to use child labour
- Not to use forced and compulsory labour such as prison workers
- Not to enforce a working week that exceeds 45 hours and to allow employees at least one day off for every 17 days worked
- To offer remuneration that complies with prevailing laws and matches local practice
- To support diversity
- To respect the rights of individuals in terms of freedom of association
- To offer a safe and healthy work environment
- To demonstrate full compliance with laws and regulations.

In return for the above compliance and good governance, Avusa has committed to:

- Select suppliers on merit while assessing BEE credentials
- Build mutually beneficial relationships
- Provide existing and potential suppliers with clear criteria for decisions on major supply contracts
- Respect the patents, trademarks, copyrights, proprietary information and trade secrets of suppliers and business partners.

B-BBEE procurement

		DTI weighting points	Scores 2012	Scores 2011
B-BBEE procurement spend from all suppliers based on the B-BBEE procurement recognition level as a percentage of total measured procurement spend		12	11,06	12,00
B-BBEE procurement spend from qualifying small enterprises or exempted micro enterprises based on the B-BBEE procurement recognition level as a percentage of total measured procurement spend		3	1,20	1,28
B-BBEE procurement spend from any of the following as a percentage of total measured procurement spend	Suppliers that are 50% black-owned	3	0,91	3,00
	Suppliers that are 30% black female-owned	2	0,38	0,20
	TOTAL	20	13,55	16,48

Statement of value added

	2012 Rm	2011 Rm
Revenue	5 963	5 310
Paid to suppliers for materials and services	(3 912)	(3 485)
Value added	2 051	1 825
Finance income	31	32
Income from investments	3	5
Total value added	2 085	1 862
Employees	1 564	1 329
Share-based payments	13	18
Providers of capital	177	114
- Finance costs	41	29
- Dividends	136	85
- Owners of the company	105	77
- Non-controlling interests	31	8
Central and local government	109	126
- Income tax expense	79	106
- Secondary tax on companies expense	18	9
- Skills development levy	12	11
Reinvested in the group to maintain and develop operations	222	275
- Depreciation and amortisation	189	143
- Retained profit	33	132
- Owners of the company	51	117
- Non-controlling interests	(18)	15
Total value distributed	2 085	1 862

SOCIAL PERFORMANCE

Our people

People are the foundation of our business because their combined intellectual capital, experience and expertise are pivotal to our success in the media and entertainment sector.

As a content-driven business, Avusa's underlying strength is its talent. This in turn underpins our competitiveness in consistently offering renowned brands, products and services to customers. Avusa currently has a salary bill of almost R1,6 billion.

As our markets change in terms of generational consumer preferences – simultaneously informed by race, gender and economic strata – the quality of our people enables Avusa's brands to proactively adapt to new conditions and still offer appropriate products for different customers.

Understanding the importance of our people, Avusa strives for human resources strategies and policies that acknowledge the unique requirements of our diverse business units to support group performance and growth, and to optimise the potential of every employee in the group.

The human resources team has concentrated on entrenching sound workplace relationships and confidence. At Avusa, we believe that a good work environment is built on fostering respect for people and their diverse views, instilling a climate of trust through open and honest communication and focusing on developing people. Properly implemented, this approach plays a major role in motivating, engaging and retaining knowledge workers and key talent.

Avusa's strength and competitiveness rest on our ability to continuously manage our employees effectively in a changing workplace. In every workplace, managers play a significant role in setting the tone and anchoring company culture. Our investment in upskilling management and staff is reviewed every year.

Reasons for staff turnover

	2012 %	2011 %
Resignation	43	80
Dismissal	9	8
Retrenchment	39	7
Retirement	6	3
Ill health	2	1
Death	1	1
	100	100

BEE element	Indicator	Definition	B-BBEE compliance targets 2017	Total permanent staff	Black employees	Black women	% black	Black women as % of black employees
Management control	Black directors	Board member	50%	14	8	2	57%	25%
	Black top management	Exco member / regular invitee	40%	15	5	1	33%	20%
Employment equity	Black senior management	General manager	60%	97	33	9	34%	27%
	Black middle management	Manager / senior specialist	75%	654	285	96	44%	34%
	Black junior management	Supervisor / sales	80%	1 654	1 035	398	63%	38%
Employment equity	Semi-skilled			2 276	1 931	871	85%	45%
	Unskilled and defined decision-making			362	361	147	100%	41%
TOTAL				**5 072**	**3 658**	**1 524**	**72%**	**42%**

Transformation

Avusa takes a holistic approach to transformation. While our policies and practices support the focus on transformation in terms of the Department of Trade and Industry (dti) scorecard, our commitment has been concentrated on improving black ownership in our company, procuring from black-owned companies, entrenching an inclusive company culture and employment equity, including black women, management levels, people with disabilities, learning and development, learnerships and internships.

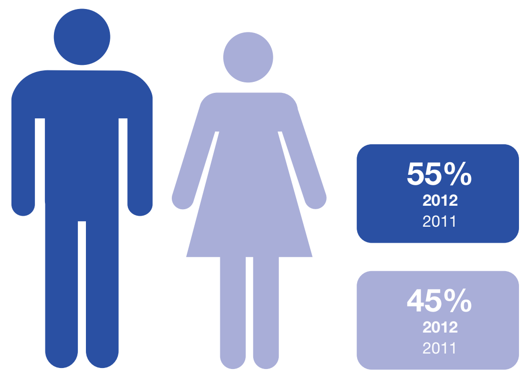
Constantly improving our demographic profile is a key driver of Avusa's transformation process. This is supported by a detailed employment equity strategy and policy, and significant investment in training and development.

In each business unit, employment equity targets are quantitatively and qualitatively measured. The former is aligned to group targets, while the latter considers strategic human resources initiatives aimed at attracting, engaging and retaining staff.

A deliberate series of interventions has been implemented by the company to address these issues. However, it is also important to note that our view is long term and part of a process, rather than an event.

Over the last three years, focusing on all elements of the scorecard, Avusa has progressed from level 5 to level 3 in terms of the dti scorecard.

Gender split



Learning and development

Avusa's strategy on developing people is based on the corporate business strategy and aimed at enhancing skills in the group, while taking cognisance of national imperatives – the skills development strategy, national qualifications framework and related legislation.

Our business units operate in diverse markets that require different skills sets. Although the human resources development strategy is set at group level, implementation is tailored to meet the requirements of individual business units and their evolving markets and requisite skills.

In addition to internal training, employees are encouraged to undertake external studies related to the group's business using the Avusa education assistance scheme. This extends loans for tuition fees, and refunds successful candidates on completion of their courses to promote a culture of learning.

Avusa also offers financial assistance and bursaries to the children of lower-income employees each year.

In tandem with other initiatives, Avusa runs a virtual development programme, designed internally and working with a local educational institution. The Premier Management Development Programme is strengthening Avusa's position primarily by helping senior management to identify critical value-adding projects and to propose innovative solutions as part of action learning by:

- Using the proven business methods they have studied
- Creating bonds by grouping employees into syndicates across business units
- Using improved intra- and inter-business knowledge
- Strengthening the corporate culture by offering common development programmes across the group
- Promoting entrepreneurial growth by encouraging innovation, risk taking and unencumbered sharing of knowledge.

Mentorship and coaching

To incrementally enhance management skills, we are gradually transforming the manager's role to become an effective coach and mentor as we implement the new group strategy.

The expected financial and non-financial benefits of this approach are manifold:

- Improved bottom line
- Better communication within and across business units
- Improved sharing of knowledge, skills and diversity management
- Accelerated growth of high-potential talent

- Enhanced relationships with managers, peers and colleagues
- Better self-awareness and empowerment of managers and their impact on other people.

Internship programme

Avusa has established internship programmes accredited by the National Qualifications Framework (NQF). To complement this, Avusa has invested in site-learning facilities. As an example, at our Industria offices, we offer a customer service centre internship where approximately 20 learners are taken into a structured learning process each year. Avusa also ensures learners with disabilities form part of this training (further details on this programme are set out on page 37).

At our Durban printing plant, we capitalised on the business need to offer apprenticeship-structured learning on the same basis as the customer service centre. Ten learners from different trades undertake a 12-month programme aligned to the NQF.

The group also offers journalism learnerships, which Avusa Media undertakes annually, with a site of learning made available each year. This comprises rotational learning within editorial sections of different publications, enabling learners to develop practical skills in newsroom processes (see further details on page 37).

In addition to the internship programmes offered, the company also has a strong focus on nurturing young talent in other management fields. Therefore, each year, the company employs over 100 interns for the marketing, sales, financial, human resources, logistics, books, sales and management fields.

Future executive programme

Avusa's future executive programme is aimed, to a large extent, at black women with a minimum of five years' management experience for an intensive one-year programme. A further objective is to improve diversity and dynamic thinking at senior management level.

The intention is that, on completion, trainees will be offered permanent senior management roles.

This innovative programme is expected to have a positive effect on the depth of skills in senior management ranks by the introduction of different skills sets that are not necessarily media- or entertainment-related.

Performance-related remuneration

Avusa's remuneration policy, underpinned by principles of fairness, transparency and flexibility, reflects the dynamics of the market and context in which it operates. The policy is aimed at aligning behaviours to the values and strategies of the business. As such, remuneration plays a critical role in attracting and retaining high-performing individuals, and in reinforcing, encouraging and promoting superior performance.

Employees receive regular performance and career development reviews. As remuneration is performance-related, there is no discrimination between men and women in the ratios of cost-to-company packages by employment category.

Remuneration is integrated into other management processes such as performance management, and the overall group human resources policies. At executive level, and as far as practical down the organisation, employees are consulted on the implementation and modification of remuneration programmes.

Avusa and its business units are committed to open communication with all internal stakeholders about launching remuneration programmes, and ongoing changes to these programmes.

The remuneration mix reflects the relative proportions of pay represented by guaranteed and variable income. It is also linked to job levels and the nature of expected outcomes and performance.

Guaranteed remuneration includes all guaranteed items such as cash component, travel allowance, and other allowances.

Variable remuneration includes cash incentive bonuses and commissions. The timeframe for paying variable remuneration is typically one year or less.

Share incentives are long-term incentives, with varying timeframes.

Avusa has adopted the 'cost-to-company' approach, cascaded down the business units to include all levels of staff. Associated advantages of this approach include employee responsibility for their salary packages and flexibility on choice of benefits.

Recruitment

Group policy is to recruit locally and appoint internally wherever possible. Around 99% of Avusa's workforce comprises people hired from local communities.

Talent management

Managing talent is a particular focus for Avusa, given the importance of intellectual capital in every one of our businesses. Our relatively low staff turnover rate reflects the success of talent management programmes across the group.

The existing talent management programme aims to retain key talent in the group by creating an environment that promotes employees' individual professional goals and productivity potential, while strengthening the company's brand leadership position.

Avusa's talent management strategy emphasises key talent, identified in a systematic approach across the group. Our strategic focus on talent management has contributed significantly to building Avusa succession pools, while minimising vulnerability and risks.

Across the group, programmes are in place to maximise the potential of high-performing individuals, particularly those in positions best suited for realising Avusa's strategy. Individuals are assessed using a variety of tools, career pathing discussions and customised development solutions to match key talent needs.

Employee relations

Avusa operates in a labour environment where employee rights and freedom of association and speech are respected in terms of current labour legislation and the South African constitution. Our corporate culture embraces participative management to promote full participation on issues affecting employees, and individual business units have employee structures in place that suit their particular circumstances.

Avusa is committed to:

- Fair treatment and non-discriminatory work practices
- Collective bargaining principles while respecting the individual's right to freedom of association or dissociation
- Upward communication through existing structures and appropriate procedures to empower employees
- Balancing rights and obligations within the legal framework and considering business realities.

Avusa's sound relationships with employees and stakeholders reflect good leadership at shop-floor level and appropriate policies that guide business units. In addition, feedback from exit interviews is used constructively to enhance working conditions.

Substantive issues raised by employees are attended to before being elevated to the CCMA (Commission for Conciliation, Mediation and Arbitration) or related bodies, if necessary.

At Uniprint, the South African Typographical Union (SATU) has a majority representation at its bargaining unit.

The group policy on relationship building recognises the diverse nature of our employees and the need to consult with a broad representation of interest groups. The diversity of our people is recognised in terms of, among others, nature of work, religion, gender, age, race, level of seniority, unionised and non-unionised, nationality and language. This wealth of diversity is used to the benefit of all stakeholders.

We believe broad participation is the most effective means of pooling employees with different views to channel efforts towards consensus and successful problem-solving. Properly implemented, broad participation delivers multiple benefits, including:

- Enhanced relationships and better understanding of issues by employees
- Improved staff morale, and a positive impact on the level of staff turnover
- Increased interaction resulting in managers and employees being better able to handle day-to-day issues
- Open communication leading to increased trust and confidence
- A broader participation structure facilitating open discussion and debate on sensitive issues
- Better decision-making based on expanded information from different perspectives
- Management and staff involvement at all levels
- The process-orientated nature of the exercise leading to co-operation, ownership and commitment by all employees.

Employee wellness

Certain group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners and employees on retirement. This liability totalled R242 million at year-end, and is disclosed in note 22 of the annual financial statements.

A healthy, productive workforce is a business imperative. Avusa's employee assistance programme, underpinned by group policy, provides the necessary support for employees' medical and psycho-social problems affecting their work performance and general well-being. The programme covers a range of issues, including financial planning, family problems, trauma, stress, general ill health, substance abuse and HIV/Aids.

Entry to the employee assistance programme can be the result of a formal, informal or confidential referral:

Formal	■ Managers encourage employees with work-performance problems arising from medical or psycho-social causes to consider entering the programme ■ Arising from a disciplinary process, the manager can recommend referral to an appropriate service provider so that employees may undergo treatment for any condition they may have identified as the cause of the performance problem
Informal	■ An employee initiates admission to the programme even though performance problems may not exist or may not have been detected
Confidential	■ A trained peer counsellor or wellness support provider facilitates confidential disclosure of medical and psycho-social problems, especially those still subject to some degree of stigmatisation ■ Trained peer counsellors are able to make direct, confidential referrals to service providers without going through the human resources department

Avusa does not cover the cost of treatment, other than the cost of the standard service provided by its designated service provider. Normally, costs will either be covered by the medical aid or by the employee concerned. Where this is not possible, the employee may apply for a loan or salary advance through a service provider appointed by the company to administer loans and advances.

Avusa provides a medical aid benefit which, with certain exceptions, is compulsory to assist employees in providing for medical treatment or hospitalisation for themselves or their dependants.

Employee benefits

Full-time employees are entitled to a range of benefits designed to enhance their work life and to retain their services. Benefits also comply with South African labour legislation. At present, standard employee benefits include:

- Leave (spanning annual, ill health, maternity, family responsibility and study leave)
- Retirement funding
- Medical aid
- Employee assistance programme
- Study assistance
- Staff discounts
- Funeral cover
- Performance incentives.

Life-threatening illnesses

Avusa is committed to creating a supportive and non-discriminatory environment in which employees with life-threatening illnesses are able to continue working for as long as they are medically capable. The group policy on life-threatening diseases covers, among others, cancer, heart disease, tuberculosis, hepatitis, HIV and Aids.

The policy clarifies Avusa's views and commitment to:

- Assisting employees who may contract a life-threatening illness
- Provide consistent guidelines to senior management to ensure fair treatment of all employees with life-threatening illnesses
- Inform employees of their rights and benefits
- Provide an education framework for HIV/Aids.

Avusa ensures that no employee suffering from any life-threatening illness is unfairly discriminated against in employment, harassed or victimised because of the illness. All employees and managers must respect the confidentiality of information regarding existing or potential employees with life-threatening illnesses.

Avusa has an ongoing HIV/Aids management programme offered through a variety of sources. These are based on individual and group needs, including online education and support services, milestone days of remembrance, and support groups. Educational workplace programmes disseminate facts on HIV/Aids and other communicable life-threatening illnesses to raise awareness and encourage a positive approach.

Human rights

Avusa supports the basic principles on human rights set out in the constitution of South Africa, and is guided by international standards such as the UN Global Compact.

Accordingly, several policies governing respect for human rights and non-discrimination are in place. These are regularly reviewed and strictly enforced. Some of these policies, for example sexual harassment, include non-employees.

Broadly, Avusa's policies facilitate:

- Safe and healthy working conditions
- Freedom of association

- Non-discrimination in personnel practices
- The prevention of human rights abuses
- The right to collective bargaining
- The elimination of all forms of forced labour
- A precautionary approach to environmental challenges
- Combating corruption.

No operations have been identified in the group where the right to exercise freedom of association and collective bargaining may be at significant risk.

The Avusa group does not support child labour, or forced and compulsory labour.

Developing skills among the unemployed

Avusa's customer service centre learnership programme is developing and training matriculated but unemployed youth, focusing on people with disabilities, in contact centre skills and publishing. Now in its third year, the 2012 intake has 23 learners, with a total of 53 beneficiaries to date.

The 12-month learnership is aligned to the Further Education and Training (FET) qualification for contact centre operations, the NQF level 4, and is accredited by Services SETA (sector education and training authority), Umalusi (the council for quality assurance in general and further education and training) and the national Department of Higher Education and Training (DHET). A monthly stipend is paid to candidates. The programme comprises interactive skills including business writing, verbal communication, sales, customer services, statistics, service levels, coaching and mentoring.

Journalism training programme

This programme offers graduates the opportunity to enter the specialised field of economic and business journalism, and is based on courses initiated by the Financial Mail and Business Day in 1998.

The course is open to graduates from all disciplines and runs for six to 12 months. Training is intensive, ranging from periods in a classroom environment to practical exercises and hands-on internships. When the classroom component is complete, trainees are rotated through Avusa's news and information business units.

In 2012, another ten graduates embarked on the journalism training programme. Some 70% of the programme's graduates have been from historically disadvantaged groups.

PUBLIC POLICY

As a group policy, Avusa does not contribute financially or in kind to political parties, individual politicians or related institutions.

ENVIRONMENT, HEALTH AND SAFETY

Sustainable development of the environment and the right of people to a healthy environment in which to work and live is a principle Avusa fully endorses. A board-approved policy defining sound environmental practices has been distributed to employees so that they understand and adhere to their responsibilities and obligations on environmental matters.

As a group, we aim to:

- Promote social and environmental responsibility through our business activities
- Develop sound ethical, social and environmental practices relevant to our areas of operations
- Seek and promote business relationships with businesses involved in cleaner production and other environmentally friendly processes.

In line with this policy, employees who identify health and safety risks have a responsibility to report them to the appropriate manager.

Environment

By the nature of its business, Avusa has a low environmental impact. We do, however, comply with relevant environmental legislation and aim to meet global best practice.

Materials used

Avusa is a major consumer of paper, particularly through our printing, newspaper, magazine and book-publishing enterprises.

Collectively, the group uses thousands of tonnes of paper per annum, over two-thirds of which is supplied by Mondi. Over one-third of the stock comprises recycled paper.

Given our volumes, our paper-purchasing policy requires that:

- Paper suppliers comply with environmental laws and regulations
- Where possible and viable, paper with recycled content is used
- Paper used is from certified, well-managed forests.

Energy

Avusa's operations affect the environment directly by consuming fossil fuel in our company-operated motor fleets, and indirectly through buying electricity which is the largest indirect source of carbon dioxide (CO_2) emissions by the group.

The group uses modern fuel-efficient equipment and recognises the effect of CO_2 emissions on the environment. Vehicles and equipment are serviced regularly to ensure efficient fuel consumption. Accurate measurement of nitrogen oxides (NOx) from transport fleets has not yet been quantified.

Avusa does not own any major manufacturing plants except for its printing presses in Port Elizabeth, the printing operations of Uniprint and Hirt & Carter in Durban, and its CD and DVD manufacturing operations in Midrand. The group therefore does not consume significant amounts of raw materials, apart from paper.

Head office energy use

2012	2011
5,3 million units	5,3 million units

Head office water use

2012	2011
23 099 units	24 246 units

City of Johannesburg billing units for electricity and water

Avusa's primary energy source is electricity. At head office, numerous energy efficiency measures are in place. Energy is managed by local maintenance departments at our other operations.

We are currently investigating ways to lessen our carbon footprint by reducing our energy consumption. This includes installing a power-factor correction unit at Uniprint. Operations at CDT, ELS and Industria have been converted to new low-wattage lighting technology to reduce electricity consumption.

Water use

Water is a necessary and scarce resource. Although the amount of water Avusa uses does not have a large environmental impact, we are committed to ensuring less waste.

In addition to ongoing water-efficiency initiatives across the group, we have reduced the flow of water in common areas by closing stopcocks and continuously checking and repairing leaking taps to reduce waste.

No fines were imposed on Avusa for water pollution or other water-related issues during the period.

Emissions, effluents and waste

Avusa outsources the recycling of waste and by-products resulting from its activities to service providers, ensuring that the by-products do not end up in landfills. The service providers separate non-environmentally friendly waste from recycling waste.

The Occupational Health and Safety Act obliges employers to safely dispose of waste from hazardous chemical substances. Avusa complies by placing this waste in sealed containers to prevent exposure during handling. This is disposed of only at designated sites by contractors complying with the same regulations.

For the Avusa group, hazardous chemical substances consist of diesel, cleaning paraffin, benzene, CD and plate-making developer fluid. All chemicals are delivered for use and collected for disposal by compliant contractors. This area is carefully monitored by the health and safety committee.

To minimise diesel and petrol emissions from vehicles, route plans are assessed to reduce travel distances. Regular service schedules ensure optimum fuel consumption and only reputable service providers are used where this service is outsourced.

Avusa head office uses home-gas for its canteen facility because municipal gas is not available in the area. The gas is safely stored as prescribed by legislation. Avusa removed all halon gas from its IT environment and replaced it with dry nitrogen.

A clean-air and non-smoking policy is enforced in all group premises. Appropriate processes are in place to maintain clean-air standards.

Biodiversity

Avusa does not own, lease or manage land in or adjacent to protected areas and areas of high biodiversity value outside protected areas.

Responsible supply chain – newsprint

In South Africa, Mondi owns and manages one of the largest Forestry Stewardship Council–certified plantation units in the world. The internationally recognised FSC™ accreditation means that Mondi's plantations are managed in a responsible and sustainable manner.

Mondi has been a member of the FTSE4Good UK Index, the FTSE4Good Europe Index and the FTSE4Good Global Index since March 2008. The FTSE4Good Index Series, owned by the Financial Times and the London Stock Exchange, has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to help investment in those companies.

Health and safety

During the review period, Avusa recorded no work-related fatalities or major injuries. Various minor injuries were recorded across the group, of which only six warranted reporting to the relevant authorities. The group health and safety policy ensures that a formal and structured incident-recording and investigation system is in place which classifies incidents and defines their severity.

Representative health and safety committees have been established across the group. In reporting to these bodies, health and safety representatives are responsible for:

- Highlighting potential hazards, dangerous work practices and conditions
- Investigating the causes of accidents, and safety-related complaints by customers and employees
- Ensuring greater awareness of safety conditions by employees and customers
- Representing staff by applying appropriate safety standards
- Adhering to the provisions of legislation
- Reporting in writing to the health and safety committee on any accident.

During the year, specific matters arising from committee meetings and related responsibilities included:

- Ensuring proper lighting in the working environment
- Ensuring obstruction-free fire escapes
- Ensuring emergency signage is visible and correct
- Ensuring electrical distribution boards are functional and compliant
- Ensuring good housekeeping is maintained
- Ensuring the safety of staff in and around business premises
- Ensuring sufficient, trained first aiders and fire marshals
- Ensuring sufficient, fully-stocked first aid kits in the work environment
- Ensuring sufficient fresh air and proper extraction in the workplace
- Ensuring proper protective clothing is worn in the printing and factory environment
- Ensuring fire equipment is serviced regularly
- Ensuring alarms are tested regularly
- Staging regular fire drills and evacuations
- Testing sprinkler systems and jockey pumps on a regular basis
- Regular servicing of lifts and escalators
- Ensuring emergency power generators are regularly tested and filled with diesel
- Ensuring canteens are properly equipped with emergency equipment.

Avusa's head office health and safety committee manages a team of trained first aiders and marshals responsible for incidents in their designated areas. Refresher courses are conducted regularly. Head office marshals are also responsible for ensuring all fire equipment is serviced regularly and that fire escapes are accessible at all times. Annual inspections are carried out by the Department of Labour. Trained first aiders and marshals are in place in the rest of the group and are responsible for the safety of staff at their operations. Regular drills ensure that staff know how to react in an emergency. The group has contracted ER24 as a working partner to assist with training and emergencies.

Security

By the nature of its business, Avusa is required to maintain effective security precautions and systems to protect both its employees and assets. The company has implemented multi-tiered security measures at various levels of its operations. These measures are regularly reviewed and updated.

The group health and safety policy ensures that reasonable precautions and systems are maintained to prevent any harm, damage or loss to employees and company assets.

Avusa is a member of Johannesburg's Rosebank Management District Police Forum which manages security in the area and creates jobs.

Relations with surrounding communities

As Avusa's head office building is in a residential Johannesburg area, management has an agreement with the Rosebank Management District and its residents to minimise night-time lighting. Avusa has installed sound mufflers around its emergency generator to reduce the sound output to an acceptable level.

At other Avusa operations, ongoing attention is paid to relations with surrounding communities. Any issues raised are promptly dealt with.

CORPORATE SOCIAL INVESTMENT

As a responsible corporate citizen, Avusa is committed to the social development and empowerment of the broader community by contributing to various corporate social investment (CSI) initiatives. In the review period, the group spent over R15 million on CSI initiatives. In 2011, Avusa was awarded 'gold grade community contributor' status from the Department of Social Development.

Avusa's business units support CSI initiatives related to their specific activities or locations. The programmes chosen during the review period are largely aligned with the corporate strategy and the national agenda in that the focus on education and literacy ties in with promoting the group's business interests and the country's focus on education.

Operational senior executives control divisional CSI budgets and grants, and report on their activities to the corporate head office.

Avusa's CSI programme does not support commercial ventures, religious organisations, tours and exchanges, individuals, sporting activities or bursaries.

Storybook success

The Sunday Times, through its Storybook Campaign, has published and printed over 2 million books for children, written and illustrated by South Africans. The books contain five stories and are available in all 11 official languages.

The initiative was launched in May 2009 and the storybooks, entitled Story Time, are designed for young children in the foundation and intermediate phases of literacy development. Some 2 150 000 copies have been printed for free distribution to schools and libraries across South Africa as part of the campaign to promote literacy.

A teacher at a day care centre who looks after 52 children was thrilled when she came across the books at the Rotary International Humanitarian Centre, noting that she could now give the children books to read in their mother tongues which would improve their reading skills.

Encouragingly, the campaign has received assistance from several other role players, including the Department of Basic Education, Engen, Mondi Shanduka, CTP Printers and Paarl Press. The stories were donated by McMillan, Maskew Miller Longman, Oxford University Press and Cambridge University Press.

Sunday Times readers have shown their generosity by making donations to the Sunday Times Charity Fund for these storybooks.

Business unit	Business entity	Project
Media	Media	■ Media Development and Diversity Agency – R1,2 million contribution
	Magazine division	■ Installed an eMIMS disc at University of North West to simulate a pharmacy for 200 pharmaceutical students – R80 000 ■ Donated advertising space to the South African Guide Dog Association – R26 000
	Daily Dispatch	■ Donated used furniture to a new school in the Reeston/Mdantsane area – R10 000 ■ Media sponsor of Chefs Against Hunger tour, which raised over R6,5 million in 2011, compared to R1,5 million in 2010 and R500 000 in 2009 ■ Media sponsor of 2012 Ironman 70.3 SA Triathlon event in East London
Retail Solutions	Hirt & Carter	■ Discounts on printed material for Rotary Club projects, various children's homes and other charities – R240 000
	Uniprint	■ Supplied printed items at discounted prices to various charities – R3,7 million ■ Donated R32 000 to feeding schemes and charities
Books	Exclusive Books	■ Sponsored a reading programme in four schools in Alexandra – R164 000 ■ Sponsored Hooked on Books, an educational theatre company that aims to inspire the love of books and reading in young learners – R20 000 ■ Exclusive Books Reading Trust donated books from warehouse stock – R4,9 million
	Van Schaik Bookstore	■ Donated books to various tertiary institutions for graduations, special projects and prizegivings – R4,8 million ■ Sponsored a year's worth of stationery items for two junior classes at Parkview Primary in Atlantis, Western Cape ■ Sponsored stationery items worth almost R19 000 for two SHAWCO (University of Cape Town's Students' Health and Welfare Centres Organisation) projects
	MapIT	■ MapIT provided interactive online mapping services for the charity run, Momentum Big Heart 750, which raised funds for the Heart and Stroke Foundation of South Africa, and for the 2011 Comrades Marathon runners ■ MapIT also supported initiatives to raise money for Jumping Kids, a prosthetics fund for disabled children
	Map Studio	■ Map Studio supported Heart 104.9, a Cape Town radio station, on a project to give the Baphumelele Children's Home in Khayelitsha an extreme makeover
Entertainment	Nu Metro	■ Nu Metro Cinemas treated underprivileged children to movies on Human Rights Day – R15 000 ■ Donated more than 200 teddy bears to Jo'burg Child Welfare – R5 000 ■ Nu Metro Cinemas provided a screen for the Housing Africa Initiative for 85 orphaned children – R4 000
	CDT	■ Donated R10 000 to a local feeding scheme

Learning Channel launches unique literacy programme

In line with the Department of Basic Education's focus on addressing poor literacy levels among South African youth, Learning Channel has launched Read With Us!

Acknowledging that literacy and numeracy are essential skills that children should acquire at school, Learning Channel, a leader in the field of audio-visual learning material, has developed a unique foundation-phase literacy programme that is fun, interactive and comprehensive.

The Read With Us! literacy programme is fully Curriculum and Assessment Policy Statement (CAPS)-compliant and covers grades R to 3. Each grade consists of:

- Four readers (one per term)
- A DVD
- A playbook based on the readers and DVD
- A literacy guide that provides lessons for each term, and shows how the various components of the programme should be integrated.

The programme is unique in its holistic approach which integrates the various components of the series to give children an entertaining way to build a solid literacy foundation. The content for the series is 100% local and written by South African early childhood development specialists.

In the DVD, learners are taken on an interactive journey through phonics, visual literacy and literacy skills. The content also addresses social issues such as the environment, gender equality and social interaction.

Consumer and career education from Ochre

In the current economic environment, debt is a pertinent topic with many South Africans. Ochre Moving Pictures recently produced In Debt for SABC1, a 10-part series in which people are helped each week by an experienced debt doctor to live within their means.

The programme first aired in December 2011, doubling the viewership for its Saturday afternoon slot and creating a buzz on social media by trending on Twitter during the show.

The series was selected for Input 2012, the prestigious annual public broadcast content forum held in Sydney, Australia. This accolade reflects Ochre's commitment to programming that tells real stories about real people, helping to educate and liberate by changing hearts and minds.

Ochre Moving Pictures was also responsible for Made in South Africa. This popular motivational teen career show pairs a young person with a mentor for the experience of a lifetime. After identifying candidates (in high school, university or college) who have gone the extra mile to achieve their dream, Ochre teams them up with a mentor in their field, who in turn presents the candidate with a challenge. All of this is documented by Ochre, right up to the outcome of the challenge. Made in South Africa has proved itself the perfect inspirational entertainment show for youngsters thinking seriously about their careers, as reflected in a lively Facebook fan page.

Van Schaik Bookstore makes a difference

Van Schaik Bookstore sponsored a year's worth of stationery items for two junior classes at Parkview Primary in Atlantis in the Western Cape. This extract below, from a letter received from a grade 2 teacher, highlights the need in so many South African schools:

"With this letter I wish to thank you for the difference you made in every child's life. Your generous contribution of a space case, sharpener, rubber, scissor, pencils and glue for each child has certainly given us the opportunity to further their education.

Previously it was almost impossible to teach because only three out of 39 learners had pencils. The rest really had nothing. No school cases or any stationery. It took me just about two hours to get a pencil for each child and then there was still the issue of rubbers and sharpeners. There were only three rubbers in the class and, due to this, learners left their desk almost every minute in search of a rubber.

The children who didn't have sharpeners brought blades to school. All these issues contributed to disciplinary problems, as well as the inability to proceed with their work.

The children were pleasantly surprised when they each received their own items and it changed the situation in my class completely. No more searching and borrowing of stationery, because they have their own. For the first time in their lives, they can use colour pencils and crayons and a calm atmosphere prevails in class. The children have developed an eagerness to learn and set their hands to the task.

We were able to provide two classes with stationery and there is enough for the rest of the year. You gave these children who had nothing the biggest gift in the world. Thank you very much for your help and the difference you made in the lives of each of my children."

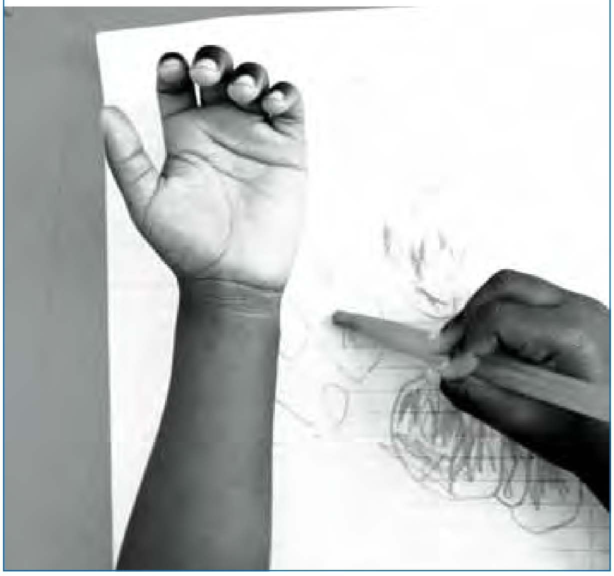
Van Schaik Bookstore supports SHAWCO projects

In line with its focus on education, Van Schaik Bookstore recently donated stationery for two SHAWCO projects. SHAWCO, the Students' Health and Welfare Centres Organisation, is a dynamic, innovative and passionate student-run non-profit body based at the University of Cape Town.

Van Schaik supported SHAWCO's academic programme, donating stationery to the value of R8 700 for grade 3-11 learners. The company also donated stationery and files to the value of R10 000 for the SHAWCO Saturday School for grade 12 learners. In this initiative, SHAWCO partners with 52 schools in the Western Cape.

SHAWCO's academic programme focuses on literacy and numeracy while intermediate and senior projects focus on English, maths, physical science and life skills.

SHAWCO's education sector projects, whether student- or staff-run, aim to improve the ability of learners to access education, increase tertiary access, and offer additional interventions such as arts, sports, entrepreneurship, life skills and career advice. This holistic approach includes ensuring students capitalise on these opportunities to develop experience and leadership skills, to one day volunteer and become leaders in the sector. SHAWCO has over ten student projects running in its key centres of Khayelitsha, Kensington, Manenberg and Nyanga.



COMPLIANCE

"Effective self-regulation is the best system for promoting high standards in the media"
Declaration of Principles on Freedom of Expression in Africa, 2002

Apart from complying with national, corporate and industry standards and regulations, Avusa also abides by several media-specific codes of conducts.

One of these is the office of the press ombudsman which provides objective recourse for members of the public on any perceived instance of inappropriate reporting.

The Press Council, the ombudsman and the appeals panel are a self-regulatory mechanism set up by the print media to provide impartial, expeditious and cost-effective adjudication to settle disputes between members of the public and newspapers and magazines over the editorial content of publications. The mechanism is based on two pillars: a commitment to freedom of expression, including freedom of the press, and to excellence in journalistic practice and ethics.

The council has adopted the South African Press Code to guide journalists in gathering and distributing news and opinion and to guide the ombudsman and the appeals panel in reaching decisions on complaints from the public. More than 640 publications, mainly members of Print Media South Africa, subscribe to the code.

Cases involving Avusa titles referred to the ombudsman can be viewed at www.presscouncil.org.za.

SOCIAL PERFORMANCE – PRODUCT RESPONSIBILITY

	Media	Entertainment	Books	Retail Solutions
Customer health and safety				
■ Lifecycle stages where health and safety impacts are assessed for improvement	None	Raw materials; expiry dates	None	None
■ Number of incidents of non-compliance with regulations and voluntary codes on health and safety impacts of products and services during their lifecycle	No incidents	No incidents	No incidents	No incidents
Products and service labelling				
■ Type of product and service information required by procedures	None	3D usage	None	None
Marketing communications				
■ Number of incidents of non-compliance with regulations and voluntary codes including advertising, promotion and sponsorship	No incidents	No incidents	No incidents	No incidents
Customer privacy				
■ Number of substantiated complaints regarding breach of customer privacy and loss of customer data	Nil	Nil	Nil	Nil
Compliance				
■ Monetary value of significant fines for non-compliance with laws and regulations on the provision and use of products and services	Nil	Nil	Nil	Nil

INFORMATION TECHNOLOGY

Avusa revised its information technology (IT) policy in 2010 to accommodate both the requirements of King III and the ever-changing needs of the digital workplace. An IT steering committee is responsible for implementing and enforcing this policy. This committee is appointed by Avusa's chief executive officer in consultation with business unit heads, and is chaired by the chief information officer (CIO).

Avusa's IT department provides related services to business units, governed by service level agreements. Third-party IT suppliers are required to sign formal contracts with defined service levels, which are managed, measured and reviewed.

Preference is given to IT suppliers that comply with employment equity and broad-based black economic empowerment measures.

To entrench world-class digital standards and security measures, the group policy comprehensively covers the following:

- e-Mail use
- Internet access and use
- Internet security
- System-level security
- Home support.

GRI INDEX AND APPLICATION LEVEL

As a media group with different businesses operating under global licences, Avusa is highly sensitive to any real or perceived infringement of intellectual property. Accordingly, the use of pirate software is not permitted and users may not use, load or download any software, including unlicensed software, on Avusa's IT equipment. Software used on group IT equipment is also regularly audited. In addition, Avusa's software, and any software Avusa makes available to users, may not be copied for any purpose, including home use.

Physical security is ensured through a multi-level approach:

- Access to all network devices is restricted and monitored
- A register of all authorised personnel with access is kept and updated by Avusa's IT department
- Access to servers is only granted to third parties once confidentiality and non-disclosure agreements have been signed
- All business-critical applications are backed up regularly, while servers are backed up daily. Backups are kept off-site.
- Verification and test restores are conducted monthly, while a full system file backup is done monthly after month-end.

An incident-reporting service is available for users to report violations of the group policy, or any incidents of unauthorised or attempted infiltration.

Business Day drives digital consumption of business content

Because the digital era enables consumers to read business content on platforms most convenient for them, Business Day launched an advertising campaign, Business on the Go, to showcase all the online channels where readers can access the title's news. These channels are:

- Free iPad application
- Business Day website
- Facebook
- Mobi site (for smartphones)
- Newsletter
- SMS alerts

Against the objective of making business news and views that matter accessible to South Africa's decision makers, Business Day has recorded over 20 000 downloads of the iPhone app.

Junction.co.za opens its doors for discussion

In a first for South Africa, Interactive Junction Holdings has launched Junction.co.za, a portal that allows users to locate jobs, autos and properties in one place. At the same, users (seekers and advertisers) can interact by starting conversations and by sharing ideas or knowledge on these topics.

Unlike other websites in these categories, Junction.co.za offers some quirky and unique functions and, more importantly, it targets a specific niche, which makes it more interesting and powerful as a social media tool.

For the past 15 years, Interactive Junction Holdings has brought together over 2 million job seekers and more than 700 recruitment agencies. Through Junction.co.za, these users, along with the rest of South Africa, can come together to discuss the three topics perennially among the top searches on the internet; jobs, autos and property. At the same time, motor dealers and estate agents are able to talk directly to an existing 600 000-strong monthly audience of potential buyers.

The Herald lauded for its journalism standards

The Herald has a well-deserved reputation of crusading for truth with its victorious legal battle to get forensic reports into council tenders and land deals into the public domain, its popular consumer column Fair and Square, courageous local council and political reporting as well as investigative exposés of healthcare, schooling, labour broking and the lack of sporting amenities for children in underprivileged areas.

This brand of feisty journalism has seen the newspaper win multiple Vodacom Journalist of the Year regional awards.

The newspaper also actively showcases local heroes who make a difference to the lives of others with its annual citizen of the year awards and strives to balance its news coverage with at least one story of hope every day.

As part of its commitment to improving the parlous state of education in the region and encouraging a reading culture among youth, The Herald publishes a weekly tabloid matric study guide on Tuesdays.

GRI INDEX

In terms of GRI reporting standards, Avusa has met the requirements set out below and self-declared this report at level C.

	G3 report application level	C	C+	B	B+	A	A+
Standard disclosure	Profile disclosures	Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15	Report externally assured	Report on all criteria listed for level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17	Report externally assured	As for level B	Report externally assured
	Management approach disclosures	Not required		For each indicator category		For each indicator category	
	Performance indicators (including sector supplement indicators)	Report on a minimum of 10 performance indicators with at least one from each of: social, economic, environmental		Report on a minimum of 20 performance indicators with at least one from each of: economic, environmental, human rights, labour, society, product responsibility		Respond on each G3 and sector supplement indicator with due regard to materiality principle by either: a) reporting on indicator or b) explaining reason for its absence	

GRI G3 INDICATORS AND MEDIA SUPPLEMENT

This index covers GRI's G3 indicators and the new media sector supplement *(italics)* which Avusa has proactively incorporated into its disclosure, where possible.

~ partially covered *na - not applicable* *nm – not material* *nr – not reported*

GRI	Topic	Page
Strategy and analysis		
1.1	Statement from acting group chief executive officer	10
2.1-9	Organisational profile	i, 1, 3
2.10	Awards	23
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3.1-11	Reporting period, methodology	21
3.12	GRI index	47
3.13	Policy and practice on external assurance	22
Governance, commitments and engagement		
4.1-4	Governance structure, *including governance structure and arrangements for content decision-making and its interrelationship with overall governance of the organisation (commercial, financial, strategic)*	52
4.5	Link between compensation and performance	110-119
4.6	Process for avoiding conflict of interest, *particularly in content creation and dissemination*	24, 28, 53
4.7	Expertise of board	52
4.8	Policies on economic, environmental and social performance, *including values for creating and / or disseminating content within specific media context*	20, 110
4.9	Procedures for board oversight of economic, environmental and social performance	110
4.10-12	Board performance, precautionary approach, external principles endorsed	25, 52
4.13	Membership of industry associations and advocacy groups	30
4.14-15	Stakeholder groups, *including media observers and other key bodies involved in media development*	29
4.16	Approach to stakeholder engagement	29
4.17	Topics and concerns raised and response	29

INDICATORS

Economic		
Economic performance		**Page**
EC1	Economic value generated and distributed	24, 31
EC2	Financial implications, other risks and opportunities for activities due to climate change	na
EC3	Coverage of defined benefit plan obligations	30
EC4	Significant financial assistance and *advertising revenues* received from government	zero, nr
M4	*Significant financial assistance received from other non-governmental sources*	zero
Market presence		
EC5	Range of ratios of standard entry-level wage by gender compared to local minimum wage at significant operations	34
EC6	Policy, practices, proportion of spending on locally-based suppliers at significant operations	30
EC7	Procedures for local hiring and proportion of senior management hired from local community at significant operations	34
Indirect economic impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement, *including initiatives for discounted / differential advertising spaces, investments to advance accessibility to content, initiatives to support local cultural activities, philanthropic investments, initiatives to close digital divide using own infrastructure / capacities*	41, Case studies
EC9	Understanding and describing significant indirect economic impacts, including extent	20, 28
Environmental		
Materials		
EN1	Materials used by weight or volume	nr
EN2	Percentage of materials used that are recycled input materials	nr
Energy		
EN3	Direct energy consumption by primary energy source	~ 38
EN4	Indirect energy consumption by primary source	~ 38
EN5	Energy saved due to conservation and efficiency improvements	~ 38
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and resulting reductions in energy requirements	38
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	38
Water		
EN8	Total water withdrawal by source	~ 38
EN9	Water sources significantly affected by withdrawal of water	nr
EN10	Percentage and total volume of water recycled and reused	nr
Biodiversity		
EN11-15	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	na
Emissions, effluents, and waste		
EN16 – 20	Total direct and indirect greenhouse gas emissions by weight	nr
EN21	Total water discharge by quality and destination	38
EN22	Total weight of waste by type and disposal method, *including initiatives to recycle or safely dispose of paper, inks, batteries and electronic equipment*	~ 38

EN23	Total number and volume of significant spills	zero
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under Basel Annex I, II, III and VIII, and percentage of transported waste shipped internationally	na
EN25	Water bodies and related habitats significantly affected by discharges of water and runoff	na
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of mitigation	37-39
EN27	Percentage of products sold and packaging materials reclaimed by category	nr
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	zero
EN29	Significant environmental impacts of transporting products and other goods and materials used for operations and transporting members of the workforce	nr
EN30	Total environmental protection expenditures and investments by type	nr
Social performance: Labour practices and decent work		
Employment		
LA1	Total workforce by employment type, employment contract, and region broken down by gender	32
M5	*Initiatives to create and manage systems of remuneration and working conditions for content generators across platforms, and results achieved*	34,110
LA2	Total number and rate of new hires and employee turnover by age group, gender and region	~ 32
LA3	Benefits for full-time employees not provided to temporary/part-time employees, by major operations	36
LA15	Return to work and retention rates after parental leave, by gender	nr
Labour / management relations		
LA4	Percentage of employees covered by collective bargaining agreements	35
LA5	Minimum notice period(s) on significant operational changes, including whether specified in collective agreements	35
Occupational health and safety		
LA6	Percentage of total workforce represented in formal joint management / worker health and safety committees that help monitor and advise on occupational health and safety programmes	35
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender, *including fatalities by gender and using absolute number*	~ 35
LA8	Education, training, counselling, prevention and risk-control programmes to assist workforce members, their families or community members with serious diseases	35
LA9	Health and safety topics covered in formal agreements with trade unions	35
Training and education		
LA10	Average hours of training per year per employee by gender and by employee category, *including training on content creation and dissemination-related matters when technological changes affect employees' areas of expertise*	~ 35-35
LA11	Programmes for lifelong learning that support continued employability of employees and assist them in managing career endings	33-35
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	34
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per category by gender, age group, minority group membership and other indicators of diversity	32
LA14	Ratio of basic salary and remuneration of women to men by employee category, by operation	34

Social performance: human rights		Page
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening	~ 36
HR2	Percentage of major suppliers, contractors, business partners screened on human rights, and actions taken	~ 30, 36
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights relevant to operations, including percentage of employees trained	nr
HR4	Total number of incidents of discrimination, and actions taken	zero, 35
HR5	Operations and significant suppliers identified in which right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	zero
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to elimination of child labour	zero
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	zero
HR8	Percentage of security personnel trained in Avusa's policies and procedures on aspects of human rights relevant to operations	36
HR9	Total number of incidents of violations involving rights of indigenous people, and actions taken	na
HR10	Percentage and number of operations subject to human rights reviews or impact assessments	36
HR11	Number of grievances related to human rights filed, addressed and resolved through formal mechanisms	zero
Freedom of expression - *Media organisations exercising freedom of expression, including principles to avoid self-censorship, either in content or marketing communications* - *Media organisations supporting society's rights to freedom of expression*		28
Social performance: society		
Community		
SO1	Nature, scope and effectiveness of programmes and practices that assess and manage impacts of operations on communities, including entering, operating and exiting	40
Corruption		
Management approach: to journalists receiving benefits, inducements, charging for coverage and paying sources illicitly for news content		24-28
SO4	Actions taken in response to incidents of corruption	28
Public policy		
SO5	Public policy positions and participation in public policy development and lobbying, *including industry issues such as freedom of expression, access to information, youth protection, protection of sources*	27, 30
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	zero
MSS7	*Impact of, and investment in, initiatives to advance sustainable development through media content*	30
Anti-competitive behaviour		
SO7	Number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and outcomes	zero

Compliance		
Management approach: - *Prioritising and addressing sustainable development issues through media content, pertinent to Avusa's portfolio, context, and audiences served* - *Own definition of quality media content and approach to ensure compliance (editorial policies, codes, training of journalists, monitoring of initiatives)* - *Initiatives to advance media literacy - empower audiences to access, understand, engage with and respond critically to media content*		28, 44, Case studies
SO8	Monetary value of significant fines and number of non-monetary sanctions for non-compliance	zero
Social performance: product responsibility		
Management approach: - *Empower audiences to consume content responsibly (media literacy initiatives, parental controls, awareness / education on parental controls, awareness-raising and rewards)* - *Establish effective feedback mechanisms and interaction with audience* - *Engage with and protect audience (ombudsman, letters to the editor, retraction, right of reply)*		27, Case studies
Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services assessed for improvement, and percentage of significant categories subject to such procedures	44
PR2	Number of incidents of non-compliance with regulations and voluntary codes on health and safety impacts of products and services during their life cycle, by type of outcomes	zero
Products and service labelling		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	44
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	zero
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	44
Marketing communications		
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	29
PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	zero
Customer privacy		
Management approach: *Policies / procedures in place for protecting people's private lives and information from being used for entertainment or news content*		28
PR8	Number of substantiated complaints of breaches of customer privacy and losses of customer data	zero
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations on the provision and use of products and services	zero
Content		
Content quality		
M1	*Method for assessing performance in relation to content creation aspects*	28
M2	*Actions taken to improve performance in relation to content creation aspects, and results obtained*	28
M3	*Number and nature of responses (feedback / complaints) on content creation (quality, sustainability and reflection of society's diversity), and processes for dealing with them*	27

PRINCIPLES AND IMPLEMENTATION OF CORPORATE GOVERNANCE

The directors of Avusa are committed to effective corporate governance and the need for high ethical standards in conducting the group's business. Avusa applies the principles set out in the King Report on Governance for South Africa 2009 (King III). Avusa complied throughout the 2012 financial year with all of the provisions of King III. The directors acknowledge that they are responsible for Avusa's affairs. This responsibility includes a strong focus on compliance with the qualitative aspects of corporate governance to ensure implementation matches the needs of the business.

BOARD OF DIRECTORS

Avusa has a unitary board. At year-end, there were seven independent non-executive directors, five non-executive directors and two executive directors. There are eight black directors, including two women. Non-executive directors provide the board with judgment on issues of strategy, performance, resources and standards of conduct based on their range of skills and commercial expertise. Executive directors propose strategies and implement operational decisions, and execute specific roles and functions in their areas of expertise. Appointments to the board are made in a formal and transparent manner, with the assistance of the nominations committee. Changes in the directorate are detailed on pages 4 and 5 of this integrated annual report.

There is a clear division of responsibilities at board level, captured in a policy that provides evidence of the balance of power between the non-executive chairman, acting group chief executive officer and non-executive directors. The roles of chairman and acting group chief executive officer are separate. The chairman provides overall leadership to the board without limiting the principles of collective responsibility for board decisions. The chairman has no executive functions. Following the resignation of Adv D B Ntsebeza as chairman of the board, Mr M S M Xayiya, a non-executive director, was appointed in his stead. Mr J H Schindehütte was appointed lead independent director on 3 October 2011, as required by King III. The acting group chief executive officer is responsible for developing and recommending to the board a strategy and vision for the group, as well as an annual business plan and budget to support the strategy. The board rigorously interrogates the strategy and provides input. The acting group chief executive officer exercises the final executive authority to run the company efficiently on a day-to-day basis, and is the leading interface between the board and executive management.

The board believes its members have the expertise and experience to fulfil their obligations to the company and all its stakeholders. With the company having been established on 1 February 2008, no board member has served as director for more than nine years.

The board has a defined charter in line with King III which sets out its roles and responsibilities to:

- Act as the focal point for, and custodian of, corporate governance by managing its relationships with management, shareholders and other stakeholders of the company along sound corporate governance principles
- Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - Contributing to and approving the strategy
  - Satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management
  - Ensuring that the strategy will result in sustainable outcomes
  - Identifying key performance and risk areas
  - Considering sustainability as a business opportunity that guides strategy formulation
- Provide effective leadership on an ethical foundation
- Ensure Avusa is, and is seen to be, a responsible corporate citizen by considering not only the financial aspects of the business of the company, but the impact business operations have on the environment and the society in which Avusa operates
- Ensure the company's ethics are managed effectively
- Ensure the company has an effective and independent audit and risk committee
- Be responsible for the governance of risk
- Ensure there is an effective risk-based internal audit
- Record the facts and assumptions on which the board relies to conclude that the business will continue as a going concern in the financial year ahead
- Be responsible for information technology governance
- Ensure the company complies with applicable laws and considers adherence to non-binding rules and standards
- Appreciate that stakeholders' perceptions affect the company's reputation
- Ensure the integrity of the company's reporting
- Act in the best interests of the company by ensuring that individual directors:
  - Adhere to legal standards of conduct
  - Are permitted to take independent advice in connection with their duties after approval by the board or the chairman of the

board or the acting group chief executive officer, depending on the nature and urgency of the matter. If the issue relates to the chairman or acting group chief executive officer, approval needs to be obtained from two other directors
  - Disclose real or perceived conflicts of interest to the board and deal with them accordingly
  - Deal in securities only in accordance with the board charter. This means directors may not deal in the securities of the company during closed periods. The chairman, acting group chief executive officer and chief financial officer are authorised to provide clearance to deal in the company's shares
- Elect a chairman of the board who is an independent non-executive director. If the chairman is not independent, then to ensure that a lead independent director is appointed
- Appoint and evaluate the performance of the acting group chief executive officer with assistance from the human resources, transformation, remuneration and social and ethics committee.

The board delegates certain functions to well-structured committees without abdicating its own responsibilities. Delegation is formal and involves:
- Establishing and approving formal terms of reference for each permanent committee of the board
- Appropriately constituting these committees with due regard to the skills required by each
- An annual review of the permanent committees' terms of reference.

Annual strategic review meetings enable comprehensive objectives to be developed for the group, its business units, executives and senior management. Once the board has approved the strategy, it oversees and monitors the progress of the business at quarterly board meetings, with additional meetings held as required.

The board has an approvals framework which is regularly reviewed and updated. It clearly sets out authority levels for the board, its committees and executive management. Matters specifically reserved for the board's decision include the adoption of Avusa's strategic direction and the approval of financial reports for public disclosure, the budget and significant capital expenditure.

All board members are required to disclose their shareholdings in Avusa, outside directorships, personal financial interests and any potential conflicts of interest.

Board and committee members are supplied with comprehensive information to discharge their duties effectively.

As recommended by the audit and risk committee, the board approved a risk management framework that includes a risk management policy and plan. The risk management framework facilitates a proactive risk management process, and the inculcation of Avusa's risk management culture throughout the group to optimise related efforts. The board also approved a compliance framework, as recommended by the audit and risk committee. A group compliance officer and operational compliance officers have been appointed in terms of this framework. The board is not aware of anything that would suggest a material breakdown in internal controls during the financial year.

The audit and risk committee recommended that the term prescribed officer, introduced by the new Companies Act, applied in the case of Avusa to only the acting group chief executive officer and the chief financial officer. The board endorsed this recommendation.

Attendance at board meetings

Name	20 Apr 2011	3 Jun 2011	21 Jun 2011	19 Sep 2011	28 Sep 2011	22 Nov 2011	15 Mar 2012
M S M Xayiya (chairman)[1]	P	P	A	P	P	P	P
H Benatar	P	P	P	P	P	P	P
A D Bonamour[2]							P
C B Cary[3]				P	P	P	P
P C Desai[4]	P	P	P	P	P		
A N Gillwald[5]							A
B D Hopkins[3,6]				P	P	P	
A Z Jivhuho[5]							P
L M Machaba-Abiodun	P	A	P	P	P	P	P
H K Mehta[3]				P	P	P	P
R Naidoo[5]							P
B Ngonyama[3,7]				P			
D B Ntsebeza (chairman)[7]	P	P	P	P			
T R A Oliphant	P	P	P	P	P	P	P
M W Robertson[8]						P	P
A C Ruiters[5]							P
J H Schindehütte[3,9]				P	P	P	P
M J Willcox	A	P	P	P	P	P	P
T A Wixley[7]	P	P	P	P			

P - Present, A - Apologies, [1] Appointed interim chairman 19 September 2011 and chairman 3 October 2011, [2] Appointed 12 March 2012, [3] Appointed 1 July 2011, [4] Stepped down 3 October 2011, [5] Appointed 1 January 2012, [6] Resigned 6 February 2012, [7] Resigned 19 September 2011, [8] Appointed 3 October 2011, [9] Appointed lead independent director 3 October 2011

BOARD COMMITTEES

During the year, the following permanent committees assisted the board in discharging its responsibilities and obligations: audit and risk committee, human resources, transformation, remuneration and social and ethics committee, investment committee, and nominations committee. Committee memberships are reflected in the attendance tables below in respect of the investment and nominations committees. Membership of the human resources, transformation, remuneration and social and ethics committee is reflected in that committee's report on page 112 and the committee membership of the audit and risk committee is reflected in that committee's report on page 71. The ad hoc committee of the board established last year continued to deal with the expression of interest received in March 2011 from a consortium led by Capitau Holdings to acquire the entire issued share capital of Avusa. The expression of interest did not lead to a corporate transaction. In addition, ad hoc committees, as detailed later in this report, were established during the year to deal specifically with the appointment of a managing director for the Retail Solutions business unit, the appointment of a new group chief executive officer, and the expression of interest received from Mvelaphanda Group in March 2012 to acquire Avusa's entire issued share capital.

All committees report to the board on their activities. The board is cognisant that this does not detract from its ultimate responsibility and accountability for the affairs of the company.

During the year, members of permanent board committees (other than the executive committee) comprised only non-executive directors. Executive management, experts and outside service providers attended by invitation, as required. The board is satisfied that all committees discharged their responsibilities satisfactorily in accordance with their terms of reference. Copies of these terms of reference are available from the company secretary on request.

Audit and risk committee

Full details of this committee are set out in its report on pages 69 to 71.

Human resources, transformation, remuneration and social and ethics committee

Full details of this committee are set out in its report on pages 110 to 119.

Investment committee

The investment committee held one meeting during the year to consider the proposed acquisition of Always Active Technologies (AAT), and to make a recommendation to the board. The acquisition did not eventuate.

Attendance at investment committee meeting

Name	30 Aug 2011
T A Wixley (chairman)[1]	P
D B Ntsebeza[1]	P
T R A Oliphant	P

P - Present, [1] Resigned 19 September 2011

Nominations committee

The nominations committee met to consider the appointment of new independent non-executive directors to comply with King III. On reaching recommendations for the board, the committee deliberated and recommended the composition of the various committees, taking into account the proposed new board appointments. The committee was also involved in addressing the appointment of a group chief executive officer following the departure of Mr Desai.

Attendance at nominations committee meetings

Name	6 Jun 2011	11 Oct 2011	17 Nov 2011	12 Mar 2012
M S M Xayiya (chairman)[1]	A	P	P	R
C B Cary[2]		P	P	
L M Machaba-Abiodun[3]		P	P	P
D B Ntsebeza (chairman)[4]	P			
T R A Oliphant	P	P	P	P
J H Schindehütte[5]				P

P - Present, A - Apologies, R - Recused, [1] Appointed chairman 3 October 2011, [2] Appointed 3 October 2011 but reversed to attendance by invitation on 22 November 2011 as a result of Mr Cary having executive responsibilities as managing director of Retail Solutions, [3] Appointed 3 October 201, [4] Resigned 19 September 2011, [5] Appointed a temporary member 16 February to 12 March 2012 due to the recusal of the chairman as a result of a conflict of interest

Retail Solutions succession committee

Following the acquisition of the Retail Solutions business unit comprising Hirt & Carter and Uniprint, the managing directors of these two businesses were appointed to the Avusa board as non-executive directors. Accordingly, an independent committee was constituted regarding succession planning for Retail Solutions.

Attendance at Retail Solutions succession committee meeting

Name	19 Aug 2011
B Ngonyama (chairman)	P
B D Hopkins	P
J H Schindehütte	P

P - Present

Group chief executive officer search committee

The board established a group chief executive officer search committee on 29 February 2012 to identify and recruit a new group chief executive officer.

Attendance at group chief executive officer search committee meetings

Name	29 Feb 2012	27 Mar 2012
L M Machaba-Abiodun (chairman)	P	P
H K Mehta	P	P
T R A Oliphant	P	P
A C Ruiters	P	P

P - Present

Independent committees

Attendance at independent committee meetings

Name	2 Apr 2011	20 Apr 2011	9 May 2011	13 May 2011	27 May 2011	12 Jun 2011	26 Aug 2011	6 Sep 2011	26 Oct 2011
J H Schindehütte (chairman)[1]									P
L M Machaba-Abiodun	P	P	P	P	P	P	P	P	P
D B Ntsebeza (chairman)[2]	P	P	P	P	P	P	P	P	
T R A Oliphant	P	P	P	P	A	A	P	P	P
T A Wixley[2]		P	P	P	P	P	P	P	

P - Present, A - Apologies, [1] Appointed member and chairman 28 September 2011, [2] Resigned 19 September 2011

The independent committee established on 24 March 2011 continued to deal with the expression of interest received from a consortium led by Capitau Holdings to acquire the entire issued share capital of Avusa. Capitau was not able to make an offer on 7 September 2011 in line with the agreed deadline, and Avusa withdrew its cautionary announcement. While Capitau expressed further interest in October 2011, Avusa did not receive a formal offer from Capitau and the committee was dissolved thereafter.

On 16 March 2012, an expression of interest to acquire Avusa's entire issued share capital was received by the board of directors from Mvelaphanda Group. Accordingly, an independent committee was constituted on 19 March 2012.

Attendance at independent committee meeting

Name	19 Mar 2012
J H Schindehütte (chairman)	P
L M Machaba-Abiodun	P
A C Ruiters	P

P - Present

Executive committee and business unit management committees

The executive committee, comprising Avusa's senior management, meets quarterly. Other members of Avusa's management attend by invitation, as required.

Business unit management committee meetings are held quarterly, ensuring appropriate oversight of the business units. Significant matters raised at business unit management committee meetings are referred to the executive committee.

COMPANY SECRETARY

The company secretary is required to provide the directors, collectively and individually, with detailed guidance on their duties, responsibilities and powers. Directors have unrestricted access to the advice and services of the company secretary, who plays an active role in the corporate governance process.

The company secretary assists in determining the annual board plan and board agenda, and in formulating governance and board-related matters. The company secretary is closely involved in the induction and orientation of new directors. The company secretary also acts as secretary for the committees of the board.

A key focus for the company secretary was to ensure compliance with the new Companies Act which became effective on 1 May 2011. An action plan was prepared to address critical areas of governance and legislative compliance. A full-day seminar was arranged for directors and management to familiarise themselves with the key aspects of the act.

ACCOUNTABILITY, AUDIT AND RISK MANAGEMENT

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented in terms of International Financial Reporting Standards and the Companies Act. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosures. The preparation of all financial statements is the responsibility of the board.

There is consultation between external and internal auditors to ensure an efficient and comprehensive audit process. This includes periodic meetings to discuss matters of mutual interest.

The audit and risk committee determines the principles for approving the use of the external auditors for non-audit services.

Internal audit

The board, guided by the audit and risk committee, is satisfied that the group has an effective internal audit function that operates in line with a board-approved internal audit charter. For the year under review, the internal audit function was provided by an in-house department and by an external service provider, Sizwe Ntsaluba Gobodo. The roles and functions of both sets of internal auditors were defined by the standards of the Institute of Internal Auditors. The members of the in-house internal audit department were retrenched effective 31 March 2012, and Sizwe Ntsaluba Gobodo's responsibilities were expanded to cover the businesses previously reported on by the in-house team.

Internal audit provides an independent, objective assurance that adds value to the company's operations. Internal audit assists the group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the group's risk management, internal control and governance processes.

Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the board, audit and risk committee, executive directors and senior management. The audit and risk committee approves the internal audit work plan.

Financial and operational risks and controls

Risk governance operates within a defined structure approved by the board and monitored by the audit and risk committee. The objectives are to identify the level of risk appropriate to the group, taking into account the need to increase shareholder value through an entrepreneurial culture and ensuring that the group achieves its objectives. Risk identification includes both actual and potential risks. The potential impact of key risks is measured against a broad set of assumptions.

Steps to mitigate risks and compensating controls are implemented and monitored. This process is recorded in a critical risk areas document that covers a broad range of risks including physical and operational risks, human resources risks, technology risks, business continuity and disaster recovery risks, credit and market risks, and compliance risks. All business unit management committees review and update their own critical risk areas at least twice a year.

The following critical risk areas that may impact at a group level have been identified:

Risk	Risk mitigation
1. Content delivery shift from physical to digital	Avusa is bolstering its physical product and adopting digital delivery platforms.
2. Printing failure	Contingency plans are in place to print at alternative locations.
3. Piracy	Avusa is involved in educating the general public to avoid buying pirated products. The Entertainment business provides financial support to the Southern African Federation Against Copyright Theft (SAFACT) to combat piracy.
4. Contravention of Competition Act	Compliance with competition law is continually reviewed.
5. Loss of licences and agencies	Strategic management of group licences is in place, and includes building and maintaining relationships with licensors.
6. Power outages	Generators have been acquired to provide power to critical sites and processes during power outages.
7. Loss of key personnel	Employee retention is an important part of the group's human resources function. In cases where key personnel do leave, their replacement is identified in advance by succession planning.
8. Failure of IT systems	Business continuity plans relevant to the business entities are in place.
9. Destruction of premises	High-level strategic security is maintained for Avusa's head office building, and a detailed business continuity plan is in place.
10. Loss of key customers	Strategic management of key customers is in place, and includes building and maintaining relationships with key customers.
11. Disruption in newsprint supply	Use of alternate supplier and import replacement.

Systems of internal controls include defined lines of accountability. The board is satisfied as to the effectiveness of the company's internal controls.

Operational risks are managed to acceptable levels by ensuring the appropriate infrastructure, controls, systems and people are in place across the group. Contingency plans are in place to ensure ongoing product service delivery under adverse conditions.

An independent tip-offs anonymous hotline is available to enable any suspected irregularity involving employees, stakeholders and any third parties who have a business relationship with Avusa to be reported, with appropriate action subsequently taken.

The adequacy and effectiveness of the company's risk management is assessed by internal and external assurance providers. The board is aware that it operates in a dynamic environment, and is alert to new areas of risk exposure that may require its attention. Accordingly, there is a continual focus on ensuring the control environment in which the business operates is understood and maintained at the required level.

The board is satisfied that an adequate risk management process is in place to identify, evaluate and manage the key risks faced by the group.

DIRECTORS' RESPONSIBILITY

The directors acknowledge their responsibility for the adequacy of accounting records, effectiveness of risk management and the internal control environment, appropriateness of accounting policies, and the bases of estimates and provisions. The directors also acknowledge their responsibility for preparing the annual financial statements, adhering to appropriate accounting standards, and preparing related information that fairly presents the state of affairs and the results of the company and of the group.

GOING CONCERN

The directors confirm they are satisfied that the company and the group have adequate financial resources to continue in business for the foreseeable future. Accordingly, the annual financial statements have been prepared on the going concern basis.

BUSINESS ETHICS AND CODE OF CONDUCT

The group complies with applicable laws and regulations. Dealings with stakeholders are based on integrity and ethics. Avusa conducts its business through fair practices, and trades with suppliers who subscribe to similar ethical standards. The company's code of conduct, set out on page 24, is incorporated into the group human resources manual and is communicated within the group and with external parties. The company's editorial charter affirms Avusa's commitment to the principle of editorial independence. In addition to complying with national, corporate and industry standards and regulations, Avusa also abides by various media-specific codes of conduct.

The directors' code of conduct is in line with the recommendations of King III. It covers a wide range of business practices and procedures. It does not endeavour to cover every issue that may arise, but sets out basic principles to guide directors of the company and its subsidiaries to deal with ethical issues, to advise on channels to report possible unethical conduct and to foster a culture of honesty and accountability.

SHARE DEALINGS BY DIRECTORS AND MANAGEMENT

In line with best practice and regulatory and statutory obligations, directors and management may not deal directly or indirectly in the company's shares during specific closed periods. This includes participants in the Avusa share incentive plans. These closed periods operate from year-end to the announcement of annual results, and from half-year end to the announcement of interim results. Restrictions on share dealings are also applied during any other period considered sensitive in terms of the requirements of the JSE Limited.

Directors and the company secretary require the prior approval of the chairman, acting group chief executive officer or chief financial officer before dealing in the company's shares.

INDUSTRY ENGAGEMENT

Avusa is actively engaged in a variety of industry bodies, including World Association of Newspapers, Print Media South Africa, Newspaper Association of South Africa, Magazine Publishers Association of South Africa, Printing Industries Federation of South Africa, Southern African Federation Against Copyright Theft, National Organisation for Reproduction Rights in Music in Southern Africa, Content Delivery and Storage Association, Recording Industry of South Africa, South African Music Performance Rights Association, Publishing Association of South Africa, South African Booksellers' Association, International Map Trade Association and Sustainable Energy Society of Southern Africa, through funding and by the leading roles played by Avusa executives and business unit management in these industry bodies.

COMMUNICATIONS WITH SHAREHOLDERS

The chairman and executive directors regularly engage with major shareholders, institutional investors, analysts and the media when presenting the group's interim and annual results. Group operations have their own programmes in place to inform stakeholders on material issues.

Financial results are published in the press, and delivered to shareholders. Shareholders have been offered the opportunity to receive financial results electronically. Shareholders are encouraged to attend the annual general meeting of the company. The financial results are also provided on the company's website.

Avusa has a share care line to address shareholder queries. There were still numerous certificated shareholders at 31 March 2012. Shareholders are reminded that they are unable to deal in their Avusa shares unless the shares are dematerialised. In addition, shareholders have been advised that due to the increased prevalence of fraud, Avusa will no longer issue cheques for dividend payments. Accordingly, shareholders are required to provide their banking details to Computershare to enable dividend payments to be effected by electronic funds transfer. The contact details of the share care line are set out on page 132 of this integrated annual report.

Avusa encourages as many shareholders as possible to receive annual and interim financial reports electronically, rather than in paper form through the mail. The electronic service offers shareholders an opportunity to receive company documentation in a user-friendly form while reducing costs and the consumption of natural resources. Shareholders who wish to take advantage of this service are kindly requested to contact the share care line. Once registered to receive electronic information, shareholders receive an email notification each time Avusa releases annual and interim financial reports. This notification will direct shareholders to the appropriate page on Avusa's website to view the documents concerned.

The company will review extending the ambit of providing electronic documentation to shareholders in compliance with the Companies Act.

CORPORATE ACTIVITY

During the year under review

- A 39,9% stake in PA Group Media, a property advertising business, was purchased on 1 April 2011.
- On 30 April 2011, Avusa acquired the remaining 49% of Amorphous Corporate, and increased its stake in Amorphous New Media from 51% to 75%.
- The final 20% of Airport Media was bought effective 1 September 2011.

Subsequent to year-end

- The 30% minority stake in Collage Litho was acquired by Avusa effective 1 April 2012.

During the previous year

- The Nelson Mandela Bay Printers partnership with Caxton was dissolved with effect from 31 July 2010.
- On 1 November 2010, Avusa acquired the entire issued share capitals of Hirt & Carter and Universal Print Group. The acquisition was attractive to Avusa as it delivered new revenue streams with a presence in retail advertising production systems and related database management and development. In addition, the acquisition delivered resilient revenue bases and cash flows.
- Avusa acquired the remaining 40% of The Whole Bang Shoot, a subsidiary of Interactive Junction Holdings, effective 1 December 2010.

Analysis of shareholders as at 31 March 2012

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued share capital
1 - 10 000 shares	2 548	88,94%	1 724 715	1,39%
10 001 - 100 000 shares	206	7,19%	7 129 929	5,73%
100 001 - 1 000 000 shares	96	3,35%	29 612 291	23,81%
1 000 001 - 5 000 000 shares	12	0,42%	24 554 067	19,74%
5 000 001 shares and over	3	0,10%	61 355 712	49,33%
Total	**2 865**	**100%**	**124 376 714**	**100%**

Shareholder distribution	Number of shareholdings	% of total shareholdings	Number of shares	% of issued share capital
Private companies	34	1,19%	47 247 622	37,99%
Organs of state	4	0,14%	21 077 032	16,95%
Collective investment schemes	125	4,36%	31 486 542	25,32%
Retirement benefit funds	185	6,46%	14 815 263	11,91%
Stockbrokers and nominees	21	0,73%	35 661	0,03%
Assurance companies	11	0,38%	2 275 173	1,83%
Insurance companies	8	0,29%	775 388	0,62%
Public companies	9	0,32%	664 631	0,53%
Retail shareholders	2 186	76,30%	1 929 764	1,55%
Hedge funds	13	0,46%	1 905 791	1,53%
Foundations and charitable funds	40	1,40%	529 023	0,43%
Managed funds	6	0,21%	211 726	0,17%
Medical aid funds	11	0,38%	350 213	0,28%
Trusts	127	4,43%	657 151	0,53%
Public entities	1	0,03%	61 100	0,05%
Scrip lending	3	0,10%	75 862	0,06%
Close corporations	15	0,52%	32 553	0,03%
Custodians	27	0,94%	229 517	0,18%
Investment partnerships	26	0,91%	11 820	0,01%
Unclaimed scrip	13	0,45%	4 882	0,00%
Total	**2 865**	**100%**	**124 376 714**	**100%**

Analysis of shareholders as at 31 March 2012 (continued)

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued share capital
Public shareholders	2 847	99,37%	56 090 092	45,10%
Non-public shareholders	18	0,63%	68 286 622	54,90%
Holders holding 10% or more	3	0,10%	68 106 983	54,76%
Directors of the company and its subsidiaries	15	0,53%	179 639	0,14%
Total	**2 865**	**100%**	**124 376 714**	**100%**

Beneficial holders holding 5% or more	Number of shares	% of issued share capital
Richtrau No. 229 (Proprietary) Limited, a wholly-owned subsidiary of Mvelaphanda Group Limited	26 474 396	21,29%
Public Investment Corporation	21 077 032	16,93%
UHC Communications (Proprietary) Limited	20 555 555	16,53%
Coronation Fund Managers	10 566 725	8,50%
Total	**78 673 708**	**63,25%**

Fund managers managing 5% or more	Number of shares	% of issued share capital
Coronation Fund Managers	24 659 751	19,83%
Public Investment Corporation	14 325 761	11,52%
Kagiso Asset Management	12 938 835	10,40%
Total	**51 924 347**	**41,75%**

Stock exchange performance

	2012	2011	2010	2009
Closing price 31 March (R per share)	**19,30**	24,57	19,50	17,00
Highest quoted intraday price (R per share)	**26,00**	25,00	22,40	31,00
Lowest quoted intraday price (R per share)	**17,70**	18,05	15,55	13,00
Number of shares traded (million)	**31,4**	18,2	29,6	56,9
Ratio of shares traded to shares in issue (%)	**25**	15	29	55
Value of shares traded (R million)	**708**	379	555	1 938
Number of transactions	**4 497**	4 120	5 706	5 506
Free float (%)	**45**	62	64	73

Index to the annual financial statements

Statement of directors' responsibilities

The directors of Avusa Limited (Avusa) are required by the Companies Act of South Africa (the Act) to maintain adequate accounting records and to prepare annual financial statements which fairly present the state of affairs of the company and the group as at the end of the financial year and the profit or loss for that year, in conformity with International Financial Reporting Standards and the Act. The annual financial statements are the responsibility of the directors and it is the responsibility of the external auditors to report thereon. The report of the independent auditors to the members of the company is set out on page 65. These group annual financial statements have been audited in compliance with any applicable requirement of the Act.

The preparation of these annual financial statements for the year ended 31 March 2012 was supervised by Avusa's chief financial officer, Mr H Benatar CA(SA).

To enable the directors to meet their responsibilities, the board sets standards and implements systems of internal control aimed at reducing the risk of error or loss. These controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored, and all employees are required to maintain the highest ethical standards in ensuring that business is conducted in a manner which is above reproach.

Directors' approval of the annual financial statements

The company and group annual financial statements which appear on pages 66 to 124 were approved by the board of directors on 19 June 2012 and are signed on its behalf by:

M S M Xayiya
Chairman

M W Robertson
Acting group chief executive officer

H Benatar
Chief financial officer

Certificate by the company secretary

I hereby certify that, in respect of the financial year ended 31 March 2012, the company has lodged with the Companies and Intellectual Property Commission (formerly the Registrar of Companies) all returns and notices required of a public company in terms of the Companies Act (61 of 1973 and, from 1 May 2011 onwards, 71 of 2008) of South Africa and that these returns are true, correct and up to date.

Joanne R Matisonn
Company secretary

Johannesburg
19 June 2012

Independent auditor's report

To the shareholders of Avusa Limited

We have audited the group annual financial statements and annual financial statements of Avusa Limited, which comprise the consolidated and separate statements of financial position as at 31 March 2012, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 66 to 124.

Directors' responsibility for the financial statements

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

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 about 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 judgment, 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 control 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Avusa Limited as at 31 March 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per J A R Welch
Partner
19 June 2012

Building 1 and 2, Deloitte Place
The Woodlands Office Park Woodlands Drive
Woodmead Sandton

The directors are pleased to present their report, together with the audited annual financial statements, for the year ended 31 March 2012.

Nature of business

Avusa had the following business units during the year under review:

The Media business unit includes the group's interests in newspapers, magazines, out-of-home advertising and the digital businesses of I-Net Bridge, Interactive Junction Holdings (formerly Career Junction) and Amorphous.

The Retail Solutions business unit provides Avusa's presence in retail advertising production systems and related database management and development, and retail printing and comprises the businesses of Hirt & Carter, Uniprint and Paton Tupper.

The Books business unit publishes, distributes and sells books and maps, and consists of book retail (Exclusive Books, Van Schaik Bookstore and Exclusives.co.za), book and map publishing (Random House Struik, Struik Christian Media, New Holland Publishers (UK, Australia and New Zealand) and Map Studio), digital mapping (MapIT) and book logistics (Booksite Afrika and Mega Digital).

The Entertainment business unit comprises Nu Metro (Films, Cinemas, Home Entertainment and Popcorn Cinema Advertising), Gallo Music, Compact Disc Technologies (CDT), Entertainment Logistics Services (ELS), Associated Music Distributors (AMD) and Collage Litho.

Financial performance

Earnings attributable to owners of the company amounted to R156 million (2011: R194 million), and headline earnings amounted to R134 million (2011: R194 million).

Subsidiary companies

Interests in directly held subsidiaries are set out on pages 120 and 121. The group's share of the attributable profits and losses of its subsidiaries after taking into account taxation and non-controlling interests for the year ended 31 March was:

	2012 Rm	2011 Rm
Profits	279	251
Losses	(58)	(17)

Share capital

The authorised and issued ordinary share capital of the company remained unchanged during the year under review.

Acquisition of the company's own shares

At the last annual general meeting, shareholders gave the company and its subsidiaries a general approval for the acquisition of shares of the company. As this general approval remains valid only until the next annual general meeting, shareholders will be asked at this year's meeting to consider a special resolution to renew this general approval until the 2013 annual general meeting. At present, there are no plans to utilise this general authority.

Major shareholders

According to the company's share register, the following shareholders beneficially held in excess of 5% of the issued ordinary shares of the company as at 31 March:

	2012		2011	
	Number of ordinary shares	% of issued ordinary shares	Number of ordinary shares	% of issued ordinary shares
Richtrau No. 299 (Proprietary) Limited, a wholly-owned subsidiary of Mvelaphanda Group Limited	26 474 396	21,3	26 474 396	21,3
Public Investment Corporation	21 077 032	16,9	9 138 857	7,4
UHC Communications (Proprietary) Limited	20 555 555	16,5	20 555 555	16,5
Coronation Fund Managers	10 566 725	8,5	9 937 588	8,0
Investment Solutions			6 467 616	5,2

Further analysis of shareholders' interests in Avusa is provided on pages 60 and 61.

Directors' interests

At 31 March 2012, Mr C B Cary beneficially held 5 914 572 shares indirectly and 55 shares directly (2011: 5 914 572 shares indirectly and 55 shares directly), Mr H K Mehta beneficially held 2 740 741 shares indirectly and 32 000 shares directly (2011: 2 740 741 shares indirectly and 32 000 shares directly), Mr M W Robertson beneficially held 46 103 shares and Mr H Benatar beneficially held 22 137 shares (2011: one share) in the company's issued ordinary share capital. No other Avusa directors held shares in the issued ordinary share capital of the company as at 31 March 2012.

Share incentive plans

The company is currently limited to 10 382 116 shares in settlement of benefits under its share incentive plans.

The following information is provided in respect of the Avusa Limited share incentive plans as at 31 March:

	2012	2011
Maximum number of ordinary shares available for allocation	6 843 196	7 991 136
Number of share incentives granted during the year	(1556 393)	(1 254 714)
Number of share incentives lapsed during the year	444 367	106 774
Number of ordinary shares still available for allocation	5 731 170	6 843 196

Further information on the Avusa Limited share incentive plans is set out in the human resources, transformation, remuneration and social and ethics committee report on pages 110 to 119.

At the year-end, the total number of share incentives held by directors was 413 836 (2011: 858 189). These incentives were issued in terms of the Avusa Limited share incentive plans, are equity-settled, and represent 0,3% (2011: 0,6%) of the number of issued ordinary shares of the company. Further details of share incentives held by directors are set out in the human resources, transformation, remuneration and social and ethics committee report on pages 110 to 119.

The directors' interests have not changed from 31 March 2012 up to the date of approval of this report.

Board committees

Details regarding the work of the board committees are set out in the corporate governance and risk management report on pages 52 to 59, the audit and risk committee report on pages 69 to 71, and in the human resources, transformation, remuneration and social and ethics committee report on pages 110 to 119.

Litigation

The company and the group were not engaged in any significant litigation during the year and at the date of this report.

Going concern

These annual financial statements have been prepared on the going concern basis. The board reviewed the group's ability to continue trading as a going concern in the foreseeable future and, based on this review, considers that the presentation of the financial statements on this basis is appropriate.

Borrowing powers

The borrowing powers of the company which, in terms of the company's memorandum of incorporation, are unlimited, may all be exercised by the company's directors.

Event after reporting period

Earlier this month, Avusa received an offer by Mvelaphanda Group through its wholly-owned subsidiary, Richtrau No. 229, to acquire the issued share capital of Avusa not already held by Richtrau. Details of the offer were advised to shareholders via a JSE SENS announcement on Tuesday 12 June 2012.

Dividends

Consequent upon the above mentioned offer, no dividend has been declared by the directors in respect of Avusa's 2012 financial year.

On 21 June 2011, a dividend (number 3) of 85 cents per ordinary share was declared by the directors for the year ended 31 March 2011, and was paid to shareholders recorded in the register of securities of the company at the close of business on Friday, 29 July 2011. Secondary tax on companies was paid at the statutory rate of 10%. The directors confirm that the solvency and liquidity test in terms of the new Companies Act was applied, and that the board concluded that the company would satisfy the solvency and liquidity test immediately after the distribution, and, further, would be able to pay its debts as they become due in the ordinary course of business for a period of twelve months following the distribution.

Event after the reporting period

Earlier this month, Avusa received an offer by Mvelaphanda Group through its wholly-owned subsidiary, Richtrau No. 229, to acquire the isuued share capital of Avusa not already held by Richtrau. Details of the offer were advised to shareholders via a JSE SENS announcement on Tuesday 12 June 2012.

Special resolutions

The following special resolutions, for which registration is not required, were passed by the company:

Date passed	Summary of resolution
19 September 2011	General authority for the company to repurchase ordinary shares issued by the company; approval of non-executive directors' fees; financial assistance for subscription for securities; financial assistance to related or inter-related companies or corporations.

The following special resolutions were passed by subsidiary companies:

Date registered	Name of subsidiary and summary of resolution
5 April 2011	**Avusa Coastal Distribution Proprietary Limited** Amendment to the memorandum of incorporation to increase the authorised share capital.
5 July 2011	**CareerJunction Proprietary Limited** Amendment to the memorandum of association to change the company's name to Interactive Junction Holdings Proprietary Limited.
4 August 2011	**Wilcofusion Proprietary Limited** Amendment to the memorandum of association to change the company's name to PA Junction Proprietary Limited.

Directors and secretary

The names of the directors in office are set out on page 132 of the integrated annual report. Changes in the directorate are detailed on pages 4 and 5 of the integrated annual report.

The directors listed in the notice of annual general meeting on page 126 retire by rotation at the forthcoming annual general meeting, and are eligible and available for re-election.

Independent auditor

Shareholders will be requested at the forthcoming annual general meeting to re-appoint Deloitte & Touche as the independent external auditor of the company. It is noted that Mr J A R Welch remains the designated partner.

Audit and risk committee report

This is the report of the audit and risk committee (committee) of Avusa Limited appointed for the financial year ended 31 March 2012 in compliance with the Companies Act (the Act) and in terms of the JSE Listings Requirements. The committee has detailed terms of reference that comply with the Act and King III and that have been approved by the board. Copies of the terms of reference are available from the company secretary on request.

Membership

The board of directors appointed the committee for the 2012 financial year. At the annual general meeting scheduled for Friday, 21 September 2012, shareholders will be asked to approve the appointment of the chairman and members of the committee for the 2013 financial year. The committee consists solely of independent non-executive directors who are all financially literate. The members are Mr J H Schindehütte (chairman), Ms L M Machaba-Abiodun and Messrs TRA Oliphant and AC Ruiters.

Purpose

The purpose of the committee is to:

- assist the board in discharging its duties relating to safeguarding assets, operation of adequate systems, control and reporting processes, and preparation of accurate reporting and financial statements in compliance with legal requirements and accounting standards
- provide management, external and internal auditors access to the chairman or any other member of the committee about any matter within the committee's scope
- meet separately with the external and internal auditors at least once a year
- provide a forum for discussing business risk and control issues and developing recommendations for consideration by the board
- monitor enterprise-wide, operational, market, regulatory, safety and other risks, and to monitor controls designed to minimise risk
- review the company's integrated annual report, including the annual financial statements, as well as its interim report and any other public reports or announcements containing financial information
- consider and recommend to the board whether external assurance should be provided on the sustainability report and ensure the report is consistent with the annual financial statements
- oversee the activities of, and ensure co-ordination between, internal and external audit
- perform duties assigned to it under the Act and other legislation, including statutory audit committee functions for subsidiary companies
- receive and deal with any complaints about the accounting practices, internal audit or the content and audit of its financial statements or related matters
- annually review the committee's work and terms of reference and make recommendations to the board to ensure its effectiveness.

Duties carried out

The committee has performed its duties and responsibilities during the financial year according to its terms of reference.

External audit

The committee:

- nominated Deloitte & Touche and Mr J A R Welch as the independent auditor and designated audit partner respectively to shareholders for appointment as auditor for the financial year ended 31 March 2012, and ensured the appointments complied with legal and regulatory requirements
- confirmed that the independent auditor and designated audit partner are accredited by the JSE
- approved the external audit engagement letter, audit plan and budgeted audit fees payable to the external auditor
- reviewed the audit and evaluated the effectiveness of the independent auditor
- obtained a statement from the independent auditor confirming that its independence was not impaired
- determined the nature and extent of all non-audit services provided by the independent auditor and pre-approved all non-audit services undertaken
- obtained assurances from the independent auditor that adequate accounting records were maintained
- confirmed that no reportable irregularities had been identified or reported by the independent auditor under the Auditing Profession Act
- nominated the independent auditor and designated audit partner for each of Avusa's South African subsidiary companies.

Financial statements

The committee:

- confirmed that interim and annual financial statements should be prepared on the going-concern basis
- examined the interim and annual financial statements and other financial information made public, prior to its approval by the board
- considered accounting treatments, significant or unusual transactions and accounting judgements
- considered the appropriateness of accounting policies and any changes made

- reviewed the independent auditor's audit report in respect of the annual financial statements
- reviewed the representation letter for the annual financial statements signed by management
- considered any problems identified as well as any legal and tax matters that could materially affect the financial statements
- met separately with management, external audit and internal audit
- concluded that the annual financial statements fairly present the financial position of the company at the end of the financial year and the results of the operations and cash flows for the financial year.

Internal control and internal audit

The committee:

- reviewed and approved the annual internal audit plans and evaluated the independence, effectiveness and performance of internal audit providers
- considered reports of the internal auditors and the independent auditor on the group's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems
- received assurances that proper accounting records were maintained and that systems safeguarded the group's assets against unauthorised use or disposal
- reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response
- assessed the adequacy of the performance of the internal audit function and found it satisfactory
- based on the above, the committee formed the opinion that there were no material breakdowns in internal control.

Risk management and information technology

The committee:

- reviewed the group's policies on risk management and risk assessment, including fraud risks and information technology risks and found them to be relevant and appropriate
- received written assessments of the effectiveness of the group's system of risk management and internal controls from the internal auditors
- reviewed the updated compliance framework and risk management framework
- reviewed the group's insurance cover.

Sustainability

The committee:

- reviewed the sustainability reporting included in the group's integrated annual report and satisfied itself that this is consistent with the annual financial statements
- considered the desirability of obtaining external assurance on sustainability reporting and recommended to the board that it would serve a limited useful purpose.

Legal and regulatory requirements

The committee:

- reviewed with management legal matters that could have a material impact on the group
- reviewed the adequacy and effectiveness of the group's procedures to ensure compliance with legal and regulatory responsibilities
- monitored complaints received via the group's tip-offs anonymous hotline
- considered reports provided by management, internal audit and the independent auditor on compliance with legal and regulatory requirements.

Combined assurance

The committee reviewed the plans and reports of the external and internal auditors and other assurance providers including management, and concluded these were adequate to address all significant financial risks facing the business.

Financial director and finance function

The committee:

- considered the appropriateness of the experience and expertise of the chief financial officer and concluded that these were appropriate
- considered the expertise, resources and experience of the finance function and concluded these were appropriate.

Independence of independent auditor

The committee is satisfied that Deloitte & Touche is independent of the company and the group after taking the following factors into account:

- representations made by Deloitte & Touche to the committee
- the auditor does not, except as independent auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the group
- the auditor's independence was not impaired by any consultancy, advisory or other work undertaken
- the auditor's independence was not prejudiced as a result of any previous appointment as auditor
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Annual financial statements

Following the committee's review of the annual financial statements of Avusa Limited for the year ended 31 March 2012, the committee is of the view that, in all material respects, they comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the financial position at that date and the results of operations and cash flows for the year then ended. Having achieved its objectives for the financial year, the committee recommended the annual financial statements for the year ended 31 March 2012 to the Avusa board for approval. The board approved the annual financial statements, which will be open for discussion at the forthcoming annual general meeting. The committee also reviewed, and satisfied itself as to the integrity of, the integrated annual report and recommended it to the board for approval.

Attendance at audit and risk committee meetings

Name	9 Jun 2011	28 Jul 2011	17 Nov 2011	10 Feb 2012
J H Schindehütte (chairman)[1]		P	P	P
L M Machaba-Abiodun	P	A	P	P
B Ngonyama[2]		P		
T R A Oliphant	P	P	P	P
T A Wixley (chairman)[3]	P	P		

P - Present, A - Apologies, [1] Appointed 1 July 2011. Appointed chairman 19 September 2011,
[2] Appointed 1 July 2011. Resigned 19 September 2011, [3] Resigned 19 September 2011

Signed on behalf of the committee by:

J H Schindehütte
Chairman

Statements of comprehensive income for the year ended 31 March 2012

	Notes	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
Revenue	3	5 963	5 310	-	-
Cost of sales		(3 868)	(3 354)	-	-
Gross profit		2 095	1 956	-	-
Operating expenses		(1 822)	(1 632)	(164)	(25)
Operating (costs) income	4	(1 620)	(1 471)	3	(24)
Depreciation	6	(125)	(105)	-	-
Amortisation	7	(58)	(38)	-	-
Goodwill impairment		(6)	-	-	-
Impairment of investments		-	-	(172)	-
Share-based payments		(13)	(18)	5	(1)
Profit (loss) from operations		273	324	(164)	(25)
Net finance (costs) income		(10)	3	194	72
Finance income	8	31	32	213	82
Finance costs	9	(41)	(29)	(19)	(10)
Share of profits of associates (net of income tax)		3	5		
Profit before taxation		266	332	30	47
Taxation	10	(97)	(115)	(12)	(9)
Income tax expense		(79)	(106)	(1)	(1)
Secondary tax on companies expense		(18)	(9)	(11)	(8)
Profit for the year		169	217	18	38
Other comprehensive income					
Exchange differences on translation of foreign operations		4	3		
Other comprehensive income for the year (net of income tax)		4	3		
Total comprehensive income for the year		173	220	18	38
Profit attributable to:					
Owners of the company		156	194	18	38
Non-controlling interest		13	23		
Profit for the year		169	217	18	38
Total comprehensive income attributable to:					
Owners of the company		160	197	18	38
Non-controlling interest		13	23		
Total comprehensive income for the year		173	220	18	38
Earnings per ordinary share (cents)					
Basic	11.1	126	176		
Diluted	11.1	126	174		
Number of ordinary shares in issue ('000)					
At beginning of the year		124 377	103 821		
At end of the year		124 377	124 377		
Weighted average for the year		123 562	110 528		
Weighted average for the year (diluted)		123 602	111 515		

Statements of financial position as at 31 March 2012

	Notes	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
ASSETS					
Non-current assets		1 804	1 758	1 702	1 835
Property, plant and equipment	12	606	589	-	-
Goodwill	13	534	537	-	-
Other intangible assets	14	440	466	-	-
Interests in subsidiaries	15			1 702	1 835
Interests in associates	16	75	47	-	-
Deferred taxation assets	23	149	119	-	-
Current assets		2 370	2 341	63	1
Inventories	17	579	563	-	-
Trade and other receivables	18	1 164	1 142	-	-
Taxation prepaid		37	37	-	-
Bank balances, deposits and cash		590	599	63	1
Total assets		4 174	4 099	1 765	1 836
EQUITY AND LIABILITIES					
Equity attributable to owners of the company		2 132	2 077	1 530	1 596
Share capital and premium	19	1 571	1 571	1 613	1 613
Other reserves	20	(12)	(16)	(10)	(31)
Accumulated profits		573	522	(73)	14
Non-controlling interest		102	122		
Total equity		2 234	2 199	1 530	1 596
Non-current liabilities		648	628	230	230
Long-term borrowings	21	272	284	230	230
Post-retirement benefits liabilities	22	232	205	-	-
Operating leases equalisation liabilities		33	39	-	-
Deferred taxation liabilities	23	111	100	-	-
Current liabilities		1 292	1 272	5	10
Trade and other payables	24	1 078	1 082	4	10
Provisions	25	34	32	-	-
Taxation liabilities		17	15	1	-
Bank overdrafts and other short-term borrowings	21	163	143	-	-
Total equity and liabilities		4 174	4 099	1 765	1 836

Statements of cash flows for the year ended 31 March 2012

	Notes	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
OPERATING ACTIVITIES					
Net cash flows from operations before working capital changes		**419**	493	**(8)**	(8)
Working capital changes		**(2)**	(55)	**-**	1
Net cash flows from operations	27	**417**	438	**(8)**	(7)
Net finance (costs) income		**(10)**	8	**(16)**	(4)
Taxation paid		**(120)**	(116)	**(12)**	(8)
Net cash flows from operating activities		**287**	330	**(36)**	(19)
INVESTING ACTIVITIES					
Income from investments	28	**2**	2	**110**	-
Proceeds on disposal of investments		**21**	4	**21**	4
Finance costs (investing activities)		**-**	(2)	**-**	(2)
Acquisition of property, plant and equipment	31	**(162)**	(122)	**-**	-
- to maintain operations		**(160)**	(80)	**-**	-
- to expand operations		**(2)**	(42)	**-**	-
Proceeds on disposal of property, plant and equipment	12	**45**	12	**-**	-
Acquisition of other intangible assets		**(25)**	(29)	**-**	-
Acquisition of business	29	**-**	(2)	**-**	-
Acquisition of subsidiaries	30	**-**	(308)	**-**	(353)
Acquisition of minority interests in subsidiaries		**(25)**	-	**-**	-
Acquisition of investment in associate		**(17)**	-	**-**	-
Net (increase) decrease in long-term receivables and loans		**(5)**	1	**-**	-
Net cash flows from investing activities		**(166)**	(444)	**131**	(351)
FINANCING ACTIVITIES					
Net (decrease) increase in borrowings		**(19)**	225	**-**	230
Dividends paid by subsidiaries to non-controlling interests		**(31)**	(8)		
Decrease in loans owing by subsidiaries		**-**	-	**72**	218
Dividend paid		**(105)**	(77)	**(105)**	(77)
Net cash flows from financing activities		**(155)**	140	**(33)**	371
Net (decrease) increase in cash and cash equivalents		**(34)**	26	**62**	1
Cash and cash equivalents at beginning of the year		**529**	504	**1**	-
Foreign operations translation adjustment		**(2)**	(1)	**-**	-
Cash and cash equivalents at end of the year	32	**493**	529	**63**	1

Statements of changes in equity for the year ended 31 March 2012

	Share capital and premium Rm	Other reserves Rm	Acu-mulated profits Rm	Owners' interest Rm	Non-controlling interest Rm	Total equity Rm
Group						
Balance at 31 March 2010	1 108	(39)	405	1 474	107	1 581
Shares issued at a premium	463	-	-	463	-	463
Total comprehensive income for the year		3	194	197	23	220
Equity-settled share incentive plans		16	-	16	-	16
Disposal of call options over Avusa shares		4	-	4	-	4
Dividends paid by subsidiaries to non-controlling interests		-	-	-	(8)	(8)
Dividend paid		-	(77)	(77)	-	(77)
Balance at 31 March 2011	**1 571**	**(16)**	**522**	**2 077**	**122**	**2 199**
Total comprehensive income for the year		4	156	160	13	173
Equity-settled share incentive plans		(3)	-	(3)	-	(3)
Effect of aquisitions and disposals of non-controlling interests		(18)	-	(18)	(2)	(20)
Disposal of call options over Avusa shares		21	-	21	-	21
Dividends paid by subsidiaries to non-controlling interests		-	-	-	(31)	(31)
Dividend paid		-	(105)	(105)	-	(105)
Balance at 31 March 2012	**1 571**	**(12)**	**573**	**2 132**	**102**	**2 234**
Notes	19	20				

	Share capital and premium Rm	Other reserves Rm	Acu-mulated profits Rm	Owners' interest Rm
Company				
Balance at 31 March 2010	1 150	(35)	53	1 168
Shares issued at a premium	463	-	-	463
Total comprehensive income for the year		-	38	38
Disposal of call options over Avusa shares		4	-	4
Dividend paid		-	(77)	(77)
Balance at 31 March 2011	**1 613**	**(31)**	**14**	**1 596**
Total comprehensive income for the year		-	18	18
Disposal of call options over Avusa shares		21	-	21
Dividend paid		-	(105)	(105)
Balance at 31 March 2012	**1 613**	**(10)**	**(73)**	**1 530**
Notes	19	20		

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

These annual financial statements are presented in South African rands since that is the functional currency of the company and the presentation currency for the group. The company is incorporated and domiciled in South Africa.

These annual financial statements have been prepared using accounting policies compliant with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRIC), the AC 500 standards as issued by the Accounting Practices Board, the JSE Limited's Listings Requirements and the South African Companies Act.

The accounting policies and their application are consistent, in all material respects, with those detailed in Avusa's 2011 integrated annual report, except for the adoption on 1 April 2011 of the amended statements listed below, and those amendments included in the International Accounting Standards Board's annual improvements project where such amendments are effective for Avusa on 1 April 2011.

- Amended statement adopted by Avusa on 1 April 2011:

IAS 24 *Related Party Disclosures*
- Clarification of definition of related party

The adoption of the amended statement of generally accepted accounting practice and improvements project amendments had no effect on the group's financial results.

The following new and amended statements of generally accepted accounting practice which were in issue but not yet effective at Avusa's year-end date of 31 March 2012, will be adopted by Avusa as they become effective for Avusa:

- Amended statements effective for Avusa on 1 April 2012:

IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- Guidance for entities emerging from severe hyperinflation and resuming presentation of IFRS-compliant financial statements or presenting IFRS-compliant financial statements for the first time
- Amendment relating to the retrospective application of IAS 39's derecognition requirements

IFRS 7 *Financial Instruments: Disclosures*
- Amendments requiring additional disclosure on transfer transactions of financial assets, including the possible effects of any residual risks that the transferring entity retains. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period

IAS 12 *Income Taxes*
- Rebuttable presumption introduced that an investment property will be recovered in its entirety through sale

- New and amended statements effective for Avusa on 1 April 2013:

IFRS 7 *Financial Instruments: Disclosure*
- Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure

IFRS 10 *Consolidated Financial Statements*
- Builds on existing consolidation principles determining whether an entity is included in the consolidated financial statements of the parent company

IFRS 11 *Joint Arrangements*
- Deals with the accounting for joint arrangements, and requires a single method for accounting for interests in jointly-controlled entities

IFRS 12 *Disclosure of Interests in Other Entities*
- Disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles

IFRS 13 *Fair Value Measurement*
- New guidance on fair value measurements and disclosure requirements

IAS 1 *Presentation of Financial Statements*
- Amendments requiring items within other comprehensive income that may be reclassified to the profit or loss section of the income statement to be grouped together in order to facilitate the assessment of their impact on the overall performance of an entity

IAS 19 *Employee Benefits*
- Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans

IAS 27 *Consolidated and Separate Financial Statements*
- Consequential amendments resulting from the issue of IFRS 10, 11 and 12

IAS 28 *Investments in Associates*
- Consequential amendments from changes to IAS 27 and the issue of IFRS 10, 11 and 12

IAS 31 *Interests in Joint Ventures*
- Consequential amendments from changes to IAS 27

• Amended statement effective for Avusa on 1 April 2014:

IAS 32 *Financial Instruments: Presentation*
- Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure

• New statement effective for Avusa on 1 April 2015:

IFRS 9 *Financial Instruments*
- New standard that forms the first part of a three-part project to replace IAS 39

In addition, the International Accounting Standards Board's annual improvements project includes amendments to various statements. Certain of these amendments are effective for Avusa on 1 April 2012, with others being effective in subsequent periods.

The adoption of the abovementioned statements and improvements, apart from IFRS 10 and 11, is not expected to have a material effect on Avusa's financial results, but may impact disclosure in the financial statements.

The effect on Avusa's financial results and statements of the adoption of IFRS 10 and 11 in 2014 has not yet been determined.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Avusa carries its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment losses.

The consolidated group annual financial statements incorporate the financial statements of Avusa and the entities it controls. Control is achieved where Avusa has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the group statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions and balances are eliminated on consolidation.

The non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the group's equity therein. The non-controlling interest consists of the amount of the interest at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Up to and including 31 March 2010, losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the subsidiary's equity were allocated against the interest of the group except to the extent that the non-controlling interest had a binding obligation and was able to make an additional investment to cover the losses. With effect from 1 April 2010, total comprehensive income is attributed to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the sum of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Up to and including 31 March 2010, costs directly attributable to the business combination were added to the cost of the acquisition. With effect from 1 April 2010, costs directly attributable to the business combination are recognised immediately in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities which meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) which are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where non-controlling interests are acquired subsequent to initial acquisition, the excess of the cost over carrying value is recognised as equity.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity which is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly-controlled assets and liabilities is recognised in the financial statements of the relevant entity and classified according to its nature. Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly-controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to or from the group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The group reports its interests in jointly-controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5.

The group's share of the assets, liabilities, income and expenses of jointly-controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the group's interest in a jointly-controlled entity is accounted for in accordance with the group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

Interests in associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the strategic financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests which, in substance, form part of the group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

Goodwill

The accounting for goodwill arising on the acquisition of subsidiaries, joint ventures and associates is described above. Goodwill is not amortised.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of subsidiaries, joint ventures and associates, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes.

The sale of goods is recognised when the goods are delivered and title has passed. The rendering of services is recognised as the service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Revenue from royalties is recognised on an accrual basis in terms of the relevant royalty agreement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the time pattern of the user's benefit. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the term pattern of the user's benefit.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of these group annual financial statements, the results and financial position of each entity are expressed in South African rands, which is the functional currency of the company, and the presentation currency for the group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates ruling at the reporting date. Non-monetary items carried at fair value which are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to mitigate its exposure to certain foreign exchange risks, the group enters into forward exchange contracts (see below).

For the purpose of presenting these group annual financial statements, the assets and liabilities of the group's foreign operations are expressed in South African rands using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the group's foreign currency translation reserve. This includes exchange differences arising on loans extended from one entity to another within the same group, as these loans are regarded as part of the net investment in a foreign operation if settlement of the loans is neither planned nor likely to occur in the foreseeable future. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at three-year intervals by independent actuaries.

Post-retirement benefits

The group's post-retirement benefits are valued annually by independent actuaries, with gains and losses being recognised in profit or loss.

Taxation

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates which are expected to apply in the period when the liability is settled or the asset realised.

Deferred taxation assets and liabilities are set off against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and when the group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property (other than land), plant and equipment to their estimated residual values over their estimated useful lives.

Leasehold improvements and assets held under finance leases are depreciated to their estimated residual values over their estimated useful lives or, where shorter, the term of the relevant lease.

Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their own estimated useful lives.

Useful lives, residual values and methods of depreciation are reviewed annually.

The following life spans were used during the year to depreciate property, plant and equipment to estimated residual values:

Plant, furniture and equipment	3 – 20 years
Leasehold improvements	3 – 10 years
Buildings	15 – 50 years
Vehicles	3 – 5 years
Capitalised leased assets	3 – 5 years

The gain or loss arising on the disposal or scrapping of an item of property, plant and equipment is recognised immediately in profit or loss.

Intangible assets other than goodwill

Intangible assets other than goodwill are recognised initially at cost if acquired separately, and at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised, but is tested for impairment annually and impaired if required. If assessed as having a finite useful life, it is amortised over its estimated useful life, and tested for impairment if there is an indication that an impairment is required.

Publishing rights and titles acquired are capitalised as intangible assets, and are presumed to have an indefinite life unless there are indications of a shorter life. Publishing rights and titles are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate. Costs to develop publishing titles internally are recognised in profit or loss.

The following life spans were used during the year to amortise intangible assets assessed as having finite useful lives:

Patents and trademarks	10 – 20 years
Licences	3 – 5 years
Publishing rights and titles	10 – 15 years
Computer software	3 – 5 years
Customer relationships	6 – 10 years

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the carrying amounts of tangible and intangible assets other than goodwill are reviewed to determine whether there is any indication that those assets have suffered an impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but with the increased carrying amount not exceeding the carrying amount which would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Write-downs to net realisable value are recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value, and are present-valued where the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Music, film and video contract advances

Music contract advances are recognised in profit or loss on payment or release of the product, whichever is the earlier. Film and video contract advances are recognised in profit or loss at the time that the releaser has the right to release the product.

Investments

Investments, including those in subsidiaries, are recognised and derecognised on a trade date basis where the purchase or sale of the investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are recognised at fair value.

An impairment loss is recognised in profit or loss when there is objective evidence that the investment is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the investment's cost would have been had the impairment not been recognised.

Investments classified as financial assets at fair value through profit or loss are measured at subsequent reporting dates at fair value, with gains and losses arising from changes in fair value being recognised in profit or loss. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Call options over Avusa shares

The cost of call options which Avusa has over its own shares is deducted from equity, with the number of call options appropriately off-set against the issued and weighted average number of shares in issue for the calculation of earnings per share.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised initially at fair value, with any changes in fair value being recognised in profit or loss.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are measured at fair value.

Trade payables

Trade payables are measured at fair value.

Forward exchange contracts
Forward exchange contracts are recognised initially at fair value at the contract date, and are re-measured to fair value at subsequent reporting dates, with gains and losses arising from changes in fair value being recognised in profit or loss.

Provisions
Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that the obligation will need to be settled. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are present-valued where the effect of discounting is material.

Share-based payments
Share-based payments are issued to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of the incentives which will eventually vest, and adjusted for the effect of non-market vesting conditions.

For cash-settled share-based payments, a liability aligned to the portion of the services received is recognised at fair value at each reporting date.

Judgements made by management
In applying the group's accounting policies, the following significant judgements have been made:

Deferred taxation assets
Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available in future against which the deferred taxation assets can be utilised. The future availability of taxable profits is based on management's judgements regarding future business plans.

Asset lives and residual values
Property (other than land), plant and equipment and significant components thereof are depreciated to their residual values over their estimated useful lives. Methods of depreciation, residual values and estimated useful lives are reviewed annually, based on management's judgement of relevant factors and conditions.

Impairment of tangible and intangible assets
At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is then estimated in order to determine the extent of any impairment.

Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives and intangible assets not yet available for use are also tested annually for impairment by comparing their carrying amounts with their recoverable amounts.

Goodwill acquired in a business combination is also tested annually for impairment.

In its impairment testing, management takes into account various considerations, including future cash flows expected to be generated by the assets under review.

Purchase price allocation relating to business combinations
Judgement is exercised to determine the purchase price allocation arising from business combinations.

Sources of estimation uncertainty
Valuation of post-retirement benefits
The actuarial valuations of post-retirement benefits are based on estimations, including discount rates and healthcare cost inflation rates. The group's post-retirement benefits are valued annually by independent actuaries.

Valuation of share-based payments
The valuation models used to value share-based payments include estimates as to expected incentive lives, volatilities, vestings, dividend yields and risk-free interest rates. The group's share-based payments plans are valued annually by independent actuaries.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
3. REVENUE				
Goods sold	5 167	4 873	-	-
Services rendered	796	437	-	-
	5 963	5 310	-	-
4. OPERATING COSTS				
Operating costs are stated after charging (crediting):				
Auditors' remuneration – group auditors	16	14	1	1
– audit fees	15	13	1	1
– fees for other services	1	1	-	-
Auditors' remuneration – other auditors	3	4	-	-
– audit fees	2	2	-	-
– fees for other services	1	2	-	-
Operating lease charges	292	242	-	-
– land and buildings	277	232	-	-
– equipment and vehicles	15	10	-	-
Net foreign exchange losses				
– realised	3	2	-	-
– unrealised	2	3	-	-
Post-retirement benefits charge	15	17	-	-
Retirement benefit plan contributions	89	73	-	-
– defined contribution plans	88	72	-	-
– defined benefit plan (note 36)	1	1	-	-
Staff costs (includes retirement benefit plan contributions)	1 576	1 340	-	-

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

5.1 Business segments

	Media Rm	Retail Solutions Rm	Books Rm	Enter-tainment Rm	Sub-total Rm	Elimin-ations Rm	Sub-total Rm	Corporate Rm	Share based payments Rm	Total Rm
2012										
Revenue	2 123	1 265	1 514	1 061	5 963	-	5 963	-	-	5 963
Inter-segment revenue*	364	90	71	120	645	(645)	-	-	-	-
	2 487	1 355	1 585	1 181	6 608	(645)	5 963	-	-	5 963
Profit (loss) from operations	103	163	93	(30)	329	-	329	(43)	(13)	273
Depreciation	27	39	28	31	125	-	125	-	-	125
Amortisation	12	24	15	7	58	-	58	-	-	58
Capital expenditure										
Property, plant and equipment	36	61	39	26	162	-	162	-	-	162
Intangible assets	12	3	3	7	25	-	25	-	-	25
Segment assets	1 059	1 275	906	796	4 036	-	4 036	138	-	4 174
Segment liabilities	495	369	330	600	1 794	-	1 794	146	-	1 940
2011										
Revenue	2 129	493	1 489	1 199	5 310	-	5 310	-	-	5 310
Inter-segment revenue*	309	29	76	142	556	(556)	-	-	-	-
	2 438	522	1 565	1 341	5 866	(556)	5 310	-	-	5 310
Profit (loss) from operations	153	89	85	33	360	-	360	(18)	(18)	324
Depreciation	30	17	25	33	105	-	105	-	-	105
Amortisation	12	7	8	11	38	-	38	-	-	38
Capital expenditure										
Property, plant and equipment	53	11	26	32	122	-	122	-	-	122
Intangible assets	15	-	6	8	29	-	29	-	-	29
Segment assets	979	1 233	913	808	3 933	-	3 933	166	-	4 099
Segment liabilities	382	370	290	599	1 641	-	1 641	259	-	1 900

** Charged on arm's length terms*

The composition of some of the business units has changed from the prior year. Details of the operating entities that make up the business units are set out on page 3.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

5.2 Geographical segments

The group's operations are arranged into two geographical segments, namely South Africa and International. International operations are located in Botswana, Namibia, Australia, New Zealand and the United Kingdom.

	Group	
	2012 Rm	2011 Rm
Revenue		
South Africa	**5 816**	5 160
International	**147**	150
	5 963	5 310

	Segment assets		Capital expenditure on property, plant, equipment and intangible assets	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
Assets excluding goodwill	**3 640**	3 562	**187**	151
South Africa	**3 517**	3 435	**186**	149
International	**123**	127	**1**	2
Goodwill	**534**	537		
	4 174	4 099	**187**	151

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
6. DEPRECIATION				
Plant, furniture and equipment	**117**	97	**-**	-
Leasehold improvements	**4**	4	**-**	-
Buildings	**1**	2	**-**	-
Vehicles	**3**	2	**-**	-
	125	105	**-**	-

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
7. AMORTISATION				
Patents and trademarks	**1**	-	**-**	-
Licences	**2**	1	**-**	-
Publishing rights and titles	**-**	3	**-**	-
Computer software	**31**	22	**-**	-
Contracts and customer relationships	**24**	12	**-**	-
	58	38	**-**	-
8. FINANCE INCOME				
Interest received	**31**	32	**3**	2
Bank deposits	**28**	30	**3**	2
Associates	**2**	-	**-**	-
Other	**1**	2	**-**	-
Dividends received: Subsidiaries			**210**	80
	31	32	**213**	82
9. FINANCE COSTS				
Interest paid				
– Borrowings	**37**	25	**19**	10
– Obligations under finance leases	**4**	4	**-**	-
	41	29	**19**	10

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
10. TAXATION				
Current taxation	**120**	119	**12**	9
South African normal taxation				
- current year	**111**	105	**1**	1
- prior year (over) under provision	**(9)**	5	**-**	-
Secondary tax on companies	**18**	9	**11**	8
Deferred taxation (note 23)	**(23)**	(4)	**-**	-
Current year	**(21)**	(3)	**-**	-
Prior year over provision	**(2)**	(1)	**-**	-
	97	115	**12**	9

	Group 2012 %	Group 2011 %	Company 2012 %	Company 2011 %
Tax rate reconciliation				
Taxation at the standard rate	**28**	28	**28**	28
Tax effect of expenses which are not deductible in determining taxable income	**5**	5	**172**	20
Tax allowances	**(4)**	-	**-**	-
Capital profits	**(1)**	-	**-**	-
Non-taxable income	**(1)**	(1)	**(197)**	(48)
Utilisation of tax losses not previously recognised	**-**	(1)	**-**	-
Deferred tax assets not raised on computed losses	**2**	1	**-**	-
	29	32	**3**	-
Secondary tax on companies	**7**	3	**37**	19
	36	35	**40**	19

- South African normal taxation is calculated at 28% (2011: 28%) of the estimated taxable income for the year. The closing balance on deferred taxation is calculated at 28% (2011: 28%).
- Taxation of foreign subsidiaries is calculated at the rates prevailing in their respective jurisdictions.
- The group's estimated assessable losses available for the reduction of future taxable income, and not taken into account in the computation of the deferred taxation assets, amounted to R46 million (2011: R47 million).
- The company has no available credits in respect of secondary tax on companies.

11. EARNINGS AND DIVIDENDS PER ORDINARY SHARE
Group

11.1 Earnings per ordinary share	2012	2011
Shares in issue at beginning of the year	124 376 714	103 821 159
Shares issued during the year	-	20 555 555
	124 376 714	124 376 714
Less: Call options over Avusa shares	-	(1 142 084)
Adjusted shares in issue at end of the year	124 376 714	123 234 630
Weighted average for the year	123 561 920	110 528 499
Weighted average for the year (diluted)	123 602 384	111 514 637

The call options over Avusa shares, had zero strike prices, and were treated for accounting purposes as treasury shares.

The dilution arises as a result of equity-settled share incentives in issue.

The calculation of basic earnings and headline earnings per ordinary share is based on earnings of R156 million (2011: R194 million) and headline earnings of R137 million (2011: R194 million) respectively, and on a weighted average of 123 561 920 (2011: 110 528 499) ordinary shares in issue.

The calculation of diluted earnings and headline earnings per ordinary share is based on earnings of R156 million (2011: R194 million) and headline earnings of R137 million (2011: R194 million) respectively, and on a weighted average of 123 602 384 (2011: 111 514 637) diluted ordinary shares in issue.

Reconciliation between earnings and headline earnings	2012 Gross Rm	2012 Net Rm	2011 Gross Rm	2011 Net Rm
Earnings		156		194
Profit on disposal of property	(26)	(23)	-	-
Profit on sale of business	(3)	(3)	-	-
Loss on disposal of intangible assets	1	1	-	-
Goodwill impairment	6	6	-	-
Attributable to non-controlling interest	-	-	-	-
Headline earnings		137		194
Earnings per ordinary share (cents)				
Basic		126		176
Diluted		126		174
Headline earnings per ordinary share (cents)				
Basic		111		176
Diluted		111		174

11. EARNINGS AND DIVIDENDS PER ORDINARY SHARE (continued)

11.2 Dividends per ordinary share

Consequent upon the offer received by Avusa from Mvelaphanda Group to acquire the issued share capital of Avusa, as detailed in the directors' report, no dividend was declared by the directors for the year ended 31 March 2012.

On 21 June 2011, a dividend (number 3) of 85 cents per ordinary share was declared by the directors for the year ended 31 March 2011, and was paid to shareholders recorded in the register of securities of the company at close of business on Friday, 29 July 2011.

Group	Plant, furniture and equipment Rm	Leasehold improvements Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
12. PROPERTY, PLANT AND EQUIPMENT						
COST						
Balance at 31 March 2010	919	21	35	16	2	993
Additions at cost	108	5	6	3	-	122
Acquisition of subsidiaries and businesses	459	9	-	5	-	473
Other disposals	(48)	(2)	-	(2)	-	(52)
Assets written off	(4)	-	-	-	-	(4)
Transfer to other intangible assets	(6)	-	-	-	-	(6)
Balance at 31 March 2011	1 428	33	41	22	2	1 526
Additions at cost	143	6	11	2	-	162
Other disposals	(53)	(3)	(11)	(4)	-	(71)
Foreign exchange differences	2	-	-	-	-	2
Transfer to other intangible assets	(2)	-	-	-	-	(2)
Balance at 31 March 2012	**1 518**	**36**	**41**	**20**	**2**	**1 617**

Group	Plant, furniture and equipment Rm	Leasehold improvements Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
12. PROPERTY, PLANT AND EQUIPMENT (continued)						
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 31 March 2010	578	14	9	11	1	613
Charge for the year	97	4	2	2	-	105
Acquisition of subsidiaries and businesses	257	7	-	3	-	267
Other disposals	(37)	(1)	-	(2)	-	(40)
Assets written off	(4)	-	-	-	-	(4)
Transfer to other intangible assets	(4)	-	-	-	-	(4)
Balance at 31 March 2011	887	24	11	14	1	937
Charge for the year	117	4	1	3	-	125
Other disposals	(46)	(3)	-	(3)	-	(52)
Foreign exchange differences	1	-	-	-	-	1
Balance at 31 March 2012	**959**	**25**	**12**	**14**	**1**	**1 011**
CARRYING AMOUNT						
At 31 March 2011	541	9	30	8	1	589
At 31 March 2012	**559**	**11**	**29**	**6**	**1**	**606**
PROFIT ON DISPOSALS						
For the year ended 31 March 2011						
Proceeds	11	-	1	-	-	12
Net book value of disposals	11	1	-	-	-	12
Profit (loss) on disposals	-	(1)	1	-	-	-
For the year ended 31 March 2012						
Proceeds	4	-	40	1	-	45
Net book value of disposals	7	-	11	1	-	19
Profit (loss) on disposals	**(3)**	**-**	**29**	**-**	**-**	**26**

- Registers containing details of the freehold land and buildings are available for inspection at the registered office of the company.
- Property, plant and equipment with a net book value of R182 million (2011: R125 million) was encumbered as reflected in note 21.

	Group	
	2012 Rm	2011 Rm
13. GOODWILL		
COST		
Balance at beginning of the year	**567**	253
Acquisition of subsidiaries	**-**	313
Acquisition of business	**-**	1
Additional goodwill recognised in terms of subsidiary acquisition	**3**	-
Balance at end of the year	**570**	567
ACCUMULATED IMPAIRMENT		
Balance at beginning of the year	**30**	30
Impairment	**6**	-
Balance at the end of the year	**36**	30
CARRYING AMOUNT		
At beginning of the year	**537**	223
At end of the year	**534**	537

The carrying amount of goodwill includes the following major items:

- R199 million arises on acquisition of Hirt and Carter.
- R114 million arises on acquisition of Universal Print Group.
- R81 million arises on acquisition of the 40% minority stake in Interactive Junction Holdings.
- R38 million (2011: R42 million) arises on acquisition of an initial 60% interest and a subsequent 20% stake in Airport Media.
- R40 million arises on acquisition of the 40% minority stake in Compact Disc Technologies.
- R20 million arises on acquisition of New Africa Publications.

The carrying amounts of goodwill in respect of other cash-generating units are not significant in comparison with the group's total carrying amount of goodwill.

Cash flows used in impairment testing of goodwill were projected using five-year periods and estimated future growth rates discounted by the group's weighted average cost of capital.

Group	Patents and trademarks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relationships Rm	Trade names Rm	Total Rm
14. OTHER INTANGIBLE ASSETS							
COST							
Balance at 31 March 2010	65	28	79	151	42	-	365
Additions at cost	-	2	2	25	-	-	29
Disposals	-	-	(3)	(6)	-	-	(9)
Foreign exchange differences	-	-	2	-	-	-	2
Acquisition of subsidiaries and businesses	-	-	-	8	162	166	336
Transfer from property, plant and equipment	-	-	-	6	-	-	6
Balance at 31 March 2011	65	30	80	184	204	166	729
Additions at cost	1	2	-	22	-	-	25
Disposals	-	-	(1)	(5)	-	-	(6)
Foreign exchange differences	1	-	1	-	-	-	2
Acquisition of subsidiaries and businesses	-	-	-	-	6	-	6
Transfer from property, plant and equipment	-	-	-	2	-	-	2
Balance at 31 March 2012	**67**	**32**	**80**	**203**	**210**	**166**	**758**
ACCUMULATED AMORTISATION AND IMPAIRMENT							
Balance at 31 March 2010	65	26	58	69	3	-	221
Charge for the year	-	1	3	22	12	-	38
Disposals	-	-	(3)	(6)	-	-	(9)
Foreign exchange differences	-	-	1	-	-	-	1
Acquisition of subsidiaries and businesses	-	-	-	8	-	-	8
Transfer from property, plant and equipment	-	-	-	4	-	-	4
Balance at 31 March 2011	65	27	59	97	15	-	263
Charge for the year	1	2	-	31	24	-	58
Disposals	-	-	(1)	(4)	-	-	(5)
Foreign exchange differences	-	-	2	-	-	-	2
Balance at 31 March 2012	**66**	**29**	**60**	**124**	**39**	**-**	**318**
CARRYING AMOUNT							
At 31 March 2011	-	3	21	87	189	166	466
At 31 March 2012	**1**	**3**	**20**	**79**	**171**	**166**	**440**
LOSS ON DISPOSALS for the year ended 31 March 2012							
Proceeds	-	-	-	-	-	-	-
Net book value of disposals	-	-	-	1	-	-	1
Loss on disposals	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**

Trade names and certain publishing rights and titles have no foreseeable limit to the period over which they are expected to be available for use. Accordingly, they are assessed as having indefinite useful lives, and are not amortised. Their carrying values are detailed above.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
15. INTERESTS IN SUBSIDIARIES				
Unlisted shares at cost less amount written off			1 171	1 219
Net amount owing by subsidiaries			531	616
Amount owing to subsidiaries			(81)	(12)
Amount owing by subsidiaries			612	628
			1 702	1 835
Details of interests in directly held subsidiaries are set out in Annexure 1 on pages 120 and 121				
16. INTERESTS IN ASSOCIATES				
	75	47	-	-
Unlisted shares at cost less amount written off	10	1	-	-
Amount owing by associates	39	24	-	-
Share of post-acquisition reserves	26	22	-	-
	75	47	-	-
Directors' valuation of interests in unlisted associates	75	47	-	-
Details of the group's interests in associates are set out in Annexures 2 and 3 on pages 122 to 124				
17. INVENTORIES				
Merchandise	472	458	-	-
Work in progress	31	28	-	-
Raw materials	73	75	-	-
Consumable stores and maintenance spares	3	2	-	-
	579	563	-	-
Inventory write-offs expensed	31	23	-	-
Inventories recognised as an expense in cost of sales	1 683	1 342	-	-
18. TRADE AND OTHER RECEIVABLES				
Trade receivables	893	858	-	-
Gross	940	888	-	-
Allowances for doubtful receivables	(47)	(30)	-	-
Sundry receivables	184	180	-	-
Prepayments	87	104	-	-
	1 164	1 142	-	-
Movement in allowances for doubtful receivables				
Balance at beginning of the year	30	23	-	-
Provided during the year	35	17	-	-
Utilised during the year	(11)	(7)	-	-
Reversed during the year	(7)	(19)	-	-
On acquisition of subsidiaries	-	16	-	-
Balance at end of the year	47	30	-	-

At year-end, trade receivables totalling R434 million (2011: R432 million) were ceded to Standard Bank as security in respect of the R230 million long-term loan (see note 21).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
19. SHARE CAPITAL AND PREMIUM				
Authorised share capital				
1 000 000 000 ordinary shares of 0,1 cent each	1	1	1	1
Issued and fully paid-up share capital				
124 376 714 (2011: 124 376 714) ordinary shares of 0,1 cent each	-	-	-	-
Share premium				
Balance at beginning of the year	1 571	1 108	1 613	1 150
20 555 555 shares issued	-	463	-	463
Balance at end of the year	1 571	1 571	1 613	1 613
20. OTHER RESERVES				
Foreign currency translation reserve	(3)	(7)		
Equity-settled share incentives outstanding	19	22		
Excess of cost of non-controlling interest over carrying value on aquisition	(18)	-	-	-
Call options over Avusa shares	(10)	(31)	(10)	(31)
	(12)	(16)	(10)	(31)
21. BORROWINGS				
Unsecured				
• **Bank overdrafts**				
Bank overdrafts bear interest at rates related to prime	97	70	-	-
• **Various borrowings**				
The loans are interest-free with no fixed terms of repayment.	4	3	-	-
Total unsecured borrowings	101	73	-	-
Secured				
• **Three-year revolving credit loan** The interest rate is set at Jibar + 2,65%, is secured by the cession of trade receivables (see note 18) and is repayable by October 2013.	230	230	230	230
• **Revolving credit facility** The loan to New Holland Publishers (UK) bears interest at 3,79% and has a maturity date of 8 October 2012.	17	15	-	-
• **Hire purchase agreements** The agreements have interest rates varying from prime to prime less 1,5%, and repayment terms ranging from three to five years. The underlying assets provide the security.	84	23	-	-
• **Finance leases** Interest rates vary from 6,5% to 16,0%. The leases are repayable within three to five years and are secured by the underlying assets.	3	86	-	-
Total secured borrowings	334	354	230	230
Total borrowings	435	427	230	230
Maturities of the above borrowings:				
• Within one year	163	143	-	-
• In the second to fifth years inclusive	272	284	230	230
Total borrowings	435	427	230	230
Amount due within one year shown under current liabilities	163	143	-	-
Total long-term borrowings	272	284	230	230
Assets encumbered				
Property, plant and equipment (note 12)	182	125	-	-

In terms of its articles of association, the company's borrowing powers are unrestricted.

		Group 2012 Rm	2011 Rm
22.	**POST-RETIREMENT BENEFITS LIABILITIES**		
	Certain group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners and employees on retirement. An obligation in respect of post-retirement medical aid benefits no longer forms part of the conditions of employment for new employees. The quantum of the post-retirement medical aid obligation is determined on an annual basis by independent actuaries.		
	Principal actuarial assumptions		
	Discount rate	8,25% p.a.	9,00% p.a.
	Healthcare cost inflation rate	7,50% p.a.	7,75% p.a.
	Number of members		
	In-service	362	412
	Pensioners	437	425
		799	837
		Rm	Rm
	Post-retirement benefits liabilities at beginning of the year	214	189
	Current service costs	5	4
	Interest costs	19	17
	Expected employer benefit payments	(10)	(9)
		228	201
	Actuarial loss	14	13
	Post-retirement benefits liabilities at end of the year	242	214
	Amounts payable within one year	(10)	(9)
	Non-current liabilities	232	205
	The present value of the unfunded obligation is fully provided.		
	The effect of a one percentage point movement in the assumed healthcare cost trend rate on:		
	Aggregate of current service costs and interest costs		
	-1%	(1)	(1)
	+1%	2	1
	Accumulated post-retirement benefits liabilities		
	-1%	(11)	(12)
	+1%	8	7
	Experience adjustments arising on plan liabilities	14	14
	Contributions expected to be paid in next financial year	11	10

Group	Balance at 31 March 2011 Rm	Credit (charge) to income Rm	Acquisition of subsidiaries Rm	**Balance at 31 March 2012 Rm**
23. DEFERRED TAXATION				
Taxation effect of:				
Post-retirement benefits liabilities	60	8	-	**68**
Assessable losses	16	26	-	**42**
Accounting provisions	45	(16)	-	**29**
Operating leases equalisation liabilities	12	1	-	**13**
Share-based payments liabilities	7	(1)	-	**6**
Excess taxation allowances over amortisation charge	(2)	1	-	**(1)**
Pension fund surplus apportionment	(9)	(8)	-	**(17)**
IFRS 3 adjustment on acquisition of subsidiaries	(47)	7	(4)	**(44)**
Excess taxation allowances over depreciation charge	(63)	5	-	**(58)**
	19	23	(4)	**38**
Reconciled as follows:				
Deferred taxation assets	119			**149**
Deferred taxation liabilities	(100)			**(111)**

Deferred taxation assets have been raised on assessable losses where future taxable profits are expected.

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
24. TRADE AND OTHER PAYABLES				
Trade payables	**1 055**	1 060	**3**	4
Share-based payments liabilities	**1**	6	**1**	6
Current portion of operating leases equalisation liabilities	**12**	7	**-**	-
Current portion of post-retirement benefits liabilities	**10**	9	**-**	-
	1 078	1 082	**4**	10

The directors consider that the carrying amounts of trade and other payables approximates their fair value.

Group	Balance at 31 March 2011 Rm	Provided during the year Rm	Utilised during the year Rm	Reversed during the year Rm	**Balance at 31 March 2012 Rm**
25. PROVISIONS					
Overage	9	22	(22)	-	**9**
Turnover rent	5	2	(2)	-	**5**
Onerous leases	2	2	(1)	-	**3**
Audit fees	16	16	(14)	(1)	**17**
	32	42	(39)	(1)	**34**

- **Overage**
  The provision represents royalties which are payable by Nu Metro Films to studio houses. The provision is based on royalty percentages, and the amount finally paid is dependent on the performance of the films.
- **Turnover rent**
  The provision is in respect of certain sites at Exclusive Books, Van Schaik Bookstore and Nu Metro Cinemas, and represents the excess of “turnover rent” over “base rent” which is payable to landlords.
- **Onerous leases**
  The provision arises at Nu Metro Cinemas and Exclusive Books, and is in respect of sub-economic leases. The provision is calculated based on discounted future rental costs.

26 FINANCIAL INSTRUMENTS

Capital risk management

The company and the group define total capital as "total equity" plus "long-term borrowings" as reflected in the statement of financial position.

The group's objectives of capital management are to safeguard the group's ability to continue as a going concern so as to provide returns to shareholders and other benefits to other stakeholders.

The company and the group may issue or repurchase shares, return capital to shareholders, pay dividends or raise debt in order to maintain or change the capital structure.

Capital is monitored using the gearing ratio.

Significant accounting policies

Details of significant accounting policies, including recognition criteria and the basis of measurement in respect of each category of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Financial risk management

The company and the group do not trade in financial instruments, including derivative financial instruments, for speculative purposes. The company and the group are, however, still exposed in the normal course of their operations to financial risks. In order to minimise these risks, the company and the group may enter into transactions that make use of financial instruments. The company's and the group's risk management process uses formally documented policies and frameworks, including limits and reporting structures, to control and monitor financial risk.

Categories of financial instruments	Loans and receivables Rm
Financial assets	
2012	
Trade and sundry receivables*	**1 069**
Bank balances, deposits and cash	**590**
	1 659
2011	
Trade and sundry receivables*	1 029
Bank balances, deposits and cash	599
	1 628

* Excludes taxes

	Loans and payables Rm
Financial liabilities	
2012	
Obligations due under hire purchase agreements and finance leases	**87**
Other interest-bearing borrowings	**344**
Interest-free borrowings	**4**
Trade and other payables*	**1 050**
	1 485

26. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

	Loans and payables Rm
Financial liabilities (continued)	
2011	
Obligations due under hire purchase agreements and finance leases	109
Other interest-bearing borrowings	315
Interest-free borrowings	3
Trade and other payables*	1 059
	1 486

* Excludes taxes

Liquidity risk

Liquidity risk is the risk of being unable to meet a financial commitment. The company and the group manages its liquidity risk by holding cash balances and by maintaining banking facilities. In addition, actual, forecast and budgeted cash flows are regularly prepared and reviewed.

The following table details the contractual maturity for non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date for the repayment of the liability. The cash flows include both principal and interest payments.

	Average interest rate (%)	less than 1 year Rm	1-2 years Rm	2-5 years Rm	Total Rm
2012					
Obligations due under hire purchase agreements and finance leases	7,7%	44	17	26	87
Other interest-bearing borrowings	8,2%	114	230	-	344
Interest-free borrowings		4	-	-	4
Trade and other payables		1 050	-	-	1 050
		1 212	247	26	1 485
2011					
Obligations due under hire purchase agreements and finance leases	6,9%	60	40	9	109
Other interest-bearing borrowings	8,3%	85	-	230	315
Interest-free borrowings		3	-	-	3
Trade and other payables		1 059	-	-	1 059
		1 207	40	239	1 486

At 31 March 2012, the company had R250 million (2011: R250 million) of available banking facilities.

26. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The company and the group deals with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Use is made of independent credit rating agencies, publicly available financial information and internal trading records to rate customers and potential customers. Exposures to and credit ratings of counterparties are regularly monitored. The aggregate value of transactions concluded is spread amongst approved counterparties.

The company and the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets represents the maximum exposure to credit risk. Collateral is taken and credit insurance is purchased where practical.

	2012 Rm	2011 Rm
Trade and sundry receivables	1 069	1 029
Bank balances, deposits and cash	590	599
	1 659	1 628

Trade receivables

Trade receivables comprise a large number of customers spread across all business units. Credit risk is limited due to the large customer base. Operational management evaluates the creditworthiness of customers before any credit facilities are granted, and thereafter on a regular basis. Each business unit establishes an allowance for doubtful receivables which represents an estimate of potential losses in respect of amounts owed by trade debtors. Credit terms vary between business units but the majority of the customers are given terms between 30 and 60 days.

	2012 Rm	2011 Rm
Ageing of trade receivables (gross)		
Current	496	435
30 days	281	261
60 days	64	82
90 days	28	29
120 days	71	81
	940	888
Ageing of allowance for doubtful receivables		
Current	-	-
30 days	-	-
60 days	4	6
90 days	2	2
120 days	41	22
	47	30
Ageing of trade receivables (net)		
Current	496	435
30 days	281	261
60 days	60	76
90 days	26	27
120 days	30	59
	893	858

26. FINANCIAL INSTRUMENTS (continued)

Trade receivables (continued)

	2012 Rm	2011 Rm
Ageing of trade receivables past due		
Current	-	-
30 days	20	19
60 days	39	56
90 days	23	28
120 days	64	72
	146	175
Ageing of trade receivables past due net of allowance for doubtful receivables		
Current	-	-
30 days	20	19
60 days	35	50
90 days	21	26
120 days	23	50
	99	145
Ageing of trade receivables neither past due nor impaired		
Current	496	435
30 days	261	242
60 days	25	26
90 days	5	1
120 days	7	9
	794	713
Debtors days		
Group	47	45
Segmental analysis of trade receivables (net)		
Media	307	307
Retail Solutions	241	220
Books	125	120
Entertainment	220	211
	893	858
Segmental analysis of trade receivables neither past due nor impaired		
Media	279	270
Retail Solutions	211	181
Books	119	114
Entertainment	185	148
	794	713

The Entertainment trade receivables include the Associated Music Distributors (AMD) debtors book, which includes the factored trade receivables of the home entertainment and music businesses.

26. FINANCIAL INSTRUMENTS (continued)

Market risk

The group's activities expose it to the market risks of changes in foreign currency exchange rates, interest rates and investment values.

Foreign currency risk

The group operates in a global business environment and therefore enters into transactions in currencies other than functional currencies. Exposure to the risk of fluctuating foreign currency exchange rates is reduced by the group's policy to use forward exchange contracts where practical. The group does not enter into derivative contracts for speculative purposes.

At the balance sheet date, the group had contracted the following amounts under outstanding forward exchange contracts:

	Foreign amounts		Rand contract amounts		Rand fair value amounts	
Group	**2012 m**	2011 m	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm
Foreign exchange contracts - receivable						
Botswana Pula	**1,0**	-	**1**	-	**1**	-
US Dollar	**-**	0,5	**-**	3	**-**	3
Euro	**-**	0,1	**-**	1	**-**	1
			1	4	**1**	4
Foreign exchange contracts - payable						
US dollar	**5,5**	6,5	**43**	47	**45**	44
British pound	**1,6**	2,1	**20**	24	**21**	23
Euro	**0,8**	1,9	**8**	18	**9**	18
Singapore dollar	**0,7**	0,9	**4**	5	**4**	5
			75	94	**79**	90

At year-end, there were no material foreign currency-denominated assets or liabilities not covered by forward exchange contracts. Accordingly, there was no material sensitivity at year-end to exchange rate fluctuations.

Year-end closing exchange rates to the South African rand	2012	2011
US dollar	**7,66**	6,75
British pound	**12,18**	10,84
Euro	**10,22**	9,58
Australian dollar	**7,93**	6,99
New Zealand dollar	**6,29**	5,15
Botswana pula	**1,06**	1,04

Interest rate risk

The company and the group were exposed to interest rate risk as funds were borrowed at both fixed and floating interest rates. The exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note. During the year under review, the company and the group did not use any forward interest rate contracts to manage this risk.

The sensitivity analysis below was prepared based on the exposure to interest rates at the balance sheet date. For floating rate liabilities, the analysis was prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease represents a reasonably possible change in interest rates.

	100 basis point change in interest rates	
	Increase Rm	Decrease Rm
2012		
(Loss) profit	**(4)**	**4**
2011		
(Loss) profit	(4)	4

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FLOWS FROM OPERATIONS				
Profit before taxation	266	332	30	47
Adjusted for:				
Share of profits of associates	(3)	(5)	-	-
Finance income	(31)	(32)	(213)	(82)
Finance costs	41	29	19	10
Depreciation	125	105	-	-
Amortisation	58	38	-	-
Goodwill impairment	6	-	-	-
Impairment of investments	-	-	172	-
Profit on disposal of property, plant and equipment	(26)	-	-	-
Loss on disposal of intangible assets	1	-	-	-
Increase in post-retirement benefits liabilities	27	26	-	-
Employer portion of pension fund surplus	(29)	(22)	-	-
Costs relating to acquisition of subsidiaries	-	16	-	16
Share incentive plans	(6)	17	(5)	1
Operating lease equalisation liabilities	(5)	(7)	-	-
Other non-cash items	(5)	(4)	(11)	-
Net cash flows from operations before working capital changes	419	493	(8)	(8)
Working capital changes	(2)	(55)	-	1
(Increase) decrease in inventories	(12)	2	-	-
Decrease in trade and other receivables	11	76	-	-
(Decrease) increase in trade and other payables	(1)	(133)	-	1
Net cash flows from operations	417	438	(8)	(7)
28. INCOME FROM INVESTMENTS				
Cash dividends received from subsidiaries			110	-
Cash dividends received from associates	2	2		
29. ACQUISITION AND DISPOSAL OF INTERESTS IN BUSINESSES, ASSOCIATES AND OTHER INVESTMENTS				
Acquisition of interest in business				
2011				
• UPB Booksellers and Stationers on 1 October 2010				
Intangible assets	-	1	-	-
Goodwill arising on acquisition	-	1	-	-
Total net assets acquired	-	2	-	-
Total consideration		2		-
Settled by:				
Cash	-	(2)	-	-
Net cash outflow arising on acquisition				
Cash consideration paid	-	(2)	-	-

	Group		Company	
	2012 Rm	2011 Rm	**2012 Rm**	2011 Rm
30. ACQUISITION AND DISPOSAL OF SUBSIDIARIES				
30.1 Acquisition of subsidiaries				
2011				
• Hirt and Carter (Proprietary) Limited on 1 November 2010 (100%)				
• Universal Print Group (Proprietary) Limited on 1 November 2010 (100%)				
Net assets acquired				
Property, plant and equipment	-	206		
Intangible assets	-	327		
Net current assets	-	52		
Bank balances, deposits and cash	-	45		
Long-term borrowings	-	(64)		
Non-current liabilities	-	(79)		
Total net assets acquired	-	487		
Minority interests	-	-		
Goodwill arising on acquisition	-	313		
Total consideration	-	800	-	800
Settled by:				
Issue of shares	-	(463)	-	(463)
Cash	-	(337)	-	(337)
	-	(800)	-	(800)
Net cash outflow arising on acquisitions				
Cash consideration paid	-	(337)	-	(337)
Acquisition costs	-	(16)	-	(16)
Net bank balances, deposits and cash acquired	-	45	-	-
	-	(308)	-	(353)

In respect of the subsidiaries acquired in 2011, had the date of acquisition been at the beginning of the year, the group revenue would have been R715 million higher and the profit for the year would have reflected R53 million more.

	Group 2012 Rm	Group 2011 Rm	Company 2012 Rm	Company 2011 Rm
31. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT				
Additions:				
• to maintain operations	160	80	-	-
• to expand operations	2	42	-	-
Total additions (note 12)	162	122	-	-
32. CASH AND CASH EQUIVALENTS				
Bank balances, deposits and cash	590	599	63	1
Bank overdrafts (note 21)	(97)	(70)	-	-
	493	529	63	1
Bank balances, deposits and cash have original maturities of three months or less. The carrying amounts of these assets approximate their fair values.				
Bank overdrafts comprise:				
South African rand	97	70	-	-
Foreign currencies	-	-	-	-
	97	70	-	-
33. CONTINGENT LIABILITIES				
Claims which may result from pending litigation	1	1	-	-

There are no legal proceedings of which the group is aware which may have a material effect on the group's financial position.

	Group		Company	
	2012 Rm	2011 Rm	2012 Rm	2011 Rm
34. CAPITAL EXPENDITURE COMMITMENTS				
Contracted but not provided for	2	14	-	-
Authorised but not yet contracted for	1	150	-	-
	3	164	-	-
In respect of the comparatives, the authorised but not yet contracted for capital expenditure commitments included printing press approval.				
35. LEASE COMMITMENTS				
Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:				
Within one year	178	164	-	-
In the second to fifth years inclusive	390	383	-	-
After five years	258	306	-	-
	826	853	-	-

- Lease payments recognised in profit or loss are reflected in note 4.
- Lease commitments in respect of the renewal of the head office lease are included in the periods beyond one year.
- The lease commitments detailed above do not include turnover rent to the extent that turnover rent exceeds base rent.

36. RETIREMENT BENEFIT PLANS

The group has retirement benefit plans covering substantially all employees. Eligible employees are members of either defined contribution or defined benefit plans administered by the group, or are members of funds associated with industry or employee organisations.

The South African retirement benefit plans are governed by the Pension Funds Act, 1956. The assets of the plans are held separately from those of the group, in funds under the control of trustees. The cost charged to profit or loss represents contributions payable to the plans by the group at rates specified in the rules of each plan (note 4).

Defined contribution plans

The defined contribution plans are designed to provide a lump sum on retirement or a combination of a lump sum and a pension. The benefits are dependent on the investment performance of the plans. Both employees and group companies contribute to the plans on a fixed contribution basis. Apart from contributions paid, the group has no further obligations in respect of these plans.

The Avusa Limited Pension Fund, although it is principally a defined contribution plan, includes an element of defined benefits. Details relating to the fund's defined benefit membership are presented below. Valuations are done at three-year intervals. The last valuation was performed as at 30 June 2010 utilising the following principal actuarial assumptions:

Discount rate	5,0% p.a.
Expected return on plan assets	9,2% p.a.
Future salary increase	6,5% p.a.
Future pension increase	4,5% p.a.
The membership of the fund was:	
In-service defined benefit members	21

36. RETIREMENT BENEFIT PLANS (continued)

The financial condition of the defined benefit element of the fund was:

	Rm
Fair value of plan assets	21
Fair value of plan liabilities	(21)
Fair value of plan surplus	-

The amounts recognised in income are as follows (note 4):

	Group	
	2012 Rm	2011 Rm
Current service cost of in-service defined benefit members	1	1

Defined benefit plan

Avusa's only defined benefit retirement plan, the Johnnic Entertainment Pension Fund, is in liquidation, with the employer's surplus account, which stood st R37 million at year-end (2011: R33 million) recognised as an asset.

	Company	
	2012 Rm	2011 Rm
37. RELATED PARTY TRANSACTIONS		
Directors' remuneration		
Non-executive directors		
Fees for services as directors	4	3
Executive directors	45	8
Salaries	5	5
Bonuses and performance-related payments	6	3
Share incentive gain realised	15	-
Separation package	19	-
Total directors' remuneration	49	11
Paid by subsidiaries	(49)	(8)
	-	3

The remuneration of executive directors is determined by the remuneration, human resources and transformation committee having regard to comparable market information. In the case of non-executive directors, retainers and fees are approved by the shareholders. Further information regarding the remuneration of individual directors is set out in the remuneration, human resources and transformation committee report on pages 110 to 119.

Other related party transactions

- Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.
- Transactions between the group and its associates were concluded at arm's length.
- Key management personnel are defined as members of the company's board of directors.

38. JOINT VENTURES

	2012 %	2011 %
I-Net Bridge (Proprietary) Limited	83,3	83,3
BDFM Publishers (Proprietary) Limited	50,0	50,0
African Business Channel (Proprietary) Limited	50,0	50,0
Northern Titles (Proprietary) Limited	-	50,0

The following amounts are included in the group's financial statements as a result of proportionate consolidation of the joint ventures:

	Rm	Rm
Revenue	297	278
Profit from operations	11	19
Non-current assets	62	51
Current assets	120	128
Non-current liabilities	(27)	(33)
Current liabilities	(76)	(118)
Cash and cash equivalents	60	80
Contingent liabilities and commitments	-	-

39. SHARE-BASED PAYMENTS

During the year, the following were (charged) credited to the statement of comprehensive income	(13)	(18)
Cash-settled incentives	1	(2)
Equity-settled incentives	(14)	(16)
Share-based payments liabilities in respect of cash-settled incentives - current	1	6
Equity: equity-settled share incentive plans	19	22
Total intrinsic value of liabilities in respect of vested share-based incentives	1	6

- The group's share-based incentives include both cash-settled and equity-settled incentives. The cash-settled incentives are fully vested, and comprise the remaining liabilities towards participants in respect of incentives rolled over from ElementOne to Avusa.
- The share-based incentives were valued by Alexander Forbes Financial Services using models which they developed. The models are stochastic models, based on the standard binomial options pricing model (which is mathematically consistent with the Black-Scholes model), but which allow for the particular features of employee share incentives to be realistically modelled.
- Further information on Avusa's share-based incentives is set out in the remuneration, human resources and transformation committee report on pages 110 to 119.

Terms of reference

The work of the human resources, transformation, remuneration and social and ethics committee (the committee) is guided by detailed terms of reference in line with King III and approved by the board. Copies of the committee's terms of reference are available from the company secretary on request.

Given the requirement under the Companies Act 71 of 2008 to establish a social and ethics committee, Avusa incorporated these functions into those of the remuneration, human resources and transformation committee.

The committee confirms that it has conducted its affairs in compliance with its terms of reference, and has discharged its responsibilities accordingly.

The committee is accountable to the board in respect of duties assigned by the board. The committee has an oversight role and makes recommendations to the board.

The committee's responsibilities include:

Human resources and transformation

The committee:

- reviews and recommends to the board for approval the group's transformation strategy, policies and plans
- analyses, monitors and evaluates the company's transformation plans, as approved by the board
- monitors compliance with the Department of Trade and Industry's codes of good practice
- ensures a succession plan is in place for senior management
- ensures there is a succession process for general staff.

Remuneration

The committee:

- oversees the establishment of a remuneration policy that promotes achieving strategic objectives and encourages individual performance
- reviews the outcomes of implementing the remuneration policy to ascertain whether set objectives are met
- determines remuneration packages for executive directors. These decisions are communicated to the board, with sufficient time to allow the board to comment and decide on them before they are communicated to the individuals concerned, and implemented
- considers the evaluation of the performance of the group chief executive officer and other executive directors in determining remuneration
- regularly reviews incentive schemes to ensure they continue to contribute to shareholder value
- recommends remuneration for non-executive directors, based on recommendations from external consultants; these recommendations are then recommended to the board for approval and then recommended to shareholders for approval
- monitors preparation of the committee's report.

Social and ethics issues

The committee monitors the company's activities in relation to social and economic development, including the following:

- good corporate citizenship
- environment, health and public safety
- consumer relationships
- labour and employment.

The committee reviewed the group's human resources activities. Key elements were innovations and collaboration with management across the business units for premier development programmes that focused on projects related to each business unit. Key issues were to improve productivity and find new ways of doing business. Mentors and coaches were appointed and projects chosen were those that would assist the business units.

With the constant improvement of Avusa's demographic profile being a key driver of its transformation process, the committee made enquiries of management regarding its transformation strategy, and carefully reviewed the company's employment equity implementation, together with Avusa's investments in staff training and human capital development.

The committee recommended salary increases and bonuses. The committee also recommended share-based incentive grants after reviewing the related available headroom and targets.

Non-executive directors' fees were reviewed. A recommendation was made to shareholders, and these increases, effective 1 October 2011, were approved at the company's 2011 annual general meeting.

The committee conducted its annual review of the remuneration policy to ensure that it continues to promote the company's business strategy. The committee recommended that grants in terms of the share appreciation right scheme be replaced with increased grants under the long term incentive plan. This recommendation was approved by the board.

An assessment was made of Avusa's compliance with various categories in terms of social and ethics matters. A formal policy on consumer relationships is in the process of being drafted.

Membership

The committee is appointed by the board of directors for each financial year, and comprises a majority of independent non-executive directors. While Mr Mehta is not an independent non-executive director, the board believes that his inclusion on the committee is in the interest of the company.

Executive directors and other senior management attend the committee meetings as invitees, but recuse themselves during discussions on their own remuneration and benefits.

The committee has access to external information and research on market data and trends from independent consultants. PricewaterhouseCoopers was engaged during the year to advise on remuneration-related matters.

Key principles of the remuneration policy

Non-executive directors' remuneration

Non-executive directors' fees comprise annual retainers that are reviewed annually.

Non-executive directors are not eligible to participate in any of the company's share-based incentive plans.

Executive remuneration

Executive remuneration consists of the following components:

Salary and benefits

The guaranteed portion of remuneration comprises salary and benefits. Base salaries reflect the role, job size and responsibility of the executive. Salaries are paid at the median level.

Incentive bonus

Variable remuneration consists of an annual performance bonus linked to a performance rating of financial and operational objectives which are set and agreed at the beginning of the financial year. 60% of the bonus accrues for achieving financial objectives. The incentive bonus is settled in cash. The committee remains satisfied that performance targets are challenging and promote the company's business strategy.

Share-based incentives

The long-term performance component comprises various share-based incentive plans designed to promote a retention strategy and align management and shareholder interests in that performance conditions governing the vesting of scheme instruments are related to earnings.

Shareholders will be invited to approve the key principles of the remuneration policy by means of a non-binding advisory vote to be taken at the company's forthcoming annual general meeting.

Attendance at human resources, transformation, remuneration and social and ethics committee meetings

Name	20 Jun 2011	22 Nov 2011	14 Mar 2012
L M Machaba-Abiodun (chairman)	P	P	P
A Z Jivuho[1]			P
H K Mehta[2]		P	P
R Naidoo[1]			P
D B Ntsebeza[3]	P		
M S M Xayiya[1]			A

P - Present, A - Apologies, [1] Appointed 1 January 2012, [2] Appointed 1 July 2011, [3] Resigned 19 September 2011

Non-executive directors' fees

	From 1 October 2011		To 30 September 2011	
	Chairman R	Other R	Chairman R	Other R
Annual retainers				
Board	858 800	265 400	810 200	250 400
Audit and risk committee	139 300	78 300	131 400	73 900
Human resources, transformation, remuneration and social and ethics committee	106 700	56 600	100 700	53 400
Investment committee	106 700	56 600	100 700	53 400
Nominations committee	106 700	56 600	100 700	53 400
Ad hoc committees	106 700	56 600	100 700	53 400
Fees per meeting				
Additional board and committee meetings held outside the framework of normal meetings	9 450	9 450	8 900	8 900

Director	Directors' fees R000
2012	
M S M Xayiya[1]	667
A D Bonamour[2, 7]	15
C B Cary[3]	224
A N Gillwald[4]	80
B D Hopkins[3, 5]	173
A Z Jivhuho[4]	80
L M Machaba-Abiodun	936
H K Mehta[3]	269
R Naidoo[4]	80
B Ngonyama[3, 6]	80
D B Ntsebeza[6]	526
T R A Oliphant	495
A C Ruiters[4]	87
J H Schindehütte[3]	331
M J Willcox	258
T A Wixley[6]	252
	4 553

[1] Appointed interim chairman 19 September 2011 and chairman 3 October 2011
[2] Appointed 12 March 2012, [3] Appointed 1 July 2011,[4] Appointed 1 January 2012
[5] Resigned 6 February 2012, [6] Resigned 19 September 2011, [7] Fees paid to Blackstar Group

Director	Directors' fees R000
2011	
D B Ntsebeza	1 033
M D Brand[1]	331
Y Z Cuba[2]	319
L M Machaba-Abiodun	373
T R A Oliphant	329
M J Willcox	243
T A Wixley	478
M S M Xayiya	313
	3 419

[1] Resigned 31 December 2010, [2] Resigned 17 January 2011

Executive directors' emoluments

Director	Salary R000	Retirement and medical benefits R000	Other benefits[3] R000	Performance bonus[4] R000	Share incentive gains realised R000	Separation package R000	Total R000
2012							
M W Robertson[1]	1 009	143	35	-	-	-	1 187
H Benatar	1 387	170	60	1 600	401	-	3 618
P C Desai[2]	1 540	189	57	4 800	14 352	19 187	40 125
	3 936	502	152	6 400	14 753	19 187	44 930
2011							
H Benatar	1 309	160	-	700	-	-	2 169
P C Desai	2 849	375	115	2 000	-	-	5 339
	4 158	535	115	2 700	-	-	7 508

[1] Mr Robertson was appointed to the board on 3 October 2011, and received a 15% acting allowance from the date of his appointment as acting group chief executive officer
[2] Mr Desai's fixed-term employment contract, which had an expiry date of 31 March 2013, was terminated by agreement between the company and Mr Desai effective 31 October 2011, [3] Include travel allowance and commuted leave, [4] The performance bonuses are paid annually in arrears, and recognise the executives' areas of responsibility and influence. Objectives are set prior to the beginning of the financial year and a performance assessment is completed after the annual financial results have been audited. The objectives comprise both financial (60%) and non-financial (40%) objectives, and flow from the vision, mission and strategy of the company approved by the board.

Details on executive directors' share incentives are set out on pages 117 to 119.

Avusa Limited share incentive plans

The Avusa Limited share incentive plans include performance conditions set by the human resources, transformation, remuneration and social and ethics committee at the time the incentives are allocated.

The Avusa Limited share incentive plans comprise the following:

Share Appreciation Right Scheme

These incentives qualify, subject to performance conditions, for Avusa shares at the allocation prices. The incentives are accounted for as equity-settled, and vest, subject to meeting the performance conditions, at the end of three-year performance periods that run from 1 April 2009 to 31 March 2012, from 1 April 2010 to 31 March 2013, and from 1 April 2011 to 31 March 2014. The performance conditions are related to earnings before interest and tax (EBIT) relative to budgeted EBIT over the three-year performance period. If performance conditions are not met, retesting is allowed after the fourth year, using a four-year performance period. Similar retesting is allowed after the fifth year using a five-year performance period. If the performance condition is not met after the fifth year, the incentives lapse.

Long Term Incentive Plan

These incentives qualify, subject to performance conditions, for Avusa shares at the allocation prices. The incentives are accounted for as equity-settled, and vest, subject to meeting the performance conditions, at the end of three-year performance periods that run from 1 April 2009 to 31 March 2012, from 1 April 2010 to 31 March 2013, and from 1 April 2011 to 31 March 2014. The performance conditions are related to EBIT relative to budgeted EBIT over the three-year performance period. If performance conditions are not met, the incentives lapse.

Deferred Bonus Plan

These incentives qualify, subject to performance conditions, for Avusa shares at the allocation prices. The incentives are accounted for as equity-settled, and vest, subject to meeting the performance conditions, at the end of three-year performance periods that run from 1 April 2009 to 31 March 2012, from 1 April 2010 to 31 March 2013, and from 1 April 2011 to 31 March 2014. The performance condition is that the recipient remains in the Avusa group's employ for the three-year performance periods.

As the approval of share incentive grants usually takes place while Avusa is in its year-end closed period, the allocation price for the Share Appreciation Right Scheme is the 30-day volume-weighted average price of an Avusa share up to the last day of the year-end closed period or any extended closed period. The allocation prices, in terms of plan rules, for the Long Term Incentive Plan and Deferred Bonus Plan are both nil. Share incentives are only granted once Avusa is out of a closed period or any extended closed period.

The performance conditions for the 2009, 2010 and 2011 grants under the Share Appreciation Right Scheme and Long Term Incentive Plan are detailed below:

EBIT Performance (actual relative to budget)	**Vesting**
90% to < 95%	90%
95% to <100%	95%
100%	100%
>100% to <105%	110%
105% to <110%	120%
110% to <115%	130%
115% to <120%	140%
120%	150%

If the performance condition is achieved at less than a 90% achievement level, then grants under the Share Appreciation Right Scheme may be re-tested at the end of years 4 and 5, while grants under the Long Term Incentive Plan lapse.

The performance conditions of the 2008 grant under the Share Appreciation Right Scheme and Long Term Incentive Plan were reviewed, with EBIT performance falling in the range of 95% to below 100%. Accordingly, 95% of the share appreciation rights granted in terms of the Share Appreciation Right Scheme, and 95% of the conditional awards granted in terms of the Long Term Incentive Plan, vested on 30 June 2011. The 5% of the share appreciation rights and conditional awards granted in 2008 that did not vest, lapsed on 30 June 2011.

The share-based incentives are valued annually by Alexander Forbes Financial Services using its own models. These models are stochastic models, based on the standard binomial options pricing model (mathematically consistent with the Black-Scholes model) but which allow for the particular features of employee share incentives to be realistically modelled. The valuation models include estimates on expected incentive lives, volatilities, dividend yields and risk-free interest rates.

The company is currently limited to 10 382 116 shares in settlement of benefits under its share incentive plans. The maximum number of unvested share incentives granted to any one participant in the Avusa Limited share incentive plans is limited to 1 038 212.

Backdating share incentive grants is not permitted. It is intended that benefits under the share incentive plans will be settled by purchasing Avusa shares on the market. Accordingly, no dilution of shareholders' interests is envisaged.

The following information is provided for the Avusa Limited share incentive plans as at 31 March:

	2012	2011
Maximum number of ordinary shares available for allocation	6 843 196	7 991 136
Number of share incentives granted during the year	(1 556 393)	(1 254 714)
Number of share incentives lapsed during the year	491 986	106 774
Number of ordinary shares still available for allocation	5 778 789	6 843 196

Number of share incentives outstanding at 31 March 2010	2 390 980
Granted	1 254 714
Lapsed	(106 774)
Number of share incentives outstanding at 31 March 2011	3 538 920
Granted	1 556 393
Exercised	(982 709)
Lapsed	(491 986)
Number of share incentives outstanding at 31 March 2012	**3 620 618**

Grant date	Expiry date	Allocation price R	Vesting date	Number of share incentives outstanding
1 July 2008[1]	30 Jun 2015	23,94	30 Jun 2011	518 443
1 July 2008[2]	30 Jun 2011	0,00	30 Jun 2011	351 818
1 July 2008[3]	30 Jun 2011	0,00	30 Jun 2011	55 039
1 July 2009[1]	30 Jun 2016	18,20	30 Jun 2012	781 311
1 July 2009[2]	30 Jun 2012	0,00	30 Jun 2012	530 848
1 July 2009[3]	30 Jun 2012	0,00	30 Jun 2012	67 748
15 September 2010[1]	14 Sep 2017	20,21	14 Sep 2013	707 885
15 September 2010[2]	14 Sep 2013	0,00	14 Sep 2013	476 531
15 September 2010[3]	14 Sep 2013	0,00	14 Sep 2013	49 297
Number of share incentives outstanding at 31 March 2011				3 538 920
1 July 2008[1]	30 Jun 2015	23,94	30 Jun 2011	394 856
1 July 2009[1]	30 Jun 2016	18,20	30 Jun 2012	606 122
1 July 2009[2]	30 Jun 2012	0,00	30 Jun 2012	395 061
1 July 2009[3]	30 Jun 2012	0,00	30 Jun 2012	28 740
15 September 2010[1]	14 Sep 2017	20,21	14 Sep 2013	545 326
15 September 2010[2]	14 Sep 2013	0,00	14 Sep 2013	349 506
15 September 2010[3]	14 Sep 2013	0,00	14 Sep 2013	11 337
15 September 2011[1]	14 Sep 2018	22,77	14 Sep 2014	787 932
15 September 2011[2]	14 Sep 2014	0,00	14 Sep 2014	479 486
15 September 2011[3]	14 Sep 2014	0,00	14 Sep 2014	22 252
Number of share incentives outstanding at 31 March 2012				**3 620 618**

[1] Share Appreciation Right Scheme, [2] Long Term Incentive Plan, [3] Deferred Bonus Plan

Share incentives rolled over from Elementone

The Johnnic Communications Limited share incentive scheme was terminated in March 2008 ahead of the sale and unbundling of the company's operating media and entertainment assets, with Avusa assuming liability for the rolled-over, unexercised share incentives. These incentives were all fully vested on their roll-over from ElementOne, and are accounted for as cash-settled. The incentives granted in 2002, 2003 and 2004 qualified for the value of one Avusa share and one ElementOne share. As at 31 March 2012, apart from 6 460 incentives (2011: 16 830 incentives), the value of the ElementOne shares had been exercised by the incentive holders.

Number of share incentives outstanding at 31 March 2010	267 104
Exercised	(30 762)
Number of share incentives outstanding at 31 March 2011	236 342
Exercised	(197 496)
Number of share incentives outstanding at 31 March 2012	**38 846**

Grant date	Expiry date	Allocation price R	Vesting date	Number of share incentives outstanding
Number of share incentives outstanding at 31 March 2010				267 104
1 May 2002	30 April 2012	0,00	Vested	5 820
1 July 2003	30 June 2013	0,00	Vested	81 816
1 July 2004	30 June 2014	0,00	Vested	148 706
Number of share incentives outstanding at 31 March 2011				236 342
1 July 2003	30 June 2013	0,00	Vested	18 432
1 July 2004	30 June 2014	0,00	Vested	20 414
Number of share incentives outstanding at 31 March 2012				**38 846**

Executive directors' interests in Avusa Limited share incentive plans

Director	Balance of share incentives at 1 April 2011	Number of share incentives granted during the year	Number of share incentives exercised during the year	Number of share incentives lapsed during the year	Balance of share incentives at 31 March 2012	Grant date	Allocation price R	Vesting date	Number of share incentives outstanding
2012									
M W Robertson					209 535				
						1 Jul 2008	23,94	30 Jun 2011	22 510[1]
						1 Jul 2009	18,20	30 Jun 2012	37 401[1]
							0,00	30 Jun 2012	33 246[2]
							0,00	30 Jun 2012	11 239[3]
						15 Sep 2010	20,21	14 Sep 2013	22 104[1]
							0,00	14 Sep 2013	19 648[2]
						15 Sep 2011	22,77	14 Sep 2014	28 567[1]
							0,00	14 Sep 2014	25 393[2]
							0,00	14 Sep 2014	9 427[3]
H Benatar	163 190	64 269	(20 952)	(2 206)	204 301				
						1 Jul 2008	23,94	30 Jun 2011	20 952[1]
						1 Jul 2009	18,20	30 Jun 2012	30 462[1]
							0,00	30 Jun 2012	30 462[2]
						15 Sep 2010	20,21	14 Sep 2013	29 078[1]
							0,00	14 Sep 2013	29 078[2]
						15 Sep 2011	22,77	14 Sep 2014	27 352[1]
							0,00	14 Sep 2014	27 352[2]
							0,00	14 Sep 2014	9 565[3]
P C Desai	541 051	195 740	(684 160)	(52 631)	-				
					413 836				

Director	Balance of share incentives at 1 April 2010	Number of share incentives granted during the year	Number of share incentives exercised during the year	Number of share incentives lapsed during the year	Balance of share incentives at 31 March 2011	Grant date	Allocation price R	Vesting date	Number of share incentives outstanding
2011									
H Benatar	105 034	58 156	-	-	163 190				
						1 Jul 2008	23,94	30 Jun 2011	22 055[1]
							0,00	30 Jun 2011	22 055[2]
						1 Jul 2009	18,20	30 Jun 2012	30 462[1]
							0,00	30 Jun 2012	30 462[2]
						15 Sep 2010	20,21	14 Sep 2013	29 078[1]
							0,00	14 Sep 2013	29 078[2]
P C Desai	337 875	203 176	-	-	541 051				
						1 Jul 2008	23,94	30 Jun 2011	50 125[1]
							0,00	30 Jun 2011	50 125[2]
							0,00	30 Jun 2011	25 541[3]
						1 Jul 2009	18,20	30 Jun 2012	86 538[1]
							0,00	30 Jun 2012	86 538[2]
							0,00	30 Jun 2012	39 008[3]
						15 Sep 2010	20,21	14 Sep 2013	82 608[1]
							0,00	14 Sep 2013	82 608[2]
							0,00	14 Sep 2013	37 960[3]
					704 241				

[1] Share Appreciation Right Scheme, [2] Long Term Incentive Plan, [3] Deferred Bonus Plan

Fair value of share incentives granted	2012 R000	2011 R000
H Benatar	829	683
P C Desai	2 579	2 575
	3 408	3 258
Vesting dates	Sep 2014	Sep 2013

- Fair value is determined by Alexander Forbes Financial Services as described on page 109 of this report.
- The vesting of these share incentives is subject to performance conditions.

	Group	
Share-based payments	2012 Rm	2011 Rm
During the year, the following were (charged) credited to the statement of comprehensive income	(13)	(18)
Cash-settled incentives	1	(2)
Equity-settled incentives	(14)	(16)
Share-based payments liabilities in respect of cash-settled incentives - current	1	6
Equity: equity-settled share incentive plans	19	22
Total intrinsic value of liabilities in respect of vested share-based incentives	1	6

Executive directors' interests in share incentives rolled over from Elementone

Director	Balance of share incentives at 1 April 2011	Number of share incentives exercised during the year	Balance of share incentives at 31 March 2012	Grant date	Allocation price R	Vesting date	Number of share incentives outstanding
2012							
P C Desai	153 948	(153 948)	-				

Director	Balance of share incentives at 1 April 2010	Number of share incentives exercised during the year	Balance of share incentives at 31 March 2011	Grant date	Allocation price R	Vesting date	Number of share incentives outstanding
2011							
P C Desai	153 948	-	153 948				
				1 Jul 2003	0,00	Vested	44 848
				1 Jul 2004	0,00	Vested	109 100

Signed on behalf of the committee by:

Laura Machaba-Abiodun
Chairman

Interests in directly held subsidiaries as at 31 March 2012

Annexure 1

Subsidiary	Principal activity	Country of incorporation
Unlisted		
Avusa Media Limited	Newspaper, magazine, digital and out-of-home publishing, distribution and advertising	South Africa
Avusa Retail Limited	General and academic book retail	South Africa
Avusa Entertainment Limited	Investment holding	South Africa
At Velocity Logistics Limited	Music production and distribution	South Africa
New Holland Publishing (Proprietary) Limited	Book and map publishing and distribution	South Africa
Hirt and Carter (Proprietary) Limited	Retail advertising systems and related database management and development	South Africa
Universal Print Group (Proprietary) Limited	Printing	South Africa
Avusa Management Services (Proprietary) Limited	Management services	South Africa
Advowson Investments (Proprietary) Limited	Investment holding	South Africa
Avusa Africa Mediatainment (Proprietary) Limited	Dormant	South Africa

** Less than R1 million*
[1] Includes R85 million owing by subsidiary of Avusa Media Limited
[2] Fully subordinated

Issued ordinary share capital Rm	Interest in issued ordinary share capital 2012 %	2011 %	Carrying amount Shares 2012 Rm	2011 Rm	Loans 2012 Rm	2011 Rm
*	100	100	194	194	330[1]	261[1]
*	100	100	59	59	66	30
4	100	100	50	98	-	18
13	100	100	-	-	63[2]	167[2]
*	100	100	68	68	1	-
*	100	100	413	413	-	-
*	100	100	387	387	-	-
*	100	100	-	-	(81)	(12)
*	100	100	-	-	152	152
*	100	100	-	-	-	-
			1 171	1 219	531	616

Group interests in associates as at 31 March 2012

Annexure 2

Associate	Principal activity	Country of incorporation	Financial year end
Unlisted			
Airport Bookshop (Proprietary) Limited	Book retail	South Africa	March
Allied Media Distributors (Proprietary) Limited	Distribution of publications	South Africa	December
Allied Publishing Limited	Distribution of publications	South Africa	December
Banner News Agency (Proprietary) Limited	Property investment holding	South Africa	December
Media Host (Proprietary) Limited	Digital content management	South Africa	February
P A Group Media (Proprietary) Limited	Property advertising	South Africa	August
The Newspaper Printing Company	Printing	South Africa	December
Three Groups Cinemas (Proprietary) Limited	Cinemas	South Africa	March
Warner Music Gallo Africa (Proprietary) Limited	Music	South Africa	March

Effective interest		Cost less amount written off		Loans		Share of post-acquisition reserves		Total	
2012 %	2011	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm	**2012 Rm**	2011 Rm
40,0	40,0	**-**	-	**5**	-	**2**	1	**7**	1
30,0	30,0	**-**	-	**-**	-	**3**	2	**3**	2
50,0	50,0	**-**	1	**-**	-	**-**	1	**-**	2
28,6	28,6	**-**	-	**-**	-	**-**	-	**-**	-
25,0	-	**3**	-	**-**	-	**-**	-	**3**	-
39,9	-	**7**	-	**10**	-	**-**	-	**17**	-
35,0	35,0	**-**	-	**24**	24	**-**	-	**24**	24
50,0	50,0	**-**	-	**-**	-	**7**	6	**7**	6
40,0	40,0	**-**	-	**-**	-	**14**	12	**14**	12
		10	1	**39**	24	**26**	22	**75**	47

Group attributable interests in associates

Annexure 3

	2012 Rm	2011 Rm
STATEMENT OF FINANCIAL POSITION		
ASSETS AND LIABILITIES		
Tangible and intangible assets	31	24
Investments and long-term receivables	2	3
Current assets	99	122
Total assets	132	149
Long-term borrowings	30	37
Current liabilities	71	90
Total liabilities	101	127
Attributable net asset value	31	22
Indebtedness	39	24
Other	5	1
Carrying value	75	47
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	70	197
Profit before taxation	8	8
Taxation	(3)	(3)
Profit for the year	5	5

AVUSA LIMITED
Incorporated in the Republic of South Africa
(Registration number: 2008/002461/06)
Share code: AVU
ISIN code: ZAE000115895
(Avusa or the company)

Notice of meeting
Notice is hereby given that the fourth annual general meeting ("meeting") of shareholders of the company will be held in the auditorium, ground floor, 4 Biermann Avenue, Rosebank, Johannesburg on Friday, 21 September 2012 at 10:00.

Participation in the meeting
The record date for the purpose of determining which shareholders of the company are entitled to receive the notice of meeting is Friday, 17 August 2012 and the record date for purposes of determining which shareholders of the company are entitled to participate in and vote at the meeting is Friday 14 September 2012. Accordingly, the last date to trade in order to be registered in the register of members of the company and therefore be eligible to participate in and vote at the meeting is Friday, 7 September 2012.

Attendance and voting
If you are a registered shareholder as at the record date, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached proxy form.

If you are a beneficial shareholder and not a registered shareholder as at the record date:

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your central securities depository participant (CSDP) or broker
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered shareholder of your shares through your CSDP or broker and provide them with your voting instructions
- the attached proxy form must not be completed by you.

All participants at the meeting (including proxies) will be required to provide reasonable satisfactory identification to the chairman of the meeting. Forms of identification include valid identity documents, driver's licenses and passports.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Forms of proxy may also be obtained on request from the company's registered office. It is preferable that the completed forms of proxy be deposited at, posted to or faxed to the company's transfer secretaries at the address below, to be received by them no later than 10:00 on Thursday, 20 September 2012 or handed to the chairman of the annual general meeting (or any adjournment thereof) at any time before the appointed proxy/ies exercise/s any of the relevant shareholder's rights at the meeting (or any adjournment thereof), provided that should a shareholder lodge a form of proxy with the transfer secretaries less than 24 hours before the meeting, such shareholder will also be required to provide a copy of such form of proxy to the chairman of the meeting before the appointed proxy exercises any of such shareholder's rights at the meeting (or any adjournment thereof). Any forms of proxy not lodged by this time must be handed to the chairperson of the meeting immediately prior to the meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the meeting should the shareholder subsequently decide to do so.

Equity securities held by a share trust or scheme will not have their votes at the meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Copies of Avusa's 2012 integrated annual report are available from the company's transfer secretaries or Avusa's website.

Purpose of the meeting
The purpose of the meeting is to:

- present the directors' report and the audited annual financial statements of the company and the group for the year ended 31 March 2012;
- present the audit and risk committee report;
- present the social and ethics committee report;
- consider any matters raised by shareholders; and
- consider, and, if deemed fit, pass, with or without modification, the resolutions set out below.

Ordinary business: To consider, and, if deemed fit, approve the following ordinary resolutions with or without modification.

Explanation: In order to be adopted, all ordinary resolutions require the support of a majority of votes cast by shareholders present or represented by proxy at this meeting.

1. **Ordinary resolution number 1: adoption of annual financial statements**

   "Resolved that:

   The annual financial statements of the company and the group for the year ended 31 March 2012 be and are hereby adopted."

   Explanation: the reason for and effect of ordinary resolution number 1 is to receive and adopt the annual financial statements of the company and the group for the year ended 31 March 2012.

2. **Ordinary resolution number 2: re-election of directors**

   "Resolved that:

   2.1 Ms L M Machaba-Abiodun, who retires by rotation in terms of the memorandum of incorporation ("MOI") of the company, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.2 Mr T R A Oliphant, who retires by rotation in terms of the MOI of the company, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.3 Mr M J Willcox who retires by rotation in terms of the MOI of the company, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.4 Mr M S M Xayiya who retires by rotation in terms of the MOI of the company, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.5 Ms A N Gillwald, who was appointed a director of the company on 1 January 2012, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.6 Ms A Z Jivhuho, who was appointed a director of the company on 1 January 2012, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.7 Mr R Naidoo, who was appointed a director of the company on 1 January 2012, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.8 Mr A C Ruiters, who was appointed a director of the company on 1 January 2012, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   2.9 Mr A D Bonamour, who was appointed a director of the company on 12 March 2012, and who is eligible and available for re-election, be and is hereby re-elected as a director of the company.

   Explanation: Brief biographies of these directors appear on pages 4 and 5 of the integrated annual report.

   The ordinary resolutions numbers 2.1 to 2.9 will be considered by separate votes.

   The reason for this ordinary resolution is that the MOI requires that a third of the company's non-executive directors retire at the meeting. A retiring director, if eligible, may be re-elected. In addition, the MOI requires that non-executive directors appointed during the year retire at the meeting. These retiring directors, if eligible, may also be re-elected.

3. **Ordinary resolution number 3: re-appointment of external auditor**

   "Resolved that:

   Deloitte & Touche, as nominated by the company's audit and risk committee, be and is hereby re-appointed as the independent external auditor of the company until the conclusion of the next meeting. It is noted that Mr J A R Welch is the designated audit partner who will undertake the audit for the financial year ending 31 March 2013."

   Explanation: The reason for this ordinary resolution is that the company, being a listed public company, must appoint an independent auditor and have its annual financial statements audited.

4. **Ordinary resolution number 4: re-election of audit and risk committee members and chairman**

   "Resolved that:

   4.1 The appointment of Mr J H Schindehütte, with effect from

19 September 2011, as chairman of the audit and risk committee be and it is hereby ratified, and Mr J H Schindehütte be and is hereby elected as a member and chairman of the audit and risk committee until the conclusion of the next meeting.

4.2 Ms L M Machaba-Abiodun be and is hereby re-elected as a member of the audit and risk committee until the conclusion of the next meeting.

4.3 Mr T R A Oliphant be and is hereby re-elected as a member of the audit and risk committee until the conclusion of the next meeting.

4.4 The appointment of Mr A C Ruiters, with effect from 1 April 2012, as a member of the audit and risk committee be and it is hereby ratified, and Mr A C Ruiters be and is hereby re-elected as a member of the audit and risk committee until the conclusion of the next meeting."

Explanation: Brief biographies of these independent non-executive directors appear on pages 4 and 5 of the integrated annual report.

The ordinary resolutions numbers 4.1 to 4.4 will be considered by separate votes.

The reason for this ordinary resolution is that at each meeting, a public company must elect an audit and risk committee comprising of at least three members.

Special business: To consider, and, if deemed fit, approve the following special resolutions with or without modification.

Explanation: In order to be adopted, all special resolutions require the support of 75% or more of the votes cast by shareholders present or represented by proxy at this meeting.

5. Special resolution number 1: company and / or subsidiary acquiring the company's shares

"Resolved that:

The company and / or a subsidiary of the company be and is hereby authorised to re-purchase or purchase, as the case may be, ordinary shares issued by the company on such terms and conditions and in such amounts as the directors of the company may decide, but subject always to the provisions of section 48 of the Companies Act, 2008 ("the Act"), the Listings Requirements of the JSE Limited ("JSE Listings Requirements") and the following limitations:

- the re-purchase of securities is implemented through the order book of the JSE trading system, without any prior understanding or arrangement between the company and the counter-party;
- this general authority shall only be valid until the company's next meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- the company is authorised thereto by its MOI;
- the general re-purchase by the company is limited to a maximum of 20% in aggregate of the company's issued share capital in any one financial year;
- any such general repurchases are subject to exchange control regulations and approval at that point in time;
- the general re-purchase by the subsidiaries of the company is limited to a maximum of 10% in aggregate of the company's issued share capital in any one financial year;
- the re-purchase is not made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction was effected;
- the re-purchase does not take place during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a re-purchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in a SENS announcement prior to the commencement of the prohibited period;
- the company publishes an announcement after it or its subsidiaries have cumulatively acquired 3% of the number of ordinary shares in issue at the time that the shareholders' authority for the purchase is granted and for each 3% in aggregate of the initial number acquired thereafter;
- the ordinary share capital and reserves of the company and the group are adequate for ordinary business purposes for a period of twelve months after the date of the general repurchase;
- the available working capital of the company and the group is adequate for ordinary business purposes for a period of twelve months following the date of the repurchase;
- prior to entering the market to proceed with the re-purchase, the company's sponsor has confirmed in writing to the JSE the adequacy of the company's and the group's working capital for the purposes of undertaking a general repurchase of shares;

- the company and the group's assets will be in excess of the liabilities of the company and the group for a period of twelve months after the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the company and the group will be able to repay their debts in the ordinary course of business for a period of twelve months following the date of the repurchase;
- the company appoints only one agent to effect any re-purchases on its behalf; and
- prior to entering the market to proceed with the re-purchase, the board, by resolution authorising the re-purchase, has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Act and reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed re-purchase and that since the test was done there have been no material changes to the financial position of the group."

Additional disclosure requirements in terms of the JSE Listings Requirements

The following additional information, some of which may appear elsewhere in the integrated annual report, of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general re-purchase authority:

- Directors - page 132;
- Major beneficial shareholders - page 61;
- Directors' interests in ordinary shares - page 67; and
- Share capital of the company - page 95.

Litigation statement

The directors of the company, whose names appear on page 132 of the integrated annual report, of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings which are pending or threatened, which may have or have had in the recent past (being the previous twelve months) a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names appear on page 132 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that, to the best of their knowledge and belief, there are no facts which have been omitted that 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 relevant to special resolution number 1.

Material changes

Other than the facts and developments reported on in the integrated 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.

Explanation: The reason for and effect of special resolution number 1 is to give a mandate to the directors to re-purchase or purchase ordinary shares issued by the company.

Statement of board's intention

The directors of the company have no specific intention to effect the provisions of special resolution number 1 but will continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1."

6. Special resolution number 2: approval of non-executive directors' fees

"Resolved that:

The remuneration of the non-executive directors be and is hereby payable with effect from 1 October 2012 as set out below:

Board (annual retainer)	
Chairman	R858 800
Other	R265 400
Audit and risk committee (annual retainer)	
Chairman	R139 300
Other	R78 300
Human resources, transformation, remuneration and social and ethics committee (annual retainer)	
Chairman	R106 700
Other	R56 600
Investment committee (annual retainer)	
Chairman	R106 700
Other	R56 600
Nominations committee (annual retainer)	
Chairman	R106 700
Other	R56 600

Ad hoc committees (annual retainer)

Chairman	R106 700
Other	R56 600

Additional board and committee meetings held outside the framework of normal meetings

Per meeting	R9 450

Additional time spent outside the framework of normal duties

Per hour	R1 200."

Explanation: The reason for and effect of special resolution number 2 is to grant the company the authority to pay fees to its non-executive directors for their services as directors.

7. **Special resolution number 3: financial assistance for subscription for securities**

"Resolved that:

The directors be and are hereby authorised in terms of, and subject to, the provisions of section 44 of the Act to cause the company to provide direct and / or indirect financial assistance by way of loan, guarantee, provision of security or otherwise to any company or corporation which is related or inter-related to the company for the purpose of, or in connection with, the subscription for any option or securities, issued or to be issued by the company or corporation or a related or inter related company or corporation provided that the board is satisfied that, immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as set out in section 4 of the Act, that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and that any conditions or restrictions in respect of the granting of the financial assistance that may be included in the company's MOI have been satisfied."

Explanation: The reason for and effect of special resolution number 3 is to grant the directors of the company the authority to cause the company to provide financial assistance for the subscription for securities issued or to be issued by a company or corporation that is related or inter-related to the company.

8. **Special resolution number 4: financial assistance to related or inter-related company or corporation**

"Resolved that:

The directors be and are hereby authorised in terms of, and subject to, the provisions of section 45 of the Act to cause the company to provide any direct and / or indirect financial assistance to any company or corporation which is related or inter-related to the company provided that the board is satisfied that, immediately after providing the financial assistance, the company will satisfy the solvency and liquidity test as set out in section 4 of the Act, that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company and that any conditions or restrictions in respect of the granting of the financial assistance that may be included in the company's MOI have been satisfied."

Explanation: The reason for and effect of special resolution number 4 is to grant the directors of the company the authority to cause the company to provide financial assistance to a company or corporation that is related or inter-related to the company. It does not authorise the provision of financial assistance to a director or prescribed officer of the company.

9. **Special resolution number 5: new MOI**

"Resolved that:

The existing MOI of the company be and is hereby substituted in its entirety by the new MOI, which has been signed by the chairman of the meeting on the cover page for identification purposes, which MOI will take effect from the date of filing with the Companies and Intellectual Property Commission."

Explanation: The reason for and effect of special resolution number 5 is for the company to have a new MOI in substitution for the company's existing MOI, which new MOI is in compliance with the Act and the JSE Listings Requirements.

A summary of the key changes that have been made in the new MOI proposed for adoption by shareholders is attached as an annexure to this notice of meeting.

The new MOI will lie for inspection at the company's registered office from Wednesday, 22 August 2012 to 10:00 on Friday, 21 September 2012.

10. **Ordinary resolution number 5: authority to sign documentation**

"Resolved that:

Any director of the company or the company secretary be and is hereby authorised to take all actions necessary and sign all documents required to give effect to the abovementioned special resolutions numbers 1, 2, 3, 4 and 5 and ordinary resolutions numbers 1, 2, 3 and 4."

11. Ordinary resolution number 6: non-binding advisory vote on the company's remuneration policy

"Resolved that:

The company's remuneration policy as detailed in the human resources, transformation, remuneration and social and ethics committee report on page 111 be and it is hereby approved and adopted."

12. Report back from the human resources, transformation, remuneration and social and ethics committee on social and ethics matters pertaining to the company

By order of the board

J R Matisonn
Company secretary
22 August 2012

Registered office
4 Biermann Avenue
Rosebank, 2196
Johannesburg

P O Box 1746
Saxonwold, 2132

Transfer secretaries
Computershare Investor
Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001

P O Box 61051
Marshalltown, 2107

Annexure to notice of annual general meeting

Special resolution number 5 proposes the substitution of Avusa's existing MOI with a new MOI.

The company's existing MOI remains in force and effect for a period of two years from 1 May 2011, being the date on which the Companies Act 71 of 2008 came into effect, whereafter, if the company has not adopted a new MOI, any provision of the existing memorandum of incorporation which contravenes or is inconsistent with the Companies Act shall be void.

Accordingly, before 30 April 2013, the company is required to adopt a new MOI that will comply with the Companies Act and the JSE Listings Requirements.

As far as possible, the existing provisions of the existing MOI which are not in conflict with the provisions of the Companies Act have been retained. However, the new MOI also reflects the amendments that are required in terms of the Companies Act and the JSE Listings Requirements.

Below is a summary of the key changes that have been made in the new MOI proposed for adoption by the shareholders.

1. Definitions

   The definitions have been amended to reflect the fundamental changes in terminology used in the Companies Act. For example:

   1.1 the definition of 'beneficial owner' has been amended to include all persons who have a beneficial interest in the company who are registered in the company's securities register;

   1.2 the term 'member' is no longer applicable and has been replaced with 'shareholder;

   1.3 a new definition of 'holder' has been added to denote all securities holders in the company;

   1.4 the definition of 'company payment' has been deleted and replaced with 'distribution' which is a wider concept as defined in the Companies Act;

   1.5 the definition of 'securities' has been amended to reflect the definition in the Companies Act; and

   1.6 the references to 'par' and 'no par' value shares have been amended to reflect the terminology of the Companies Act.

2. Issue of shares and debentures
   The new MOI includes the provision that a shareholders' special resolution shall be required where the company issues securities to directors, prescribed officers, related persons or their nominees.

3. Reduction and alterations of capital
   The alteration of capital must be sanctioned by a special resolution of the shareholders and approval of the directors.

4. Proceedings at general meetings
   The proposed MOI provides that a general meeting may not begin until there are present (or represented) at least three shareholders entitled to vote, and sufficient members entitled to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on a single matter before the general meeting.

5. Proxies
   The validity of proxy appointments has been altered from two months to a period of one year, unless the notice states a shorter period or is revoked, as required in terms of the provisions of the Companies Act dealing with proxy appointments.

6. Interest of directors
   The new MOI has been amended to reflect the provisions of the Companies Act dealing with personal financial interests of directors, and the duty to disclose same.

7. Distribution
   The provisions of the Companies Act dealing with the wider concept of "distributions" introduced by the Companies Act are reflected in the proposed MOI.

8. Indemnity
   The provisions of the Companies Act dealing with the indemnity of directors are included.

Corporate information

Avusa Limited
Incorporated in the Republic of South Africa
Company registration number: 2008/002461/06
JSE share code: AVU
ISIN code: ZAE000115895

Directorate

M S M Xayiya	(Chairman)
M W Robertson*	(Acting group chief executive officer)
H Benatar*	(Chief financial officer)
A D Bonamour	
C B Cary	
A N Gillwald	
A Z Jivhuho	
L M Machaba-Abiodun	
H K Mehta	
R Naidoo	
T R A Oliphant	
A C Ruiters	
J H Schindehütte	(Lead independent director)
M J Willcox	

* Executive

Company secretary and registered office
J R Matisonn
4 Biermann Avenue
Rosebank, 2196
Johannesburg

PO Box 1746
Saxonwold, 2132

Telephone: +27 11 280 3000
Fax: +27 11 280 5099
Internet: www.avusa.co.za

Legal advisers
Werksmans Attorneys
155 5th Street
Sandown, 2196
Sandton

Private Bag X10015
Sandton, 2146

Corporate advisers and sponsor
Rand Merchant Bank
A division of First Rand Bank Limited
1 Merchant Place
cnr Fredman Drive and Rivonia Road
Sandown, 2196
Sandton

PO Box 786273
Sandton, 2146

Transfer Secretaries
Computershare Investor Services
(Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

Share care line
Computershare Investor Services
(Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

PO Box 62212
Marshalltown, 2107

Telephone:
South Africa: 0861 100 917
International: +27 11 870 8224

Auditors
Deloitte & Touche
Deloitte Place
The Woodlands Office Park
20 Woodlands Drive
Woodmead, Sandton

Private Bag X6
Gallo Manor, 2052

Bankers
The Standard Bank of South Africa Limited
7th Floor
Standard Bank Centre
3 Simmonds Street
Johannesburg, 2001

PO Box 61029
Marshalltown, 2107

Shareholders' diary

Financial year-end	31 March
Year-end results announced	June
Annual report posted	August
Annual general meeting held	September
Interim results announced	November

Note: Dates subject to alteration

Form of proxy

(for use by certificated and own-name-registered dematerialised shareholders only)

AVUSA LIMITED (the company)
Incorporated in the Republic of South Africa
Company registration number: 2008/002461/06
JSE share code: AVU
ISIN code: ZAE000115895

For the annual general meeting on Friday, 21 September 2012

A shareholder of the company entitled to attend, speak and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead.

I/We (name/s in block letters) ………

of (address) ………

being (a) shareholder(s) of the company, and entitled to……………….…………..votes,

do hereby appoint…………………………………………………of…………………………………………or failing him/her, the chairman of the meeting, as my / our proxy to represent me / us at the annual general meeting to be held in the auditorium, ground floor, 4 Biermann Avenue, Rosebank, Johannesburg on Friday, 21 September 2012 at 10:00 to vote in favour, against or to abstain from voting on:

	In favour	Against	Abstain
1. Ordinary resolution number 1: adoption of the company and group annual financial statements for the year ended 31 March 2012			
2. Ordinary resolution number 2: re-election, by separate resolutions, of each of the following directors: 2.1 Ms L M Machaba-Abiodun			
2.2 Mr T R A Oliphant			
2.3 Mr M J Willcox			
2.4 Mr M S M Xayiya			
2.5 Ms A N Gillwald			
2.6 Ms A Z Jivhuho			
2.7 Mr R Naidoo			
2.8 Mr A C Ruiters			
2.9 Mr A D Bonamour			
3. Ordinary resolution number 3: re-appointment of external auditor			
4. Ordinary resolution number 4: re-election, by separate resolutions, of the audit and risk committee members and chairman: 4.1 Mr J H Schindehütte (chairman)			
4.2 Ms L M Machaba-Abiodun			
4.3 Mr T R A Oliphant			
4.4 Mr A C Ruiters			
5. Special resolution number 1: company and / or subsidiary acquiring the company's shares			
6. Special resolution number 2: approval of non-executive directors' fees			
7. Special resolution number 3: financial assistance for subscriptions for securities			
8. Special resolution number 4: financial assistance to related or inter-related company or corporation			
9. Special resolution number 5: new memorandum of incorporation			
10. Ordinary resolution number 5: authority to sign documentation			
11. Ordinary resolution number 6: non-binding advisory vote on the company's remuneration policy			

Signed at ……………………………………………………………………on ……………………………………………………………………2012

Signature of shareholder(s) ………

Assisted by (where applicable) ……

Note:

1. Mark with an "X" whichever is applicable. Unless otherwise directed, the proxy will vote as he/she thinks fit.
2. If this proxy form is signed under power of attorney, such power of attorney, unless previously registered with the company, must accompany it, failing which the proxy form cannot be used at the meeting.
3. This proxy form must be signed, dated and returned to reach the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107, no later than 10:00 on Thursday, 20 September 2012, or alternatively any forms of proxy not lodged by this time must be handed to the chairman of the meeting immediately prior to the meeting.

Notes to the form of proxy

1. Section 58 of the Companies Act provides for shareholders to be represented by a proxy. At any time, a shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder. The proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction, except to the extent that the memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.

2. The deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory(ies).

3. Shareholders who have dematerialised their shares and wish to attend the annual general meeting must contact their central securities depository participant (CSDP) or broker who will provide them with the necessary authority to attend the annual general meeting, or they may instruct their CSDP or broker as to how they wish to vote in this regard. This has to be done in terms of the agreement entered into between such shareholder and the CSDP or broker. However, those shareholders who are recorded in the sub-register in electronic format in their own name are entitled to complete the proxy form.

4. If two or more proxies attend the meeting, then the person attending the meeting whose name appears first on the proxy form and whose name is not deleted, will be regarded as the validly appointed proxy.

5. Where there are joint holders of shares, any one shareholder may sign the form of proxy. In the case of joint shareholders, the senior shareholder who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of shareholders.

6. 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 company's transfer secretaries or waived by the chairman of the annual general meeting.

7. The completion and lodging of this form of proxy will not preclude the shareholder who grants this proxy from attending the meeting, and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

AVUSA

Live Inspired

Group structure effective 1 April 2012

Media

- Sunday Times
- The Times
- BusinessDay
- Sowetan
- Sunday World
- The Herald
- Daily Dispatch
- Saturday Dispatch
- Weekend Post
- AVUSA MEDIA Community Newspapers
- FM
- ELLE
- Stuff
- HOMEOWNER
- thehomechannel
- SUMMIT
- IGNITION
- BOO!
- airport media

Retail Solutions

- HIRT & CARTER
- uniprint
- PATON TUPPER
- Collage Litho Quality Printers

Books

- EXCLUSIVE BOOKS
- VAN SCHAIK BOOKSTORE
- STRUIK NATURE
- STRUIK LIFESTYLE
- STRUIK TRAVEL & HERITAGE
- MapStudio
- ZEBRA PRESS
- UMUZI
- SCM
- BOOKSITE AFRIKA
- MEGA DIGITAL
- lovelljohns.com
- RANDOM HOUSE STRUIK

Entertainment

- NuMetro cinemas
- NuMetro home entertainment
- NuMetro films
- POPCORN Cinema Advertising Sales
- Gallo
- CDT CD & DVD
- ochre media
- Learning Channel

Digital

- I-NET BRIDGE
- Junction.co.za Better options. More often.
- AVUSA Media LIVE
- BUSINESS LIVE
- amorphous*

Books (digital)

- EXCLUSIVES.CO.ZA
- mapIT

INTEGRATED
ANNUAL REPORT

2013

Times
Media
Group

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ABOUT **TIMES MEDIA GROUP**

Listed on the Johannesburg Stock Exchange, Times Media Group (TMG) is a media and entertainment company that informs, educates, entertains and connects people. We aim to provide compelling content and creative solutions to enrich lives, helping people to know more, do more and to live inspired. We focus on building internal and external partnerships, investing in quality content delivered via physical and digital channels to best serve our customers' needs. In a continent where economic progress and social reform are critical goals, we believe that concentrating on our core drivers will ensure appropriate investments to best achieve our vision.

HIGHLIGHTS

for the year ended 30 June 2013

R452 million of acquisition finance repaid. Term debt reduced from R1,15 billion to R698 million

Remaining 50% shareholding in BDFM acquired. BDFM integrated into Media division from 1 July 2013

Profit from continuing operations before exceptional items 20% up on prior year

45% increase in net cash flows from operating activities

CORPORATE **ACTIVITY**

During the year under review

- On 25 September 2012, TMG acquired all the shares in Avusa it did not already own.
- The 51% stake in MapIT was sold on 31 May 2013 for R37,5 million.
- The 50% stake in Three Groups Cinemas (Suncoast Cinema) was sold on 31 May 2013 for R18 million, inclusive of a R5-million dividend.
- On 25 June 2013, the remaining 50% of BDFM Publishers was acquired. The acquisition resulted in both BDFM Publishers and I-Net Bridge becoming wholly-owned subsidiaries of TMG.
- On 28 June 2013, the Company's 51% interest in Monte Cinemas was sold for R20 million.

Subsequent to year-end

- On 29 July 2013, the Books division sold its Struik Christian Media publishing business for R10 million.
- On 31 July 2013, TMG's 40% interest in Warner Music Gallo Africa (WMGA) was sold back to WMGA for R12 million, while retaining Needletime rights from the joint venture.
- Hirt and Carter acquired Typesetting and Repro Services on 31 July 2013 in a transaction that is earnings-enhancing and adds critical mass to Hirt & Carter's Gauteng operations.
- The loss of the Trudon contract made Uniprint's Web division unviable, and the decision was made to exit web printing and sell the equipment at the end of August 2013, with Uniprint realising R59 million from the sale. It is anticipated a further R10 million to R15 million will be realised from the sale of the division's spares, stocks and consumables.
- The sale of I-Net Bridge to McGregor BFA for R115 million was agreed in August 2013. The sale is subject to certain suspensive conditions, including Competition Commission approval.
- The sales of Exclusive Books and Van Schaik Bookstore for R90 million and R325 million, respectively, were signed earlier this month. The disposals are subject to the fulfilment of a number of suspensive conditions, normal in transactions of this nature, including approval by the Competition Commission authorities.
- On 12 September 2013, TMG acquired a 32,26% interest in Multimedia Group Limited, a Ghanaian radio and television group, for R144 million.

SEGMENTAL **STRUCTURE**
as at 30 June 2013

Division	Business entity
Media Newspapers, magazines, digital and out-of-home	**Newspapers** ● Sunday Times ● The Times ● Times Media Live ● Sowetan ● Sunday World ● Daily Dispatch ● The Herald ● Times Media community newspapers **Magazines** ● South African Home Owner ● Elle ● Elle Décor ● MIMs and other titles **Digital** ● I-Net Bridge ● Interactive Junction Holdings ● Amorphous **Out-of-home** ● Airport Media ● Boo Media
BDFM Newspaper, magazine and television	**Newspaper** ● Business Day **Magazine** ● Financial Mail **Television** ● Business Day TV and other channels

Division	Business entity
Retail Solutions Retail advertising production systems, related database management and development, and retail printing	• Hirt & Carter • Uniprint • Paton Tupper
Books Book retail, book and map publishing, digital mapping and book logistics	**Book retail** • Exclusive Books • Van Schaik Bookstore **Book and map publishing** • Random House Struik • Struik Christian Media • New Holland Publishers (UK, Australia, New Zealand) • Map Studio **Digital mapping** • MapIT (sold 1 June 2013) **Book logistics** • Booksite Afrika • Mega Digital
Entertainment Film and music	**Film** • Times Media Films (film distribution) • Nu Metro Cinemas (Monte Cinemas sold 28 June 2013) • Times Media Home Entertainment • Popcorn Cinema Advertising **Music** • Gallo Record Company • Gallo Music Publishing **Platform businesses** • Compact Disc Technologies (CDT) • Entertainment Logistics Services (ELS) • Associated Music Distributors (AMD)

DIRECTORATE

KD DLAMINI (45)

BA (Hons) *(Cum laude)* (Natal), MPhil (Oxford)

Independent non-executive chairman

Appointed October 2012

Kuseni is a former chief executive officer of Old Mutual South Africa and Emerging Markets, prior to which he was head of Anglo American South Africa and a member of Anglo American's executive committee. He was executive chairman of Richards Bay Coal Terminal between 2005 and 2008. Kuseni previously worked for De Beers in South Africa and at its London office, and for AngloGold Ashanti's corporate office in Johannesburg. After graduating from Natal University, he went to Oxford as a Rhodes scholar, where he read for his MPhil degree. In 2008, Kuseni was named a Young Global Leader by the World Economic Forum (WEF). In 2010, the WEF appointed him a member of the Global Agenda Council on Economic Growth and Poverty Alleviation. Kuseni is an independent non-executive director of Aspen Pharmacare Holdings.

AD BONAMOUR (42)

BCom

Chief executive officer

Appointed January 2012

Andrew is the founder of Blackstar Group SE and non-executive chairman of Blackstar Group Proprietary Limited. Andrew previously worked at Brait where he held positions in investment banking, principal investment divisions and corporate finance. He serves on the boards of several listed and unlisted companies.

JHW HAWINKELS (61)

BSc (Electrical Engineering), BCom, MBA

Independent non-executive director

Appointed October 2012

Hans is currently advising Sapinda, a German boutique investment bank, on its global investments. He was previously the advisor to a Saudi Arabian Jeddah-based family on private equity investments, mainly oil, gas and petrochemicals. Prior to that, he was chief executive officer of MultiChoice Africa, a Naspers subsidiary, where he launched DStv across South Africa and sub-Saharan Africa. He spent five years in Hong Kong as chief executive officer of MIH, also a Naspers subsidiary, where he concluded numerous pay-TV and internet deals, notably Tencent.

W MARSHALL-SMITH (35)

BCom (Cape Town), PGDA, CA(SA)

Financial director

Appointed May 2012

William qualified as a chartered accountant whilst at Deloitte, and worked in its financial services division in New York, Cape Town and the Isle of Man. He has over 10 years' experience in corporate finance and public and private investing in South Africa. Prior to joining Blackstar in 2005, William was a partner in a boutique corporate finance and principal investing company, with particular focus on public investing and BEE advisory.

HK MEHTA (63)

Diploma in Printing Technology (Leeds), BSc (Industrial Engineering) (University of Wisconsin), MBA (University of Wisconsin)

Non-executive director

Appointed October 2012

Harish was instrumental in the expansion of Uniprint, which was founded over 80 years ago, to 60 times its original size. Uniprint was acquired by Avusa in 2010. Harish is a non-executive director of Spar and Redefine Income Fund. He is executive chairman of Clearwater Capital and a trustee of the Nedbank Eyethu Fund.

R NAIDOO (49)

BSc (Hons), MBA

Independent non-executive director

Appointed October 2012

Ravi is the founder and managing director of Interactive Africa, a media, marketing and project management company established in 1994. Prior to that, he spent three years as an account director at Young & Rubicam where he managed a number of multinational accounts. Ravi project-managed the First African in Space mission, as well as South Africa's bid campaign for the 2010 FIFA World Cup™ and the African Connection Rally. Among other accomplishments, he is well known for establishing the International Design Indaba, which is recognised as one of the world's leading design institutions. Ravi also sits on the jury of the Index Awards in Copenhagen, the world's richest design prize.

MM NHLANHLA (61)

BSc, MA (Library and Information Science)

Independent non-executive director

Appointed June 2013

Manana lectured in information science for 10 years and later joined Thebe Investments to launch its book-publishing business. She served as a non-executive director for various Thebe Investments subsidiaries. Manana played a significant role in a number of major BEE deals, including Batho Bonke, Foskor and Rainbow Chicken. She is currently an executive director of Mion Holdings and a non-executive director of Rainbow Chicken and other unlisted companies.

MSM XAYIYA (52)

BA (Unisa), Cert of Defence Management (Wits), Emerging Market Leadership Program (University of Pennsylvania)

Non-executive director

Appointed October 2012

Mikki is the executive chairman of Mvelaphanda Holdings and Mvelaserve. He is a director of several other companies within the Mvelaphanda Holdings investment portfolio.

MR BASEL (54)

BCompt (Unisa)

Non-executive director

Appointed November 2012

Resigned March 2013

CHIEF **EXECUTIVE OFFICER'S REPORT**

It has been an eventful financial year for TMG. The year has been marked by a corporate restructuring transaction, changes in senior management (including editors of our various publications), changes in the board of directors, as well as a significant cost reduction initiative. It is our view that these changes were necessary to take the business back to basics, and place more focus on those companies and divisions where we can best realise decent returns on capital invested.

As a new management team, we are very focused on maximising investment returns by following a decentralised business model and making sure the underlying operations have the correct cost structure. We are well on our way to achieving these objectives, already witnessing early benefits from the initiatives undertaken in TMG. Clear evidence of this is noted in the additional free cash flow we have generated, allowing us to repay R452 million of acquisition finance over a nine month period. Importantly, this repayment of debt has been made from available cash flow, and not from the proceeds of asset disposals. Most of the asset disposals hadn't been settled by year-end.

During the past financial year, we succeeded in reducing the cost-base across the Group, by identifying synergies between the various divisions that can deliver greater efficiencies. Our objective with the cost reduction exercise was to reduce the excess non-essential expenses, without harming the core operations. We have significantly reduced the costs of Group services and Head Office expenditure and have created a structure for centralised cash management. More than R10 million will be spent in the newsrooms of our various publications, strengthening editorial skills and enhancing the quality of content we deliver. A single Group culture is being created, while still retaining individual company and brand identities.

The financial performance of the Group over the past year was a mixed bag. TMG's total EBITDA for the year ended 30 June 2013 amounted to R496 million. Across the Group we have reduced the cost-base by approximately R100 million.

TMG has made significant progress in disposing of its non-core assets. A number of transactions have already been concluded, whilst others are nearing completion. While there were many highlights during this review period, the stand-out achievement remains the acquisition of the remaining 50% shareholding in BDFM – a transaction we concluded at the end of June 2013.

The detailed commentary that follows has been provided to give shareholders as much colour as possible on the business and the different elements that make up TMG.

DISPOSAL OF NON-CORE ASSETS

As noted at the interim stage, I-Net Bridge, TMG's Books division and Entertainment's cinemas business have been identified as non-core given their business prospects, growth potentials, profit margins, EBIT contributions and cash generation capacities.

With I-Net Bridge's future prospects being dependent on being able to compete in a small proprietary market with major international players, and with I-Net Bridge requiring investment to retain a competitive offering and sustainable growth, TMG is of the view that the purchaser, McGregor BFA, is better placed to position I-Net Bridge for the future.

In addition, the sale of our East London and Port Elizabeth properties is underway.

The Books division comprises good publishing, retail and distribution businesses (including Exclusive Books and Van Schaik Bookstore) and, by year-end, negotiations were well advanced to dispose of these businesses to appropriate new owners while maximising TMG shareholder value.

Similarly, the Entertainment division's Nu Metro Cinemas business lacks the required synergies and returns on investment in a media-focused group such as TMG. TMG is currently negotiating the sale of the Nu Metro Cinemas business.

The Books division sold its 51% interest in MapIT at the end of May 2013 for R37,5 million, and its Struik Christian Media publishing business for R10 million at the end of July 2013. TMG's 50% stakes in each of Three Groups Cinemas (Suncoast Cinema) and Monte Cinemas were sold at the end of May and June 2013, respectively, for a total consideration of R38 million, inclusive of a R5 million dividend received from Suncoast Casinos.

In addition, TMG's 40% share of the Warner Music Gallo Africa joint venture was disposed of in July 2013 for R12 million, while retaining Needletime rights from the joint venture.

FINANCIAL REVIEW

Further reading online:
www.timesmedia.co.za

The year under review included a number of complexities, including accounting for a reverse acquisition, the impact of the change in year-end from March to June, and accounting for discontinued operations.

Financial highlights include our Media division's sterling performance, with operating profit before exceptional items lifted 58% from R108 million to R171 million on the back of stronger adspend, reduced printing costs in Gauteng, and from aggressive overhead cuts.

TMG has also achieved great success in reducing its R1,15 billion term debt (raised in September 2012 to fund the scheme of arrangement) by R452 million to R698 million as at the 30 June 2013 reporting date. R514 million net cash was generated from operations (2012: R392 million) on the back of tight management of working capital.

Operating costs from continuing operations decreased by 3% to R802 million from R829 million in the prior year, indicating the benefits of the Group's focus on costs during the year.

Profit from continuing operations before exceptional items, at R225 million, is 20% ahead of the prior year's R187 million.

The exceptional items are detailed in note 8 of the notes to the annual financial statements. Annual impairment testing indicated goodwill impairments of R33 million, R13 million for Airport Media and R20 million in respect of Interactive Junction Holdings.

The finance costs reflect the impact of the Group's term debt and associated cash flow hedges.

Consequent upon the transfer of TMG's Gauteng printing from TNPC to CTP Caxton, a R25 million impairment of the loan extended to TNPC has been recognised in the share of losses of associates.

TMG recorded headline earnings of 17 cents per ordinary share, a reduction from 33 cents earned last year, largely as a result of the exceptional charges.

CONTINUING OPERATIONS

Our Media division put in an excellent performance for the year, improving its operating profit before exceptional items by 58% from R108 million to R171 million. Media's profitability benefited from improved adspend, reduced printing costs as a result of the transfer of our Gauteng printing from TNPC to CTP Caxton, and from our aggressive targeting of overhead costs. Further commentary is provided below in our detailed review of the Media business.

The JSE's relaxation of its reporting requirements for companies listed on the exchange contributed to BDFM posting an operating loss of R7 million.

The Retail Solutions division's performance was impacted by pressures on margins due to the deteriorating Rand exchange rate, with the resultant cost increases not being able to be fully recovered. In addition, costs associated with the consolidation of the point of sales businesses of Uniprint and Hirt and Carter into a combined point of sales business, and facility relocation costs in Cape Town and Gauteng resulted in once-off costs totalling R7 million.

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

Uniprint's 1 January 2013 loss of the Trudon contract (to print South Africa's white and yellow telephone directories) resulted in a poor performance by Uniprint's Web division for the second half of the year, and the closure of the web printing division at the end of August 2013. Uniprint realised R59 million in August from the sale of Web's plant and machinery, with an additional R10 million to R15 million expected to be realised from the sale of the division's spares, stocks and consumables.

The integration of the Retail Solutions division's back-end processes (including finance and administration, human resources and IT) is well underway and will achieve overhead rationalisations and savings.

The Entertainment division's results from continuing operations exclude those of the cinema business which are reported on under discontinued operations.

The Entertainment division's poor performance recorded operating losses before exceptional items of R34 million.

A number of changes have been implemented to reverse the division's performance going forward. Management has been rationalised, with a full layer having been removed, and strengthened. In addition, staffing has been slimmed down.

The structures of certain of Home Entertainment's studio deals have been improved so as to be better from a TMG perspective. Overheads have been reviewed and consequently cut, with new disciplines and procedures implemented.

DISCONTINUED OPERATIONS

The following operations are reported on as discontinued operations:

Media: I-Net Bridge and the East London and Port Elizabeth properties;

Books: the whole division, including Exclusive Books, Van Schaik Bookstore, New Holland Publishing and MapIT; and

Entertainment: the cinemas business (including Suncoast Cinema and Monte Cinemas) and the Warner Music Gallo Africa joint venture.

The discontinued operations have been identified as non-core given their business prospects, strategic position within the Group, growth potentials, profit margins, EBIT contributions and cash-generating capacities.

The discontinued operations generated a R96-million profit from operations before exceptional items, including R71 million from Van Schaik Bookstore, R12 million from MapIT, R6 million from I-Net Bridge and R2 million from Exclusive Books.

Profit (after capital gains tax) on the disposals of TMG's stakes in MapIT, Suncoast Cinema and Monte Cinemas totalled R47 million.

BUSINESS REVIEW MEDIA

The Media division includes TMG's interests in newspapers, magazines, out of home advertising, Interactive Junction Holdings and Amorphous. Given its impending sale, I-Net Bridge is reported on as a discontinued operation.

The Media division (excluding I-Net Bridge) achieved a turnover of R1,8 billion, with an operating profit of R171 million before exceptional items. Capital invested in the division (excluding I-Net Bridge) was R257 million.

STRATEGY

The South African media landscape is, and will for the foreseeable future be, dominated by television, print and radio mediums.

TMG's media assets reside primarily in print. However, we do own a growing bouquet of television channels, and hold an ambition to expand into radio broadcasting in South Africa and across the continent.

The vast majority of our media revenue is contributed by TMG's eight wholly-owned newspapers. In the new financial year this will increase to include *Business Day* and *Financial Mail*, following the recent acquisition of Pearson's 50% stake in BDFM.

Our newspaper strategy is premised on the belief that editorial excellence is essential for profitability, and that profitability ultimately sustains editorial excellence. The following key principles govern our approach to the publishing of our newspapers, and the integration of our digital news platforms.

1. We will continue to invest significantly in nurturing editorial staff and developing quality content for our newspapers. To enable us to sustain this investment, as well as maintain our position of leadership in key markets, we have in principle adopted a decision to charge for Times Media content, irrespective of the medium or device on which it is consumed. Currently, our newspapers either already offer content behind paywalls, or will soon have them erected.

2. Our target audience falls into the LSM 6-10 category.

3. We are committed to maintaining and growing the core circulation of our titles. We have linked our advertising rates to core circulation, as evidence of our sincere commitment to deliver on this promise.

4. Our target audience demands value for money, and our pricing policies are therefore semi-elastic. Certain niche titles such as *Business Day* can sustain regular price increases, but mass circulation titles like *The Times* and *Sowetan* need to be competitively priced to ensure circulation stability. Our flagship product, the *Sunday Times*, has adopted a dual pricing policy – R16 for the full paper which includes all the lifestyle supplements, versus R9 for the Express edition sold without the supplements.

5. Since there is currently little scope for cover-price increases, initiatives that are geared towards growing advertising revenues are critical to the success of our business. We have set ourselves a goal of increasing our advertising market share by gaining revenue at the expense of our competitors, and from television and radio.

6. At the same time, we have taken an aggressive approach to reduce the cost of sales. This means reducing overheads, securing more cost-effective printing partners, shrinking the management layer, trimming our pre-print staff, while still maintaining a balance that ensures optimal performance.

7. We recognise that digital income is contributed in cents, in smaller increments than the Rands we are accustomed to receiving from print advertising. We have therefore scaled back dramatically on our investment in technology and staff, deciding to focus on the aggregation of popular content already favoured by the users of our free Times Media Live sites. These sites serve as an entry point to our paid-for online newspaper content which will provide long-term sustainability. Some sites like BDLive allow readers a certain amount of free access before charging for additional access to content. Others, like the *Sunday Times*, charge from the outset.

Pursuing the above principles has delivered extremely gratifying results in the year under review.

AUDIENCE

Our commitment to deliver quality editorial content has seen TMG's newspaper and digital audience grow to an impressive 10 972 044 people in 2013 (prior year 10 424 880). Our audience mirrors the South African race demographic – with 78% black, 6% coloured, 5% Indian and 11% white readers.

Our audience represents an extremely attractive target market for advertisers: the average age is 36 years, with 61% falling within LSM 7-10, and earning significantly higher personal and household incomes than the average population.

Our readers are also more educated than the average South African, with 42% having matric qualifications, and 22% being graduates.

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

In terms of their consumption habits:

- 45% have accessed the internet in the past month, significantly higher than the South African norm at 25%;
- 44% have internet access at home;
- 32% have a motor vehicle;
- More than eight in 10 have a bank account;
- 92% have a cell phone; and
- More than half have DStv, compared to 29% of South Africa's total adult population.

CIRCULATION

In the year under review, the core circulation of all our wholly-owned titles has either grown or remained stable. As a result, our share of voice (percentage of total newspapers sold) grew from 22,6% in 2012 to 24,6% in the first quarter of 2013. This continues a long-term growth trend. Five years ago, our share of voice was 21,5%.

In the latest ABC reporting period, *The Times* grew its core circulation from 140 632 copies (Jan – March 2013) to 142 275 copies (April – June 2013) per day. *The Sowetan* increased its core sales to 99 430 (98 259).

During the same review period, the *Sunday Times* increased its core sales to 399 234 copies (399 102) per edition, and the *Sunday World* to 127 659 copies (126 120).

In the Eastern Cape, the *Daily Dispatch* recorded daily sales of 25 836 (compared to 26 596 in the corresponding quarter last year). *The Herald* sold 21 670 copies daily (21 898).

ADVERTISING

According to the industry advertising measure (Adex), TMG's share of the total newspaper advertising market grew from 20% (April 2011 – March 2012) to 23% (April 2012 – March 2013), a 3% gain in one year. Impressively, this growth excludes sales of BDFM titles. Once the BDFM titles are included, TMG's advertising market share grows from 23% to 26%.

The TMG titles, represented by our national sales team under the leadership of Trevor Ormerod, grew their advertising revenue by 10,8% during this period. This figure again does not include the BDFM titles. To put this growth in advertising revenue in perspective, one must realise that in South Africa the total newspaper category grew by only 0,3%, while paid-for newspapers actually declined by 0,9%.

Adex does not include careers advertising, for which TMG is the market leader, nor does it account for discounting. Our market intelligence indicates that we discount less than our competitors.

NEWSPAPER COST OF SALES

- *Gauteng printing*

  The transfer of our Gauteng printing requirements to CTP Caxton was completed in the first quarter of 2013. The full-year savings on the *Sunday Times, The Times, Sowetan* and *Sunday World* totalled R42 million. A further R4-million saving was achieved on *Business Day*. Since printing of the *Sunday Times* main body only moved to CTP Caxton in January 2013, we achieved only a six-month saving on the printing of this section during the financial year.

- *Eastern Cape Printing Press*

  An investment into the automatic inking system at the Port Elizabeth print plant is underway that will result in reduced waste and better quality printing.

OVERHEADS

As outlined above, we have adopted an aggressive approach to reducing overheads. In the year under review, the Media division incurred retrenchment costs amounting to R8 million. These staff cut-backs will however result in annual savings of R18 million going forward. The majority of staff cut-backs were in the support services departments.

The Media division additionally reduced its rental costs by R2 million per year, and operating costs, which included security and cleaning services, were reduced by R3 million per year.

FINANCIAL RESULTS

The EBITDA of our newspaper, magazine and news websites increased by 31% to R188 million in the year under review. TMG's Out of Home business increased its EBITDA contributions by 137%, to R6 million. Our digital businesses, on the other hand, saw their EBITDA contributions fall by 36%, to R19 million.

Overall, TMG's Media division (excluding I-Net Bridge) increased its EBITDA contribution by 23%, to R200 million.

TITLE REPORTS

- *Sunday Times*

  The *Sunday Times* remains our flagship title, attracting the bulk of TMG's media advertising spend. Core circulation remained steady in the period under review, but we expect to show steady growth on the back of several innovations introduced by the new editor, Phylicia Oppelt, who joined after an extremely successful spell at the helm of *The Times*.

  The *Sunday Times* main body has been re-designed to provide more space for news reporting and intelligent analysis. To this end, Oppelt has bolstered her staff with the recruitment of several key writers including Sam Mkokeli from *Business Day*, Gareth van Onselen and Carlos Amato.

  Business Times, now under the leadership of multiple award-winning journalist Rob Rose, has undergone a complete revamp that has been well-received by the market.

  In addition to new hires at the publication, the *Sunday Times* has also been bolstered by the return of former editors Ray Hartley (*Sunday Times* and *The Times*) and Brendan Boyle (*Daily Dispatch*), in senior writing positions.

  A key contributor to the success of the *Sunday Times* in the past 12 months has been the growth of our lifestyle suite of products.

  The *Fashion Weekly* supplement was launched on 1 May this year to complete the lifestyle suite of offerings. It has been enthusiastically received by the market, and forward bookings from retailers indicate that this sector offers real growth opportunities for the *Sunday Times*, despite a challenging economic environment.

  Our more established *Travel Weekly* supplement continues to prosper despite the current economic climate. The supplement relies largely on response-driven advertising, and the fact that our advertising base remains strong reinforces *Sunday Times'* position as the market leader, delivering a captive audience to advertisers whose businesses depend on very tight margins. Going forward, we are looking to enrich our content with more locally-generated copy, versus bought-in editorial content.

  The *Sunday Times Express* edition launched in the first half of 2011 and has enjoyed great success, particularly in the more far-flung, rural areas of South Africa. Copy sales are now averaging in excess of 70 000 per week.

- *The Times*

  The Times has enjoyed another year of stellar growth, easily establishing itself as South Africa's leading quality daily newspaper, with a core circulation in excess of 140 000 copies per day.

  The Times has also increased its EBITDA contribution by more than 15%. Importantly, the title now delivers a double-digit EBITDA margin, positioning it confidently for long-term sustainability.

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

Stephen Haw, who previously headed up the Media division's product development unit, and launched and edited the *Sunday Times Express* edition, has subsequently replaced Phylicia Oppelt as editor of *The Times*.

Haw has strengthened his team with the appointment of industry veteran Mike Moon as head of production, supported by the talented Quincy Tsatsi as head of design. TJ Strijdom has been appointed business editor.

The talented duo of Darrel Bristow-Bovey and Tom Eaton were added to the paper's already strong array of columnists, joining the likes of Justice Malala and Jonathan Jansen.

TMG's new local government and court/legal "centres of excellence" (of which more is described further down) are based in *The Times* newsroom, and will enable the publication to significantly improve its coverage in these two important areas. The local government hub is headed by *The Times'* deputy editor, Dominic Mahlangu. The court/legal hub is headed by Kim Hawkey who has re-joined the Group after a spell as editor of the legal journal, *De Rebus*.

- *Sowetan* and *Sunday World*

  Sowetan and *Sunday World* are aimed at the niche middle-class black African reader, in terms of editorial content and regional distribution. With this focus, particularly on the northern provinces of South Africa, *Sowetan's* EBITDA grew 49% year-on-year.

  - *Sowetan*

    During the previous quarter, *Sowetan's* content and design was revamped with the objective of growing circulation, thereby increasing revenue and profitability in the new financial year. *Sowetan* also appointed Mapula Nkosi as deputy editor, and journalist Lucas Ledwaba (winner of the Standard Bank Sivukile Award for feature writing) as part of the drive to recruit the best journalistic talent in the market, as this remains the backbone of a good publication.

    Sowetan's revamped business and lifestyle sections have been launched and the publication has been re-configured. Community-focus and human interest stories which are unique to *Sowetan* are displacing general political and news items which can be found in other media. This shift serves to differentiate *Sowetan* and make its content more relevant and desirable to its target audience. Front pages, where appropriate, are also regionalised to reflect headline news items specific to audiences in KZN, Cape Town, Limpopo and Gauteng.

  - *Sunday World*

    Sunday World, too, has recruited a new editorial team with former deputy editor of the *Sunday Times*, Marvin Meintjies, taking the reins as editor. Additional appointments include features editor, Babalwa Shota (formerly with *City Press*), pictures editor, Darryl Hammond from the *Sunday Times,* and chief sub-editor, Nidha Narrandes (formerly with *The Star*).

    Sunday World previously held a high circulation based on its show-business style editorial content, which, admittedly, the advertising market did not find attractive to engage with. The editorial style has been adapted over the past year to provide more significant news content, while still maintaining a particular *Sunday World* tone. Meintjies is in direct communication with the advertising and circulation departments, obtaining feedback to appropriately position story content and tonality.

TIMES MEDIA EASTERN CAPE (TMEC)

TMG's Eastern Cape business continues to trade profitably in a tough economic environment. Our main titles, *Daily Dispatch* and *The Herald*, both delivered significant EBITDA growth for the 12 months ended June 2013.

- *Restructuring*

  During the past financial year, the TMEC business has been restructured, resulting in a reduction of nine permanent positions and several contract positions within the business.

  The consolidation of the production hub in the Eastern Cape region has been concluded. All the Eastern Cape titles' page production functions will be performed by this department using shared resources across the titles. The aim is to reduce costs and improve productivity.

- *Circulation*

  This year, the *Daily Dispatch r*ecorded an all-time high sales record for the matric results issue, with almost 100 000 copies being sold. Successful promotions and activations helped build circulation in the region.

  The Herald continues to buck the trend of daily newspapers by growing its readership 8% year-on-year. Its ABC results remain stable against a decline in SA daily newspapers.

  The *Weekend Post* and *Saturday Dispatch* continue to struggle in the tough Saturday newspaper market.

MAGAZINES

TMG's diverse portfolio of magazines maintained its strong performance during the year under review, with *SA Home Owner (SAHO)* and *MIMS* medical publishing performing exceptionally well in a difficult market.

SAHO achieved an EBITDA growth of 25%. *SAHO* also changed distributor from On the Dot to RNA. The magazine's circulation (April 2012 to March 2013) grew by 6% against the comparative period in the previous year. *SA Mining*, which targets the mining industry, and *Khuluma*, the Kulula airline magazine, also performed favourably.

Licensed consumer titles faced stiff competition in advertising and circulation sales and their business models are under review. While TMG did not renew its licence to publish *Stuff,* the company launched a new monthly lifestyle magazine called *Business Class*, aimed at achievers. *Business Class* is distributed nationally to 65 000 *Sunday Times* subscribers in high-LSM metropolitan areas, and has been well-received by readers and advertisers alike. TMG is planning to launch more titles and grow its magazine interests in the coming year.

MIMS achieved on-budget revenues and curtailed expenses, resulting in profit that was a 29% improvement on the corresponding period. The annuals, *OTC* and *MDR*, performed particularly well. A new publication, *Optimag*, created for the optometry industry, was published during the period under review. Two new publications are planned to cover infectious diseases and women's health. The *MIMS* mobile product, *mobiMIMS*, has been developed and will launch soon.

TMG will cease publishing Elle Magazine and Elle Décor in December 2013. Elle and Elle Décor have been loss-making for a number of years, and TMG strategy is to concentrate on developing its own titles rather than international licensed publications.

TIMES MEDIA LIVE (TML)

In the year under review, TML grew revenue by 50%, and reduced overheads by more than 45%. As a result, the business recorded its first ever positive EBITDA contribution.

As at 1 July 2012, TML reported 1,8 million local unique browsers and 28 million impressions. In July 2013, TML reported 2,7 million local unique browsers, and 27 million impressions.

In 2011, TML represented only three websites. By July 2012, TML supported 11 websites, and grew this to 20 websites by July 2013.

TML is now the second largest online publishing network in South Africa, and is also responsible for sales on the five BDFM sites.

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

This network expansion allows TML to offer scale, giving advertisers access to a wider online portfolio, and also provides a wider funnel for collecting user-data and offering other transactions in the near future. A large online network with centralised administration costs creates further profitable cross-marketing opportunities across TMG, delivering unique value to advertising clients, as evidenced by the recent Johnnie Walker campaign which integrates print and online platforms.

The online advertising industry is undergoing constant disruption, but we are building capacity in behavioural trends and direct online advertising to mitigate downward pricing. We are considering new product ranges around content consolidation (eg home, motoring, geographical-based directories) as soon as we complete the integration with BDFM.

BDFM successfully launched its paywall in May 2013 with early success. In July we launched a digital-only subscription which has been positively received.

TIMESLIVE RADIO

With a growing network, vast resources of in-house content, and availability of technical expertise, we have embarked on a strategy of entering the radio broadcast market in South Africa with the launch of TimesLive Radio, an internet radio venture. This small initiative is the start of a broader ambition to own radio assets in South Africa and across the African continent. The radio landscape, as with television, is undergoing significant change and offers fresh opportunities as platforms such as the internet emerge as credible alternatives to traditional broadcast. We would be interested in owning traditional radio assets in South Africa but are hamstrung by stringent cross-media ownership legislation.

Requiring minimal set-up costs, TimesLive Radio was unveiled to the public on 28 June this year, presenting a four-hour show every weekday. The next step is to finalise the commercial models (sponsorship, syndication and advertising) for TMG to utilise in-house journalists to produce content for this new format. (The link is http://bit.ly/10oPW4R).

TIMES MEDIA E-COMMERCE

E-commerce is in its relative infancy in South Africa. The South African market is not yet as sophisticated as those in the US and Europe which have well-developed e-commerce markets. The American consumer is comfortable transacting online, having the benefit of product purchasing via catalogues and home shopping TV channels, for a good number of years already. The South African market may still be many years away from adequate returns on the capital that must be invested into e-commerce strategies.

TMG's strategy in this sphere is not to be the pioneer and spend vast sums in technology, platform and infrastructure development, for no real return. Having said that, e-commerce will be an important pillar for our growth, and we need to be vigilant and involved in the development of the market, using our platforms and brands such as the *Sunday Times.*

TMG has been testing the e-commerce waters using the *Sunday Times Home Weekly* and *Fashion Weekly* content, partnering with one of South Africa's most exciting e-commerce platforms, Citymob.co.za. The partnership has allowed us to access consumer insights that will inform a print to digital e-commerce strategy for future implementation across all our publications. We have been tailoring our print content for adverts and editorial where we direct readers to fun, expertly-curated Citymob.co.za pop-up shops – offering them specials and discounts to incentivise conversion.

Citymob.co.za provides us with analytics that indicate how the synergy between print and digital conversion is performing. Results to date have been positive, returning higher conversion rates than current industry standards.

OTHER DIGITAL PROPERTIES

Includes Amorphous Digital and Interactive Junction.

TMG's digital strategy is centred on ways to monetise our offerings to the growing digital audience, in a sustainable manner.

Advertising-focused businesses such as Interactive Junction continue to play a major role, but a highly competitive market has challenged business models, and margins are under pressure. Interactive Junction is in the process of restructuring internally and remodelling its product-set to leverage competitive advantage.

Our digital businesses are well-positioned for continued growth in the digital arena. Post year-end, Amorphous acquired 50% plus one share of Acceleration Media, providing it with increased national scale in digital media and a strong presence in the growing social media market. The digital agency businesses, with offices in Johannesburg and Cape Town, will increasingly be integrated with our other digital properties (TimesLive) to maximise synergies, increase and improve our product offering and deliver sustainable profitable growth.

OUT OF HOME

Out of Home performed above expectation as the positive effects of installing the new trivision at Johannesburg's OR Tambo International Airport began to deliver results for Airport Media. Ponte Tower continues to be a hugely profitable site for Airport Media.

BOO Media showed strong growth in earnings, benefiting in part from economies of scale as a result of introducing a single management team.

Out of Home produced revenues 18% higher than the previous year, and was a strong 137% ahead at EBITDA, at R6 million.

DISPOSAL OF NON-CORE ASSETS

The sale of non-core assets is underway.

TMG's Media division has accepted an offer for the I-Net Bridge business. I-Net Bridge's future relies on being able to compete in a relatively small, proprietary market with major international players. I-Net Bridge requires investment and a global presence to help retain a competitive offering.

The sale of our East London and Port Elizabeth properties is underway and should be completed by the end of October 2013.

TELEVISION

With the acquisition of the remaining 50% stake in BDFM, we acquired control of African Business Channel (ABC) which operates *Business Day TV*, *The Home Channel* and *Ignition*. ABC was the only profitable element of BDFM.

We have moved ABC directly into our Media division along with our TV production business, Ochre Media, in order to integrate all broadcast related businesses under one umbrella, including movie and music rights. This will provide economies of scale to achieve market share and back-end savings.

Ochre Media produces Scandal for e.tv as well as Takalani Sesame, amongst others.

The opportunities here are to invest in local TV and film production for both local and international consumption. Owing to the launch of DTT, there will be an increased demand for programming and ABC is perfectly placed to participate in this growth. ABC is a low cost producer which allows us to develop programming and channels outside of South Africa. ABC will also work closely with our Films division.

Bringing ABC directly into the Media division allows ABC to add value directly to our existing newspaper and magazine businesses (and *vice versa*) through multi-platform initiatives, especially in the lifestyle and business markets.

- *Business Day TV*

  In October we implemented our daytime TV strategy, focusing on small business, investor education and personal finance, as well as property and motoring.

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

The result was that *Business Day TV* peaked at fifth place across the twelve news and business channels, eclipsing Al Jazeera, and following closely behind BBC. The latest DStv research shows *Business Day TV* has a weekly audience of 247 000 viewers. It is vital for *Business Day TV* to maintain and grow this audience, as TV advertising is strongly motivated by viewership figures.

Commercially, the alignment with *Business Day* has been well-received and we hope to see this enthusiasm flow into our revenue stream. *Business Day* will shortly be offering live video webcasts of corporate results across its digital platforms.

- *The Home Channel*

  The Home Channel has consolidated its space in the lifestyle bouquet. The viewing audience is 1,1 million (according to AMPS 2012) and is comprised predominantly of upper LSM, employed females.

  The Home Channel competes against large international channels and ranks fourth in the bouquet – behind TLC, BBC Lifestyle and Food Network, but ahead of Style, Fashion and Travel. The key differentiators for *The Home Channel* are its priority for local content and its emphasis on show-and-tell formats.

  Revenues were lower than expected, but the sponsorship pipeline is solid, allowing us to increase the roll-out of more local shows. Two new areas are in our sights, based on detailed viewer research – healthy living and talk/advice. With the integration of *The Home Channel* into TMG, new opportunities, both editorial and commercial, are opening up for our Group titles.

  However, for *The Home Channel* to prosper, it needs to increase its viewership and innovate with more flagship programmes and varied show formats.

- *Ignition*

  Ignition appeals to a profitable niche market and has been growing viewership which now stands at 418 000 (AMPS 2012).

  With its repositioning next to SABC1, *Ignition* provides a great opportunity to target a black male audience between the ages of 18 and 35.

INDUSTRY DEVELOPMENTS

TMG participates in ongoing developments with respect to industry bodies such as Print and Digital Media South Africa (PDMSA) and South African Audience Research Foundation (SAARF). Both are at a crossroads in terms of their role and efficacy as industry bodies and require significant change if they are to remain relevant to TMG and the industry as a whole.

PDMSA is in the process of considering changes that could see its role shift to one based on administering the key issue of self-regulation for the industry, and providing print research and advocacy support to members.

SAARF, whose core function is the management of the All Media Products Survey (AMPS), will this year complete a project to determine its future role for the industry.

The Competition Commission probes into the Media industry are ongoing, but are not expected to impact TMG.

LOOKING FORWARD

- *Editorial*

  While we have much to be proud of regarding the progress of our titles in producing unique, quality content, there remains room for improvement.

  Over the past decade, South African newspaper editors have generally been drawn from a pool of political reporters. This has resulted in an increasing bias towards news of political interest, often catering to the political elite at the expense of the more varied interests of readers in our target market. This trend reached its nadir in the run-up to the ANC Mangaung Conference when tens of thousands of column centimetres were devoted to stories leaked by one or other of the competing factions. Very few of the stories were either accurate or insightful, and even fewer were of interest to ordinary citizens. It is therefore no wonder that this period was characterised by an alarming slump in newspaper circulation overall.

Our titles fared better than most, but that is of little consolation for having alienated readers.

Seven of our ten titles acquired new editors in the past year. The new editors were selected specifically for their wider experience in editing news, features, business and sport – as well as politics – coupled with their skills in newspaper production and presentation. They have received strict briefs to produce newspapers that serve the varied interests of our readers.

To ensure that our journalists have the skills required to edit publications and produce compelling content in an increasingly competitive and challenging environment, more than R10 million will be spent this year on training.

A key feature of this training will be the co-ordination of foreign postings for senior journalists, enabling them to broaden their experience and witness first-hand how the world's leading titles are coping with the challenges they will face in coming years.

We are also establishing two journalistic "centres of excellence", with one hub aimed at court and law reporting, and the other hub focused on local government and provincial legislature. These hubs will provide cornerstone training, both formal and experiential, for our graduate interns. The interns will be required to spend substantial periods working in both hubs during their training year.

The hubs will also supply specialist 'beat' expertise and content for our titles. The hubs have mandates for training, mentoring and improving the quality of journalism of specific 'beats' which have been neglected by formal training institutions and media houses alike, over the past decade.

Writing coaches are being contracted to work closely with news desks and with individual writers and reporters for specific periods, on several of our titles. We would like to nurture the talents of our people and relieve the pressure on our news desks in the long term.

Finally, we continue to invest in training sub-editors, particularly black female sub-editors – an area where our transformation efforts have not enjoyed a great deal of success in the past two decades.

TMG's newspaper titles have given notice to the South African Press Association (Sapa) that they will be withdrawing from the partnership with effect from 1 January 2014. Our titles make little or no use of the content provided by Sapa and the several million rand saved by withdrawing from the partnership will be re-invested in the creation of our own unique content.

- *Advertsing*

  Innovation is essential if we wish to increase our advertising appeal while economic growth remains sluggish. To this end we are introducing the following initiatives:

  - *Augmented Reality*

    Image recognition software (specifically for download as applications on mobile devices) that converts static 2-D print advertisements into dynamic, moving and engaging visuals when viewed on the screen of a mobile device (such as a cell phone that is held above the ad) is an exciting area we're developing. This technology provides us with an opportunity to re-invigorate and up-sell print advertisements, and access additional digital advertising revenues. Our first ad went live at the end of July 2013.

  - *Brand Talk*

    A new-look advertorial concept that transposes editorial into controlled advertising content, giving print the opportunity to open up a new advertising revenue source that appeals to clients and advertisers.

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

- *CSI and "greening" initiatives*

  The buzzwords amongst clients needing to showcase their CSI and "greening" initiatives. We will publish regular supplements in TMG titles to access untapped advertising revenues. The first of four Unilever environment supplements ran on 30 June 2013.

- *i-Jobs initiative*

  A link to each recruitment ad that gives readers the opportunity to download a job specification onto their mobile phone and automatically send a CV. This can be priced in at an additional R500 per ad, at the advertiser's discretion. With an average of 22 000 recruitment ads run per year in *Business Time*s, this relatively nominal charge can result in a substantial boost to TMG's career advertising revenue.

- *Innovations in career advertising*

  A number of innovative sponsorship opportunities have been identified in the career advertising section. These initiatives have been taken to market and the response to date has been very positive, which once again will be reflected in additional revenue.

- *The Viral Tribe*

  A social media initiative that will not only add great value to a print advertising campaign, but will also result in increased revenue per campaign. The first campaign was undertaken during July.

- *NRS – direct sales*

  An internationally-based direct-selling training initiative that intensively trains our staff to mass-canvass direct advertisers, and grow the revenue base with succinct package offerings and committed annual contracts.

- *Business Market Packages*

  The re-launch of the highly successful "Own the Business Market" package. This offers advertisers the opportunity to "Own the Business Market" through combination packages of *Business Times, Business Da*y and *Financial Mail*. The new package, however, will now be enhanced with *Business Day TV, BDLive* and numerous other business platforms within the TMG Group.

- *Risk and reward initiatives*

  We are running a number of initiatives for non-traditional advertising clients where advertising is run in "unsold inventory" across TMG's titles. A revenue-share is negotiated on the profits generated from products sold as a result of the advertising.

CIRCULATION DIVISION

Times Media's circulation division continues to invest in the development of its distribution network, primarily in home delivery and informal channels, but also within the retail space.

The Times Media home delivery network is a six-day-a-week service, delivering approximately 59 million newspapers per annum across almost the entire expanse of South Africa. As a result of this reach and the economies of scale, Times Media has become the preferred home delivery service provider for many third-party titles, offering a greater reach at a lower cost than what they would have been able to achieve on their own.

A key focus for the circulation division has been the development of its informal sales network. A large percentage of the South African consumer market does not make regular use of formal retail outlets, yet they represent an important segment for our titles and advertisers. The informal sales network was developed to focus on this traditionally under-serviced market. This network now sells over 27 million newspapers per annum, has created 32 new businesses and over 1 000 new employment opportunities. The challenge now is to move this channel from an investment phase into a business stabilisation phase.

The retail distribution channel remains the largest sales channel for Times Media titles, but is also the channel that has come under the most cost pressures, and requires a review of many of the traditional business practices within the channel. As an example, in the Netherlands there is a move away from physically collecting unsold newspapers from retailers. Currently, the practice in South Africa is to collect all unsold papers from retailers, at a significant cost to TMG, and then send them on to be pulped. The Dutch solution requires retailers to submit their unsold stock at the end of the day via an online portal, and thereafter recycle the paper themselves. Another illustration of innovation from the Dutch market is the agreement on a single newspaper distribution service, servicing all the different media houses. Given the large distances covered, and the inflationary pressures on input costs in South Africa, a similar approach to the Dutch would seem a practical solution.

PRINTING

With the completion of the move of our Gauteng printing to CTP Caxton, the TNPC partnership with Independent that dates back to 1985 has come to an end. This follows the termination of our printing relationship with Independent in Cape Town. The last surviving print relationship with Independent is in Durban. Our contract enables us to review the continuation of the relationship.

DIGITAL

Changing consumption trends in developed markets have resulted in significant revenue shifts. In South Africa, however, print remains a powerful medium and continues to play a central role in the market. Digital consumption continues to grow, and Times Media holds a strong position in the market, but revenues remain subdued. We expect improvements in bandwidth capacity to increase digital accessibility and affordability, and are positioning our newspaper websites as paid content environments. We will continue to drive audience growth in digital.

BDFM

As from 1 July 2013, BDFM has been integrated into TMG's Media division.

BUSINESS DAY AND FINANCIAL MAIL

During the year under review, TMG acquired the remaining 50% stake in BDFM from Pearson Publishers in the UK.

Successful, profitable newspapers rely on economies of scale, and sharing costs across many publications. It is our view that one cannot run a single newspaper on its own, with its own infrastructure and cost base. Circulations are declining whilst costs are increasing. BDFM is evidence of this trend, and by owning 100%, it allows TMG to incorporate the two publications onto our media platform, eliminating cost-duplication and maximising profit. We are cautiously optimistic that we can turn BDFM around over the next twelve months, and progress has already been made in this regard.

The hard reality about BDFM is that the business under-performed from inception to closure, not delivering the 10% EBITDA margin that we expect from our media assets.

The first corrective actions taken during the year under review required the reduction of the Head Office staff from twelve employees to four.

Further restructuring of the business is in progress. This has seen the television assets of BDFM merged with those of TMG to create a single business focused on channel and rights management, as well as programme production.

On the newspaper management side, *Business Day* and *Financial Mail* are now fully integrated into the existing TMG Media division. The same teams that service the *Sunday Times* and *Sowetan* will now provide

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

sales, pre-press, print management, circulation and financial services to the two titles to further reduce an unsustainable cost base. Total staff cost savings that will be realised from the restructure are expected to be approximately R25 million during the 2014 financial year.

Editorial costs, whether measured as a percentage of EBITDA or as a cost per page, are much more expensive than those of our other titles. These need to be reduced, but not at the expense of producing compelling, original content.

In May 2013, we made a decision to cease supplying our online content for free. Since the launch of the paywall in May, BDLive has realised more than 30 000 online registrations and generated revenue in excess of R600 000 through subscriptions. In July 2013, BDFM successfully launched the digital-only version of *Business Day*. Further success will be entirely dependent on continually improving the quality of our business journalism.

RETAIL SOLUTIONS

Retail Solutions comprises Hirt and Carter (H&C) and Uniprint.

Retail Solutions delivered a turnover of R1,274 billion and an operating profit of R132 million before exceptional items. Capital invested in the division was R1,072 billion.

Significant progress has been made in integrating the shared services and support functions across H&C and Uniprint. We expect this integration to deliver cost-savings benefits to both businesses by driving greater operational efficiencies. The strategy is to set up a single backbone from which the two separate brands and operating divisions can be supported.

The point of sale (POS) operations of Uniprint and H&C were consolidated during the financial year, maximising throughput and allowing the division to exploit the advantage of critical mass in the market. The consolidation and subsequent restructuring of POS resulted in abnormal costs of R4 million being incurred during the year.

Both H&C and Uniprint generate strong cash flows for the Group.

HIRT AND CARTER

H&C is a unique business with powerful brand positioning in the market. H&C aims to be the partner of choice for marketers and advertisers looking to sell products into the sub-Saharan consumer market. H&C's primary medium of choice for communication is print, which is where the bulk of its investment currently sits.

H&C wrote and developed South Africa's first integrated workflow control system for retailers, and remains at the forefront in providing software solutions to the retail and FMCG market. Being at the cutting edge of every major technological advance in the pre-media and digital printing industry in South Africa, H&C provides turnkey, innovative media solutions to the marketing, advertising and general communications industry.

As part of H&C's comprehensive service offering to the retail market, SKUWorks maintains the largest national product library for FMCG manufacturers and retailers alike.

Using a combination of leading technology and customised software solutions, H&C delivers a differentiated solution to leading marketers. The seamless integrated solution alleviates the need to focus on process, and rather allows our customers to get their message to market quicker and in the most cost effective manner.

Turnover for H&C grew by 10% on a normalised basis after stripping out the effect of the POS integration. This was largely driven by a 9% growth of our core retail customers and a 6% growth of our customers in the food and beverage sector. Commercial print remained flat year on year. Internalisation from TMG contributed to the balance of achieved growth.

While turnover increased, there was pressure on margins as a result of a deteriorating exchange rate. The consequential cost increases could not be fully recovered, and resulted in a 3% margin decrease when compared to the prior year. Margins are expected to remain under pressure in the year ahead, and extensive work is in process to mitigate the effects of this pressure.

Operating costs as a percentage of turnover increased slightly from 23,5% to 23,6%. However, stripping out exceptional items arising as a result of restructuring and relocation of operations would reduce this to 22,7%. The Retail Solutions back-end integration will continue to deliver overhead cost savings and drive efficiencies.

At an EBITDA level, H&C saw an 8% reduction compared to the previous year. Abnormal costs accounted for R7 million; when these are included they reflect a flat normalised EBITDA year on year.

Key highlights include:

- *Regional hubs*

  During the year under review, H&C relocated both its Cape Town and Gauteng facilities into new locations. The new facilities are able to offer clients in those centres a greater product range, led by the continued investment in the latest digital print technology. Due to the increasing cost of logistics, it makes sense to be closer to clients. The effect of the relocations on the earnings for the year resulted in once-off costs of R3 million.

- *Acquisitions*

  In addition to ensuring that our national footprint is designed around our clients' needs, we are pursuing niche acquisitions that will bolster earnings and assist in delivering innovative solutions for our client base.

  Effective 31 July 2013, we concluded the first of these, an acquisition for H&C of Typesetting and Repro Services for a maximum purchase price of R10,5 million net of cash. The transaction is earnings enhancing for H&C and adds critical mass to its Gauteng operations. The transaction is structured such that we pay R3,5 million on conclusion of the transaction with 50% of the remaining purchase price payable after 12 months . The other 50% is payable after 24 months subject to the achievement of performance criteria.

- *Technology*

  In December 2012, H&C took delivery of a large-format digital flatbed from Hewlet-Packard (HP). The flatbed has enabled H&C to deliver unique messaging solutions for its clients, and will further drive the transition from analogue to digital printing. As the market drives towards personalised and differentiated messages to consumers, H&C will be able to deliver innovative solutions as a result of its investment in technology. The digital flatbed is the highest producing flatbed in the Emerging Markets Europe and Africa (EMEA) region, which indicates how quickly customers have taken advantage of the technology.

  In addition to the digital investment across the country, substantial capex has also been channelled into H&C's conventional litho print offering.

  H&C will continue to remain at the forefront of technology that supports its key customers and delivers innovation to the market.

- *Software*

  As a core focus of its business, H&C continues to invest in its software development division. Throughout the year, extensive investment in the latest technology and processes has resulted in a complete redevelopment of its core products. H&C has integrated and partnered with various leading international software companies to further enhance its ability to provide clients with cutting edge software solutions.

The outlook for the year ahead points to a tough trading environment. The effect of the exchange rate on input costs will require careful management. A reduction in

CHIEF **EXECUTIVE OFFICER'S REPORT**

(CONTINUED)

overhead costs through the consolidation of support services at a Retail Solutions level should assist in lowering the cost base of the business.

The investment in technology and software solutions will continue to drive opportunity in the market for H&C. The ability of marketers to lower their production costs by utilising the unique technology and solutions offered by H&C should provide some growth during the year. The enhanced software platform will deliver solutions that continue to differentiate the H&C business in an extremely competitive environment.

UNIPRINT

Uniprint was founded in 1926 and is one of South Africa's most successful empowerment companies, having grown and developed throughout the apartheid years. Uniprint operates primarily in business forms (from conventional computer stationery to large volume mailings) and labels (including self-adhesive labels, unsupported labels and wet glue labels). Until August 2013, Uniprint also operated a web printing division.

Uniprint experienced a year in which several operational changes were undertaken amidst the tough economic conditions prevailing in South Africa. The division has also suffered as a result of margin squeeze due to the depreciation of the Rand.

Uniprint achieved a turnover of R592 million during the year under review with an operating profit of R50 million before exceptional items and IFRS 3 amortisation charges.

Uniprint was unsuccessful in renewing the contract with Trudon, as from January 2013, to print the South African white and yellow telephone directories. As a result, the current year's figures are not comparable to those of the previous year. However, the 2014 outlook for Uniprint is optimistic on a number of fronts.

Uniprint began the year with the following divisions in operation:

- POP and Packaging division;
- Labels division;
- Forms and Direct Mail division; and
- Web Printing division.

During the course of the year, the POP division was integrated into H&C's operations and the Packaging division was integrated into the Labels division.

The integrated Labels and Packaging division has secured a five-year multi-million rand contract to produce digitally-printed labels for a premium brand. This contract has allowed the division to install leading edge digital printing equipment, placing it in prime position to offer the South African market a unique variety of labelling solutions. This, in turn, offers significant benefit to brand campaigns designed by the H&C division, where label production can dovetail with the production of supportive point-of-sale materials. Retail Solutions, through H&C, is already the largest supplier of digital print in Africa, and this development further cements its position as a leader in this fast-growing market.

The Forms and Direct Mail division is expected to increase its market share despite tough trading conditions, and has recently secured a three-year R75-million contract with the public sector.

Although the Web Printing division struggled to replace the lost Trudon business, both the Labels and Packaging, and Forms and Direct Mail divisions expect to grow their bottom line and meet budgets.

Uniprint has also successfully landed a R20-million contract to supply election material to an African country and is confident of securing similar contracts in Africa for election material – bearing in mind that in 2013 Uniprint was unsuccessful in the African export market.

The integration of the finance and administration, human resources and IT functions of Uniprint and H&C will bring about further savings that will benefit Retail

Solutions. Uniprint is well positioned, and we are looking for selective acquisitions that can augment Uniprint's existing offering.

The loss of the Trudon contract essentially made the Web Printing division unviable and the decision was made to exit web printing and sell the equipment at the end of August 2013. Web printing is a highly competitive segment in the market that is dominated by CTP Caxton and Paarl Media. Uniprint's Web division simply could not compete on price or technology, and the returns generated by Web did not justify further investment. Uniprint realised R59 million from the sale of the Web division's plant and machinery, and it is anticipated a further R10 million to R15 million will be realised from the sale of the division's spares, stocks and consumables.

BOOKS

The Books division delivered a turnover of R1,584 billion and an operating profit of R92 million before exceptional items. Capital invested in the division was R347 million.

At year end, the Books division consisted of book retail (Exclusive Books and Van Schaik Bookstore), book and map publishing (Random House Struik, Struik Christian Media, New Holland Publishers and Map Studio) and book logistics (Booksite Afrika and Mega Digital). The digital mapping business, MapIT, was sold for R37,5 million at the end of May 2013.

In March 2013, TMG announced its intention to exit non-core assets which included the Books businesses. Struik Christian Media was sold for R10 million at the end of July 2013. TMG is currently in negotiations with a number of potential bidders for the remaining books businesses.

The Books division's results are reported on under discontinued operations.

Turnover for the Books division increased by 4,5% over the prior year. This was achieved primarily from strong growth in the academic book retail business due to growth in outlying university stores as well as continued growth in the sale of non-book product. The book publishing business also achieved good turnover growth due to a strong publishing list that included the *50 Shades* trilogy.

Non-cash adjustments were made to the carrying value of certain inventory (impacts gross profit) and tangible and intangible assets (impacts depreciation and amortisation) which have had a negative impact on the results for the year. Gross profit margins after the effect of the non-cash adjustments to inventory decreased slightly. Operating expenses were well maintained, coming in at 1,3% below the prior year. EBITDA increased by 8% (before the stock adjustments) due to the improved sales levels and lower operating costs. Similarly, EBIT was impacted by the asset impairments. During the year, the R15 million carrying value of the online asset, Exclusives.co.za, was fully impaired.

ENTERTAINMENT

During the year, the Entertainment division comprised Nu Metro Cinemas, Times Media Films, Gallo Record Company and Gallo Music Publishing, Times Media Home Entertainment, the Gallo Warner joint venture, Compact Disc Technologies (CDT), Entertainment Logistics Services (ELS) and Associated Musical Distributors (AMD).

The Entertainment division delivered a turnover of R1,062 billion (R648 million from continuing operations and R414 million from discontinued operations), with an operating loss of R34 million before exceptional items (R31 million from continuing operations and R3 million from discontinued operations). Capital invested in the division was R123 million (R43 million from continuing operations and R80 million from discontinued operations).

The Entertainment division has been a problem-child within TMG, and over the last few years a significant amount of money has been lost while the division absorbed capital from the Group without delivering returns. This past year was no exception. The division lacks appropriate scale and has been neglected through weak management. We have removed a management layer in the division, and it now reports directly to Head

CHIEF **EXECUTIVE OFFICER'S REPORT**

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Office. We have slimmed down the overall staffing to the correct levels. Some of these businesses have been badly managed whilst others have performed very well and are unique.

During the period under review, we sold certain assets in Entertainment, namely our 50% interest in both Monte Cinemas and Suncoast Cinema (Three Groups Cinemas) for a total consideration of R38 million inclusive of a R5 million dividend received from Suncoast Cinemas. In addition, in July 2013, TMG disposed of its 40% shareholding in the Warner Music Gallo Africa joint venture realising R12 million whilst retaining our rights to Needletime from the joint venture. The joint venture has not worked for either party and it has struggled to make money.

TIMES MEDIA HOME ENTERTAINMENT

This business delivered a turnover of R272 million, but reported an operating loss of R52 million.

The core of the Home Entertainment business is the acquisition and retention of studio licences, and the marketing and sale of studio content to the correct geographical location across the South African retail trade.

Most of the losses in the Entertainment division were as a result of issues in Home Entertainment. The structure of some of the deals concluded with the studios was not optimal from a TMG perspective and the losses were a result of these onerous contracts and stock build-up. Home Entertainment is a sunset business, which makes it difficult to sell. Home Entertainment remains the dominant player in the market, with over 50% market share and continues to represent the major Hollywood studios, along with top independent licences. Trading has been very challenging, particularly in the rental market.

We wrote off Home Entertainment stock which should have been written off prior to our involvement. We have identified the issues with Home Entertainment and hope to turn it around in the coming year.

Following the installation of new management at Home Entertainment, overheads have been reduced and better controls, disciplines and procedures have been implemented, and we have relooked key supplier costs and operational efficiencies as well. Home Entertainment will be working a lot closer with CDT in order to maximise benefits throughout the supply chain.

ENTERTAINMENT PLATFORM BUSINESSES CDT/AMD/ELS (CDT)

CDT delivered a turnover of R188 million, and an operating profit of R16 million.

CDT has approximately 70% market share in South Africa in the manufacture and distribution of DVDs and CDs. CDT is a sunset business with a finite lifespan and it has been run as such. CDT's lifespan is linked to Home Entertainment to an extent. CDT has had a remarkable turnaround over the past year, increasing profit from R9 million to R16 million. This is as a result of the implementation of a turnaround strategy where key customers were acquired in the market. The cost base was scaled down dramatically, consolidating service departments and removing excess management structures. Innovative campaigns were launched where Group structures were utilised to distribute content via the *Sunday Times* platform. An industry-record order was processed on the release of Justin Bieber's CD, distributed via non-traditional channels.

CDT owns its property in Bedfordview, Johannesburg worth approximately R65 million.

GALLO RECORD COMPANY (GRC) AND GALLO MUSIC PUBLISHING (GMP)

These businesses delivered a turnover of R43 million, but reported an operating loss of R14 million.

Losses were incurred as a result of the settlement of outstanding litigation, releasing artists, and retrenchments.

In July 2013, TMG sold its 40% share in the Warner Music Gallo Africa joint venture for R12 million.

TMG will retain ownership of both GRC and GMP.

- *GRC*

  GRC has been trading since 1926. GRC is the largest and oldest independent record label in South Africa. TMG's strategy with GRC is to concentrate on catalogue and music licence deals. GRC will no longer take on new signings. We also released the artists who were under contract to GRC. Staffing levels have been reduced to better reflect the size of GRC.

  GRC is rich in terms of content and history and has over 200 000 songs on master tape, and is in the process of re-issuing relevant archive material for both digital and physical distribution. GRC is now a content, catalogue-driven record company and is home to some of the biggest names in South African music history including multi-platinum selling Lucky Dube, Stimela, Mango Groove, The Soul Brothers, Gé Korsten, Sipho Hotstix Mabuse and Ladysmith Black Mambazo, to name some. GRC is also home to the biggest traditional Maskandi and Zulu catalogue, with international artists under licence.

  With the termination of the Warner Music joint venture, GRC can now exploit its local content internationally, which it could not do under the terms of the joint venture. This will open up new markets and territories.

  GRC recently signed with Content Connect Africa (CCA). CCA will service the industry through mobile platforms as a first phase, with continued delivery of additional archive material from the extensive Gallo music archive. In addition to the mobile deal with CCA, GRC has signed a direct digital deal via INgrooves (an international digital aggregator) feeding into iTunes, Vimeo and all streaming partners worldwide.

  TMG also intends to use the content it owns and controls, such as music, on its various Group platforms and do more to commercially exploit and market the owned content within the Group.

- *GMP*

  GMP is responsible for ensuring songwriters and composers (who are not necessarily the performers of musical works) receive payment when their compositions are used commercially. Composers assign the copyright to GMP, and in return GMP licenses compositions, helps monitor where compositions are used, collects royalties and distributes them to the composers. GMP also secures commissions for music and promotes existing composition by recording artists for film and television.

  GMP has 6 000 Gallo composers, 28 000 South African compositions, 14 000 licensed local works – a heritage of South African music. GMP also controls Warner Chappell's catalogue of more than one million compositions throughout Africa, and represents Disney's vast film and music catalogue, Spirit Music, and other boutique publishers like Bicycle Music, Jack Russell, Pig Factory and Blue Water Music among others. Our latest investment is into production music, with 22 000 works in the Chicago Music Library catalogue, collated by the founders of the Hollywood Film Library.

  GMP has signed two sub-publishing agreements over the past six months to administer two major aggregators of composers based in Nigeria, Kenya and Ghana.

NEEDLETIME

There is significant revenue expected from Needletime royalties which have not been paid to the record industry since this right was reintroduced in the copyright legislation in 2002. Lack of payment has been due to inadequately drafted provisions of the Copyright Act which have resulted in various disputes and legal cases. Until the cases are resolved, a large portion of the Needletime royalties will not be collected from the broadcasters who are the largest users of recordings.

CHIEF **EXECUTIVE OFFICER'S REPORT**

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It is estimated that R560 million was payable by broadcasters for the period 2002 to December 2012. Collections from other users, mainly retailers, of approximately R50 million, have been received by the music industry body SAMPRA, which is in the process of distributing R39 million, after deductions of legal and other expenses. Of this sum, based on average market share, Gallo can expect approximately 3% – 4% of the Needletime pool and a further 40% of WMGA's Needletime share, estimated at 8% – 10% of the Needletime pool.

NU METRO CINEMAS

This business delivered a turnover of R414 million, but reported an operating loss of R3 million before exceptional items.

Nu Metro Cinemas continues its positive turnaround with a full-year EBITDA of R15 million, and growth of 150% on the prior year. With the 2012 closure of four unprofitable sites that were committed to onerous leases, Nu Metro Cinemas re-based with the opening of cinemas at Woodlands and Key West, thereby positioning the business for significant future growth. Total turnover (box office and confectionery sales) also increased by 6%, driven by record box office sales from Skyfall (James Bond), Twilight: Breaking Dawn, Iron Man 3 and Fast and the Furious 6. 2014 will see another strong growth year for Nu Metro Cinemas with the full conversion to digital projectors scheduled for completion by December. This technology upgrade is expected to significantly advance the business. Nu Metro Cinemas' new management team will continue with its aggressive turnaround strategy to improve operational efficiencies, enhance profit margins, and grow cinema attendance.

Nu Metro Cinemas' results are reported on under discontinued operations.

TMG is currently in a formal process to sell Nu Metro Cinemas. This asset was identified as non-core to the Group and we have made significant progress in realising fair value for the asset in the sale.

TIMES MEDIA FILMS

This business delivered a turnover of R174 million, and an operating profit of R13 million.

Times Media Films distributes theatrical content into Africa, particularly into East and West Africa.

A significant amount of content from international film markets and independent local producers is acquired by Times Media Films. Some of the international content includes the Twilight Saga, The Hunger Games and the Step Up franchise. All rights are acquired for exploitation in cinema, home entertainment, video on demand, pay-TV and free-TV. These acquisitions amount to Times Media Films sealing 40 to 50 film deals per annum, amassing a substantial library of films that are licensed for periods of 10 to 15 years.

Times Media Films represents 20th Century Fox, Warner Bros Pictures International and numerous international independent producers and studios for the theatrical platform. Times Media Films delivered the top performing film at the box office during 2012, namely the final instalment of the Twilight Saga, Breaking Dawn, which raked in R41 million at the cinemas. Times Media Films ended the 12-month period to June 2013 with a 40% market share, and held the top position as South African theatrical distributor for a sixth year in a row. Times Media Films also boasts seven of the top ten film releases for that period.

In the last 18 months, Times Media Films capitalised on the boon of digital platforms available to South Africans, including video on demand, DStv's BoxOffice also launching on iTunes. Times Media Films continues to be vigilant of new digital opportunities for its independently acquired content.

Times Media Films' relationships with all the key television operators in South Africa has allowed the business to benefit from pay-TV and free-TV rights, becoming a consistent supplier of content to the television platform. This has added to the success of Times Media Films during FY2013.

Times Media Films is looking towards strong theatrical content from both studio and independent producers in FY2014. This includes securing rights for franchise films from 20th Century Fox (Wolverine, Rio 2), DreamWorks Animation and Pictures International (Hangover 3, Man of Steel, 300: Rise of an Empire, The Hobbit (parts 2 and 3), Lego 3D), and Warner Bros Pictures which is anticipating a record-breaking year. Key independent sequel releases for FY2014 include Red 2, The Hunger Games: Catching Fire, as well as the much anticipated Rush: Need for Speed, and Walking with Dinosaurs (3D).

Times Media Films has extended its independent content slate by concluding an output deal with DreamWorks Studios for a two-year period. This deal provides Times Media Films with full rights to continue its successful distribution of content across numerous platforms in South Africa, and throughout the continent.

The relationship with local producers similarly continues to develop (as does the quality and commercial appeal of local productions), allowing Times Media Films to strengthen its local catalogue of films.

Times Media Films is core to TMG.

GROUP CONTENT

TMG has interests in various content-rich businesses that historically operated in different divisions. In order to realise maximum benefit from these businesses from a growth and cost perspective, we have clustered them under a single management structure. The grouping will include our TV channel and production businesses, our remaining film and music businesses, our rich archives of music, film and photographic image content, as well as our digital assets. We are busy collating photographic images throughout the Group (H&C also has a vast library of photographic material) with a view to create a TMG image bank for commercial exploitation.

Our objective is to grow these businesses in their core markets, and monetise content we own, generate and license, across the multiple platforms within the Group. The division, currently housed within Media, will be responsible for delivering our strategy of growing in TV and radio broadcast markets in South Africa and across the continent.

TRANSFORMATION

Much has been reported about transformation in the media industry. I believe this is the right forum for TMG to set the facts straight with regard to our own transformation, and our commitment to it.

TMG judges itself by the law of the land which, in the case of transformation, is the B-BBEE Act. TMG's commitment goes beyond the requirements of the B-BBEE Act. We also believe in shaping our business and our products to be relevant to the society we serve. TMG was the first broad-based transformative empowerment deal in the media sector where the National Empowerment Consortium acquired 35% and management control of TMG in 1996.

Current black ownership of TMG at a scorecard level stands at 55,6% with 13,4% being black females. While there are fluctuations with this number, it is to be expected of a listed company, and a decline in black ownership is the direct result of BEE shareholders realising their investments as every investor is allowed to do.

Our ranking in terms of the B-BBEE Codes of Good Practice is presently Level 4 with a procurement recognition level of 100%, but with the disposal of the Books division, which trails our other divisions in terms of transformation, it should improve to Level 3.

Within the business, our commitment to transformation is extensive, and in most areas we stand out from the industry:

CHIEF **EXECUTIVE OFFICER'S REPORT**

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- The managing directors of the two divisions that will remain in TMG (Media and Retail Solutions) are both black.
- The publishers of nine of our ten national and regional newspapers (*Sunday Times, Sowetan, Sunday World, Business Day, Financial Mail, The Herald, Weekend Post, Daily Dispatch* and *Saturday Dispatch*) are black. The publishers of our remaining national newspapers, and our five local newspapers, are both women.
- The editors of seven of the ten national and regional newspapers (*Sunday Times, Sowetan, Sunday World, The Herald, Weekend Post, Daily Dispatch* and *Saturday Dispatch*) are black.
- In the 15 years since the inception of the Times Media School of Journalism, 160 new journalists have been trained. At least 76 of these journalists still work in South African media, of which 43 remain with TMG.
- In terms of enterprise development, we scored the maximum points – a score that the present minister originally planned to increase. The target spend was R5,1 million and TMG's actual spend was R95,2 million within the measured 12-month period. The reason for this stems from our circulation department's investment in door-to-door and service area managers (SAMs). These two initiatives have enabled 70 entrepreneurs to set up their own successful businesses, additionally creating at least 1 650 direct employment opportunities.
- Another area in which we score full marks is socio-economic development with an actual spend of R7,5 million (targeted spend was R1,7 million). Over the past decade, throughout all our incarnations, we have made more than 25 million Story Books available to children who would otherwise have had nothing else to read. More recently, we have published these Story Books in all eleven of our official languages. We started doing this long before the B-BBEE Act came into effect, but now that it is, we are receiving recognition for the work we started way back in 1998. Our belief in supporting education initiatives continues. We are investing in learning materials and supporting civil society interventions to improve the lot of South Africa's underprivileged and underserviced learners and schools.
- Our preferential procurement score achieved is not a true reflection of TMG's commitment to addressing the historical disparity in economic growth. We have therefore committed ourselves to develop a Group procurement policy to encourage the participation of PDIs in the Group's procurement, and the policy will be applied in accordance with a system which is fair, equitable, competitive, transparent and cost-effective. The policy will also provide a framework or guidelines on procurement behaviour and finding innovative ways in procuring goods and services by giving preference to companies that are B-BBEE compliant.
- The transformation in our business and management is reflected in the readership of our newspapers which has radically changed over the years. The flagship *Sunday Times* has grown black readership from 50% in 1992, to 76% in 2002, and to 85% in 2012.

LEASE COMMITMENTS AND POST-RETIREMENT MEDICAL AID LIABILITY

As at the reporting date, TMG had sizeable lease commitments in its book retail businesses of Exclusive Books and Van Schaik Bookstore, and at Nu Metro Cinemas. The planned disposals of these businesses will release TMG from these commitments.

TMG also had a substantial post-retirement medical aid liability accounted for at 30 June 2013. The Company has initiated a project to reduce its exposure by offering a buy-out of the liability from staff and pensioners with a post-retirement benefit entitlement.

FORWARD LOOKING

Now that TMG is on track with its restructuring and repositioning, we need to look at growth opportunities for TMG. With TMG's acquisition finance at a manageable level we need to look at growth for the Group. Given the highly regulated nature of broadcast media in South

Africa, TMG needs to look elsewhere for growth in these sectors of media. However, any transaction needs to be measured on risk and return and be value-enhancing to the Group and its shareholders.

The next twelve months are expected to remain challenging given the stretched position of the South African consumer.

SUSTAINABILITY **REPORT**

APPROACH TO SUSTAINABILITY

At TMG, we contribute to customers and the broader community because we open up more choice in media and entertainment, and we bring people the content they value and trust. We innovate to make things better and we help thousands to access opportunities. We create direct employment for over 4 700 permanent staff members and our corporate investments support development across a number of industries.

But while we are proud of the benefits created by our day-to-day businesses, we understand how important it is to see the full picture. Acting responsibly and making a broader contribution is vital to earning the trust of stakeholders and achieving sustainable success.

That is why we strive to use our capabilities to make the biggest possible difference to the issues people care about. In South Africa today arguably the most pressing issue is education – including access, quality and affordability. But this is only one part of a holistic view of our world that extends to societal and environmental issues.

TMG's chairman has reiterated that we believe this approach makes good business sense. It is also the right thing to do – for our own people and our millions of readers and customers.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

The issues alongside were identified by stringent risk management processes, stakeholder engagement and Global Reporting Initiative (GRI) guidelines. Collectively, they represent the key factors determining TMG's sustainability. All are cross-referenced to detailed explanations elsewhere in this integrated annual report.

Operational	Issue	Response	Page
Content delivery shifting from physical to digital	Loss of revenue	Bolster physical product and adopt digital delivery	11, 15, 16, 17
Piracy	Loss of revenue	Educating the public to avoid buying pirated products. Entertainment business provides financial support to SAFACT* to combat piracy	64
Loss of key customers in specific businesses	Business sustainability	Key customers are strategically managed; relationships are built and maintained	19, 22
Social			
Responsible citizenship	Socio-economic (projects, donations)	TMG operations actively participate in community development initiatives	49
Compliance and ethical standards	Upholding industry standards of fair and ethical reporting	TMG complies with industry standards and codes, and gives readers an appropriate avenue for complaints	37
Contravention of Competition Act, relevant legislation	Adherence to applicable laws and regulations	Regular compliance reviews	49
Employee retention	Shortage of critical skills	Appropriate training, development and retention initiatives; succession planning	42 – 46
Loss of key personnel	Intellectual capital base	Succession planning in place for key personnel	44
Environment			
Paper use	Sustainable and environmentally responsible supply	Certified suppliers with sustainable forestry practices	47
Energy	Availability, security of supply, efficient and responsible use of power resources	Contingency plans for power outages include generators to power critical sites and processes. Initiatives under way to use energy even more efficiently	47, 48

** SAFACT: Southern African Federation Against Copyright Theft.*

SUSTAINABILITY **REPORT** (CONTINUED)

SCOPE OF REPORT

TMG's 2013 integrated annual report covers the Group's financial and non-financial performance. This integrates our economic, social and environmental results for a Group-wide understanding, and sets out the challenges and opportunities ahead.

Our financial reporting covers the full scope of the Group, including non-controlled entities, in accordance with IFRS (International Financial Reporting Standards) and other relevant requirements and legislation.

In terms of non-financial reporting, acquisitions have made data comparability challenging in some areas. Where possible, methods for determining specific indicators are described in this integrated annual report. We will continue developing Group standards to make stakeholder reporting more relevant and our progress more measurable against published targets for key indicators.

TMG's triple bottom-line reporting will remain a cornerstone of our commitment to sustainable development and our determination to entrench associated best practices in all operations.

TMG therefore reports against the 2006 guidelines of the Global Reporting Initiative (G3), and the content of this integrated annual report has been prepared in line with GRI intermediate application level C (page 51). We have noted the requirements of the new GRI guidelines (G4), published in May 2013, and will incorporate these into our reporting before the end of the December 2015 transition period.

Sustainability performance in this report spans the 12 months from 1 July 2012 to 30 June 2013. TMG's 2013 integrated annual report is available on our website (www.timesmedia.co.za). It includes all wholly-owned operations and those where we have management control or joint management control.

In determining material issues to include in this report, TMG uses the methodology recommended by G3 which spans external and internal factors, as follows:

External	Internal
• Key sustainability issues raised by stakeholders • Sectoral issues and challenges reported by peers and industry bodies • Relevant legislation and voluntary agreements (local and international) of strategic significance to the Group and its stakeholders • High-profile sustainability issues, impacts or opportunities, from climate change to HIV/Aids	• TMG's values, policies, strategies, processes and targets • The interests and expectations of stakeholders for whom our corporate progress is paramount, including employees, shareholders and suppliers • Key risks defined by corporate risk methodologies • Critical factors for TMG's success, including the synergy between our operations and the universal aims of sustainable development

Ongoing feedback from a range of stakeholders helps us to contextualise certain issues better for more informed understanding by readers. Feedback is a critical element of our reporting process and any comments should be directed to the company secretary whose contact details are set out on page 151.

ASSURANCE

TMG's internal systems record and monitor the quality (accuracy, completeness, consistency) of management information and any data gaps in the Group.

TMG has considered the value of obtaining external assurance on the sustainability report and concluded that it would serve a limited useful purpose. This decision is reviewed periodically against changes in the business, our operating environment and best practice in our industry.

CODE OF CONDUCT

Given the nature of the TMG Group, ethical practices underpin our corporate code of conduct. Accordingly, our people are expected to uphold fair practices by:

- Maintaining the highest standards of integrity in all business relationships
- Carefully guarding against influences that may compromise independent judgement and action
- Using their approved authority to act in TMG's best interests at all times

The Group's code of conduct details the behaviour expected from employees at every level when dealing with stakeholders, including customers, shareholders, suppliers, colleagues and competitors. The code also sets out expectations for the Group as a responsible corporate citizen.

TMG does not condone any unethical business dealings (including fraud, bribery, money laundering) by employees or violation of any law. To protect the Group's reputation, particularly its media operations, employees are cautioned to guard against perceived violations. To assist them, the code details acceptable limits on gifts, hospitality, free trips and favours. The code details situations (including outside employment and personal investments) that may lead to conflicts of interest, and limits directorships of companies outside the TMG Group to two. Employees are encouraged to discuss these situations with line management to achieve equitable resolutions.

To ensure these standards are applied and maintained, the transformation, social and ethics committee of the board operates against a checklist which is summarised below:

Social and ethics matters	Compliant	Policies
Social and economic development United Nations Global Compact – ten principles	✔	• Employment • Relationship building • Safety, health and environment
OECD recommendations on corruption	✔	• Code of conduct and ethics • Fraud and crimes of dishonesty
Employment Equity Act	✔	• Employment • Employment equity
Broad-based Black Economic Empowerment Act	✔	• B-BBEE

SUSTAINABILITY **REPORT** (CONTINUED)

Social and ethics matters	Compliant	Policies
Good corporate citizenship Promoting equality, preventing unfair discrimination, reducing corruption	✔	• Employment equity • Relationship building
Contribution to development of associated communities	✔	• Corporate social investment
Record of sponsorship, donations and charitable giving	✔	• Corporate social investment
Environment, health and public safety Company's activities and impact of its products and services	✔	• Safety, health and environment
Consumer relationships Compliance with consumer protection laws and public relations	✔	• Consumer Protection Act
Labour and employment Standing in terms of International Labour Organisation protocol on decent work and working conditions	✔	• Code of conduct and ethics • Human resources development
Employment relations and contribution to the educational development of employees	✔	• Human resources development • Relationship building • Education assistance

Ten principles of the United Nations Global Compact	**Human rights** Principle 1 – support and respect the protection of internationally proclaimed human rights Principle 2 – not complicit in human rights abuses
	Labour Principle 3 – uphold freedom of association and effective recognition of the right to collective bargaining Principle 4 – elimination of all forms of forced and compulsory labour Principle 5 – effective abolition of child labour Principle 6 – elimination of discrimination in respect of employment and occupation
	Environment Principle 7 – support a precautionary approach to environmental challenges Principle 8 – undertake initiatives to promote greater environmental responsibility Principle 9 – encourage the development and diffusion of environmentally friendly technologies
	Anti-corruption Principle 10 – work against corruption in all its forms, including extortion and bribery

CORRUPTION

TMG's code of conduct is aligned with the recommendations of the OECD on corruption. We are committed to fair dealing and integrity in conducting business, with various policies in place to ensure compliance. TMG's standing in terms of the OECD recommendations is entrenched and integral to the working culture across the Group. Non-adherence to these standards is taken very seriously and disciplinary measures are in place.

OECD recommendations on corruption

The Organisation for Economic Co-operation and Development (OECD) has developed specific guidelines on corruption in the business world. These are summarised below:

- Risk assessment – customised to ensure effective controls in place, regularly reviewed and revised
- Policy – visible and enforced
- Training – ongoing and Group-wide
- Responsibility – accountability at all levels
- Support – leading by example
- Oversight – top-level monitoring
- Specific risk areas – detailed policies facilitate compliance and monitoring
- Business partners – ensuring the same standards and controls are in place from the outset
- Accounting – fair and accurate records prevent bribery from being concealed
- Guidance and advice – general information and a confidential reporting facility
- Discipline – appropriate procedures for addressing violations and deterring future transgression

SENSITIVE INFORMATION

TMG clearly communicates stipulations on the use of sensitive information imposed by the Companies Act, Financial Markets Act, JSE Limited and other regulatory bodies and industry associations. To guard against corruption and to promote sound corporate governance, the policy details procedures for employees to disclose contraventions or irregular conduct.

EDITORIAL INDEPENDENCE AND QUALITY OF CONTENT

TMG's media titles recognise that the right to media freedom flows from the right to freedom of expression guaranteed in section 16 of the Constitution of South Africa.

Freedom of expression entails the rights of the public to be informed, and to receive and impart information, ideas and opinions freely. These rights make it possible for citizens to make decisions and judgments about the society in which they live, to exercise their rights and duties as citizens, and to facilitate greater understanding among the people of South Africa and the world.

Freedom of expression, by its nature, protects and defends other rights necessary to a functioning democracy where every citizen enjoys equality, dignity and freedom.

Our media titles play a vital role in disseminating information in South Africa. As such, we have a duty to act as trustee for the public interest. In performing this duty, we uphold the values of the constitution.

Accordingly, we pledge:

- To perform our duties to the highest standards of excellence and integrity
- True, accurate, fair and balanced reporting
- To investigate and expose abuses of power – whether political, economic, commercial or social – with courage and with commitment to the truth. We do so without being beholden to any interest group, other than our readers and the citizens of South Africa
- To take seriously our role as a watchdog over the people, institutions and forces that shape our society. We do so on behalf of our readers and the citizens of South Africa, especially those who otherwise would not have a voice
- To seek diversity in the views and opinions we publish
- To uphold the South African Press Code

SUSTAINABILITY **REPORT** (CONTINUED)

As a leading media group in South Africa, editorial independence and quality of content are paramount. This pledge is the precursor to a detailed set of editorial policies for journalists and editors that spans print and electronic media and communication, and is closely aligned to the South African Press Code.

Throughout the Media division, editorial independence and quality of content are clearly stipulated and rigorously enforced. TMG's editorial policies are available on the Group intranet and also on our website (www.timesmedia.co.za/business/media/).

Further reading online:
www.timesmedia.co.za

CONFLICT OF INTEREST

TMG has appropriate policies to avoid conflicts of interest, from board level down. These are adapted to suit the requirements of specific business units and their industries.

In its Media division, TMG journalists may not work for businesses competing directly with the Company, nor may they hold another full-time job. Any outside, paying work must be approved in writing by the editor or deputy editor.

Any approved part-time or temporary work must not infringe on the Company's resources or disrupt the journalist's responsibility to the Company.

STAKEHOLDER ENGAGEMENT

TMG engages with key stakeholder groups to advance the interests of both our organisation and interested parties:

MEDIA

As a media company, TMG fully understands the power of media and using appropriate channels to convey the corporate story. As such, using both print and online mediums that are accessible to our stakeholders is an essential part of our investor relations programme. In delivering financial and other information about the Company, we use both passive and active mediums. We maintain a database of journalists who follow the industry and the organisation to accurately target our media engagement approach.

INVESTOR COMMUNITY

Engagement with the investor community is driven by three key pillars: market intelligence, compliance and communications. We strive to go beyond compliance with the letter of the law. Our goal is to create a holistic view of the Company, seen by shareholders from a range of vantage points that enable them to make informed decisions about our Group.

The TMG website is regularly updated with financial and corporate information. Shareholders also receive electronic communication. Given the accelerating pace of technological change, further mediums of communication are being investigated to ensure a valuable online presence.

TMG also capitalises on industry platforms and conferences to present the Company's strategy, opportunities, trends, performance, risks and other pertinent areas to ensure ongoing transparency on matters of interest.

EMPLOYEES

Our people are an essential element of our value proposition and thus key in advancing the Company's interests and achieving our goals. Critical to ensuring long-term organisational success is the need to enhance understanding and awareness of the purpose, strategy, goals and direction of the business. Given the diversity of businesses in the Group, it is also important for staff to understand TMG as a whole. Again, we use various mediums. Staff are notified of key events and updates through an email mechanism. All departments have appropriate forums and meetings to communicate business challenges and priorities.

In the quest for continuous improvement, we are continually investigating ways of minimising information gaps as far as possible, creating other forums for further staff and management interactions, and providing greater management accessibility.

INDUSTRY BODIES

Our continued involvement with key industry organisations includes:

- World Association of Newspapers
- Print and Digital Media South Africa
- Newspaper Association of South Africa
- Magazine Publishers Association of South Africa
- Printing Industries Federation of South Africa
- Southern African Federation Against Copyright Theft
- National Organisation for Reproduction Rights in Music in Southern Africa
- Content Delivery and Storage Association
- Recording Industry of South Africa
- South African Music Performance Rights Association
- Publishing Association of South Africa
- South African Booksellers' Association
- International Map Trade Association
- Sustainable Energy Society of Southern Africa

TMG is represented by appropriate senior managers and decision-makers in these organisations to ensure quality interactions. This allows us to play a pivotal role in positively influencing industry-related matters for the benefit of all participants.

GOVERNMENT AND NON-GOVERNMENT FINANCIAL ASSISTANCE

TMG receives no financial assistance from government, although various government departments do place recruitment and other advertisements in TMG publications. In recent years, the quantum of recruitment advertising carried by all print media has dropped significantly, given the economic downturn. TMG receives no significant financial assistance from non-government sources.

SUPPLY CHAIN MANAGEMENT

Acknowledging that TMG is a diverse Group with many different operations, and sometimes decentralised controls, its procurement policy is designed as a framework for users.

The procurement policy regulates transactions with related parties, and transactions that give rise to conflicts of interest. The responsibility for complying with broad-based black economic empowerment (B-BBEE) criteria rests with the business units, although guidance on specific criteria for the Group is provided. Where possible and appropriate, goods and services are procured from BEE-compliant entities.

TMG has guidelines on labour standards and human rights that govern its relationships with suppliers and business partners, specifically:

- Not to use child labour
- Not to use forced and compulsory labour such as prison workers
- Not to enforce a working week that exceeds 45 hours and to allow employees at least one day off for every 17 days worked

SUSTAINABILITY **REPORT** (CONTINUED)

- To support diversity
- To respect the rights of individuals in terms of freedom of association
- To offer a safe and healthy work environment
- To demonstrate full compliance with laws and regulations

In return for this compliance and good governance, TMG has committed to:

- Selecting suppliers on merit while assessing BEE credentials
- Building mutually beneficial relationships
- Providing existing and potential suppliers with clear criteria for decisions on major supply contracts
- Respecting the patents, trademarks, copyrights, proprietary information and trade secrets of suppliers and business partners

STATEMENT OF VALUE ADDED

from continuing operations

	2013 Rm	2012 Rm
Revenue	**3 899**	3 949
Paid to suppliers for materials and services	**(2 508)**	(2 437)
Value added	**1 391**	1 512
Finance income	**20**	22
Losses from investments	**(26)**	(1)
Total value added	**1 385**	1 533
Employees	**1 260**	1 206
Share-based payments	**–**	6
Providers of capital	**97**	42
– Finance costs	**90**	38
– Dividends	**7**	4
– Owners of the Company	**–**	–
– Non-controlling interests	**7**	4
Central and local government	**(7)**	77
– Income tax (credit) expense	**(17)**	56
– Secondary tax on companies expense	**–**	11
– Skills development levy	**10**	10
Reinvested in the Group to maintain and develop operations	**35**	202
– Depreciation and amortisation	**116**	118
– (Accumulated loss) retained profit	**(81)**	84
– Owners of the Company	**76**	86
– Non-controlling interests	**(5)**	(2)
Total value distributed	**1 385**	1 533

SUSTAINABILITY **REPORT** (CONTINUED)

OUR PEOPLE

People are the foundation of our business because their combined intellectual capital, experience and expertise are pivotal to our success in the media and entertainment sectors.

As a content-driven business, TMG's underlying strength is its talent. This in turn underpins our competitiveness in consistently offering renowned brands, products and services to customers.

As our markets change in terms of generational consumer preferences – simultaneously informed by race, gender and economic strata – the quality of our people enables TMG's brands to proactively adapt to new conditions and still offer appropriate products for different customers.

Understanding the importance of our people, TMG strives for human resources strategies and policies that acknowledge the unique requirements of our diverse business units to support Group performance and growth, and to optimise the potential of every employee in the Group.

The human resources team has concentrated on entrenching sound workplace relationships and confidence. At TMG, we believe that a good work environment is built on fostering respect for people and their diverse views, instilling a climate of trust through open and honest communication and focusing on developing people. Properly implemented, this approach plays a major role in motivating, engaging and retaining knowledge workers and key talent.

TMG's strength and competitiveness rest on our ability to continuously manage our employees effectively in a changing workplace. In every workplace, managers play a significant role in setting the tone and anchoring Company culture. Our investment in upskilling management and staff is reviewed every year.

TRANSFORMATION

TMG takes a holistic approach to transformation. While our policies and practices support the focus on transformation in terms of the Department of Trade and Industry (dti) scorecard, our commitment has been concentrated on improving black ownership in our Company, procuring from black-owned companies, entrenching an inclusive Company culture and employment equity, including black women and people with disabilities. Our learnerships and internships are focused on historically disadvantaged groups.

Constantly improving our demographic profile is a key driver of TMG's transformation process. This is supported by a detailed employment equity strategy and policy, and significant investment in training and development.

In each business unit, employment equity targets are quantitatively and qualitatively measured. The former is aligned to Group targets, while the latter considers strategic human resources initiatives aimed at attracting, engaging and retaining staff.

A deliberate series of interventions has been implemented by the Company to address these issues. However, it is also important to note that our view is long term and part of a process, rather than an event.

TMG has been audited as a level 4 contributor in terms of the dti scorecard.

LEARNING AND DEVELOPMENT

TMG's strategy on developing people is based on the corporate business strategy and aimed at enhancing skills in the Group, while taking cognisance of national imperatives – the skills development strategy, national qualifications framework and related legislation.

Our business units operate in diverse markets that require different skills sets. Although the human resources development strategy is set at Group level, implementation is tailored to meet the requirements of individual business units and their evolving markets and requisite skills.

In addition to internal training, employees are encouraged to undertake external studies related to the Group's business using the TMG education assistance scheme. This extends loans for tuition fees, and refunds successful candidates on completion of their courses to promote a culture of learning.

TMG also offers financial assistance and bursaries to the children of lower-income employees each year.

AWARDS

TMG's strengths are embodied in its people, quality of content and multi-faceted delivery of that content. During the year, TMG companies and employees received numerous awards for these skills, as well as for broader contributions to their industries and communities.

INTERNSHIP PROGRAMMES

The Group offers annual journalism learnerships, comprising rotational learning in the editorial sections of different publications to enable learners to develop practical skills in newsroom processes. This programme offers graduates the opportunity to enter the specialised field of economic and business journalism, and is based on courses initiated by the Financial Mail and Business Day in 1998. The course is open to graduates from all disciplines and runs for six to 12 months. Training is intensive, ranging from classroom sessions to practical exercises and hands-on internships. When the classroom component is complete, trainees are rotated through TMG's news and information business units.

TMG has established internship programmes accredited by the National Qualifications Framework (NQF). To complement this, TMG has invested in site-learning facilities. As an example, at our Industria offices, we offer a customer service centre internship where around 20 learners are taken into a structured learning process each year, including learners with disabilities.

At our Durban printing plant, we capitalised on the business need to offer apprenticeship-structured learning on the same basis as the customer service centre. Ten learners from different trades undertake a 12-month programme aligned to the NQF.

PERFORMANCE-RELATED REMUNERATION

TMG's remuneration policy, underpinned by principles of fairness, transparency and flexibility, reflects the dynamics of the market and context in which it operates. The policy is aimed at aligning behaviours to the values and strategies of the business. As such, remuneration plays a critical role in attracting and retaining high-performing individuals, and in reinforcing, encouraging and promoting superior performance.

Employees receive regular performance and career development reviews. As remuneration is performance-related, there is no discrimination between men and women in the ratios of cost-to-company packages by employment category.

Remuneration is integrated into other management processes such as performance management and the overall Group human resources policies. At executive level, and as far as practical down the organisation, employees are consulted on the implementation and modification of remuneration programmes.

TMG and its business units are committed to open communication with all internal stakeholders about launching remuneration programmes, and ongoing changes to these programmes.

The remuneration mix reflects the relative proportions of pay represented by guaranteed and variable income. It is also linked to job levels and the nature of expected outcomes and performance.

Guaranteed remuneration includes all guaranteed items such as cash component, travel allowance and other allowances.

SUSTAINABILITY **REPORT** (CONTINUED)

Variable remuneration includes cash incentive bonuses and commissions. The timeframe for paying variable remuneration is typically one year or less.

Share incentives are long-term initiatives with varying timeframes – TMG's new share incentive plan became effective on 1 July 2013.

TMG has adopted the 'cost-to-company' approach, cascaded down the business units to include all levels of staff. Associated advantages of this approach include employee responsibility for their salary packages and flexibility on choice of benefits.

RECRUITMENT

Group policy is to recruit locally and appoint internally wherever possible.

TALENT MANAGEMENT

Managing talent is a particular focus for TMG, given the importance of intellectual capital in each of our businesses. Our relatively low staff turnover rate reflects the success of talent management programmes across the Group.

The existing talent management programme aims to retain key talent in the Group by creating an environment that promotes individual professional goals and productivity potential, while strengthening the Company's brand leadership.

TMG's talent management strategy emphasises key talent, identified in a systematic approach across the Group. Our strategic focus on talent management has contributed significantly to building TMG succession pools, while minimising vulnerability and risks.

Across the Group, programmes are in place to maximise the potential of high-performing individuals, particularly those in positions best suited for realising TMG's strategy. Individuals are assessed using a variety of tools, career pathing discussions and customised development solutions to match key talent needs.

EMPLOYEE RELATIONS

TMG operates in a labour environment where employee rights and freedom of association and speech are respected in terms of current labour legislation and the South African Constitution. Our corporate culture embraces participative management to promote full involvement on issues affecting employees, and individual business units have employee structures in place that suit their particular circumstances.

TMG is committed to:

- Fair treatment and non-discriminatory work practices
- Collective bargaining principles while respecting the individual's right to freedom of association or dissociation
- Upward communication through existing structures and appropriate procedures to empower employees
- Balancing rights and obligations within the legal framework and considering business realities

TMG's sound relationships with employees and stakeholders reflect good leadership at shop-floor level and appropriate policies that guide business units. In addition, feedback from exit interviews is used constructively to enhance working conditions.

Substantive issues raised by employees are addressed before being elevated to the CCMA (Commission for Conciliation, Mediation and Arbitration) or related bodies, if necessary.

At Uniprint, the South African Typographical Union (SATU) has a majority representation at its bargaining unit.

The Group policy on relationship building recognises the diverse nature of our employees and the need to consult with a broad representation of interest groups. The diversity of our people is recognised in terms of nature of work, religion, gender, age, race, level of seniority, unionised and non-unionised, nationality and language. This wealth of diversity is used to the benefit of all stakeholders.

We believe broad participation is the most effective means of pooling employees with different views to channel efforts towards consensus and successful problem-solving. Properly implemented, broad participation delivers multiple benefits, including:

- Enhanced relationships and better understanding of issues by employees
- Improved staff morale, and a positive impact on the level of staff turnover
- Increased interaction resulting in managers and employees being better able to handle day-to-day issues
- Open communication leading to increased trust and confidence
- A broader participation structure facilitating open discussion and debate on sensitive issues
- Better decision-making based on expanded information from different perspectives
- Management and staff involvement at all levels

DEFINED BENEFIT RETIREMENT PLAN OBLIGATIONS

TMG's only defined benefit retirement plan, the Johnnic Entertainment Pension Fund, is in liquidation. The employer's surplus account, which was R46 million at year-end, is recognised as an asset (see note 38 to the annual financial statements).

POST-RETIREMENT MEDICAL AID

Certain Group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners. This liability totalled R274 million at year-end, and is disclosed in note 25 to the annual financial statements.

EMPLOYEE BENEFITS

Full-time employees are entitled to a range of benefits designed to enhance their work life and retain their services. Benefits also comply with South African labour legislation. At present, standard employee benefits include:

- Leave (annual, ill-health, maternity, family responsibility, study leave)
- Retirement funding
- Medical aid
- Study assistance
- Funeral cover
- Performance incentives
- Share incentives

LIFE-THREATENING ILLNESSES

TMG is committed to creating a supportive and non-discriminatory environment in which employees with life-threatening illnesses can continue working for as long as they are medically capable.

The Group policy on life-threatening diseases covers cancer, heart disease, tuberculosis, hepatitis, HIV/Aids.

The policy clarifies TMG's views and commitment to:

- Assisting employees who contract a life-threatening illness

SUSTAINABILITY **REPORT** (CONTINUED)

- Provide consistent guidelines to senior management to ensure fair treatment of all employees with life-threatening illnesses
- Inform employees of their rights and benefits
- Provide an education framework for HIV/Aids

TMG ensures that no employee suffering from any life-threatening illness is unfairly discriminated against, harassed or victimised in the workplace because of the illness. All employees and managers must respect the confidentiality of information for existing or potential employees with life-threatening illnesses.

HUMAN RIGHTS

TMG supports the basic principles on human rights set out in the Constitution of South Africa, and is guided by international standards such as the UN Global Compact.

Accordingly, several policies governing respect for human rights and non-discrimination are in place. These are regularly reviewed and strictly enforced. Some of these policies, for example sexual harassment, include non-employees.

Broadly, TMG's policies facilitate:

- Safe and healthy working conditions
- Freedom of association
- Non-discrimination in personnel practices
- The prevention of human rights abuses
- The right to collective bargaining
- The elimination of all forms of forced labour
- A precautionary approach to environmental challenges
- Combating corruption

No operations have been identified in the Group where the right to exercise freedom of association and collective bargaining may be at risk.

TMG does not support child labour, or forced and compulsory labour.

PUBLIC POLICY

As a Group policy, TMG does not contribute financially or in kind to political parties, individual politicians or related institutions.

SAFETY, HEALTH AND ENVIRONMENT

Sustainable development of the environment and the right of people to a healthy environment in which to work and live is a principle TMG fully endorses. A board-approved policy defining sound environmental practices has been distributed to employees so that they understand and adhere to their responsibilities and obligations on environmental matters.

As a Group, we aim to:

- Promote social and environmental responsibility through our business activities
- Develop sound ethical, social and environmental practices relevant to our areas of operations
- Seek and promote relationships with businesses involved in cleaner production and other environmentally friendly processes

In line with this policy, employees who identify health and safety issues must report them to the appropriate manager.

By the nature of its business, TMG has a low environmental impact. We do, however, comply with relevant environmental legislation and aim to meet global best practice.

TMG'S SAFETY, HEALTH AND ENVIRONMENTAL POLICY

TMG is committed to taking requisite precautions to facilitate a safe environment for employees, customers and independent contractors. Equally, TMG conducts its business in a manner that mitigates harm to the environment.

Our comprehensive safety, health and environmental (SHE) policy was drafted using international benchmarks such as the Global Reporting Initiative (GRI), United Nations Global Compact and South African legislation such as the acts governing basic conditions of employment, compensation for occupational injuries and diseases, and labour relations. It also incorporates recommendations on sustainability set out in King III – the local benchmark for corporate governance.

The chief executive officer and senior operational management are responsible for implementing the policy, and developing and maintaining a system to ensure compliance with the policy.

All employees are responsible for complying with the policy, and are expected to give appropriate and timely attention to issues covered by the policy. Any employee who becomes aware of circumstances relating to the Company's operations or activities that pose a real or potential safety, health and environmental risk to other employees or the wider community, must report the matter in line with procedures set out in the policy.

During the review period, TMG recorded no work-related fatalities or major injuries. Various minor injuries were recorded across the Group. The Group health and safety policy ensures that a formal and structured incident-recording and investigation system is in place which classifies incidents and defines their severity.

Representative health and safety committees have been established across the Group. In reporting to these bodies, health and safety representatives are responsible for:

- Highlighting potential hazards, dangerous work practices and conditions
- Investigating the causes of accidents, and safety-related complaints by customers and employees
- Ensuring greater awareness of safety conditions by employees and customers
- Representing staff by applying appropriate safety standards
- Adhering to the provisions of legislation
- Reporting in writing to the health and safety committee on any accident

TMG's Head Office health and safety committee manages a team of trained first aiders and marshals responsible for incidents in their designated areas. Refresher courses are conducted regularly. Head office marshals are also responsible for ensuring all fire equipment is serviced regularly and that fire escapes are accessible at all times. Annual inspections are carried out by the Department of Labour. Trained first aiders and marshals are in place in the rest of the Group and are responsible for the safety of staff at their operations. Regular drills ensure that staff know how to react in an emergency. The Group has contracted a leading external service provider as a working partner to assist with training and emergencies.

MATERIALS USED

TMG is a major consumer of paper, particularly through our printing, newspaper, magazine and book-publishing enterprises.

Collectively, the Group uses thousands of tonnes of paper per annum, over two-thirds of which is supplied by Mondi, a recognised leader in sustainable forestry practices. Over one-third of the stock comprises recycled paper.

Given our volumes, our paper-purchasing policy requires that:

- Paper suppliers comply with environmental laws and regulations
- Where possible and viable, paper with recycled content is used
- Paper used is from certified, well-managed forests

ENERGY

TMG's operations affect the environment directly by consuming fossil fuel in our company-operated motor fleets, and indirectly through buying electricity which is the largest indirect source of carbon dioxide emissions by the Group.

The Group uses modern fuel-efficient equipment and recognises the effect of carbon dioxide emissions on the environment. Vehicles and equipment are serviced

SUSTAINABILITY **REPORT** (CONTINUED)

regularly to ensure efficient fuel consumption. Accurate measurement of nitrogen oxides from transport fleets has not yet been quantified.

TMG does not own any major manufacturing plants, except for its printing presses in Port Elizabeth, the printing operations of Uniprint and Hirt & Carter in Durban, and its CD and DVD manufacturing operations in Midrand. The Group therefore does not consume significant amounts of raw materials, apart from paper.

TMG's primary energy source is electricity. At head office, numerous energy-efficiency measures are in place. Energy is managed by local maintenance departments at our other operations.

We are currently investigating ways to lessen our carbon footprint by reducing our energy consumption. This includes installing a power-factor correction unit at Uniprint. Operations at CDT, ELS and Industria have been converted to new low-wattage lighting technology to reduce electricity consumption.

WATER USE

Water is a necessary and scarce resource. Although the amount of water TMG uses does not have a large environmental impact, we are committed to ensuring less waste.

In addition to ongoing water-efficiency initiatives across the Group, we have reduced the flow of water in common areas by closing stopcocks and continuously checking and repairing leaking taps to reduce waste.

No fines were imposed on TMG for water pollution or other water-related issues during the period.

EMISSIONS, EFFLUENTS AND WASTE

TMG outsources the recycling of waste and by-products from its activities to service providers, ensuring that by-products do not end up in landfills. The service providers separate non-environmentally friendly waste from recycling waste.

The Occupational Health and Safety Act obliges employers to safely dispose of waste from hazardous chemical substances. TMG complies by placing this waste in sealed containers to prevent exposure during handling. This is disposed of only at designated sites by contractors complying with the same regulations.

For the TMG Group, hazardous chemical substances consist of diesel, cleaning paraffin, benzene, CD and plate-making developer fluid. All chemicals are delivered for use and collected for disposal by compliant contractors. This area is carefully monitored by the health and safety committee.

To minimise diesel and petrol emissions from vehicles, route plans are assessed to reduce travel distances. Regular service schedules ensure optimum fuel consumption and only reputable service providers are used where this service is outsourced.

TMG has removed all halon gas from its IT environment and replaced it with dry nitrogen.

A clean-air and non-smoking policy is enforced in all Group premises. Appropriate processes are in place to maintain clean-air standards.

BIODIVERSITY

TMG does not own, lease or manage land in or adjacent to protected areas and areas of high biodiversity value outside protected areas.

SECURITY

By the nature of its business, TMG is required to maintain effective security precautions and systems to protect both its employees and assets. The Company has implemented multi-tiered security measures at various levels of its operations. These measures are regularly reviewed and updated.

The Group health and safety policy ensures that reasonable precautions and systems are maintained to prevent any harm, damage or loss to employees and Company assets.

TMG is a member of Johannesburg's Rosebank Management District Police Forum which manages security in the area and creates jobs.

RELATIONS WITH SURROUNDING COMMUNITIES

As TMG's Head Office building is in a residential area, management has an agreement with the Rosebank Management District and its residents to minimise night-time lighting. TMG has installed sound mufflers around its emergency generator to reduce sound output to an acceptable level.

At other TMG operations, ongoing attention is paid to relations with surrounding communities. Any issues raised are promptly dealt with.

CORPORATE SOCIAL INVESTMENT

As a responsible corporate citizen, TMG is committed to the social development and empowerment of the broader community by contributing to various corporate social investment (CSI) initiatives.

TMG's business units support CSI initiatives related to their specific activities or locations. The programmes chosen during the review period are largely aligned with the corporate strategy and the national agenda in that the focus on education and literacy ties in with promoting the Group's business interests and the country's focus on education.

Operational senior executives control divisional CSI budgets and grants, and report on their activities to the corporate Head Office.

TMG's CSI programme does not support commercial ventures, religious organisations, tours and exchanges, individuals, sporting activities or bursaries.

COMPLIANCE

Apart from complying with national, corporate and industry standards and regulations, TMG also abides by several media-specific codes of conducts.

One of these is the office of the press ombudsman which provides objective recourse for members of the public on any perceived instance of inappropriate reporting.

The Press Council, the ombudsman and the appeals panel are a self-regulatory mechanism set up by the print media industry to provide impartial, prompt and cost-effective adjudication in settling disputes between members of the public and newspapers and magazines on the editorial content of publications. The mechanism is based on two pillars: a commitment to freedom of expression, including freedom of the press, and to excellence in journalistic practice and ethics.

The council has adopted the South African Press Code to guide journalists in gathering and distributing news and opinion, and to guide the ombudsman and appeals panel in reaching decisions on complaints from the public. More than 640 publications, mainly members of Print and Digital Media South Africa, subscribe to the code.

Cases involving TMG titles referred to the ombudsman can be viewed at www.presscouncil.org.za.

SUSTAINABILITY **REPORT** (CONTINUED)

PRODUCT RESPONSIBILITY

	Media	Retail Solutions	Books	Entertainment
Customer health and safety				
Lifecycle stages where health and safety impacts are assessed for improvement	None	None	None	Raw materials; expiry dates
Number of incidents of non-compliance with regulations and voluntary codes on health and safety impacts of products and services during their lifecycle	Nil	Nil	Nil	Nil
Products and services labelling				
Type of product and service information required by procedures	None	None	None	3D use
Marketing communications				
Number of incidents of non-compliance with regulations and voluntary codes including advertising, promotion and sponsorship	Nil	Nil	Nil	Nil
Customer privacy				
Number of substantiated complaints regarding breach of customer privacy and loss of customer data	Nil	Nil	Nil	Nil
Compliance				
Monetary value of significant fines for non-compliance with laws and regulations on the provision and use of products and services	Nil	Nil	Nil	Nil

INFORMATION TECHNOLOGY

TMG's information technology (IT) policy accommodates both the requirements of King III and ever-changing needs of the digital workplace. An IT steering committee is responsible for implementing and enforcing this policy.

TMG's IT department provides related services to business units, governed by service-level agreements. Third-party IT suppliers are required to sign formal contracts with defined service levels, which are managed, measured and reviewed.

Preference is given to IT suppliers that comply with employment equity and B-BBEE measures.

To entrench world-class digital standards and security measures, the Group policy comprehensively covers:

- Use of email
- Internet access and use
- Internet security
- System-level security
- Home support

As a media group with different businesses operating under global licences, TMG is highly sensitive to any real or perceived infringement of intellectual property. Accordingly, pirated software is not permitted and users may not use, load or download any software, including unlicensed software, on TMG's IT equipment. Software used on Group IT equipment is also regularly audited. In addition, TMG's software, and any software TMG makes available to users, may not be copied for any purpose, including home use.

Physical security is ensured through a multi-level approach:

- Access to all network devices is restricted and monitored
- A register of all authorised personnel with access is kept and updated by TMG's IT department
- Access to servers is only granted to third parties once confidentiality and non-disclosure agreements have been signed
- All business-critical applications are backed up regularly, while servers are backed up daily. Backups are kept off-site
- Verification and test restores are conducted monthly, while a full system file backup is done after each month end
- An incident-reporting service enables users to report violations of Group policy, or any incidents of unauthorised or attempted infiltration

GRI INDEX

In terms of GRI reporting standards, TMG has met the requirements set out below and self-declared this report at level C.

<table>
<tr><td rowspan="4">Standard disclosure</td><td>G3 report application level</td><td>C</td><td>C+</td><td>B</td><td>B+</td><td>A</td><td>A+</td></tr>
<tr><td>Profile disclosures</td><td>Report on:
1.1
2.1 – 2.10
3.1 – 3.8, 3.10 – 3.12
4.1 – 4.4, 4.14 – 4.15</td><td rowspan="3">Report externally assured</td><td>Report on all criteria listed for level C plus:
1.2
3.9, 3.13
4.5 – 4.13, 4.16 – 4.17</td><td rowspan="3">Report externally assured</td><td>Report on all criteria listed for level C plus:
1.2
3.9, 3.13
4.5 – 4.13, 4.16 – 4.17</td><td rowspan="3">Report externally assured</td></tr>
<tr><td>Management approach disclosures</td><td>Not required</td><td>For each indicator category</td><td>For each indicator category</td></tr>
<tr><td>Performance indicators (including sector supplement indicators)</td><td>Report on a minimum of 10 performance indicators with at least one from each of: social, economic, environmental</td><td>Report on a minimum of 20 performance indicators with at least one from each of: economic, environmental, human rights, labour, society, product responsibility</td><td>Respond on each G3 and sector supplement indicator with due regard to materiality principle by either:
(a) reporting on indicator or
(b) explaining reason for its absence</td></tr>
</table>

SUSTAINABILITY **REPORT** (CONTINUED)

GRI G3 indicators and media supplement
This index covers GRI's G3 indicators and the *new media sector supplement* which TMG has proactively incorporated into its disclosure, where possible.

~ partially covered   na – not applicable   nm – not material   nr – not reported

GRI	Topic	Page
Strategy and analysis		
1.1	Statement from chairman	32
2.1 – 9	Organisational profile	1, 4 – 5
2.10	Awards	43
Report parameters		
3.1 – 11	Reporting period, methodology	34
3.12	GRI index	52 – 59
3.13	Policy and practice on external assurance	35
Governance, commitments and engagement		
4.1 – 4	Governance structure, *including governance structure and arrangements for content decision-making and its inter-relationship with overall governance of the organisation (commercial, financial, strategic)*	60
4.5	Link between compensation and performance	43, 67
4.6	Process for avoiding conflict of interest, *particularly in content creation and dissemination*	38, 60
4.7	Expertise of board	61
4.8	Policies on economic, environmental and social performance, *including values for creating and/or disseminating content within specific media context*	37, 46
4.9	Procedures for board oversight of economic, environmental and social performance	63
4.10 – 12	Board performance, precautionary approach, external principles endorsed	66
4.13	Membership of industry associations and advocacy groups	66
4.14 – 15	Stakeholder groups, *including media observers and other key bodies involved in media development*	38
4.16	Approach to stakeholder engagement	38
4.17	Topics and concerns raised and response	38, 39

GRI	Topic	Page
INDICATORS		
Economic		
Economic performance		
EC1	Economic value generated and distributed	41
EC2	Financial implications, other risks and opportunities for activities due to climate change	nm
EC3	Coverage of defined benefit plan obligations	45
EC4	Significant financial assistance and advertising revenues received from government	39
M4	*Significant financial assistance received from other non-governmental sources*	39
Market presence		
EC5	Range of ratios of standard entry-level wage by gender compared to local minimum wage at significant operations	43
EC6	Policy, practices, proportion of spending on locally-based suppliers at significant operations	39
EC7	Procedures for local hiring and proportion of senior management hired from local community at significant operations	42
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or *pro-bono* engagement, *including initiatives for discounted/differential advertising spaces, investments to advance accessibility to content, initiatives to support local cultural activities, philanthropic investments, initiatives to close digital divide using own infrastructure/capacities*	49
EC9	Understanding and describing significant indirect economic impacts, including extent	32
Environmental		
Materials		
EN1	Materials used by weight or volume	47
EN2	Percentage of materials used that are recycled input materials	nr, 47

SUSTAINABILITY **REPORT** (CONTINUED)

GRI	Topic	Page
Energy		
EN3	Direct energy consumption by primary energy source	47
EN4	Indirect energy consumption by primary source	47
EN5	Energy saved due to conservation and efficiency improvements	~47
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services and resulting reductions in energy requirements	47
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	47
Water		
EN8	Total water withdrawal by source	~48
EN9	Water sources significantly affected by withdrawal of water	48
EN10	Percentage and total volume of water recycled and reused	~48
Biodiversity		
EN11 – 15	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	na
Emissions, effluents and waste		
EN16 – 20	Total direct and indirect greenhouse gas emissions by weight	~48
EN21	Total water discharge by quality and destination	48
EN22	Total weight of waste by type and disposal method, *including initiatives to recycle or safely dispose of paper, inks, batteries and electronic equipment*	~48
EN23	Total number and volume of significant spills	na
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under Basel Annex I, II, III and VIII and percentage of transported waste shipped internationally	na
EN25	Water bodies and related habitats significantly affected by discharges of water and runoff	na
Products and services		

GRI	Topic	Page
EN26	Initiatives to mitigate environmental impacts of products and services and extent of mitigation	na
EN27	Percentage of products sold and packaging materials reclaimed by category	nr
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Zero
EN29	Significant environmental impacts of transporting products and other goods and materials used for operations and transporting members of the workforce	nr
EN30	Total environmental protection expenditures and investments by type	nr
Employment		
LA1	Total workforce by employment type, employment contract, and region broken down by gender	nr, 42
M5	*Initiatives to create and manage systems of remuneration and working conditions for content generators across platforms, and results achieved*	43
LA2	Total number and rate of new hires and employee turnover by age group, gender and region	nr, 42
LA3	Benefits for full-time employees not provided to temporary/part-time employees, by major operations	45
LA15	Return to work and retention rates after parental leave, by gender	nr
Labour/Management relations		
LA4	Percentage of employees covered by collective bargaining agreements	~44
LA5	Minimum notice period(s) on significant operational changes, including whether specified in collective agreements	nr
Occupational health and safety		
LA6	Percentage of total workforce represented in formal joint management/worker health and safety committees that help monitor and advise on occupational health and safety programmes	nr, 46
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender, *including fatalities by gender and using absolute number*	nr, 46

SUSTAINABILITY **REPORT** (CONTINUED)

GRI	Topic	Page
LA8	Education, training, counselling, prevention and risk-control programmes to assist workforce members, their families or community members with serious diseases	45
LA9	Health and safety topics covered in formal agreements with trade unions	nr, 45
Training and education		
LA10	Average hours of training per year per employee by gender and by employee category, *including training on content creation and dissemination-related matters when technological changes affect employees' areas of expertise*	nr
LA11	Programmes for lifelong learning that support continued employability of employees and assist them in managing career endings	42 – 44
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	42 –44
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per category by gender, age group, minority group membership and other indicators of diversity	nr, 42 – 44
LA14	Ratio of basic salary and remuneration of women to men by employee category, by operation	43
Social performance: human rights		
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening	nr, 46
HR2	Percentage of major suppliers, contractors, business partners screened on human rights, and actions taken	39, 40
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights relevant to operations, including percentage of employees trained	nr, 46
HR4	Total number of incidents of discrimination and actions taken	Zero
HR5	Operations and significant suppliers identified in which right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Zero
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to elimination of child labour	Zero, 40
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	Zero, 40
HR8	Percentage of security personnel trained in TMG's policies and procedures on aspects of human rights relevant to operations	na

GRI	Topic	Page
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	na
HR10	Percentage and number of operations subject to human rights reviews or impact assessments	na
HR11	Number of grievances related to human rights filed, addressed and resolved through formal mechanisms	Zero
Freedom of expression		
● *Media organisations exercising freedom of expression, including principles to avoid self-censorship, either in content or marketing communications* ● *Media organisations supporting society's rights to freedom of expression*		35 – 38
Social performance: society		
Community		
SO1	Nature, scope and effectiveness of programmes and practices that assess and manage impacts of operations on communities, including entering, operating and exiting	49
Corruption		
● *Management approach: to journalists receiving benefits, inducements, charging for coverage and paying sources illicitly for news content*		35 – 38
SO4	Actions taken in response to incidents of corruption	nr
Public policy		
SO5	Public policy positions and participation in public policy development and lobbying, *including industry issues such as freedom of expression, access to information, youth protection, protection of sources*	39
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	46
MSS7	*Impact of, and investment in, initiatives to advance sustainable development through media content*	39
Anti-competitive behaviour		
SO7	Number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and outcomes	Zero

SUSTAINABILITY **REPORT** (CONTINUED)

GRI	Topic	Page
Compliance		
Management approach: • *Prioritising and addressing sustainable development issues through media content, pertinent to TMG's portfolio, context and audiences served* • *Own definition of quality media content and approach to ensure compliance (editorial policies, codes, training of journalists, monitoring of initiatives)* • *Initiatives to advance media literacy – empower audiences to access, understand, engage with and respond critically to media content*		35 – 38
SO8	Monetary value of significant fines and number of non-monetary sanctions for non-compliance	Zero
Social performance: product responsibility		
Management approach: • *Empower audiences to consume content responsibly (media literacy initiatives, parental controls, awareness/education on parental controls, awareness-raising and rewards)* • *Establish effective feedback mechanisms and interaction with audience* • *Engage with and protect audience (ombudsman, letters to the editor, retraction, right of reply)*		37, 49
Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services assessed for improvement and percentage of significant categories subject to such procedures	50
PR2	Number of incidents of non-compliance with regulations and voluntary codes on health and safety impacts of products and services during their life cycle, by type of outcomes	50
Products and service labelling		
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	50
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	50
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	50
Marketing communications		
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	50
PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	50

GRI	Topic	Page
Customer privacy		
Management approach: ● *Policies/procedures in place for protecting people's private lives and information from being used for entertainment or news content*		35 –38
PR8	Number of substantiated complaints of breaches of customer privacy and losses of customer data	Zero
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations on the provision and use of products and services	Zero
Content		
Content quality		
M1	*Method for assessing performance in relation to content creation aspects*	37
M2	*Actions taken to improve performance in relation to content creation aspects, and results obtained*	37
M3	*Number and nature of responses (feedback/complaints) on content creation (quality, sustainability and reflection of society's diversity) and processes for dealing with them*	49

CORPORATE **GOVERNANCE AND RISK MANAGEMENT**

PRINCIPLES AND IMPLEMENTATION OF CORPORATE GOVERNANCE

The directors of TMG are committed to effective corporate governance and the need for high ethical standards in conducting the Group's business. TMG has substantially applied the principles set out in the King Report on Governance for South Africa 2009 (King III) since its listing on the JSE in September 2012. For the year under review, the exceptions were that the chairman of the board was also the chairman of the audit and risk committee, and the remuneration committee did not have a majority of independent members. The nominations committee is addressing these issues. Shareholders will be requested at the Company's upcoming annual general meeting to appoint Mr JHW Hawinkels as the chairman of the audit and risk committee. TMG's King III application register is available on the TMG website.

Further reading online:
www.timesmedia.co.za

The directors acknowledge that they are responsible for TMG's affairs. This responsibility includes a strong focus on compliance with the qualitative aspects of corporate governance to ensure implementation matches the needs of the business.

BOARD OF DIRECTORS

TMG has a unitary board. At year-end, there were four independent non-executive directors, two non-executive directors and two executive directors. There are five black directors. Non-executive directors provide judgement on issues of strategy, performance, resources and standards of conduct based on their range of skills and commercial expertise. Executive directors propose strategies and implement operational decisions, and execute specific roles and functions in their areas of expertise. Appointments to the board are made in a formal and transparent manner, with the assistance of the nominations committee and are considered to be a matter for the board as a whole. Changes in the directorate are detailed on pages 6 and 7 of this integrated annual report.

There is a clear division of responsibilities at board level, captured in a policy that provides evidence of the balance of power between the independent non-executive chairman, chief executive officer and non-executive directors. The roles of chairman and chief executive officer are separate. The chairman provides overall leadership to the board without limiting the principles of collective responsibility for board decisions. The chairman has no executive functions. The chief executive officer is responsible for developing and recommending to the board a strategy and vision for the Group, as well as an annual business plan and budget to support the strategy. The board rigorously interrogates the strategy and provides input. The chief executive officer exercises final executive authority to run the Company efficiently on a day-to-day basis, and is the leading interface between the board and executive management.

The board believes its members have the expertise and experience to fulfil their obligations to the Company and all its stakeholders.

No board member has served as a director for more than nine years.

The board has a defined charter in line with King III which sets out its roles and responsibilities, namely, to:

- Provide effective leadership based on an ethical foundation
- Ensure that the Company is, and is seen to be, a responsible corporate citizen, not only in the financial aspects of its business, but also the impact operations have on the environment and the society in which it operates
- Exercise leadership and ensure that all deliberations, decisions and actions are based on the four values underpinning good governance – responsibility, accountability, fairness and transparency
- Build and sustain an ethical corporate culture and ensure the Company's ethics are managed effectively
- Be the custodian of the Group's corporate governance and be responsible for ensuring it complies with all relevant laws and codes of best governance practices and considers adherence to other non-binding rules, codes and standards

- Facilitate the establishment of mechanisms and processes that support stakeholders in constructive engagement with the Company
- Be accountable for the performance and affairs of the Company, appreciating that strategy, risk, performance and sustainability are inseparable. The board provides strategic direction by proposing, discussing and questioning, while evaluating and approving plans and strategies based on TMG's values and objectives and stakeholder interests and expectations
- Empower management to provide timely, accurate and relevant feedback on progress with approved operational and investment plans and strategies
- Be responsible for risk management and monitoring with assistance from the audit and risk committee
- Prepare and approve the Company's integrated annual report, ensuring it conveys adequate information on the Company's financial and sustainability performance, focusing on substance over form
- Advocate and promote good governance by the Company's subsidiaries

The board delegates certain functions to well-structured committees without abdicating its own responsibilities. Delegation is formal and involves:

- Establishing and approving formal terms of reference for each permanent committee of the board
- Appropriately constituting these committees with due regard to the skills required by each
- An annual review of the permanent committees' terms of reference

Annual strategic review meetings enable comprehensive objectives to be developed for the Group, its business units, executives and senior management. Once the board has approved the strategy, it oversees and monitors the progress of the business at quarterly board meetings, with additional meetings held as required.

The board has an approvals framework which is regularly reviewed and updated. It clearly sets out authority levels for the board, its committees and executive management. Matters specifically reserved for the board's decision include the adoption of TMG's strategic direction and the approval of financial reports for public disclosure, the budget and significant capital expenditure.

As part of the governance structure, the board also approved a directors' code of conduct, directors' expenses policy and a policy for dealing with price-sensitive information.

All board members are required to disclose their shareholdings in TMG, outside directorships, personal financial interests and any potential conflicts of interest.

Board and committee members are supplied with comprehensive information to discharge their duties effectively.

The board approved a risk management framework that includes a risk management policy and plan. The risk management framework facilitates a proactive risk management process, and the inculcation of TMG's risk management culture throughout the Group to optimise related efforts. The board approved the appointment of a group risk officer in terms of the risk management framework. The board also approved a compliance framework. A group compliance officer and operational compliance officers have been appointed in terms of this framework. The board is not aware of anything that would suggest a material breakdown in internal controls during the financial year.

A collective board-effectiveness evaluation was performed at the end of the financial year.

CORPORATE **GOVERNANCE AND RISK MANAGEMENT** (CONTINUED)

ATTENDANCE AT BOARD MEETINGS

Name	8 Nov 2012	12 Mar 2013	11 Jun 2013
KD Dlamini (Chairman)	P	P	P
AD Bonamour	P	P	P
JHW Hawinkels	P	P	P
W Marshall-Smith	P	P	P
HK Mehta	P	P	P
R Naidoo	P	P	P
MSM Xayiya	P	P	P
MR Basel[1]	P		

P – Present

[1] *Appointed a director on 8 November 2012 and resigned on 1 March 2013*

BOARD COMMITTEES

During the year, the following permanent committees assisted the board in discharging its responsibilities and obligations: audit and risk committee, remuneration committee, nominations committee and the transformation, social and ethics committee. Membership of the audit and risk committee is reflected in its report on page 87. Membership of the remuneration committee is reflected in its report on page 68. Membership of the transformation, social and ethics committee is set out on this page.

All committees report to the board on their activities. The board is cognisant that this does not detract from its ultimate responsibility and accountability for the affairs of the Company.

The board is satisfied that all committees discharged their responsibilities satisfactorily in accordance with their terms of reference. Copies of these terms of reference are available from the company secretary on request.

AUDIT AND RISK COMMITTEE

Full details of this committee are set out in its report on pages 82 to 87.

REMUNERATION COMMITTEE

Full details of this committee are set out in its report on pages 67 to 70.

NOMINATIONS COMMITTEE

The nominations committee makes recommendations to the board on board appointments taking into account the balance and effectiveness of the board, skills required and the demographics of South Africa. The members of the nominations committee are appointed by the board.

The members of the nominations committee, specifically regarding gender diversification, considered various candidates for appointment to the board, and recommended the appointment of Ms MM Nhlanhla. Messrs KD Dlamini (chairman) and HK Mehta were the committee members during the year.

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

The transformation, social and ethics committee met on 10 June 2013. It reviewed the Company's transformation and initiatives in place and to be implemented for the social and ethics matters detailed in Regulation 43 accompanying the Companies Act. As at the Company's year-end, the committee members were Mr MSM Xayiya (chairman), Ms MM Nhlanhla and Mr AD Bonamour.

EXECUTIVE COMMITTEE AND BUSINESS UNIT MANAGEMENT COMMITTEES

The executive committee, comprising TMG's senior management, meets quarterly. Other members of TMG's management attend by invitation, as required.

Business unit management committee meetings are held quarterly, ensuring appropriate oversight of the business units. Significant matters raised at these meetings are referred to the executive committee.

COMPANY SECRETARY

The company secretary ensures the board remains cognisant of its duties and that all directors have full and timely information that may be relevant in the proper discharge of their duties, collectively and individually, with detailed guidance on their duties, responsibilities and powers. Directors have unrestricted access to the advice and services of the company secretary, who plays an active role in the corporate governance process.

The company secretary assists in determining the annual board plan and agenda, and in formulating governance and board-related matters. She is closely involved in the induction and orientation of new directors, and acts as secretary for committees of the board.

The company secretary, Joanne Matisonn (FCIS HDip Co Law (Wits)), was appointed secretary to TMG on 3 September 2012. She was previously group secretary at Avusa from 1 February 1998.

In line with the JSE Listings Requirements, the board has assessed the competence, qualifications and experience of the group secretary and concluded that she has the expertise to carry out her duties. This conclusion was arrived at after reviewing her competence, qualification and experience. The board is satisfied that an arm's-length relationship exists between it and the company secretary as she is not a member of the board, is not involved in day-to-day operations of the Group and is not a prescribed officer.

ACCOUNTABILITY, AUDIT AND RISK MANAGEMENT

EXTERNAL AUDIT

The external auditors are responsible for reporting on whether the financial statements are fairly presented in terms of International Financial Reporting Standards and the Companies Act. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosures. The preparation of all financial statements is the responsibility of the board.

There is consultation between external and internal auditors to ensure an efficient and comprehensive audit process. This includes periodic meetings to discuss matters of mutual interest.

The audit and risk committee determines the principles for approving the use of the external auditors for non-audit services.

INTERNAL AUDIT

The board, guided by the audit and risk committee, is satisfied that the Group had an effective internal audit function that operated in line with a board-approved internal audit charter for the year under review. The internal audit function was provided by SizweNtsalubaGobodo, an external service provider. The roles and functions of the internal auditors were defined by the standards of the Institute of Internal Auditors.

Internal audit provided an independent, objective assurance that added value to the Company's operations. Internal audit assisted the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the Group's risk management, internal control and governance processes.

Internal audit plans covered matters identified in risk management assessments as well as issues highlighted by the board, audit and risk committee, executive directors and senior management.

The internal audit function was terminated effective 1 July 2013 based on a cost/benefit decision.

FINANCIAL AND OPERATIONAL RISKS AND CONTROLS

Risk governance operates within a defined structure approved by the board and monitored by the audit and risk committee. The objectives are to identify the level of risk appropriate to the Group, taking into account the need to increase shareholder value through an

CORPORATE **GOVERNANCE AND RISK MANAGEMENT** (CONTINUED)

entrepreneurial culture and ensuring the Group achieves its objectives. Risk identification includes both actual and potential risks. The potential impact of key risks is measured against a broad set of assumptions.

Steps to mitigate risks and compensating controls are implemented and monitored. This process is recorded in a critical risk areas document that covers a broad range of risks including physical and operational risks, human resources risks, technology risks, business continuity and disaster recovery risks, credit and market risks, and compliance risks. All business unit management committees review and update their own critical risk areas at least twice a year.

The following critical risk areas that may impact at a Group level have been identified:

Risk	Risk mitigation
Content delivery shift from physical to digital	TMG is bolstering its physical product and adopting digital delivery platforms.
Piracy	TMG is involved in educating the general public to avoid buying pirated products. The Entertainment business provides financial support to the Southern African Federation Against Copyright Theft (SAFACT) to combat piracy.
Loss of licences and agencies	Strategic management of Group licences is in place, and includes building and maintaining relationships with licensors.
Loss of key personnel	Retention of key employees is an important part of the Group's human resources function. In cases where key personnel do leave, their replacement is identified in advance by succession planning.
Contravention of Competition Act	Compliance with competition law is continually reviewed.
Power outages	Generators have been acquired to provide power to critical sites and processes during power outages.
Loss of key customers	Strategic management of key customers is in place, and includes building and maintaining relationships with these customers.
Ability to service borrowings	Cash flow is continually managed and reviewed.
Destruction of Head Office building	Relevant security is maintained for the building.

Systems of internal controls include defined lines of accountability. The board is satisfied as to the effectiveness of the Company's internal controls.

Operational risks are managed to acceptable levels by ensuring the appropriate infrastructure, controls, systems and people are in place across the Group. Contingency plans are in place to ensure ongoing product and service delivery under adverse conditions.

The board is aware that it operates in a dynamic environment, and is alert to new areas of risk exposure that may require its attention. Accordingly, there is a continual focus on ensuring the control environment in which the business operates is understood and maintained at the required level.

The board is satisfied that an adequate risk management process is in place to identify, evaluate and manage key risks faced by the Group.

DIRECTORS' RESPONSIBILITY

The directors acknowledge their responsibility for the adequacy of accounting records, effectiveness of risk management and the internal control environment, appropriateness of accounting policies, and the bases of estimates and provisions. The directors also acknowledge their responsibility for preparing the annual financial statements, adhering to appropriate accounting standards, and preparing related information that fairly presents the state of affairs and the results of the Company.

GOING CONCERN

The directors confirm they are satisfied that TMG has adequate financial resources to continue in business for the foreseeable future. Accordingly, the annual financial statements have been prepared on the going-concern basis.

BUSINESS ETHICS AND CODE OF CONDUCT

The Group complies with applicable laws and regulations. Dealings with stakeholders are based on integrity and ethics. TMG conducts its business through fair practices, and trades with suppliers who subscribe to similar ethical standards. The Company's code of conduct is incorporated into the group human resources manual and communicated within the Group and with external parties. The Company's editorial charter affirms its commitment to the principle of editorial independence. In addition to complying with national, corporate and industry standards and regulations, TMG also abides by various media-specific codes of conduct.

The directors' code of conduct is in line with the recommendations of King III. It covers a wide range of business practices and procedures. It does not endeavour to cover every issue that may arise, but sets out basic principles to guide directors of the Company and its subsidiaries to deal with ethical issues, to advise on channels to report possible unethical conduct and to foster a culture of honesty and accountability.

SHARE DEALINGS BY DIRECTORS AND MANAGEMENT

In line with statutory and regulatory obligations and best practice, directors and management may not deal, directly or indirectly, in the Company's shares during specific closed periods. These closed periods operate from year-end to the announcement of annual results, and from half-year-end to the announcement of interim results. Restrictions on share dealings are also applied during any other period considered sensitive in terms of the requirements of the JSE Limited.

Directors and the company secretary require the prior approval of the chairman, chief executive officer or financial director before dealing in the Company's shares.

CORPORATE **GOVERNANCE AND RISK MANAGEMENT** (CONTINUED)

INDUSTRY ENGAGEMENT

TMG is actively engaged in a variety of industry bodies, including World Association of Newspapers, Print and Digital Media South Africa, Newspaper Association of South Africa, Magazine Publishers Association of South Africa, Printing Industries Federation of South Africa, Southern African Federation Against Copyright Theft, National Organisation for Reproduction Rights in Music in Southern Africa, Content Delivery and Storage Association, Recording Industry of South Africa, South African Music Performance Rights Association, Publishing Association of South Africa, South African Booksellers' Association, and Sustainable Energy Society of Southern Africa, through funding and by the leading roles played by TMG executives and management in these industry bodies.

COMMUNICATIONS WITH SHAREHOLDERS

The chairman and executive directors engage with shareholders, institutional investors, analysts and the media. Group operations have their own programmes in place to inform stakeholders on material issues.

Financial results are published in the press, and on the Company's website. Shareholders have been offered the opportunity to receive financial results electronically. Shareholders are invited to attend the annual general meeting of the Company.

There were still numerous certificated shareholders at 30 June 2013. Shareholders are reminded that they are unable to deal in their TMG shares unless the shares are dematerialised.

TMG encourages as many shareholders as possible to receive annual and interim financial reports, and other corporate documentation, in a user-friendly electronic format. Shareholders who wish to take advantage of this service are kindly requested to contact Computershare whose details appear on page 151. Once registered to receive electronic information, shareholders receive email notification of the release of annual and interim financial reports. This notification directs shareholders to the appropriate page on TMG's website to view the documents concerned.

REMUNERATION **COMMITTEE REPORT**

TERMS OF REFERENCE

The work of the remuneration committee is guided by detailed terms of reference in line with King III and approved by the board. Copies of the committee's terms of reference are available from the company secretary on request.

The committee is accountable to the board for duties assigned by the latter. It has an oversight role and makes recommendations to the board. The committee confirms it has conducted its affairs in compliance with its terms of reference, and has discharged its responsibilities accordingly.

The committee is responsible for:

- Company policy on executive and senior management remuneration
- Specific remuneration packages for executive directors of the Company
- Long-term incentive schemes and allocation of rights and shares
- Recommending non-executive directors' fees, including fees for chairmen and members of board committees for subsequent approval by shareholders of the Company.

The committee must perform all functions necessary to fulfil this role, including:

- Overseeing the setting and administration of remuneration in the Company
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance
- Reviewing the outcomes of implementing the remuneration policy
- Ensuring that the mix of fixed and variable pay, in cash, shares and other elements, meets the Company's needs and strategic objectives
- Satisfying itself on the accuracy of recorded performance measures that govern the vesting of incentives
- Ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued
- Considering the performance evaluations of the chief executive officer and other executive directors of the Company, both as directors and as executives, in determining remuneration
- Selecting an appropriate comparative group when comparing remuneration levels
- Regularly reviewing incentive schemes to ensure they contribute to shareholder value, and are administered in terms of their rules
- Considering the appropriateness of any early vesting of share-based schemes
- Overseeing the preparation, and recommending to the board, the remuneration committee report for inclusion in the Company's integrated annual report
- Attendance by the chairman of the committee or, in his absence, any other member of the committee at annual general meetings of the Company.

During the year under review, the committee:

- Agreed the terms for executive director compensation
- Approved a mandate for executive and general staff salary increases effective 1 April 2013
- Approved details of an employee share-based incentive scheme for approval by shareholders
- Approved the 1 July 2013 participants and allocations for the share-based incentive scheme
- Reviewed succession planning.

MEMBERSHIP

The committee of non-executive directors is appointed by the board of directors for each financial year.

Executive directors attend committee meetings as invitees, but recused themselves during discussions on their own remuneration and benefits.

The committee has access, if required, to external information and research on market data and trends from independent consultants.

REMUNERATION **COMMITTEE REPORT** (CONTINUED)

EXECUTIVE DIRECTOR CONTRACTS OF EMPLOYMENT

Executive directors have entered into employment contracts for a period of 24 months with effect from 1 February 2013. These may be terminated by either party on three months' written notice.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors' fees were approved by the Company's sole shareholder on 11 July 2012 and are valid until 30 June 2014. At the annual general meeting scheduled for 27 November 2013, shareholders will be requested to approve the same level of fees for a further two years.

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

Name	**15 Nov 2012**	**11 Mar 2013**	**22 Apr 2013**
R Naidoo (Chairman)	P	P	P
MSM Xayiya	P	A	A
HKMehta[1]		P	P

P – Present

A – Apologies

[1] Appointed 1 January 2013.

KEY PRINCIPLES OF THE REMUNERATION POLICY

Non-executive directors' remuneration

Non-executive directors' fees comprise annual retainers. Non-executive directors are not eligible to participate in the Company's share-based incentive plans.

Executive remuneration

Executive remuneration consists of the following components:

Salary and benefits

The guaranteed portion of remuneration comprises salary and benefits. Base salaries reflect the role, job size and responsibility of the executive.

Incentive bonus

Variable remuneration consists of an annual incentive bonus linked to a performance rating of financial and operational objectives. The bonus is settled in cash. The committee is satisfied that performance targets are challenging and promote the Company's business strategy.

Share-based incentives

The long-term performance component comprises share-based incentives designed to promote a retention strategy and to align management and shareholder interests.

NON-EXECUTIVE DIRECTORS' FEES

	Chairman R	Other R
Annual retainers		
Board	600 000	200 000
Audit and risk committee	80 000	40 000
Remuneration committee	65 000	35 000
Nominations committee	65 000	35 000
Transformation, social and ethics committee	65 000	35 000

The following non-executive directors' fees were paid:

	R000
2013	
KD Dlamini (Chairman)	559
MR Basel[1]	62
JHW Hawinkels	180
HK Mehta	194
R Naidoo	229
MM Nhlanhla[2]	7
MSM Xayiya	225
	1 456

[1] Appointed on 8 November 2012 and resigned on 1 March 2013.

[2] Appointed on 20 June 2013.

There were no non-executive directors during the 2012 financial year as the Company was a private company with its minority stake in Avusa comprising its only asset.

EXECUTIVE DIRECTORS' EMOLUMENTS

The following executive directors' emoluments were paid in respect of salaries:

	R000
2013	
AD Bonamour[1]	1 333
W Marshall-Smith[1]	875
	2 208

[1] These emoluments were paid to Blackstar Group Proprietary Limited.

	R000
2012	
AD Bonamour[1]	1 544
W Marshall-Smith[2]	202
GE Roth[3]	202
	2 246

[1] Appointed a director of the company on 19 January 2012. The emoluments were earned in his capacity as interim chief executive officer of New Bond Capital (formerly Mvelaphanda Group), and were paid by New Bond Capital to Blackstar Group Proprietary Limited.

[2] Appointed a director of the company on 31 May 2012. The emoluments were earned in his capacity as interim financial director of New Bond Capital (formerly Mvelaphanda Group), and were paid by New Bond Capital to Blackstar Group Proprietary Limited.

[3] Resigned as a director of the company on 18 January 2012. The emoluments were earned in his capacity as chief financial officer of New Bond Capital (formerly Mvelaphanda Group), and were paid by New Bond Capital.

REMUNERATION **COMMITTEE REPORT** (CONTINUED)

TIMES MEDIA GROUP SHARE INCENTIVE PLAN

Key to the Company's success is an incentivised, skilled senior management team. TMG relies on talent throughout its business units and publications, and needs to be able to attract and retain talent to grow and develop its business. To achieve this, the directors put forward the TMG share incentive plan that focuses on incentivising key talent, enabling the Company to attract additional complementary talent where necessary, and providing a retention mechanism so that the management team is stable for a sufficient period to successfully implement the Company's turnaround strategy. Incentives are focused on eligible employees acquiring shares in the Company, aligning management and shareholder interests.

The share incentive plan was approved on 27 March 2013 by the Company's shareholders in general meeting. The first tranche of share incentives was granted to eligible employees on 1 July 2013. Accordingly, details of the grant will be included in the Company's next integrated annual report.

Signed on behalf of the committee by:

R Naidoo
Chairman

ANALYSIS **OF SHAREHOLDERS**

Beneficial holders holding 5% or more	**Number of shares**	**% of issued share capital**
Public Investment Corporation	25 805 539	20,3
Blackstar Group SE	24 071 427	18,9
Caxton & CTP Publishers & Printers	14 772 092	11,6
Kagiso Asset Management	13 176 621	10,4
Total	**77 825 679**	**61,2**

Fund managers managing 5% or more	**Number of shares**	**% of issued share capital**
Public Investment Corporation	25 805 539	20,3
Coronation Fund Managers	19 676 903	15,5
Kagiso Asset Management	18 135 160	14,3
Total	**63 617 602**	**50,1**

Shareholder type	**Number of shareholders**	**% of total shareholders**	**Number of shares**	**% of issued share capital**
Non-public shareholders	13	0,7	86 641 056	68,2
Holders holding 10% or more	4	0,2	77 825 679	61,2
Directors' holdings (excluding indirect holdings via Blackstar Group SE)	8	0,5	8 785 411	7,0
Shares held by subsidiary	1	–	29 966	–
Public shareholders	1 676	99,3	40 436 089	31,8
Total	**1 689**	**100,0**	**127 077 145**	**100,0**

STOCK **EXCHANGE PERFORMANCE**

	2013
Closing price 30 June (R per share)	19,00
Highest quoted intraday price (R per share)	20,64
Lowest quoted intraday price (R per share)	11,50
Number of shares traded (million)	47,5
Ratio of shares traded to shares in issue (%)	37,4
Value of shares traded (R million)	680,1
Free float (%)	32

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ANNUAL FINANCIAL STATEMENTS

STATEMENT **OF DIRECTORS' RESPONSIBILITIES**

The directors of Times Media Group Limited are required by the Companies Act of South Africa (the Act) to maintain adequate accounting records and to prepare annual financial statements that fairly present the state of affairs of the Company and the Group as at the end of the financial year and the profit or loss for that year, in conformity with International Financial Reporting Standards and the Act. The annual financial statements are the responsibility of the directors and it is the responsibility of the external auditors to report thereon. The reports of the independent auditor to the shareholders of the Company are set out on pages 76 to 78. These annual financial statements have been audited in compliance with the applicable requirements of the Act.

The preparation of these annual financial statements for the year ended 30 June 2013 was supervised by TMG's financial director, Mr W Marshall-Smith CA(SA).

To enable the directors to meet their responsibilities, the board sets standards and implements systems of internal control aimed at reducing the risk of error or loss. These controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored, and all employees are required to maintain the highest ethical standards in ensuring that business is conducted in a manner which is above reproach.

DIRECTORS' **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The Company and Group annual financial statements, which appear on pages 79 to 140, were approved by the board of directors on 26 September 2013 and are signed on its behalf by:

KD Dlamini
Chairman

AD Bonamour
Chief Executive Officer

CERTIFICATE **BY THE COMPANY SECRETARY**

I hereby certify that, in respect of the financial year ended 30 June 2013, the Company has lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act of South Africa, and that these returns are true, correct and up to date.

JR Matisonn
Company Secretary

Johannesburg
26 September 2013

INDEPENDENT **AUDITOR'S REPORTS**

To the shareholders of Times Media Group Limited

We have audited the consolidated and separate financial statements of Times Media Group Limited set out on pages 88 to 140, which comprise the statements of financial position as at 30 June 2013, and the statements of profit or loss and other comprehensive income, statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 control 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Times Media Group Limited as at 30 June 2013, 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 the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2013, we have read the directors' report, the audit and risk committee report and the certificate by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Registered Auditor
Per JAR Welch
Partner

26 September 2013

INDEPENDENT **AUDITOR'S REPORTS**

(CONTINUED)

To the shareholders of Times Media Group Limited

INTRODUCTION

We have reviewed the consolidated annual financial statements of Times Media Group Limited as at 30 June 2012 which comprises of the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended. Management is responsible for the preparation and presentation of this financial information in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Our responsibility is to express a conclusion on the consolidated annual financial statements for the year ended 30 June 2012 based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of historical financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the consolidated financial statements for the year ended 30 June 2012 are not prepared, in all material respects, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Deloitte & Touche

Registered Auditor
Per JAR Welch
Partner

26 September 2013

Buildings 1 and 2, Deloitte Place, The Woodlands, Woodlands Drive, Woodmead Sandton

DIRECTORS' **REPORT**

The directors are pleased to present their report, together with the audited annual financial statements, for the year ended 30 June 2013.

NATURE OF BUSINESS

TMG had the following business units during the year under review:

The Media business unit included the Group's interests in newspapers, magazines, out-of-home advertising and the digital businesses of I-Net Bridge, Interactive Junction Holdings and Amorphous.

BDFM comprised the print titles Business Day and Financial Mail, and the DStv channels Business Day TV, Home Channel and Ignition. On 25 June 2013, the 50% of BDFM not already owned by TMG was acquired, resulting in both BDFM and I-Net Bridge becoming wholly-owned subsidiaries of TMG.

The Retail Solutions business unit houses TMG's activities in retail advertising production systems and related database management and development, and retail printing. It comprises the businesses of Hirt & Carter, Uniprint and Paton Tupper.

The Books business unit published, distributed and sold books and maps, and consisted of book retail (Exclusive Books and Van Schaik Bookstore), book and map publishing (Random House Struik, Struik Christian Media, New Holland Publishers (UK, Australia and New Zealand) and Map Studio, digital mapping (MapIT) and book logistics (Booksite Afrika and Mega Digital). TMG's 51% stake in MapIT was sold on 1 June 2013.

The Entertainment business unit comprised Nu Metro (Films, Cinemas, Home Entertainment and Popcorn Cinema Advertising), Gallo Music, Compact Disc Technologies (CDT), Entertainment Logistics Services (ELS) and Associated Music Distributors (AMD). TMG's 50% stake in Three Groups Cinemas (Suncoast Cinemas) was sold on 1 June 2013, and TMG's 51% interest in Monte Cinemas was sold on 28 June 2013.

FINANCIAL PERFORMANCE

The profit attributable to owners of the Company amounted to R3 million (2012: R158 million), and headline earnings amounted to R43 million (2012: R138 million).

SUBSIDIARY COMPANIES

The Group's share of the attributable profits and losses of its subsidiaries, after taking into account taxation and non-controlling interests, for the year ended 30 June was:

	2013 Rm	2012 Rm
Profits	**212**	**291**
Losses	**(210)**	**(92)**

SHARE CAPITAL

75 063 283 ordinary no par value shares were issued in September 2012 in terms of the Company's scheme of arrangement. After implementation of the odd-lot offer on 19 April 2013, 29 966 ordinary no par value shares were delisted from the JSE Limited and purchased by Times Media Proprietary Limited, a wholly-owned subsidiary of TMG.

ACQUISITION OF THE COMPANY'S OWN SHARES

Shareholders will be asked at this year's annual general meeting to consider a special resolution to grant a general approval for the Company and/or its subsidiaries to acquire shares of the Company. This general authority will be effective until the Company's 2014 annual general meeting. At present, there are no plans to utilise this general authority.

DIRECTORS' **REPORT** (CONTINUED)

MAJOR SHAREHOLDERS

According to the Company's share register, the following shareholders beneficially held in excess of 5% of the issued ordinary shares of the Company as at 30 June:

	2013		2012	
	Number of ordinary shares	**% of issued ordinary shares**	Number of ordinary shares	% of issued ordinary shares
Public Investment Corporation	**25 805 539**	**20,3**		
Blackstar Group SE	**24 071 427**	**18,9**		
Caxton & CTP Publishers & Printers	**14 772 092**	**11,6**		
Kagiso Asset Management	**13 176 621**	**10,4**		
Mvelaphanda Group			52 013 862	100,0

Further analysis of shareholders' interests in TMG is provided on page 71.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At 30 June 2013 and as at the date of approval by the board of TMG's annual financial statements, Mr AD Bonamour beneficially held 4 000 TMG shares directly and 2 208 430 TMG shares indirectly (2012: nil shares), Mr W Marshall-Smith beneficially held 1 448 593 TMG shares indirectly (2012: nil shares), and Mr HK Mehta beneficially held 1 959 TMG shares directly and 5 921 537 TMG shares indirectly (2012: nil shares).

No other TMG directors held shares in the issued ordinary share capital of the Company as at 30 June 2013 and as at the date of approval of TMG's annual financial statements.

TMG SHARE INCENTIVE PLAN

The TMG Share Incentive Plan was approved on 27 March 2013 by the Company's shareholders in general meeting. The first tranche of share incentives was granted to eligible employees on 1 July 2013. Accordingly, details of the grant will be included in the Company's next integrated annual report.

BOARD COMMITTEES

Details of the work of board committees appear in the corporate governance and risk management report on pages 60 to 66, audit and risk committee report on pages 82 to 87 and remuneration committee report on pages 67 to 70.

LITIGATION

The Company and the Group were not engaged in any significant litigation during the year and at the date of this report.

GOING CONCERN

These annual financial statements have been prepared on the going-concern basis. The board reviewed the Group's ability to continue trading as a going concern in the foreseeable future and, based on this review, considers that presentation of the financial statements on this basis is appropriate.

BORROWING POWERS

The borrowing powers of the Company which, in terms of the Company's memorandum of incorporation, are unlimited, may all be exercised by the Company's directors.

EVENTS AFTER THE REPORTING PERIOD

- On 29 July 2013, the Books division sold its Struik Christian Media publishing business for R10 million.
- On 31 July 2013, TMG's 40% interest in Warner Music Gallo Africa (WMGA) was sold back to WMGA for R12 million, while retaining Needletime rights from the joint venture.
- Hirt & Carter acquired Typesetting and Repro Services on 31 July 2013 in a transaction that is earnings-enhancing and adds critical mass to Hirt & Carter's Gauteng operations.
- The loss of the Trudon contract made Uniprint's Web division unviable, and the decision was made to exit web printing and sell the equipment at the end of August 2013, with Uniprint realising R59 million from the sale. It is anticipated a further R10 million to R15 million will be realised from the sale of the division's spares, stocks and consumables.
- The sale of I-Net Bridge to McGregor BFA for R115 million was agreed in August 2013. The sale is subject to certain suspensive conditions, including Competition Commission approval.
- The sales of Exclusive Books and Van Schaik Bookstore for R90 million and R325 million respectively, were signed earlier this month. The disposals are subject to the fulfilment of a number of suspensive conditions, normal in transactions of this nature, including approval by the Competition Commission authorities.
- On 12 September 2013, TMG acquired a 32,26% interest in Multimedia Group Limited, a Ghanaian radio and television group, for R144 million.

DIVIDENDS

No dividend was declared by the directors for TMG's 2013 financial year.

SPECIAL RESOLUTIONS

Special resolutions were passed by subsidiary companies after adopting new memoranda of incorporation in compliance with the Companies Act.

DIRECTORS AND SECRETARY

Details of directors in office, including directorate changes, are set out on pages 6 and 7.

The directors listed in the notice of annual general meeting on page 142 retire by rotation at the forthcoming annual general meeting, and are eligible and available for re-election.

INDEPENDENT AUDITOR

Shareholders will be requested at the forthcoming annual general meeting to appoint Deloitte & Touche as the independent external auditor of the Company. It is noted that Mr JAR Welch is the designated partner.

AUDIT AND RISK COMMITTEE REPORT

This is the report of the audit and risk committee of TMG appointed for the financial year ended 30 June 2013 in compliance with the Companies Act (the Act) and in terms of the JSE Listings Requirements. The committee has detailed terms of reference that comply with the Act and King III, and have been approved by the board. Copies of the terms of reference are available from the company secretary on request.

MEMBERSHIP

The board of directors appointed the committee for the 2013 financial year. At the annual general meeting scheduled for Wednesday, 27 November 2013, shareholders will be asked to approve the appointment of the chairman and members of the committee for the 2014 financial year. The committee consists of independent non-executive directors who are all financially literate. The chairman of the board is also the chairman of the audit and risk committee. This is being addressed by the nominations committee. The members are Messrs KD Dlamini (chairman), JHW Hawinkels and R Naidoo. Shareholders will be requested at the Company's upcoming annual general meeting to appoint Mr JHW Hawinkels as the chairman of the audit and risk committee.

PURPOSE

The committee is solely responsible for its statutory duties in terms of the Act. In addition, the committee is required to perform other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes within the Company.

RISK MANAGEMENT

The committee is required to oversee:

- Financial reporting risks
- Internal financial controls
- Fraud and IT risks as they relate to financial reporting.

The committee is responsible for:

- Monitoring a Group-wide system of internal control to manage all Group risks
- Reviewing and monitoring the effectiveness and integrity of the Company's financial reporting and internal financial controls
- Reviewing the effectiveness of the process for identifying, assessing and reporting all significant business risks and the management of those risks, and making recommendations to the board as appropriate
- Monitoring management's response to identified weaknesses in control and system efficiencies, as well as the effectiveness of corrective actions
- Reviewing serious instances of fraud, breakdown in control and litigation as well as evaluating the Company's exposure to these
- Reviewing the disclosure statement to shareholders on internal control and making recommendations to the board as appropriate
- Reviewing the adequacy of insurance cover
- Overseeing the development and annual review of a policy and plan for risk management to recommend for approval to the board
- Monitoring implementation of the policy and plan for risk management
- Making recommendations to the board on the levels of risk tolerance and appetite, and monitoring that risks are managed within approved levels of risk tolerance and appetite
- Ensuring management considers and implements appropriate risk responses
- Ensuring continuous risk monitoring by management takes place
- Expressing the committee's formal opinion to the board on the effectiveness of the system and process of risk management
- Reviewing reporting on risk management that is to be included in the integrated annual report.

The committee is responsible for:

INTERNAL AUDIT

- Considering the appointment, dismissal or re-assignment of the internal audit function and annually approving the remuneration of the internal audit function
- Approving the terms of reference of the internal audit function having regard to the complementary roles of the internal and external audit functions
- Considering whether the mandate, organisation, resourcing and standing of the internal audit function are appropriate to enable the committee to meet its objectives
- Reviewing internal audit's conclusions on risk management and internal control, financial reporting, corporate governance and significant investigations
- Reviewing the adequacy of corrective action in response to significant internal audit findings
- Monitoring and reviewing the effectiveness of the Company's internal audit function
- Considering any significant difficulties encountered during an audit, including restrictions on audit scope
- Reviewing co-ordination between the internal audit function and external auditors
- Overseeing the effectiveness, including independence, of internal audit functions for subsidiaries of the Company.

EXTERNAL AUDIT

- Evaluating, co-ordinating and monitoring external audit processes
- Overseeing the Company's relations with the external auditors, including determination of fees to be paid to the external auditors and their terms of engagement
- Subject to the approval of shareholders in general meeting, making recommendations to the board on the appointment, retention and removal of the external auditors and, if the board does not accept the recommendations, including in the report of the committee a statement explaining its recommendation and the reasons why the board has taken a different position
- Overseeing the process for selection and, where applicable, dismissal of the external auditors
- Ensuring the appointment of the auditor complies with the Act and any other legislation relating to the appointment of auditors
- Determining, subject to the Act, the nature and extent of any non-audit services the auditor may provide to the Company
- Pre-approving any proposed agreement with the auditor to provide non-audit services
- Reviewing, at least annually, the risks and, where relevant, safeguards to the independence, effectiveness and objectivity of the external auditors including an assessment of the auditors' qualifications, expertise and resources taking into account relevant professional and regulatory requirements
- Ensuring key partners in the appointed audit firm are rotated from time to time
- At the start of each annual audit cycle, ensuring appropriate plans are in place for the audit
- Overseeing the nature and scope of the audit engagement and approving proposed audit fees and engagement letter
- Developing and implementing the Company's formal policy on engaging external auditors to provide non-audit services
- Meeting with the external auditors at least twice a year; once at the planning stage, where the scope of the audit is considered, and once at the reporting stage
- Reviewing the external auditors' proposed audit opinion
- Reviewing disclosure details, for inclusion in the Company's integrated annual report, on auditor independence
- At the end of the annual audit cycle, reviewing the effectiveness of the audit process
- Reviewing the Company's policy on auditor independence and considering this disclosure for inclusion in the integrated annual report

AUDIT **AND RISK COMMITTEE REPORT** (CONTINUED)

- Considering whether the audit firm and, where appropriate, the individual auditor responsible for performing the functions of external auditor, are accredited on the JSE's list of auditors as required by the JSE Listings Requirements.

INTEGRATED REPORTING

- Reviewing the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other price-sensitive information, prospectuses, trading statements and similar documents
- Commenting in the annual financial statements on the financial statements, accounting practices and effectiveness of internal financial controls
- Reviewing the disclosure of sustainability issues in the Company's integrated annual report to ensure that it is reliable and does not conflict with the financial information included in the reporting
- Recommending the Company's integrated annual report to the board for approval
- Considering whether the external auditor should perform assurance procedures on the interim results
- Reviewing the content of summarised information as to whether it provides a balanced view.

FINANCIAL REPORTING PROCESS

- Monitoring the integrity of interim and annual financial statements in accordance with required standards, reports to shareholders of the Company, including the operating and financial review, and corporate governance statements on audit and risk management, preliminary results announcements and any other announcements on the Company's results or other financial information
- Evaluating the financial statements of the Group for reasonableness, compliance with accounting standards and regulatory requirements, completeness and accuracy
- Considering and approving, if appropriate, major changes to the Group's auditing and accounting principles and practices as suggested by management, external auditors or internal auditors
- Including in the Company's integrated annual report any unresolved disagreements between the board and the auditors.

COMBINED ASSURANCE

- Ensuring a combined assurance model is applied to provide a co-ordinated approach to all assurance activities
- Ensuring the combined assurance received is appropriate to address significant risks facing the Company
- Monitoring the relationship between external assurance providers and the Company.

FINANCE FUNCTION AND FINANCIAL DIRECTOR

- Reviewing the expertise, resources and experience of the Company's financial function, and disclosing the results in the integrated annual report
- Considering and satisfying itself annually on the suitability of the expertise and experience of the financial director.

GENERAL

- Providing the financial director, external auditors and internal auditors access to the chairman of the committee or any other member on any matter within the committee's remit
- Duly considering the JSE Listings Requirements, King Code and relevant international requirements
- Overseeing any investigation of activities within its terms of reference
- Conducting reviews of the committee's work and charter, and making recommendations to the board to ensure the committee is operating at maximum effectiveness.

DUTIES CARRIED OUT

The committee has performed its duties and responsibilities during the financial year according to its terms of reference.

EXTERNAL AUDIT

The committee:

- Nominated Deloitte & Touche and Mr JAR Welch as the independent auditor and designated audit partner, respectively, to shareholders for appointment as auditor for the financial year ended 30 June 2013, and ensured the appointments complied with legal and regulatory requirements
- Confirmed that the independent auditor and designated audit partner are accredited by the JSE
- Approved the external audit engagement letter, audit plan and budgeted audit fees payable to the external auditor
- Reviewed the audit and evaluated the effectiveness of the independent auditor
- Obtained a statement from the independent auditor confirming its independence was not impaired
- Determined the nature and extent of all non-audit services provided by the independent auditor and pre-approved all non-audit services undertaken
- Obtained assurances from the independent auditor that adequate accounting records were maintained
- Confirmed that no reportable irregularities had been identified or reported by the independent auditor under the Auditing Profession Act.

FINANCIAL STATEMENTS

The committee:

- Confirmed that interim and annual financial statements should be prepared on the going-concern basis
- Examined the interim and annual financial statements and other financial information made public, prior to its approval by the board
- Considered accounting treatments, significant or unusual transactions and accounting judgements
- Considered the appropriateness of accounting policies and any changes made
- Reviewed the independent auditor's audit report on the annual financial statements
- Reviewed the representation letter for the annual financial statements signed by management
- Considered any problems identified as well as any legal and tax matters that could materially affect the financial statements
- Met separately with management and external audit
- Concluded that the annual financial statements fairly present the financial position of the Company at the end of the financial year and the results of the operations and cash flows for the financial year.

INTERNAL CONTROL

The committee:

- Received assurances that proper accounting records were maintained and that systems to safeguard the Group's assets were in place
- Believes there were no material breakdowns in internal control.

RISK MANAGEMENT

The committee:

- Reviewed the compliance framework and risk management framework
- Reviewed the Group's insurance cover
- Reviewed the Group's policies on risk management and risk assessment, including fraud risks and information technology risks.

AUDIT **AND RISK COMMITTEE REPORT** (CONTINUED)

SUSTAINABILITY

The committee:

- Reviewed the sustainability reporting included in the Group's integrated annual report and satisfied itself that this was consistent with the annual financial statements
- Considered the desirability of obtaining external assurance on the sustainability reporting and recommended to the board that it would serve only a limited useful purpose.

LEGAL AND REGULATORY REQUIREMENTS

The committee:

- Reviewed with management legal matters that could have a material impact on the Group
- Reviewed the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities
- Considered reports provided by management and the auditors on compliance with legal and regulatory requirements
- Appointed a Group risk officer and a Group compliance officer.

COMBINED ASSURANCE

The committee reviewed the plans and reports of the auditors and other assurance providers including management, and concluded these were adequate to address all significant financial risks facing the business.

FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee:

- Considered the experience and expertise of the financial director and concluded these were appropriate
- Considered the expertise, resources and experience of the finance function and concluded these were appropriate.

INDEPENDENCE OF INDEPENDENT AUDITOR

The committee, after taking the following factors into account, is satisfied that Deloitte & Touche is independent of the Company and the Group:

- Representations made by Deloitte & Touche to the committee
- The auditor does not, except as independent auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken
- The auditor's independence was not prejudiced by any previous appointment as auditor
- The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

ANNUAL FINANCIAL STATEMENTS

Following a review of the annual financial statements of Times Media Group Limited for the year ended 30 June 2013, the committee is of the view that, in all material respects, these comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the financial position at that date and the results of operations and cash flows for the year then ended. The committee recommended the annual financial statements for the year ended 30 June 2013 to the TMG board for approval. The board approved the integrated annual report, inclusive of the annual financial statements, which will be open for discussion at the forthcoming annual general meeting. The committee also reviewed and satisfied itself on the integrity of the integrated annual report and recommended it to the board for approval.

ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS

Name	**5 Mar 2013**	**29 Apr 2013**
KD Dlamini (Chairman)	P	P
JHW Hawinkels	P	P
R Naidoo	P	P

P – Present

The external auditors, in their capacity as auditors to the Group, attended and reported at meetings of the committee. Executive directors and relevant senior managers attended meetings by invitation.

Signed on behalf of the committee by:

KD Dlamini

Chairman

STATEMENTS OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the year ended 30 June 2013

		Group		Company	
	Notes	**Audited 2013 Rm**	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
CONTINUING OPERATIONS					
Revenue	3	**3 899**	3 949	**–**	–
Cost of sales		**(2 756)**	(2 809)	**–**	–
Gross profit		**1 143**	1 140	**–**	–
Operating expenses		**(918)**	(953)	**(2)**	–
Operating costs	4	**(802)**	(829)	**(2)**	–
Depreciation	6	**(82)**	(78)	**–**	–
Amortisation	7	**(34)**	(40)	**–**	–
Share-based payments	41	**–**	(6)	**–**	–
Profit (loss) from operations before exceptional items		**225**	187	**(2)**	–
Exceptional items	8	**(219)**	(15)	**(999)**	838
Profit (loss) from operations		**6**	172	**(1 001)**	838
Net finance (costs) income		**(70)**	(16)	**1 008**	(31)
Finance income	9	**20**	22	**1 014**	3
Finance costs including interest paid on cash flow hedges	10	**(90)**	(38)	**(6)**	(34)
Share of losses of associates (net of income tax)		**(26)**	(1)	**–**	(104)
(Loss) profit before taxation		**(90)**	155	**7**	703
Taxation	11	**17**	(67)	**(2)**	1
Income tax credit (expense)		**17**	(56)	**(2)**	2
Secondary tax on companies expense		**–**	(11)	**–**	(1)
(Loss) profit from continuing operations		**(73)**	88	**5**	704
DISCONTINUED OPERATIONS					
Profit from discontinued operations	12	**83**	81		
Profit after taxation before profit on disposals		**36**	81		
Profit on disposals (net of capital gains tax)		**47**	–		
Profit for the twelve months		**10**	169	**5**	704
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Change in fair value of cash flow hedges (net of income tax)		**7**	–	**–**	–
Exchange differences on translation of foreign operations		**–**	4	**–**	–
Other comprehensive income for the twelve months (net of income tax)		**7**	4	**–**	–
Total comprehensive income for the twelve months		**17**	173	**5**	704

	Notes	Group Audited 2013 Rm	Group Reviewed 2012 Rm	Company Audited 2013 Rm	Company Audited 2012 Rm
Profit attributable to:					
Owners of the Company		**3**	158	**5**	704
(Loss) profit from continuing operations		**(76)**	86		
Profit from discontinued operations		**79**	72		
Non-controlling interest		**7**	11		
Profit from continuing operations		**3**	2		
Profit from discontinued operations		**4**	9		
Profit for the twelve months		**10**	169	**5**	704
Total comprehensive income attributable to:					
Owners of the Company		**10**	162		
(Loss) profit from continuing operations		**(67)**	88		
Profit from discontinued operations		**77**	74		
Non-controlling interest		**7**	11		
Profit from continuing operations		**3**	2		
Profit from discontinued operations		**4**	9		
Total comprehensive income for the twelve months		**17**	173	**5**	704
(Loss) earnings per ordinary share from continuing operations (cents)	13				
Basic		**(67)**	5		
Diluted		**(67)**	5		
Earnings per ordinary share from discontinued operations (cents)	13				
Basic		**56**	39		
Diluted		**56**	39		
(Loss) earnings per ordinary share from continuing and discontinued operations (cents)	13				
Basic		**(11)**	44		
Diluted		**(11)**	44		
Number of ordinary shares in issue (000)					
At beginning of the year		**52 014**	52 014		
At end of the year		**127 077**	52 014		
Weighted average for the year		**141 230**	182 932		
Weighted average for the year (diluted)		**141 230**	182 961		

STATEMENTS OF **FINANCIAL POSITION**

as at 30 June 2013

		Group		Company	
		Audited	Reviewed	**Audited**	Audited
		2013	2012	**2013**	2012
	Notes	**Rm**	Rm	**Rm**	Rm
ASSETS					
Non-current assets		**1 431**	1 801	**1 734**	531
Property, plant and equipment	14	**392**	593	**–**	–
Goodwill	15	**491**	534	**–**	–
Other intangible assets	16	**340**	430	**–**	–
Interests in subsidiaries	17	**–**	–	**1 734**	–
Interests in associates	18	**22**	85	**–**	531
Investment	19	**13**	–	**–**	–
Cash flow hedges	24	**10**	–	**–**	–
Deferred taxation assets	26	**163**	159	**–**	–
Current assets		**1 292**	2 138	**1**	483
Inventories	20	**230**	622	**–**	–
Trade and other receivables	21	**943**	1 088	**–**	–
Taxation pre-paid		**16**	35	**–**	–
Bank balances, deposits and cash		**103**	393	**1**	483
Non-current assets classified as held for sale		**893**	–	**–**	–
Total assets		**3 616**	3 939	**1 735**	1 014
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company		**1 162**	2 128	**1 729**	704
Stated capital	22	**1 724**	704	**1 724**	704
Other reserves	23	**(1 133)**	856	**–**	–
Accumulated profits		**571**	568	**5**	–
Non-controlling interest		**46**	79		
Total equity		**1 208**	2 207	**1 729**	704
Non-current liabilities		**1 019**	664	**–**	–
Long-term borrowings	24	**690**	285	**–**	–
Post-retirement benefits liabilities	25	**264**	233	**–**	–
Operating leases equalisation liabilities		**18**	38	**–**	–
Deferred taxation liabilities	26	**47**	108	**–**	–
Current liabilities		**972**	1 068	**6**	310
Trade and other payables	27	**786**	921	**6**	–
Provisions	28	**27**	24	**–**	–
Taxation liabilities		**16**	24	**–**	–
Bank overdrafts and other short-term borrowings	24	**143**	99	**–**	310
Liabilities directly associated with non-current assets classified as held for sale		**417**	–	**–**	–
Total equity and liabilities		**3 616**	3 939	**1 735**	1 014

STATEMENTS OF **CASH FLOWS**

for the year ended 30 June 2013

	Notes	Group Audited 2013 Rm	Group Reviewed 2012 Rm	Company Audited 2013 Rm	Company Audited 2012 Rm
OPERATING ACTIVITIES					
Net cash flows from operations before working capital changes		**340**	428	**(14)**	–
Working capital changes		**174**	(36)	**6**	23
Net cash flows from operations	30	**514**	392	**(8)**	23
Net finance (costs) income including interest paid on cash flow hedges		**(69)**	(10)	**6**	(31)
Taxation paid		**(69)**	(123)	**(2)**	(1)
Net cash flows from operating activities		**376**	259	**(4)**	(9)
INVESTING ACTIVITIES					
Income from investments	31	**5**	3	**1 008**	–
Acquisition of property, plant and equipment	32	**(129)**	(164)	**–**	–
– to maintain operations		**(129)**	(162)	**–**	–
– to expand operations		**–**	(2)	**–**	–
Proceeds on disposal of property, plant and equipment	14	**13**	43	**–**	–
Acquisition of other intangible assets		**(21)**	(25)	**–**	–
Acquisition of investments		**(14)**	–	**–**	–
Acquisition of subsidiary	33	**(11)**	–	**–**	–
Disposal of subsidiaries	33	**20**	–	**–**	–
Acquisition of minority interests in subsidiaries		**(2)**	(20)	**–**	–
Disposal of investment in associate		**13**	–	**–**	–
Net decrease (increase) in long-term receivables and loans		**10**	(16)	**–**	–
Net cash flows from investing activities		**(116)**	(179)	**1 008**	–
FINANCING ACTIVITIES					
Purchase of Avusa shares		**(1 130)**	–	**(1 130)**	–
Effect of accounting for implementation of TMG scheme of arrangement		**173**	17	**–**	–
Net increase (decrease) in borrowings		**423**	(6)	**(316)**	(23)
Dividends paid by subsidiaries to non-controlling interests		**(18)**	(46)	**–**	–
Increase in loans owing by subsidiaries		**–**	–	**(40)**	–
Dividend paid		**–**	(105)	**–**	–
Issue of shares		**–**	–	**–**	704
Decrease in Group companies loans		**–**	–	**–**	(268)
Net cash flows from financing activities		**(552)**	(140)	**(1 486)**	413
Net (decrease) increase in cash and cash equivalents		**(292)**	(60)	**(482)**	404
Cash and cash equivalents at beginning of the year		**354**	417	**483**	79
Foreign operations translation adjustment		**(3)**	(3)	**–**	–
Cash and cash equivalents at end of the year	34	**59**	354	**1**	483

STATEMENTS **OF CHANGES IN EQUITY**

for the year ended 30 June 2013

	Stated capital Rm	Other reserves Rm	Accumu-lated profits Rm	Owners' interest Rm	Non-controlling interest Rm	Total equity Rm
Group						
Balance at 30 June 2011	1 571	(11)	515	2 075	120	2 195
Profit attributable to owners of the Company		–	158	158	11	169
Exchange differences on translation of foreign operations		4	–	4	–	4
Effect of reverse acquisition accounting	(867)	867	–	–	–	–
Effect of acquisitions and disposals of non-controlling interests		(21)	–	(21)	(6)	(27)
Equity-settled share incentive plans		(4)	–	(4)	–	(4)
Disposal of call options over Avusa shares		21	–	21	–	21
Dividends paid by subsidiaries to non-controlling interests		–	–	–	(46)	(46)
Dividend paid		–	(105)	(105)	–	(105)
Balance at 30 June 2012 (reviewed)	704	856	568	2 128	79	2 207
Profit attributable to owners of the Company		–	3	3	7	10
Change in fair value of cash flow hedges (net of income tax)		7	–	7	–	7
Shares issued	1 020	–	–	1 020	–	1 020
Effect of reverse acquisition accounting		(1 978)	–	(1 978)	–	(1 978)
Effect of acquisitions and disposals of non-controlling interests		(2)	–	(2)	(22)	(24)
Equity-settled share incentive plans		(16)	–	(16)	–	(16)
Dividends paid by subsidiaries to non-controlling interests		–	–	–	(18)	(18)
Balance at 30 June 2013 (audited)	**1 724**	**(1 133)**	**571**	**1 162**	**46**	**1 208**
Notes	22	23				

	Stated capital Rm	Accumu-lated loss Rm	Owners' interest Rm
Company			
Balance at 30 June 2011	–	(704)	(704)
Profit attributable to owners of the Company		704	704
Shares issued	704	–	704
Balance at 30 June 2012 (audited)	704	–	704
Profit attributable to owners of the Company	–	5	5
Shares issued	1 020	–	1 020
Balance at 30 June 2013 (audited)	**1 724**	**5**	**1 729**
Note	22		

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS**

for the year ended 30 June 2013

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

These annual financial statements are presented in South African rands since that is the functional currency of the Company and the presentation currency for the Group. The Company is incorporated and domiciled in South Africa.

On 25 September 2012, TMG acquired the entire issued ordinary share capital of Avusa via a scheme of arrangement. The application of International Financial Reporting Standards (IFRS), in particular IFRS 3 Business Combinations, results in Avusa (the legal acquiree) being recognised as the acquirer for accounting purposes, and in the transaction being accounted for as a reverse acquisition. Accordingly, these consolidated Group annual financial statements for the twelve months ended 30 June 2013, prepared following the reverse acquisition, are issued in the name of TMG (the legal parent and accounting acquiree), but are prepared as a continuation of the financial statements of Avusa (the legal subsidiary and accounting acquirer), with one adjustment, which is the retroactive adjustment of Avusa's legal capital to reflect TMG's legal capital. The comparative financial information presented in these consolidated Group annual financial statements has also been retroactively adjusted to reflect TMG's legal capital. The calculation of earnings per share is described in note 13 below.

Consequent upon the acquisition, TMG expanded its adopted accounting policies to incorporate those accounting policies of Avusa that were not accounting policies of TMG. Accordingly, TMG's accounting policies now include Avusa's accounting policies as set out in Avusa's 2012 integrated annual report.

These financial statements have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listings Requirements and the requirements of the South African Companies Act (as amended). The accounting policies are compliant with IFRS and their application is consistent, in all material respects, with those detailed in Avusa's 2012 integrated annual report, including the adoption from 1 April 2012 up to the reporting date of those new and amended IFRS statements and interpretations with effective dates for the Company of 1 April 2012 up to the reporting date, and including those amendments included in the International Accounting Standards Board's annual improvements project where such amendments were effective for the Company from 1 April 2012 up to the reporting date. The adoption of the new and amended IFRS statements and interpretations, and improvements project amendments has not had a material effect on the Company's financial results.

The comparative financial information, having not previously been presented, has been reviewed by our auditors, Deloitte & Touche, as required by the JSE Limited. Their review was conducted in accordance with International Standards on Review Engagements 2410 which applies to a review of historical financial information performed by the independent auditor of the entity.

The following new and amended statements of generally accepted accounting practice which were in issue but not yet effective at TMG's year-end date of 30 June 2013, will be adopted by TMG as they become effective for TMG:

- New and amended statements effective for TMG on 1 July 2013:

IFRS 7 *Financial Instruments: Disclosures*
- Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure

IFRS 10 *Consolidated Financial Statements*
- Builds on existing consolidation principles determining whether an entity is included in the consolidated financial statements of the parent company

IFRS 11 *Joint Arrangements*
- Deals with the accounting for joint arrangements, and requires a single method for accounting for interests in jointly-controlled entities

IFRS 12 *Disclosure of Interests in Other Entities*
– Disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles

IFRS 13 *Fair Value Measurement*
– New guidance on fair value measurements and disclosure requirements

IAS 19 *Employee Benefits*
– Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans

IAS 27 *Separate Financial Statements*
– Consequential amendments resulting from the issue of IFRS 10, 11 and 12

IAS 28 *Investments in Associates and Joint Ventures*
– Consequential amendments from changes to IAS 27 and the issue of IFRS 10, 11 and 12

- Amended statement effective for TMG on 1 July 2014:

IAS 32 *Financial Instruments: Presentation*
– Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure

- New statement effective for TMG on 1 July 2015:

IFRS 9 *Financial Instruments*
– New standard that forms the first part of a three-part project to replace IAS 39

In addition, the International Accounting Standards Board's annual improvements project includes amendments to various statements. Certain of these amendments are effective for TMG on 1 July 2013, with others being effective in subsequent periods.

The adoption of the abovementioned statements and improvements is not expected to have a material effect on TMG's financial results, but may impact disclosure in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

TMG carries its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment losses.

The consolidated Group annual financial statements incorporate the financial statements of TMG and the entities it controls. Control is achieved where TMG has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Group statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-Group transactions and balances are eliminated on consolidation.

The non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. The non-controlling interest consists of the amount of the interest at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the subsidiary's equity are attributed to the non-controlling interest, even if this results in the non-controlling interest having a negative balance.

BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the sum of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Costs directly attributable to the business combination are recognised immediately in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities which meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) which are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which assets are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where non-controlling interests are acquired subsequent to initial acquisition, the excess of the cost over carrying value is recognised as equity.

INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly-controlled assets and liabilities is recognised in the financial statements of the relevant entity and classified according to its nature. Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly-controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to or from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The Group reports its interests in jointly-controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5.

The Group's share of the assets, liabilities, income and expenses of jointly-controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly-controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

INTERESTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the strategic financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests which, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

GOODWILL

The accounting for goodwill arising on the acquisition of subsidiaries, joint ventures and associates is described above. Goodwill is not amortised.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of subsidiaries, joint ventures and associates, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes.

The sale of goods is recognised when the goods are delivered and title has passed. The rendering of services is recognised as the service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Revenue from royalties is recognised on an accrual basis in terms of the relevant royalty agreement.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy regarding the capitalisation of borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the time pattern of the user's benefit. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the term pattern of the user's benefit.

FOREIGN CURRENCIES

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of these Group annual financial statements, the results and financial position of each entity are expressed in South African rands, which is the functional currency of the Company, and the presentation currency for the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates ruling at the reporting date. Non-monetary items carried at fair value which are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts.

For the purpose of presenting these Group annual financial statements, the assets and liabilities of the Group's foreign operations are expressed in South African rands using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's foreign currency translation reserve. This includes exchange differences arising on loans extended from one entity to another within the same group, as these loans are regarded as part of the net investment in a foreign operation if settlement of the loans is neither planned nor likely to occur in the foreseeable future. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

BORROWING COSTS CAPITALISED

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans are recognised as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at three-year intervals by independent actuaries.

POST-RETIREMENT BENEFITS

The Group's post-retirement benefits are valued annually by independent actuaries, with gains and losses recognised in profit or loss.

TAXATION

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates which are expected to apply in the period when the liability is settled or the asset realised.

Deferred taxation assets and liabilities are set off against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property (other than land), plant and equipment to their estimated residual values over their estimated useful lives.

Leasehold improvements and assets held under finance leases are depreciated to their estimated residual values over their estimated useful lives or, where shorter, the term of the relevant lease.

Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their own estimated useful lives.

Useful lives, residual values and methods of depreciation are reviewed annually.

The following life spans were used during the year to depreciate property, plant and equipment to estimated residual values:

Plant, furniture and equipment	3 – 20 years
Leasehold improvements	3 – 10 years
Buildings	15 – 50 years
Vehicles	3 – 5 years
Capitalised leased assets	3 – 5 years

The gain or loss arising on the disposal or scrapping of an item of property, plant and equipment is recognised immediately in profit or loss.

INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets other than goodwill are recognised initially at cost if acquired separately, and at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised, but is tested for impairment annually and impaired if required. If assessed as having a finite useful life, it is amortised over its estimated useful life, and tested for impairment if there is an indication that an impairment is required.

Publishing rights and titles acquired are capitalised as intangible assets, and are presumed to have an indefinite life unless there are indications of a shorter life. Publishing rights and titles are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate. Costs to develop publishing titles internally are recognised in profit or loss.

The following life spans were used during the year to amortise intangible assets assessed as having finite useful lives:

Patents and trademarks	10 – 20 years
Licences	3 – 5 years
Publishing rights and titles	10 – 15 years
Computer software	3 – 5 years
Customer relationships	6 – 10 years

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the carrying amounts of tangible and intangible assets other than goodwill are reviewed to determine whether there is any indication that those assets have suffered an impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but with the increased carrying amount not exceeding the carrying amount which would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Write-downs to net realisable value are recognised in profit or loss.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

Trade receivables

Trade receivables are recognised initially at fair value, and are subsequently present-valued where the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Music, film and video contract advances

Music contract advances are recognised in profit or loss on payment or release of the product, whichever is the earlier. Film and video contract advances are recognised in profit or loss at the time that the releaser has the right to release the product.

Investments

Investments, including those in subsidiaries, are recognised and derecognised on a trade date basis where the purchase or sale of the investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are recognised at fair value.

An impairment loss is recognised in profit or loss when there is objective evidence that the investment is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the investment's cost would have been had the impairment not been recognised.

Investments classified as financial assets are measured at subsequent reporting dates at fair value, with gains and losses arising from changes in fair value being recognised in profit or loss. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised initially at fair value, with any changes in fair value being recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Bank overdrafts are measured at fair value. Interest-bearing bank loans are measured at amortised cost using the effective interest method.

Trade payables

Trade payables are measured at fair value.

Forward exchange contracts

Forward exchange contracts are recognised initially at fair value at the contract date, and are remeasured to fair value at subsequent reporting dates, with gains and losses arising from changes in fair value being recognised in profit or loss.

Cash flow hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

On initial designation of the hedge, the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transactions, together with the methods that will be used to assess the effectiveness of the hedging relationships are formally documented. Assessments are made at the inception of the hedge relationships, as well as on an ongoing basis, as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedges are designated, and as to whether the actual results of each hedge are within a range of 80% to 125%.

If the hedging instruments no longer meet the criteria for hedge accounting, expire, are sold, terminated, unwound or exercised, the hedge accounting is discontinued prospectively, and any cumulative gain or loss previously recognised in equity is transferred to profit or loss.

PROVISIONS

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that the obligation will need to be settled. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are present-valued where the effect of discounting is material.

SHARE-BASED PAYMENTS

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of the incentives that will eventually vest, and is adjusted for the effect of non-market vesting conditions.

JUDGEMENTS MADE

In applying the Group's accounting policies, the following judgements have been made:

Deferred taxation assets

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available in future against which the deferred taxation assets can be utilised. The future availability of taxable profits is based on management's judgements regarding future business plans.

Asset lives and residual values

Property (other than land), plant and equipment and significant components thereof are depreciated to their residual values over their estimated useful lives. Methods of depreciation, residual values and estimated useful lives are reviewed annually, based on management's judgement of relevant factors and conditions.

Impairment of tangible and intangible assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is then estimated in order to determine the extent of any impairment.

Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives and intangible assets not yet available for use are also tested annually for impairment by comparing their carrying amounts with their recoverable amounts.

Goodwill acquired in a business combination is also tested annually for impairment.

In its impairment testing, management takes into account various considerations, including future cash flows expected to be generated by the assets under review.

Purchase price allocation relating to business combinations

Judgement is exercised to determine the purchase price allocation arising from business combinations.

SOURCES OF ESTIMATION UNCERTAINTY

Valuation of post-retirement benefits

The actuarial valuations of post-retirement benefits are based on estimations, including discount rates and healthcare cost inflation rates. The Group's post-retirement benefits are valued annually by independent actuaries.

Valuation of share-based payments

The valuation models used to value share-based payments include estimates as to expected incentive lives, volatilities, vestings, dividend yields and risk-free interest rates. The Group's share-based payments plans are valued annually by independent actuaries.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
3. REVENUE				
CONTINUING OPERATIONS				
Goods sold	**3 337**	3 381	**–**	–
Services rendered	**562**	568	**–**	–
	3 899	3 949	**–**	–
4. OPERATING COSTS				
CONTINUING OPERATIONS				
Operating costs are stated after charging (crediting):				
Auditor's remuneration – Group auditor	**4**	5	**–**	–
– audit fees	**4**	5	**–**	–
– fees for other services	**–**	–	**–**	–
Auditors' remuneration – other auditors	**1**	3	**–**	–
– audit fees	**1**	2	**–**	–
– fees for other services	**–**	1	**–**	–
Operating lease charges	**83**	85	**–**	–
– land and buildings	**73**	75	**–**	–
– equipment and vehicles	**10**	10	**–**	–
Net foreign exchange losses (profits)				
– realised	**2**	(1)	**–**	–
– unrealised	**–**	2	**–**	–
Post-retirement benefits charge	**13**	14	**–**	–
Retirement benefit plans contributions	**78**	73	**–**	–
– defined contribution plans	**77**	72	**–**	–
– defined benefit plans (see note 38)	**1**	1	**–**	–
Staff costs (includes retirement benefit plan contributions)	**1 225**	1 203	**–**	–

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

CONTINUING OPERATIONS

BUSINESS SEGMENTS

	Media Rm	BDFM Rm	Retail Solu-tions Rm	Books Rm	Enter-tain-ment Rm	Sub-total Rm	Elimi-nations Rm	Sub-total Rm	Corpo-rate Rm	Share-based pay-ments Rm	Total Rm
AUDITED											
2013											
Revenue	**1 804**	**173**	**1 274**	**–**	**648**	**3 899**	**–**	**3 899**	**–**	**–**	**3 899**
Inter-segment revenue*	**379**	**4**	**182**	**–**	**103**	**668**	**(668)**	**–**	**–**	**–**	**–**
	2 183	**177**	**1 456**	**–**	**751**	**4 567**	**(668)**	**3 899**	**–**	**–**	**3 899**
Profit (loss) from operations before exceptional items	**171**	**(7)**	**132**	**–**	**(31)**	**265**	**–**	**265**	**(40)**	**–**	**225**
Depreciation	**20**	**1**	**48**	**–**	**13**	**82**	**–**	**82**	**–**	**–**	**82**
Amortisation	**8**	**2**	**21**	**–**	**3**	**34**	**–**	**34**	**–**	**–**	**34**
Exceptional items	**(53)**	**14**	**(45)**	**–**	**(96)**	**(180)**	**–**	**(180)**	**(53)**	**14**	**(219)**
Capital expenditure											
Property, plant and equipment	**27**	**1**	**64**	**17**	**19**	**128**	**–**	**128**	**1**	**–**	**129**
Intangible assets	**14**	**2**	**2**	**–**	**3**	**21**	**–**	**21**	**–**	**–**	**21**
Segment assets	**727**	**107**	**1 372**	**–**	**473**	**2 679**	**–**	**2 679**	**44**	**–**	**2 723**
Segment liabilities	**470**	**118**	**300**	**–**	**430**	**1 318**	**–**	**1 318**	**673**	**–**	**1 991**
REVIEWED											
2012											
Revenue	1 780	188	1 281	–	700	3 949	–	3 949	–	–	3 949
Inter-segment revenue*	351	2	120	–	122	595	(595)	–	–	–	–
	2 131	190	1 401	–	822	4 544	(595)	3 949	–	–	3 949
Profit (loss) from operations before exceptional items	108	(8)	159	–	(35)	224	–	224	(31)	(6)	187
Depreciation	22	1	40	–	15	78	–	78	–	–	78
Amortisation	8	2	24	–	6	40	–	40	–	–	40
Exceptional items	14	–	3	–	(6)	11	–	11	(26)	–	(15)
Capital expenditure											
Property, plant and equipment	31	2	65	42	24	164	–	164	–	–	164
Intangible assets	14	2	3	2	4	25	–	25	–	–	25
Segment assets	900	25	1 234	759	828	3 746	–	3 746	193	–	3 939
Segment liabilities	340	52	344	256	686	1 678	–	1 678	54	–	1 732

* *Charged on arm's-length terms.*

The composition of some of the business segments has changed from the prior year. Details of the operating entities that make up the business segments are set out on pages 4 and 5.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

CONTINUING OPERATIONS

GEOGRAPHICAL SEGMENTS

The Group's continuing operations are based in South Africa while the discontinued operations are arranged into two geographical segments, namely South Africa and International. International operations are located in Botswana, Namibia, Australia, New Zealand and the United Kingdom.

	Group	
	Audited 2013 Rm	Reviewed 2012 Rm
Revenue		
CONTINUING OPERATIONS		
South Africa	**3 899**	3 949

	Segment assets		Capital expenditure on property, plant, equipment and intangible assets	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Reviewed 2012 Rm
Assets excluding goodwill	**2 232**	3 405	**150**	189
South Africa	**2 232**	3 294	**149**	188
International	**–**	111	**1**	1
Goodwill	**491**	534		
	2 723	3 939	**150**	189

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
6. DEPRECIATION				
CONTINUING OPERATIONS				
Plant, furniture and equipment	**76**	71	**–**	–
Leasehold improvements	**3**	4	**–**	–
Buildings	**1**	1	**–**	–
Vehicles	**2**	2	**–**	–
	82	78	**–**	–
7. AMORTISATION				
CONTINUING OPERATIONS				
Patents and trademarks	**–**	1	**–**	–
Licences	**2**	1	**–**	–
Publishing rights and titles	**1**	–	**–**	–
Computer software	**11**	14	**–**	–
Contracts and customer relationships	**20**	24	**–**	–
	34	40	**–**	–

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
8. EXCEPTIONAL ITEMS				
CONTINUING OPERATIONS				
Media	**(53)**	14		
– Revaluation of investment	**2**	–		
– Post-retirement medical aid provisioning	**(14)**	–		
– Retrenchment costs	**(8)**	(8)		
– Impairment of goodwill	**(33)**	(4)		
– Pension fund surplus	**–**	25		
– Profit on disposal of property	**–**	1		
BDFM	**14**	–		
– Gain on acquisition of BDFM Group	**24**	–		
– Retrenchment costs	**(10)**	–		
Retail Solutions	**(45)**	3		
– Impairment of intangible assets	**(27)**	–		
– Impairment of Uniprint plant	**(10)**	–		
– Retrenchment costs	**(8)**	–		
– Profit on disposal of business	**–**	3		
Entertainment	**(96)**	(6)		
– Profit on disposal of property	**2**	–		
– Impairment of customised SAP system	**(16)**	–		
– Impairment of gaming stock	**(14)**	–		
– Losses on non-renewal of licence	**(21)**	–		
– Increased stock provisioning	**(12)**	–		
– Retrenchment costs	**(19)**	(5)		
– Write-off of development costs of new business channels	**(9)**	–		
– Legacy legal matters	**(7)**	–		
– Impairment of goodwill	**–**	(1)		
Corporate	**(53)**	(26)	**(999)**	838
– Retirement fund surplus	**9**	4	**–**	–
– Scheme of arrangement transaction costs	**(62)**	–	**(12)**	–
– Costs related to Capitau expression of interest	**–**	(5)	**–**	–
– Former CEO settlement	**–**	(25)	**–**	–
– Impairment of investment in subsidiary	**–**	–	**(987)**	–
– Waiver of loans from Group companies	**–**	–	**–**	838
Credit arising on cancellation of Avusa share incentive plans	**14**	–		
	(219)	(15)	**(999)**	838

Retrenchment costs incurred by support services, including human resources, marketing, secretarial, IT and facilities, are re-allocated to the divisions and are included in the retrenchment costs as set out above.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
9. FINANCE INCOME				
CONTINUING OPERATIONS				
Interest received	**20**	22	**6**	3
Bank deposits	**18**	19	**6**	3
Associates	**1**	2	**–**	–
Other	**1**	1	**–**	–
Dividends received				
Subsidiaries	**–**	–	**1 008**	–
	20	22	**1 014**	3
10. FINANCE COSTS				
CONTINUING OPERATIONS				
Interest paid				
Borrowings	**73**	30	**–**	–
Loan-raising fee (amortised) (see note 24)	**1**	–	**–**	–
Interest on cash flow hedges	**10**	–	**–**	–
Obligations under finance leases	**4**	4	**–**	–
Suppliers	**2**	4	**–**	–
Loans from Group companies	**–**	–	**–**	7
Preference dividends	**–**	–	**6**	27
	90	38	**6**	34

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
11. TAXATION				
CONTINUING OPERATIONS				
Current taxation	**40**	90	**2**	1
South African normal taxation				
– current year	**42**	83	**2**	–
– prior year (over) under provision	**(2)**	(4)	**–**	–
Secondary tax on companies	**–**	11	**–**	1
Deferred taxation (see note 26)	**(57)**	(23)	**–**	(2)
Current year	**(58)**	(21)	**–**	–
Prior year (over) under provision	**1**	(2)	**–**	(2)
	(17)	67	**2**	(1)
	%	%	**%**	%
Tax rate reconciliation:				
Taxation at the standard rate	**(28)**	28	**28**	28
Tax effect of non-deductible expenses	**42**	10	**4 130**	1
Tax allowances	**–**	(2)	**–**	–
Capital profits	**(11)**	–	**–**	–
Non-taxable income	**–**	(1)	**(4 129)**	(33)
Utilisation of tax losses not previously recognised	**(16)**	–	**–**	–
Deferred tax assets not raised on estimated assessable losses	**2**	1	**–**	–
Share of losses of associates	**(8)**	–	**–**	4
	(19)	36	**29**	–
Secondary tax on companies	**–**	7	**–**	–
	(19)	43	**29**	–

- South African normal taxation is calculated at 28% (2012: 28%) of the estimated taxable income for the year. The closing balance on deferred taxation is calculated at 28% (2012: 28%).
- Taxation of foreign subsidiaries is calculated at the rates prevailing in their respective jurisdictions.
- The Group's estimated assessable losses available for the reduction of future taxable income, and not taken into account in the computation of the deferred taxation assets, amounted to R8 million (2012: R46 million).
- The Company has no available credits in respect of secondary tax on companies.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

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12. DISCONTINUED OPERATIONS

At the time of the release of its interim results in March of this year, the Company advised regarding the sale of non-core assets. The following assets have been accounted for as discontinued operations in these year-end financial results:

Media
- I-Net Bridge
- East London and Port Elizabeth properties

Books
- Exclusive Books and Van Schaik Bookstore
- New Holland Publishing
- MapIT (sold 31 May 2013)

Entertainment
- Nu Metro Cinemas
- 50% stake in Suncoast Cinema that was previously equity-accounted (sold 31 May 2013)
- Monte Cinemas (sold 28 June 2013)
- 40% interest in Warner Music Gallo Africa (sold 31 July 2013)

	Group	
	Audited 2013 Rm	Reviewed 2012 Rm
Revenue	**2 114**	2 022
Cost of sales	**(1 157)**	(1 073)
Gross profit	**957**	949
Operating expenses	**(861)**	(868)
Operating costs	**(802)**	(802)
Depreciation	**(49)**	(49)
Amortisation	**(10)**	(17)
Profit from operations before exceptional items	**96**	81
Exceptional items	**(45)**	21
Profit from operations	**51**	102
Net finance income	**–**	5
Finance income	**4**	8
Finance costs	**(4)**	(3)
Share of profits of associates (net of income tax)	**2**	3
Profit before taxation	**53**	110
Taxation	**(17)**	(29)
Income tax expense	**(17)**	(24)
Secondary tax on companies expense	**–**	(5)
Profit after taxation before profit on disposals	**36**	81
Profit on disposals (net of capital gains tax)	**47**	–
Profit on disposal of 51% share in MapIT	**32**	–
Profit on sale of 50% interest in Three Groups Cinemas (Suncoast Cinema)	**9**	–
Profit on disposal of 51% share in Monte Cinemas	**11**	–
Capital gains tax	**(5)**	–
Profit from discontinued operations	**83**	81

12. DISCONTINUED OPERATIONS (CONTINUED)

	Group	
	Audited 2013 Rm	Reviewed 2012 Rm
Segmental revenue from external customers		
Media	**116**	108
Books	**1 584**	1 516
Entertainment	**414**	398
	2 114	2 022
Segmental profit (loss) from operations before exceptional items		
Media	**7**	8
Books	**92**	80
Entertainment	**(3)**	(7)
	96	81
Segmental exceptional items		
Books	**(31)**	21
– Impairment of Exclusives.co.za	**(15)**	–
– Increased provisioning of certain stock and debtors	**(13)**	–
– Retrenchment costs	**(3)**	(5)
– Profit on sale of properties	**–**	27
– Impairment of goodwill	**–**	(1)
Entertainment	**(14)**	–
– Impairment of property, plant and equipment	**(6)**	–
– Onerous leases	**(7)**	–
– Retrenchment costs	**(1)**	–
	(45)	21
Assets and liabilities of discontinued operations classified as held for sale		
Non-current assets	**259**	
Current assets	**634**	
Non-current liabilities	**32**	
Current liabilities	**385**	
Cash flow information		
Net cash flows from operations	**156**	
Taxation paid	**(5)**	
Net cash flows from operating activities	**151**	
Net cash flows from investing activities	**7**	
Net cash flows from financing activities	**(13)**	
Foreign operations translation adjustment	**(3)**	
Cash flows from discontinued operations	**142**	

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

13. EARNINGS PER ORDINARY SHARE

Group

The earnings and headline earnings for the period in which the reverse acquisition occurred include a comparative interest charge of R19 million from the beginning of the period to the acquisition date in respect of the R1,15 billion term loans raised. The weighted average number of ordinary shares in issue during the period in which the reverse acquisition occurred has been calculated on the basis of the number of ordinary shares in issue from the beginning of the period to the acquisition date, being the weighted average number of ordinary shares of Avusa (the accounting acquirer) in issue during that period, multiplied by the share exchange ratio in terms of the acquisition, and the weighted average number of ordinary shares in issue from the acquisition date to the end of the period, being the weighted average number of ordinary shares of TMG (the legal acquirer) in issue during that period.

The earnings and headline earnings for the comparative period include a comparative interest charge of R77 million in respect of the R1,15 billion term loans raised. The earnings and headline earnings per ordinary share for the comparative period have been calculated by dividing Avusa's profit or loss attributable to ordinary shareholders (inclusive of the abovementioned comparative interest charge) by Avusa's historical weighted average number of ordinary shares in issue, multiplied by the share exchange ratio in terms of the acquisition.

Accordingly, the calculation of basic earnings and headline earnings per ordinary share is based on a loss of R16 million (2012: R81 million earnings) and headline earnings of R24 million (2012: R61 million), respectively, and on a weighted average of 141 230 227 (2012: 182 931 508) ordinary shares in issue.

Similarly, the calculation of diluted earnings and headline earnings per ordinary share is based on a loss of R16 million (2012: R81 million earnings) and headline earnings of R24 million (2012: R61 million), respectively, and on a weighted average of 141 230 227 (2012: 182 961 392) diluted ordinary shares in issue. The additional diluted ordinary shares arise as a result of equity-settled share incentives that were in issue.

	Audited 2013		Reviewed 2012	
	Gross Rm	**Net of tax Rm**	Gross Rm	Net of tax Rm
CONTINUING OPERATIONS				
Reconciliation between earnings and headline earnings				
(Loss) earnings		**(76)**		86
Loss (profit) on disposal of property, plant and equipment	**3**	**2**	(1)	(1)
Loss on disposal of intangible assets	**2**	**2**	–	–
Impairment of plant and equipment	**10**	**7**	–	–
Impairment of intangible assets	**42**	**30**	–	–
Impairment of goodwill	**33**	**33**	5	5
Impairment of loan	**25**	**25**	–	–
Revaluation of investment	**(3)**	**(3)**	–	–
Gain on acquisition of BDFM Group	**(24)**	**(24)**	–	–
Profit on disposal of business	**–**	**–**	(3)	(3)
Attributable to non-controlling interest	**–**	**–**	–	–
Headline (loss) earnings		**(4)**		87

	Audited 2013		Reviewed 2012	
	Gross Rm	**Net of tax Rm**	Gross Rm	Net of tax Rm
13. EARNINGS PER ORDINARY SHARE (CONTINUED)				
CONTINUING OPERATIONS (continued)				
(Loss) earnings per ordinary share from continuing operations (cents)				
Basic		**(67)**		5
Diluted		**(67)**		5
Headline (loss) earnings per ordinary share from continuing operations (cents)				
Basic		**(16)**		5
Diluted		**(16)**		5
DISCONTINUED OPERATIONS				
Reconciliation between earnings and headline earnings				
Earnings		**79**		72
Profit on disposal of interests in MapIT, Suncoast Cinema and Monte Cinemas	**(52)**	**(47)**	–	–
Loss (profit) on disposal of property, plant and equipment	**1**	**1**	(24)	(22)
Impairment of plant and equipment	**6**	**4**	–	–
Impairment of intangible assets	**15**	**10**	–	–
Impairment of goodwill	**–**	**–**	1	1
Attributable to non-controlling interest	**–**	**–**	–	–
Headline earnings		**47**		51
Earnings per ordinary share from discontinued operations (cents)				
Basic		**56**		39
Diluted		**56**		39
Headline earnings per ordinary share from discontinued operations (cents)				
Basic		**33**		28
Diluted		**33**		28
TOTAL OF CONTINUING AND DISCONTINUED OPERATIONS				
(Loss) earnings per ordinary share (cents)				
Basic		**(11)**		44
Diluted		**(11)**		44
Headline earnings per ordinary share (cents)				
Basic		**17**		33
Diluted		**17**		33

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for the year ended 30 June 2013

Group	Plant, furniture and equipment Rm	Leasehold improve-ments Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
14. PROPERTY, PLANT AND EQUIPMENT						
COST						
Balance at 30 June 2011	1 444	33	42	22	1	1 542
Additions at cost	141	8	11	4	–	164
Disposals	(50)	(4)	(11)	(4)	–	(69)
Transfer to other intangible assets	(2)	–	–	–	–	(2)
Balance at 30 June 2012 (reviewed)	1 533	37	42	22	1	1 635
Additions at cost	122	4	1	2	–	129
Acquisition of subsidiaries	14	2	–	–	–	16
Disposal of subsidiaries	(34)	–	–	–	–	(34)
Other disposals	(193)	(7)	(1)	(4)	–	(205)
Assets written off	–	(4)	–	–	–	(4)
Foreign exchange differences	3	–	–	–	–	3
Transfer to other intangible assets	(6)	–	–	–	–	(6)
Classified as held for sale	(448)	(11)	(8)	(5)	(1)	(473)
Balance at 30 June 2013 (audited)	**991**	**21**	**34**	**15**	**–**	**1 061**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 30 June 2011	914	25	12	15	1	967
Charge for the year						
– Continuing operations	71	4	1	2	–	78
– Discontinued operations	48	–	–	1	–	49
Disposals	(45)	(4)	–	(3)	–	(52)
Balance at 30 June 2012 (reviewed)	988	25	13	15	1	1 042
Charge for the year						
– Continuing operations	76	3	1	2	–	82
– Discontinued operations	47	1	–	1	–	49
Acquisition of subsidiaries	11	1	–	–	–	12
Disposal of subsidiaries	(18)	–	–	–	–	(18)
Other disposals	(179)	(7)	–	(3)	–	(189)
Impairments	18	–	–	–	–	18
Assets written off	–	(3)	–	–	–	(3)
Foreign exchange differences	2	–	–	–	–	2
Classified as held for sale	(313)	(4)	(3)	(5)	(1)	(326)
Balance at 30 June 2013 (audited)	**632**	**16**	**11**	**10**	**–**	**669**

Group	Plant, furniture and equipment Rm	Leasehold improve-ments Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)						
CARRYING AMOUNT						
At 30 June 2012 (reviewed)	545	12	29	7	–	593
At 30 June 2013 (audited)	**359**	**5**	**23**	**5**	**–**	**392**
PROFIT (LOSS) ON DISPOSALS						
For the year ended 30 June 2012						
Proceeds	2	–	40	1	–	43
Net book value of disposals	5	–	11	1	–	17
(Loss) profit on disposals (reviewed)	(3)	–	29	–	–	26
For the year ended 30 June 2013						
Proceeds	9	–	3	1	–	13
Net book value of disposals	14	–	1	1	–	16
(Loss) profit on disposals (audited)	**(5)**	**–**	**2**	**–**	**–**	**(3)**

- Registers containing details of the freehold land and buildings are available for inspection at the registered office of the company.
- Property, plant and equipment with a net book value of R54 million (2012: R182 million) was encumbered as reflected in note 24.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group	
	Audited	Reviewed
	2013	2012
	Rm	Rm
15. GOODWILL		
COST		
Balance at beginning of the year	**570**	567
Recognised on acquisition of subsidiary	**1**	3
Classified as held for sale	**(12)**	–
Balance at end of the year	**559**	570
ACCUMULATED IMPAIRMENT		
Balance at beginning of the year	**36**	30
Impairment	**33**	6
Classified as held for sale	**(1)**	–
Balance at end of the year	**68**	**36**
CARRYING AMOUNT		
At beginning of the year	**534**	537
At end of the year	**491**	534

The carrying amount of goodwill includes the following major items:

- R313 million (2012: R313 million) on acquisition of Retail Solutions.
- R61 million (2012: R81 million) on acquisition of final 40% stake in Interactive Junction Holdings.
- R40 million (2012: R40 million) on acquisition of final 40% stake in Compact Disc Technologies.
- R25 million (2012: R38 million) on acquisition of Airport Media.
- R20 million (2012: R20 million) on acquisition of New Africa Publications (Sowetan).

The carrying amounts of goodwill in respect of other cash-generating units are not significant in comparison with the Group's total carrying amount of goodwill.

Cash flows used in impairment testing of goodwill were projected using five-year periods and estimated future growth rates discounted by the Group's weighted average cost of capital.

Group	Patents and trademarks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relationships Rm	Trade names Rm	Total Rm
16. OTHER INTANGIBLE ASSETS							
COST							
Balance at 30 June 2011	66	30	79	187	210	166	738
Additions at cost	1	2	1	21	–	–	25
Disposals	–	–	(1)	(5)	–	–	(6)
Foreign exchange differences	–	–	1	1	–	–	2
Transfer from property, plant and equipment	–	–	–	2	–	–	2
Balance at 30 June 2012 (reviewed)	67	32	80	206	210	166	761
Additions at cost	3	2	3	13	–	–	21
Disposals	–	–	(2)	(5)	–	–	(7)
Assets written off	–	–	–	(23)	–	–	(23)
Acquisition of subsidiaries	5	12	30	5	–	–	52
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)
Foreign exchange differences	1	–	1	2	–	–	4
Transfer from property, plant and equipment	–	–	–	6	–	–	6
Classified as held for sale	(37)	–	(47)	(102)	(1)	–	(187)
Balance at 30 June 2013 (audited)	**39**	**46**	**65**	**85**	**209**	**166**	**610**
ACCUMULATED AMORTISATION AND IMPAIRMENT							
Balance at 30 June 2011	64	28	59	105	21	–	277
Charge for the year							
– Continuing operations	1	1	–	14	24	–	40
– Discontinued operations	–	–	1	16	–	–	17
Disposals	–	–	(1)	(4)	–	–	(5)
Foreign exchange differences	–	–	1	1	–	–	2
Balance at 30 June 2012 (reviewed)	65	29	60	132	45	–	331
Charge for the year							
– Continuing operations	–	2	1	11	20	–	34
– Discontinued operations	–	–	1	9	–	–	10
Impairments	–	–	–	(8)	–	–	(8)
Assets written off	–	–	–	13	27	–	40
Disposals	–	–	(1)	(5)	–	–	(6)
Acquisition of subsidiaries	5	9	–	2	–	–	16
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)
Foreign exchange differences	1	–	1	1	–	–	3
Classified as held for sale	(35)	–	(16)	(81)	(1)	–	(133)
Balance at 30 June 2013 (audited)	**36**	**40**	**46**	**57**	**91**	**–**	**270**

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

Group	Patents and trademarks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relationships Rm	Trade names Rm	Total Rm
16. OTHER TANGIBLE ASSETS (CONTINUED)							
CARRYING AMOUNT							
At 30 June 2012 (reviewed)	2	3	20	74	165	166	430
At 30 June 2013 (audited)	**3**	**6**	**19**	**28**	**118**	**166**	**340**
LOSS ON DISPOSALS							
For the year ended 30 June 2012							
Proceeds	–	–	–	–	–	–	–
Net book value of disposals	–	–	–	1	–	–	1
Loss on disposals (reviewed)	–	–	–	(1)	–	–	(1)
For the year ended 30 June 2013							
Proceeds	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net book value of disposals	**–**	**–**	**1**	**–**	**–**	**–**	**1**
Loss on disposals (audited)	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**

- Trade names and certain publishing rights and titles have no foreseeable limit to the period over which they are expected to be available for use. Accordingly, they are assessed as having indefinite useful lives, and are not amortised. Their carrying values are detailed above.

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
17. INTERESTS IN SUBSIDIARIES				
Unlisted shares at cost less amount written off			**1 694**	–
Owing by subsidiaries			**40**	–
			1 734	–
18. INTERESTS IN ASSOCIATES				
	22	85	**–**	**–**
Unlisted shares at cost less amount written off	**10**	10	**–**	**–**
Owing by associates	**10**	49	**–**	**–**
Share of post-acquisition reserves	**2**	26	**–**	**–**
			–	**531**
Listed shares in Avusa at cost			**–**	**1 294**
Share of post-acquisition reserves			**–**	**136**
Impairment of investment			**–**	**(899)**
Directors' valuation of interests in associates	**22**	85	**–**	**531**

Details of the Group's interests in associates are set out in Annexures 1 and 2 on pages 138 to 140.

	Group	
	Audited 2013 Rm	Reviewed 2012 Rm
19. INVESTMENT		
African Media Entertainment Limited	**13**	–
This listed investment, which comprises 178 950 shares in African Media Entertainment Limited, is classified as a financial asset and is carried at fair value. Fair value is determined by reference to the price quoted on the JSE Limited.		
20. INVENTORIES		
Merchandise	**111**	508
Work in progress	**22**	31
Raw materials	**96**	82
Consumable stores and maintenance spares	**1**	1
	230	*622*
Inventory write-offs expensed	**44**	37
Inventories recognised as an expense in cost of sales	**685**	728
21. TRADE AND OTHER RECEIVABLES		
Trade receivables	**736**	806
Gross	**769**	851
Allowances for doubtful receivables	**(33)**	(45)
Sundry receivables	**146**	201
Pre-payments	**61**	81
	943	1 088
Movement in allowances for doubtful receivables:		
Balance at beginning of the year	**45**	48
Provided during the year	**12**	10
Utilised during the year	**(6)**	(7)
Reversed during the year	**(12)**	(6)
Classified as held for sale	**(6)**	–
Balance at end of the year	**33**	45

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
22. STATED CAPITAL				
Authorised share capital				
500 000 000 (2012: 500 000 000) ordinary no par value shares				
Issued and fully paid-up share capital				
127 077 145 (2012: 52 013 862) ordinary no par value shares	**1 724**	704	**1 724**	704
Less: 29 966 (2012: Nil) shares held by subsidiary	**–**	–	**–**	–
127 047 179 (2012: 52 013 862) ordinary no par value shares (net of shares held by subsidiary)	**1 724**	704	**1 724**	704
On 19 April 2013, Times Media Proprietary Limited, a wholly-owned subsidiary of TMG, purchased 29 966 shares at R15,59 per share in terms of TMG's odd-lot offer. The shares are held as treasury shares.				
23. OTHER RESERVES				
Foreign currency translation reserve	**(1)**	(1)		
Equity-settled share incentives reserve	**(4)**	12		
Excess of cost of non-controlling interest over carrying value on acquisition	**(24)**	(22)		
Fair value of cash flow hedges	**7**	–		
Effect of reverse acquisition accounting	**(1 111)**	867		
	(1 133)	856		

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
24. BORROWINGS				
Unsecured				
• **Bank overdrafts**	**87**	39	**–**	–
Bank overdrafts bear interest at rates related to prime.				
• **Various borrowings**	**3**	4	**–**	–
The loans are interest-free with no fixed terms of repayment.				
Total unsecured borrowings	**90**	43	**–**	–
Secured				
• **Term funding loans**	**698**	–	**–**	–
R1,15 billion was borrowed on 25 September 2012, R575 million by way of a six-year amortising loan, and R575 million by way of a six-year bullet loan. The amortising loan pays interest at JIBAR + 3%, and the bullet loan at JIBAR +3,5%.				
Security over the loans includes a guarantee by a security SPV and indemnity by the Group in favour of the security SPV, cross-guarantees provided by wholly-owned Group companies, the cession and pledge of shares in wholly-owned subsidiaries, and the cession, pledge and hypothecation by Times Media Proprietary Limited of its bank accounts, book debts and trademarks.				
Loan covenants, including net debt to EBITDA, debt service cover and interest cover were complied with, and no defaults have occurred.				
The loan-raising fee is amortised over the period of the loan. The amortised amount is included in finance costs (see note 9).				
R452 million of the six-year loans was repaid by 30 June 2013.				
These loans require the prior consent of the lenders, FirstRand Bank, Nedbank and The Standard Bank of South Africa, for TMG to acquire and dispose of businesses, and to make distributions to shareholders.				
In order to hedge against the risk of interest rate fluctuations on this JIBAR-linked loan funding, interest rate swap agreements were entered into. The swaps are accounted for as cash flow hedges with a R10 million (2012: R nil) fair value at year-end.				
• **Three-year revolving credit loan**	**–**	230	**–**	–
The interest rate was set at JIBAR + 2,65%, was secured by the cession of trade receivables and was repayable by October 2013. The loan was repaid in full on 25 September 2012.				
• **Revolving credit facility**	**–**	18	**–**	–
The loan to New Holland Publishers (UK) bears interest at 3,05% and has a maturity date of 8 October 2013.				

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
24. BORROWINGS (CONTINUED)				
Secured (continued)				
• **Hire purchase agreements**	**44**	90	**–**	–
The agreements have interest rates varying from prime to prime less 1,5%, and repayment terms ranging from three to five years. The underlying assets provide the security.				
• **Finance leases**	**1**	3	**–**	–
Interest rates vary from 6,5% to 15,0%. The leases are repayable within three to five years and are secured by the underlying assets.				
• **A redeemable preference shares**	**–**	–	**–**	172
Issued to Depfin Investments, a subsidiary of Nedbank Capital. Held at amortised cost.				
• **B redeemable preference shares**	**–**	–	**–**	138
Issued to Depfin Investments, a subsidiary of Nedbank Capital. Held at amortised cost.				
Total secured borrowings	**743**	341	**–**	310
Total borrowings	**833**	384	**–**	310
Maturities of the above borrowings:				
– Within one year	**143**	99	**–**	310
– In the second to fifth years inclusive	**304**	285	**–**	–
– After five years	**386**	–	**–**	–
Total borrowings	**833**	384	**–**	310
Amount due within one year shown under current liabilities	**143**	99	**–**	310
Total long-term borrowings	**690**	285	**–**	–
Assets encumbered				
Property, plant and equipment (see note 14)	**54**	182	**–**	–

In terms of its memorandum of incorporation, the Company's borrowing powers are unrestricted.

25. POST-RETIREMENT BENEFITS LIABILITIES

Certain Group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners and employees on retirement. An obligation in respect of post-retirement medical aid benefits no longer forms part of the conditions of employment for new employees. The quantum of the post-retirement medical aid obligation is determined on an annual basis by independent actuaries.

	Group	
	Audited 2013	Reviewed 2012
Principal actuarial assumptions:		
Discount rate	**8,00% p.a.**	8,25% p.a.
Healthcare cost inflation rate	**7,90% p.a.**	7,50% p.a.
Number of members		
In-service	**305**	362
Pensioners	**383**	437
	688	799
	Rm	Rm
Post-retirement benefits liabilities at beginning of the year	**242**	214
Current service costs	**7**	5
Interest costs	**27**	19
Expected employer benefit payments	**(15)**	(10)
	261	228
Actuarial loss	**(3)**	14
Acquisition of remaining 50% interest in BDFM Group	**16**	–
Post-retirement benefits liabilities at end of the year	**274**	242
Payable within one year	**(10)**	(10)
Non-current liabilities	**264**	232
The present value of the unfunded obligation is fully provided		
The effect of a one percentage point movement in the assumed healthcare cost trend rate on:		
Aggregate of current service costs and interest costs		
–1%	**(2)**	(1)
+1%	**1**	2
Accumulated post-retirement benefits liabilities		
–1%	**(16)**	(11)
+1%	**9**	8
Experience adjustments arising on plan liabilities	**(3)**	14
Contributions expected to be paid in next financial year	**10**	11

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Reviewed balance at 30 June 2012 Rm	Credit (charge) to income Rm	Charge to equity Rm	Acquisition (disposal) of subsidiaries (net) Rm	Classified as held for sale Rm	**Audited balance at 30 June 2013 Rm**
26. DEFERRED TAXATION						
Group						
Taxation effect of:						
Post-retirement benefits liabilities	68	5	–	4	–	77
Accounting provisions	38	30	–	4	(3)	69
Assessable losses	42	13	–	6	(20)	41
Operating leases equalisation liabilities	12	2	–	–	–	14
Excess taxation allowance over amortisation charge	(1)	4	–	–	–	3
Share-based payments liabilities	6	(5)	–	–	–	1
Cash flow hedges	–	–	(3)	–	–	(3)
Pension fund surplus	(17)	2	–	–	–	(15)
Purchase price allocation on acquisition of subsidiaries	(42)	13	–	–	3	(26)
Excess taxation allowance over depreciation charge	(55)	11	–	(1)	–	(45)
	51	75	(3)	13	(20)	116
Reconciled as follows:						
Deferred taxation assets	159					163
Deferred taxation liabilities	(108)					(47)

Deferred taxation assets have been raised on assessable losses where future taxable profits are expected.

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
27. TRADE AND OTHER PAYABLES				
Trade payables	**773**	905	**–**	–
Share-based payments liabilities	**–**	1	**–**	–
Current portion of operating leases equalisation liabilities	**3**	5	**–**	–
Current portion of post-retirement benefits liabilities	**10**	10	**–**	–
Liabilities to shareholders for scheme of arrangement and odd-lot offer	**–**	–	**6**	–
	786	921	**6**	–

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

	Reviewed balance at 30 June 2012 Rm	Provided during the year Rm	Utilised during the year Rm	Reversed during the year Rm	Classified as held for sale Rm	**Audited balance at 30 June 2013 Rm**

28. PROVISIONS

	Reviewed balance at 30 June 2012 Rm	Provided during the year Rm	Utilised during the year Rm	Reversed during the year Rm	Classified as held for sale Rm	**Audited balance at 30 June 2013 Rm**
Group						
Overage	9	43	(36)	–	–	**16**
Turnover rent	4	4	(3)	(1)	(4)	**–**
Onerous leases	3	9	(1)	–	(9)	**2**
Audit fees	8	13	(9)	–	(3)	**9**
	24	69	(49)	(1)	(16)	**27**

- **Overage**
  The provision represents royalties payable by Nu Metro Films to studio houses. The provision is based on royalty percentages, and the amount finally paid is dependent on the performance of the films.

- **Turnover rent**
  The provision is in respect of certain sites at Exclusive Books, Van Schaik Bookstore and Nu Metro Cinemas, and represents the excess of "turnover rent" over "base rent" payable to landlords.

- **Onerous leases**
  The provision is in respect of sub-economic leases, based on discounted future rental costs.

29. FINANCIAL INSTRUMENTS

Capital risk management

The Company and the Group define total capital as "total equity" plus "long-term borrowings" as reflected in the statement of financial position.

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and other benefits to other stakeholders.

The Company and the Group may issue or repurchase shares, return capital to shareholders, pay dividends, raise or repay debt and buy or sell assets in order to maintain or change the capital structure.

Capital is monitored using the gearing ratio.

Significant accounting policies

Details of significant accounting policies, including recognition criteria and the basis of measurement in respect of each category of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management

The Company and the Group do not trade in financial instruments, including derivative financial instruments, for speculative purposes. The Company and the Group are, however, still exposed in the normal course of their operations to financial risks. In order to minimise these risks, the Company and the Group may enter into transactions that make use of financial instruments. The Company's and the Group's risk management process uses formally documented policies and frameworks, including limits and reporting structures, to control and monitor financial risk.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

29. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	Loans and receivables Rm
Financial assets	
2013 (audited)	
Trade and sundry receivables*	**873**
Bank balances, deposits and cash	**103**
	976
2012 (reviewed)	
Trade and sundry receivables*	998
Bank balances, deposits and cash	393
	1 391

	Loans and payables Rm
Financial liabilities	
2013 (audited)	
Obligations due under hire purchase agreements and finance leases	**45**
Other interest-bearing borrowings	**785**
Interest-free borrowings	**3**
Trade and other payables*	**761**
	1 594
2012 (reviewed)	
Obligations due under hire purchase agreements and finance leases	93
Other interest-bearing borrowings	287
Interest-free borrowings	4
Trade and other payables*	894
	1 278

* *Excludes taxes.*

29. FINANCIAL INSTRUMENTS (CONTINUED)

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical instruments.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** Valuation techniques using significant unobservable inputs (i.e. market data).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy at which the fair value measurement is categorised.

No transfers were made between the hierarchy levels during the reporting period. No change in the valuation techniques applied occurred from the prior reporting period.

	Rm
2013 (audited)	
Investment classified as financial asset – Level 1	**13**
Cash flow hedges – Level 2	**10**

There were no investments or cash flow hedges at 30 June 2012.

Liquidity risk

Liquidity risk is the risk of being unable to meet a financial commitment. The Company and the Group manage their liquidity risk by holding cash balances and by maintaining banking facilities. In addition, actual and budgeted cash flows are prepared and reviewed.

The following table details the contractual maturity for non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date for the repayment of the liability. The cash flows include both principal and interest payments.

	Average interest rate (%)	Less than 1 year Rm	1 to 2 years Rm	2 to 5 years Rm	After 5 years Rm	Total Rm
2013 (audited)						
Obligations due under hire purchase agreements and finance leases	**7,2**	**12**	**33**	**–**	**–**	**45**
Other interest-bearing borrowings	**8,4**	**128**	**51**	**220**	**386**	**785**
Interest-free borrowings		**3**	**–**	**–**	**–**	**3**
Trade and other payables*		**761**	**–**	**–**	**–**	**761**
		904	**84**	**220**	**386**	**1 594**
2012 (reviewed)						
Obligations due under hire purchase agreements and finance leases	7,7	60	17	16	–	93
Other interest-bearing borrowings	8,2	39	248	–	–	287
Interest-free borrowings		4	–	–	–	4
Trade and other payables*		894	–	–	–	894
		997	265	16	–	1 278

** Excludes taxes.*

At 30 June 2013, the Company had R250 million (2012: R250 million) bank overdraft facilities.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

29. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Company and the Group deal with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Use is made of independent credit rating agencies, publicly available financial information and internal trading records to rate customers and potential customers. Exposures to and credit ratings of counterparties are regularly monitored. The aggregate value of transactions concluded is spread amongst approved counterparties.

The Company and the Group do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets represents the maximum exposure to credit risk. Collateral is taken and credit insurance is purchased where practical.

	Audited 2013 Rm	Reviewed 2012 Rm
Trade and sundry receivables*	**873**	998
Bank balances, deposits and cash	**103**	393
	976	1 391

* *Excludes taxes.*

Trade receivables

Trade receivables comprise a large number of customers spread across all divisions. Credit risk is limited due to the large customer base. Operational management evaluates the creditworthiness of customers before credit facilities are granted, and thereafter on a regular basis. Each business unit establishes an allowance for doubtful receivables which represents an estimate of potential losses in respect of amounts owed by trade debtors. Credit terms vary between the divisions but the majority of customers are given terms between 30 and 60 days.

	Audited 2013 Rm	Reviewed 2012 Rm
Ageing of trade receivables (gross)		
Current	**355**	376
30 days	**263**	275
60 days	**61**	86
90 days	**30**	41
120 days	**60**	73
	769	851
Ageing of allowance for doubtful receivables		
Current	**–**	–
30 days	**–**	–
60 days	**1**	6
90 days	**6**	4
120 days	**26**	35
	33	45

29. FINANCIAL INSTRUMENTS (CONTINUED)

	Audited 2013 Rm	Reviewed 2012 Rm
Ageing of trade receivables (net)		
Current	**355**	376
30 days	**263**	275
60 days	**60**	80
90 days	**24**	37
120 days	**34**	38
	736	806
Ageing of trade receivables past due		
Current	**–**	–
30 days	**2**	2
60 days	**49**	33
90 days	**26**	35
120 days	**55**	66
	132	136
Ageing of trade receivables past due net of allowance for doubtful receivables		
Current	**–**	–
30 days	**2**	2
60 days	**48**	27
90 days	**20**	31
120 days	**29**	31
	99	91
Ageing of trade receivables neither past due nor impaired		
Current	**355**	376
30 days	**261**	273
60 days	**12**	53
90 days	**4**	6
120 days	**5**	7
	637	715
Debtors' days	**57**	43
Segmental analysis of trade receivables (net)		
Media	**263**	248
BDFM	**48**	29
Retail Solutions	**257**	224
Books	**–**	114
Entertainment	**168**	191
	736	806

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

29. FINANCIAL INSTRUMENTS (CONTINUED)

	Audited 2013 Rm	Reviewed 2012 Rm
Segmental analysis of trade receivables neither past due nor impaired		
Media	**241**	220
BDFM	**47**	27
Retail Solutions	**222**	222
Books	**–**	98
Entertainment	**127**	148
	637	715

The Entertainment division's trade receivables include the Associated Music Distributors debtors' book, which includes the factored trade receivables of the home entertainment and music businesses.

Market risk

The Group's activities expose it to the market risks of changes in foreign currency exchange rates, interest rates and investment values.

Foreign currency risk

The Group operates in a global business environment and therefore enters into transactions in currencies other than functional currencies. Exposure to the risk of fluctuating foreign currency exchange rates is reduced by the Group's policy to use forward exchange contracts where practical. The Group does not enter into derivative contracts for speculative purposes.

At the year end, the Group had contracted the following amounts under outstanding forward exchange contracts:

	Foreign amounts		Rand contract amounts		Rand fair value amounts	
	Audited 2013 m	Reviewed 2012 m	**Audited 2013 Rm**	Reviewed 2012 Rm	**Audited 2013 Rm**	Reviewed 2012 Rm
GROUP						
Foreign exchange contracts – receivable						
At year end, there were no foreign exchange contracts receivable.						
Foreign exchange contracts – payable						
US dollar	**3,7**	3,0	**37**	23	**35**	23
British pound	**0,6**	0,9	**9**	12	**10**	12
Euro	**0,5**	0,4	**6**	4	**6**	4
Singapore dollar	**0,2**	0,8	**2**	5	**2**	5
			54	44	**53**	44

At year end, there were no material foreign currency-denominated assets or liabilities not covered by forward exchange contracts. Accordingly, there was no material sensitivity at year end to exchange rate fluctuations.

29. FINANCIAL INSTRUMENTS (CONTINUED)

	Audited 2013	Reviewed 2012
Year end closing exchange rates to the South African rand		
US dollar	**9,93**	8,14
British pound	**15,08**	12,80
Euro	**12,92**	10,33
Australian dollar	**9,05**	8,35
New Zealand dollar	**7,66**	6,55
Botswana pula	**1,16**	1,07

Interest rate risk
The Company and the Group are exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates. The exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note. As disclosed in the borrowings note (note 24), the Group used forward interest rate contracts to manage this risk.

The sensitivity analysis below was prepared based on the exposure to interest rates at year end. For floating rate liabilities, the analysis was prepared assuming the amount of unhedged liability outstanding at year end was outstanding for the whole year. A 100 basis point increase or decrease represents a reasonably possible change in interest rates.

	100 basis point change in interest rates	
	Increase Rm	**Decrease Rm**
2013 (audited)		
(Loss) profit	**(8)**	**8**
2012 (reviewed)		
(Loss) profit	(4)	4

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
30. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FLOWS FROM OPERATIONS				
(Loss) profit before taxation	**(37)**	265	**7**	703
Adjusted for:				
Share of losses (profits) of associates	**24**	(2)	**–**	104
Finance income	**(24)**	(30)	**(1 014)**	(3)
Finance costs	**94**	41	**6**	34
Depreciation	**131**	127	**–**	–
Amortisation	**44**	57	**–**	–
Impairment of goodwill	**33**	6	**–**	–
Impairment of property, plant and equipment	**16**	–	**–**	–
Impairment of intangible assets	**58**	–	**–**	–
Loss (profit) on disposal of property, plant and equipment	**3**	(26)	**–**	–
Loss on disposal of intangible assets	**1**	1	**–**	–
Increase in post-retirement benefits liabilities	**15**	27	**–**	–
Employer portion of pension fund surplus	**(9)**	(29)	**–**	–
Scheme of arrangement transaction costs	**(12)**	–	**-**	–
Share incentives plans	**(2)**	(8)	**–**	–
Operating leases equalisation liabilities	**4**	(1)	**–**	–
Other non-cash items	**1**	–	**987**	(838)
Net cash flows from operations before working capital changes	**340**	428	**(14)**	–
Working capital changes	**174**	(36)	**6**	23
Decrease (increase) in inventories	**27**	(37)	**–**	–
(Increase) decrease in trade and other receivables	**(26)**	61	**–**	23
Increase (decrease) in trade and other payables	**173**	(60)	**6**	–
Net cash flows from operations	**514**	392	**(8)**	23
31. INCOME FROM INVESTMENTS				
Cash dividends received from subsidiaries	**–**	–	**1 008**	–
Cash dividends received from associates	**5**	3	**–**	–
	5	3	**1 008**	–
32. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT				
Additions:				
– to maintain operations	**129**	162		
– to expand operations	**–**	2		
Total additions (see note 14)	**129**	164		

	Group	
	Audited 2013 Rm	Reviewed 2012 Rm

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

ACQUISITION OF SUBSIDIARY

2013

– BDFM Publishers Proprietary Limited on 25 June 2013 (50%)

	Audited 2013 Rm	Reviewed 2012 Rm
Net assets acquired		
Property, plant and equipment	**4**	–
Intangible assets	**36**	–
Non-current assets	**15**	–
Bank balances, deposits and cash	**9**	–
Long-term borrowings	**(1)**	–
Non-current liabilities	**(16)**	–
Net current liabilities	**(3)**	–
Total net assets acquired	**44**	–
Gain arising on acquisition	**(24)**	–
Total consideration	**20**	–
Settled by:		
Cash	**(20)**	–
Net cash outflow arising on acquisition		
Cash consideration paid	**(20)**	–
Net bank balances, deposits and cash acquired	**9**	–
	(11)	–

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group Audited 2013 Rm	Group Reviewed 2012 Rm
33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)		
DISPOSAL OF SUBSIDIARIES		
2013		
– Map Integration Technologies Proprietary Limited on 31 May 2013 (51%)		
– Monte Cinemas Proprietary Limited on 28 June 2013 (51%)		
Net assets disposed		
Property, plant and equipment	**(16)**	–
Non-current assets	**(1)**	–
Bank balances, deposits and cash	**(17)**	–
Net current assets	**(2)**	–
Total net assets disposed	**(36)**	–
Non-controlling interests	**22**	–
	(14)	–
Settled by:		
Cash	**37**	–
Purchase price receivable*	**20**	–
	57	–
Net cash inflow arising on disposals		
Cash consideration received	**37**	–
Net bank balances, deposits and cash disposed	**(17)**	–
	20	–

** Cash received 1 July 2013.*

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm

34. CASH AND CASH EQUIVALENTS

	Group Audited 2013 Rm	Group Reviewed 2012 Rm	Company Audited 2013 Rm	Company Audited 2012 Rm
Bank balances, deposits and cash	**170**	393	**1**	483
– Continuing	**103**	393	**1**	483
– Discontinued	**67**	–	**–**	–
Bank overdrafts (see note 24)	**(111)**	(39)	**–**	–
– Continuing	**(87)**	(39)	**–**	–
– Discontinued	**(24)**	–	**–**	–
	59	354	**1**	483
Bank balances, deposits and cash have original maturities of three months or less. The carrying amounts of these assets approximate their fair values.				
Bank overdrafts comprise:				
South African rand	**111**	39	**–**	–
Foreign currencies	**–**	–	**–**	–
	111	39	**–**	–

35. CONTINGENT LIABILITIES

	Group Audited 2013 Rm	Group Reviewed 2012 Rm	Company Audited 2013 Rm	Company Audited 2012 Rm
Claims which may result from pending litigation	**–**	1	**–**	–

There are no legal proceedings of which the Group is aware that may have a material effect on the Group's financial position.

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

	Group		Company	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Audited 2012 Rm
36. CAPITAL EXPENDITURE COMMITMENTS				
Contracted but not provided for	**14**	2	**–**	–
Authorised but not yet contracted for	**–**	1	**–**	–
	14	3	**–**	–
37. LEASE COMMITMENTS				
Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:	**210**	193	**–**	–
Within one year				
In the second to fifth years inclusive	**559**	492	**–**	–
After five years	**231**	252	**–**	–
	1 000	937	**–**	–

- Lease payments recognised in profit or loss are reflected in note 4.
- The lease commitments detailed above do not include turnover rent to the extent that turnover rent exceeds base rent.

38. RETIREMENT BENEFIT PLANS

The Group has retirement benefit plans covering substantially all employees. Eligible employees are members of either defined contribution or defined benefit plans administered by the Group, or are members of funds associated with industry or employee organisations.

The South African retirement benefit plans are governed by the Pension Funds Act, 1956. The assets of the plans are held separately from those of the Group, in funds under the control of trustees. The cost charged to profit or loss represents contributions payable to the plans at rates specified in the rules of each plan (see note 4).

Defined contribution plans
The defined contribution plans are designed to provide a lump sum on retirement or a combination of a lump sum and a pension. The benefits are dependent on the investment performance of the plans. Both employees and Group companies contribute to the plans on a fixed contribution basis. Apart from contributions paid, the Group has no further obligations in respect of these plans.

The Times Media Group Limited Pension Fund, although it is principally a defined contribution plan, includes an element of defined benefit. Details relating to the fund's defined benefit membership are presented below. Valuations are done at three-year intervals. The last valuation was performed as at 30 June 2010 utilising the following principal actuarial assumptions:

Discount rate	5,0% p.a.
Expected return on plan assets	9,2% p.a.
Future salary increase	6,5% p.a.
Future pension increase	4,5% p.a.
The membership of the fund was:	
In-service defined benefit members	21

The financial condition of the defined benefit element of the fund was:

	Rm
Fair value of plan assets	**21**
Fair value of plan liabilities	**(21)**
Fair value of plan surplus	**–**

NOTES TO THE **ANNUAL FINANCIAL STATEMENTS** (CONTINUED)

for the year ended 30 June 2013

38. RETIREMENT BENEFIT PLANS (CONTINUED)

The amounts recognised in income are as follows (see note 4):

	Group	
	Audited 2013 Rm	Reviewed 2012 Rm
Current service cost of in-service defined benefit members	**1**	1

Defined benefit plan

The Group's only defined benefit retirement plan, The Johnnic Entertainment Pension Fund, is in liquidation, with the employer's surplus account, which stood at R46 million at year end (2012: R37 million) recognised as an asset.

39. RELATED PARTY TRANSACTIONS

	Company	
	Audited 2013 Rm	Audited 2012 Rm
Directors' remuneration		
Non-executive:		
Fees for services as directors	**1**	–
Executive:		
Salaries	**2**	2
Total directors' remuneration	**3**	2
Paid by other Group companies	**(3)**	(2)
	–	–

The remuneration of executive directors is determined by the remuneration committee having regard to comparable market information. In the case of non-executive directors, retainers and fees are approved by the shareholders. Further information regarding the remuneration of individual directors is set out in the remuneration committee report on page 69.

Other related party transactions

- Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.
- Transactions between the Group and its associates were concluded at arm's-length.

	Group	
	Audited 2013 %	Reviewed 2012 %

40. JOINT VENTURES

With the acquisition on 25 June 2013 of the remaining 50% of BDFM Publishers Proprietary Limited, BDFM Publishers Proprietary Limited, African Business Channel Proprietary Limited and I-Net Bridge Proprietary Limited are recognised as subsidiaries and no longer as joint ventures.

	Audited 2013 %	Reviewed 2012 %
BDFM Publishers Proprietary Limited	–	50,0
African Business Channel Proprietary Limited	–	50,0
I-Net Bridge Proprietary Limited	–	83,3

The following amounts are included in the group's financial statements as a result of proportionate consolidation of the joint ventures:

	Rm	Rm
Revenue	–	296
Profit from operations	–	5
Non-current assets	–	62
Current assets	–	118
Non-current liabilities	–	(18)
Current liabilities	–	(65)
Cash and cash equivalents	–	55

41. SHARE-BASED PAYMENTS

During the year, the following were credited (charged) to profit or loss:	–	(6)
Cash-settled incentives	–	1
Equity-settled incentives	–	(7)

GROUP – **INTERESTS IN ASSOCIATES**
Annexure 1
as at 30 June 2013

Associate	Principal activity	Country of incorporation	Financial year-end
Unlisted			
Continuing			
Allied Media Distributors Proprietary Limited	Distribution of publications	South Africa	December
Allied Publishing Limited	Distribution of publications	South Africa	December
Banner News Agency Proprietary Limited	Property investment holding	South Africa	December
Media Host Proprietary Limited	Digital content management	South Africa	February
PA Group Media Proprietary Limited	Property advertising	South Africa	August
The Newspaper Printing Company	Printing	South Africa	December
Discontinued			
Airport Bookshop Proprietary Limited	Book retail	South Africa	June
Three Groups Cinemas Proprietary Limited*	Cinemas	South Africa	March
Warner Music Gallo Africa Proprietary Limited	Music	South Africa	March

* *Sold on 31 May 2013.*

Effective interest		Cost less amount written off		Loans		Share of post-acquisition reserves		Total	
Audited 2013 %	Reviewed 2012 %	**Audited 2013 Rm**	Reviewed 2012 Rm	**Audited 2013 Rm**	Reviewed 2012 Rm	**Audited 2013 Rm**	Reviewed 2012 Rm	**Audited 2013 Rm**	Reviewed 2012 Rm
		10	10	**10**	46	**2**	3	**22**	59
30,0	30,0	**–**	–	**–**	–	**3**	3	**3**	3
50,0	50,0	**–**	–	**–**	–	**–**	–	**–**	–
28,6	28,6	**–**	–	**–**	–	**–**	–	**–**	–
25,0	25,0	**3**	3	**–**	–	**(1)**	–	**2**	3
39,9	39,9	**7**	7	**10**	10	**–**	–	**17**	17
35,0	35,0	**–**	–	**–**	36	**–**	–	**–**	36
		–	–	**–**	3	**–**	23	**–**	26
40,0	40,0	**–**	–	**–**	3	**–**	3	**–**	6
–	50,0	**–**	–	**–**	–	**–**	6	**–**	6
40,0	40,0	**–**	–	**–**	–	**–**	14	**–**	14
		10	10	**10**	49	**2**	26	**22**	85

GROUP – **ATTRIBUTABLE INTERESTS IN ASSOCIATES**

Annexure 2

as at 30 June 2013

	Audited 2013 Rm	Reviewed 2012 Rm
STATEMENT OF FINANCIAL POSITION		
Assets and liabilities		
Tangible and intangible assets	**32**	33
Current assets	**46**	98
Total assets	**78**	131
Long-term borrowings	**30**	30
Current liabilities	**36**	65
Total liabilities	**66**	95
Attributable net asset value	**12**	36
Indebtedness	**10**	49
Carrying value	**22**	85
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	**36**	70
Profit before taxation	**–**	8
Taxation	**–**	(3)
Profit for the year	**–**	5

NOTICE **OF ANNUAL GENERAL MEETING**

Times Media Group Limited
Incorporated in the Republic of South Africa
Registration number: 2008/009392/06
JSE share code: TMG
ISIN: ZAE000169272
("TMG" or "the Company" or "the Group")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of the Company will be held in the Nina Conference Room, Hyatt Regency Hotel, 191 Oxford Road, Rosebank, Johannesburg on Wednesday, 27 November 2013 at 14:00.

PARTICIPATION IN THE ANNUAL GENERAL MEETING

The record date for determining which shareholders of the Company are entitled to receive the notice of annual general meeting is Friday, 18 October 2013 and the record date for determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 15 November 2013. Accordingly, the last date to trade to be registered in the register of members of the Company and be eligible to participate in and vote at the annual general meeting is Friday, 8 November 2013.

ATTENDANCE AND VOTING

If you are a registered shareholder on the record date, you may attend the annual general meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the Company) to represent you at the annual general meeting. Any appointment of a proxy may be effected by using the attached form of proxy and, for the proxy to be effective and valid, must be completed and delivered in accordance with instructions in the attached form of proxy.

If you are a beneficial shareholder and not a registered shareholder on the record date:

- and wish to attend the annual general meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your Central Securities Depository Participant (CSDP) or broker;
- and do not wish to attend the annual general meeting but would like your vote to be recorded at the annual general meeting, you should contact the registered shareholder of your shares through your CSDP or broker and provide them with your voting instructions;
- the attached form of proxy must **not** be completed by you.

All participants at the annual general meeting (including proxies) will be required to provide reasonable satisfactory identification to the chairman of the annual general meeting. Forms of identification include valid identity documents, driver's licences and passports.

On a show of hands, every shareholder of the Company present in person or represented by proxy will have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy will have one vote for every share held in the Company.

Forms of proxy may also be obtained on request from the Company's registered office. It is preferable that the completed forms of proxy be deposited at, posted or faxed to the Company's transfer secretaries at the address below, to be received no later than 14:00 on Tuesday, 26 November 2013 or handed to the chairman of the annual general meeting (or any adjournment) at any time before the appointed proxy/ies exercise/s any of the relevant shareholder's rights at the annual general meeting (or any adjournment), provided that if a shareholder lodges a form of proxy with the transfer secretaries less than 24 hours before the annual general meeting, this shareholder will also be required to provide a copy of the form of proxy to the chairman of the annual general meeting before the appointed proxy exercises any of the shareholder's rights at the annual general meeting (or any adjournment). Any forms of proxy not lodged by this time must be handed to the chairman of the annual general meeting

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

immediately prior to the annual general meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the annual general meeting should the shareholder subsequently decide to do so.

Equity securities held by a share trust or scheme will not have their votes at the annual general meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Copies of TMG's 2013 integrated annual report are available from TMG's company secretary and website.

PURPOSE OF THE ANNUAL GENERAL MEETING

The purpose of the annual general meeting is to:

- present the directors' report and audited annual financial statements of the Company and Group for the year ended 30 June 2013;
- present the audit and risk committee report;
- consider any matters raised by shareholders with or without advance notice to the Company; and
- consider, and, if deemed fit, pass, with or without modification, the resolutions set out below.

Ordinary business: To consider, and, if deemed fit, approve the following ordinary resolutions with or without modification.

Explanation: To be adopted, all ordinary resolutions (except for ordinary resolution number 5 which requires a 75% approval) require the support of a majority of votes cast by shareholders present or represented by proxy at this annual general meeting.

1. Ordinary resolution number 1: presentation of annual financial statements

"Resolved that:

The annual financial statements of the Company and the Group for the year ended 30 June 2013 be and are hereby confirmed."

Explanation: The reason for and effect of ordinary resolution number 1 is to receive and confirm the annual financial statements of the Company and Group for the year ended 30 June 2013.

2. Ordinary resolution number 2: re-election of non-executive directors

"Resolved that:

2.1 Mr KD Dlamini, who retires by rotation in terms of the memorandum of incorporation ("MOI") of the Company, and who is eligible and available for re-election, be and is hereby re-elected as an independent non-executive director of the Company.

2.2 Mr MSM Xayiya, who retires by rotation in terms of the MOI of the Company, and who is eligible and available for re-election, be and is hereby re-elected as a non-executive director of the Company.

2.3 Ms MM Nhlanhla, who was appointed a director of the Company on 20 June 2013, and who retires by rotation in terms of the MOI of the Company, and who is eligible and available for re-election, be and is hereby elected as an independent non-executive director of the Company."

Explanation: Brief biographies of these non-executive directors appear on pages 6 and 7 of the integrated annual report.

The ordinary resolutions numbers 2.1, 2.2 and 2.3 will be considered by separate votes.

The reason for these ordinary resolutions is that the MOI requires that a third of the Company's non-executive directors retire at the annual general meeting. A retiring director, if eligible, may be re-elected. In addition, the MOI requires that non-executive directors appointed during the year retire at the annual general meeting. These retiring directors, if eligible, may also be re-elected.

3. Ordinary resolution number 3: re-appointment of external auditor

"Resolved that:

Deloitte & Touche, as nominated by the Company's audit and risk committee, be and is hereby re-appointed as the independent external auditor of the Company until the conclusion of the next annual general meeting. It is noted that Mr JAR Welch is the designated audit partner who will undertake the audit for the financial year ending 30 June 2014."

Explanation: The reason for ordinary resolution number 3 is that the Company, being a listed public company, must appoint an independent auditor and have its annual financial statements audited.

4. Ordinary resolution number 4: re-election of audit and risk committee members and chairman

"Resolved that:

The audit and risk committee set out below be and is hereby appointed by way of separate resolutions to hold office until the conclusion of the next annual general meeting:

4.1 Mr JHW Hawinkels (Chairman).

4.2 Mr KD Dlamini.

4.3 Mr R Naidoo."

Explanation: Brief biographies of these independent non-executive directors appear on page 6 of the integrated annual report. Shareholders should note that Mr KD Dlamini will be both the chairman of the board and a member of the audit and risk committee.

The reason for ordinary resolution number 4 is that, at each annual general meeting, a public company must elect an audit and risk committee comprising at least three independent non-executive members.

5. Ordinary resolution number 5: general authority to issue shares for cash

"Resolved that:

The directors of the Company be and are hereby authorised by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements of the JSE Limited ("the JSE"), and subject to the proviso that the aggregate number of ordinary shares able to be allotted and issued in terms of this resolution, will be limited to 15% of the issued share capital at the date of the first such issue, provided that:

- the approval will be valid until the date of the next annual general meeting of the Company, provided it does not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash in any one financial year may not exceed an aggregate 15% of the applicant's issued share capital (number of securities) of that class as at the date of this notice. As at the date of this notice, 15% of the Company's listed equity securities represents 19 061 571 shares.
- In the event of a subdivision or consolidation of issued equity securities during the aforementioned approval period, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- Any equity securities issued under the general authority during the period for which the authority is valid (until the Company's next annual general meeting, provided is does not extend beyond 15 months from the date of this resolution) must be deducted from the aforementioned calculated amount of securities."

Explanation: For listed entities wishing to issue shares for cash (other than issues by way of rights offers and/or in consideration for acquisitions and/or to share incentive schemes approved by the JSE and by the shareholders of the Company), it is necessary for the board to obtain the prior authority of the shareholders in accordance with the Listings Requirements of the JSE and the MOI of the Company.

NOTICE **OF ANNUAL GENERAL MEETING** (CONTINUED)

The reason for ordinary resolution number 5 is, accordingly, to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements of the JSE and the MOI of the Company.

At least 75% of shareholders present in person or by proxy and entitled to vote at the annual general meeting must vote in favour of this resolution.

Special business: To consider, and, if deemed fit, approve the following special resolutions with or without modification.

Explanation: To be adopted, all special resolutions require the support of 75% or more of votes cast by shareholders present or represented by proxy at the annual general meeting.

6. **Special resolution number 1: Company and/or subsidiary acquiring the Company's shares**

"Resolved that:

The Company and/or a subsidiary of the Company be and is hereby authorised to re-purchase or purchase, as the case may be, ordinary shares issued by the Company on such terms and conditions and in such amounts as the directors of the Company may decide, but subject always to the provisions of section 48 of the Companies Act, 71 of 2008, as amended ("the Act"), the Listings Requirements of the JSE Limited ("JSE Listings Requirements") and the following limitations:

- the re-purchase of securities is implemented through the order book of the JSE Limited trading system, without any prior understanding or arrangement between the Company and the counter-party;
- this general authority will only be valid until the Company's next annual general meeting, provided that it does not extend beyond 15 months from the date of passing of this special resolution;
- the Company is authorised to do so by its MOI;
- the general repurchase by the Company is limited to a maximum of 20% in aggregate of its issued share capital in any one financial year;
- any such general repurchases are subject to Exchange Control Regulations and approval at that time;
- the general repurchase by subsidiaries of the Company is limited to a maximum of 10% in aggregate of the Company's issued share capital in any one financial year;
- the repurchase is not made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction was effected;
- the repurchase does not take place during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a re-purchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in a SENS announcement prior to the start of the prohibited period;
- the Company publishes an announcement after it or its subsidiaries have cumulatively acquired 3% of the number of ordinary shares in issue at the time that the shareholders' authority for the purchase is granted and for each 3% in aggregate of the initial number acquired afterwards;
- the ordinary share capital and reserves of the Company and Group are adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase;
- the available working capital of the Company and Group is adequate for ordinary business purposes for a period of 12 months following the date of the repurchase;
- prior to entering the market to proceed with the re-purchase, the Company's sponsor has confirmed in writing to the JSE the adequacy of the Company and the Group's working capital for the purposes of undertaking a general repurchase of shares;
- the Company and the Group's assets will exceed the liabilities of the Company and Group for a period of 12 months after the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with accounting policies used in the latest audited

consolidated annual financial statements which comply with the Act;

- the Company and Group will be able to repay their debts in the ordinary course of business for a period of 12 months following the date of the repurchase;
- the Company appoints only one agent to effect any repurchases on its behalf; and
- prior to entering the market to proceed with the repurchase, the board, by resolution authorising the repurchase, has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Act and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase and that, since the test was done, there have been no material changes to the financial position of the Group."

Additional disclosure requirements in terms of the JSE Listings Requirements

The following additional information, some of which may appear elsewhere in the integrated annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general re-purchase authority:

- Directors – pages 6 and 7;
- Major beneficial shareholders – page 71;
- Directors' interests in ordinary shares – page 71; and
- Share capital of the Company – page 118.

LITIGATION STATEMENT

The directors of the Company, whose names appear on page 151 of the integrated annual report, of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, which may have or have had in the recent past (being the previous 12 months) a material effect on the Group's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on page 151 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that, to the best of their knowledge, there are no facts that have been omitted that 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 relevant to special resolution number 1.

MATERIAL CHANGES

Other than facts and developments disclosed in the integrated 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.

Explanation: The reason for and effect of special resolution number 1 is to give a mandate to the directors to re-purchase or purchase ordinary shares issued by the Company.

STATEMENT OF BOARD'S INTENTION

The directors of the Company have no specific intention to effect the provisions of special resolution number 1 but will continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

7. Special resolution number 2: approval of non-executive directors' fees

"Resolved that:

In terms of section 66(9) of the Act, that the Company be and is hereby authorised to remunerate its non-executive directors for their services as directors on the basis set out below:

NOTICE **OF ANNUAL GENERAL MEETING** (CONTINUED)

Board (annual retainer)

Chairman	R600 000
Other	R200 000

Audit and risk committee (annual retainer)

Chairman	R80 000
Other	R40 000

Remuneration committee (annual retainer)

Chairman	R65 000
Other	R35 000

Transformation, social and ethics committee (annual retainer)

Chairman	R65 000
Other	R35 000

Nominations committee (annual retainer)

Chairman	R65 000
Other	R35 000

Ad hoc committees (annual retainer)

Chairman	R65 000
Other	R35 000"

Explanation: The reason for and effect of special resolution number 2 is to grant the Company the authority to pay fees to its non-executive directors for their services as directors.

8. Special resolution number 3: financial assistance to subscribe for securities

"Resolved that:

The directors be and are hereby authorised in terms of, and subject to, the provisions of section 44 of the Act to cause the Company to provide direct and/or indirect financial assistance by way of loan, guarantee, provision of security or otherwise to any company or corporation which is related or inter-related to the Company for the purpose of, or in connection with, the subscription for any option or securities, issued or to be issued by the company or corporation or a related or inter-related Company or corporation, provided that the board is satisfied that, immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test as set out in section 4 of the Act, that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company and that any conditions or restrictions on granting financial assistance that may be included in the Company's MOI have been satisfied."

Explanation: The reason for and effect of special resolution number 3 is to grant the directors of the Company the authority to cause the Company to provide financial assistance for the subscription for securities issued or to be issued by the Company or corporation or a related or inter-related company or corporation.

9. Special resolution number 4: financial assistance to related or inter-related company or corporation

"Resolved that:

The directors be and are hereby authorised in terms of, and subject to, the provisions of section 45 of the Act to cause the Company to provide any direct and/or indirect financial assistance to any company or corporation which is related or inter-related to the Company, provided that the board is satisfied that, immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test as set out in section 4 of the Act, that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company and that any conditions or restrictions on granting financial assistance that may be included in the Company's MOI have been satisfied."

Explanation: The reason for and effect of special resolution number 4 is to grant the directors of the Company the authority to cause the Company to provide financial assistance to a company or corporation that is related or inter-related to the Company. It does not authorise the provision of financial assistance to a director of the Company.

10. Ordinary resolution number 6: authority to sign documentation

"Resolved that:

Any director of the Company or the company secretary be and is hereby authorised to take all actions necessary and sign all documents required to give effect to the abovementioned special resolutions numbers 1, 2, 3 and 4 and ordinary resolutions numbers 1, 2, 3, 4 and 5."

11. Ordinary resolution number 7: non-binding advisory vote on the Company's remuneration policy

"Resolved that:

The Company's remuneration policy and its implementation, as detailed in the remuneration committee report on page 68, be and is hereby approved and adopted."

Explanation: The reason for ordinary resolution number 7 is to enable shareholders to express their views, as recommended by King III, on the Company's remuneration policy.

By order of the board

JR Matisonn
Company Secretary

29 October 2013

Registered office
4 Biermann Avenue
Rosebank, 2196
Johannesburg

PO Box 1746
Saxonwold, 2132

Transfer secretaries
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

SHAREHOLDERS' **DIARY**

Financial year end	30 June 2013
Year end results announced	September 2013
Integrated annual report published	October 2013
Annual general meeting to be held	November 2013
Interim results to be announced	March 2014

Note: *Dates subject to alteration*

FORM **OF PROXY**

(for use by certificated and own-name-registered dematerialised shareholders only)

Times Media Group Limited
Incorporated in the Republic of South Africa
Company registration number: 2008/009392/06
JSE share code: TMG
ISIN: ZAE000169272
("TMG" or "the Company")

For the annual general meeting to be held on Wednesday, 27 November 2013

A shareholder of the Company entitled to attend, speak and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead.

I/We (name/s in BLOCK LETTERS) ______________________________

of (address) ______________________________

being (a) shareholder(s) of the Company, and entitled to ______________________________ votes, do hereby appoint

of ______________________________ or failing him/her, the chairman of the annual general meeting, as my/our proxy

to represent me/us at the annual general meeting to be held in the Nina Conference Room, Hyatt Regency Hotel, 191 Oxford Road, Rosebank, Johannesburg on Wednesday, 27 November 2013 at 14:00 to vote in favour, against or abstain from voting on:

	In favour	Against	Abstain
1. Ordinary resolution number 1: confirm the Company and Group annual financial statements for the year ended 30 June 2013			
2. Ordinary resolution number 2: re-election, by separate resolutions, of each of the following directors:			
2.1 Mr KD Klamini			
2.2 Mr MSM Xayiya			
2.3 Ms MM Nhlanhla			
3. Ordinary resolution number 3: re-appointment of external auditor			
4. Ordinary resolution number 4: re-election, by separate resolutions, of the audit and risk committee members and chairman:			
4.1 Mr JHW Hawinkels (Chairman)			
4.2 Mr KD Dlamini			
4.3 Mr R Naidoo			
5. Ordinary resolution number 5: general authority to issue shares for cash			
6. Special resolution number 1: Company and/or subsidiary acquiring the Company's shares			
7. Special resolution number 2: approval of non-executive directors' fees			
8. Special resolution number 3: financial assistance to subscribe for securities			
9. Special resolution number 4: financial assistance to related or inter-related company or corporation			
10. Ordinary resolution number 6: authority to sign documentation			
11. Ordinary resolution number 7: non-binding advisory vote on the Company's remuneration policy			

Signed at ______________________________ on ______________________________ 2013

Signature of shareholder(s) ______________________________

Assisted by (where applicable) ______________________________

Please read the notes on the reverse hereof.

NOTES **TO FORM OF PROXY**

1. Mark with an "X" whichever is applicable. Unless otherwise directed, the proxy will vote as he/she thinks fit.

2. If this form of proxy is signed under power of attorney, such power of attorney, unless previously registered with the Company, must accompany it, failing which this form of proxy cannot be used at the annual general meeting.

3. This form of proxy must be signed, dated and returned to reach the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Flor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), no later than 14:00 on Tuesday, 26 November 2013. Alternatively, any forms of proxy not lodged by this date and time must be handed to the chairman of the annual general meeting immediately prior to the annual general meeting.

CORPORATE **INFORMATION**

Times Media Group Limited
Incorporated in the Republic of South Africa
Company registration number: 2008/009392/06
JSE share code: TMG
ISIN: ZAE000169272

Directorate

KD Dlamini	*(Chairman)*
AD Bonamour*	*(Chief Executive Officer)*
W Marshall-Smith*	*(Financial Director)*
JHW Hawinkels	
HK Mehta	
R Naidoo	
MM Nhlanhla	
MSM Xayiya	

** Executive*

Company secretary and registered office
JR Matisonn
4 Biermann Avenue
Rosebank, 2196
Johannesburg

PO Box 1746
Saxonwold, 2132

Telephone: +27 11 280 3000
Fax: +27 11 280 5099
Internet: www.timesmedia.co.za

Legal advisers
Edward Nathan Sonnenbergs
150 West Street
Sandown, 2196

PO Box 783347
Sandton, 2146

Corporate advisers and sponsor
PSG Capital, a division of PSG Group Limited
1st Floor Ou Kollege Building
35 Kerk Street
Stellenbosch, 7600

PO Box 7403
Stellenbosch, 7599

Transfer secretaries
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

Auditors
Deloitte & Touche
Deloitte Place
The Woodlands Office Park
20 Woodlands Drive
Woodmead, 2191

Private Bag X6
Gallo Manor, 2052

Bankers
The Standard Bank of South Africa Limited
30 Baker Street
Rosebank, 2196
Johannesburg

PO Box 61029
Marshalltown, 2107

NOTES

Times Media Group

INTEGRATED ANNUAL REPORT 2014

CONTENTS

ABOUT **TIMES MEDIA GROUP**

Listed on the Johannesburg Stock Exchange, Times Media Group (TMG) is a media company that informs, educates, entertains and connects people. We aim to provide compelling content and creative solutions to enrich lives, helping people to know more, do more and to live inspired. We focus on building internal and external partnerships, investing in quality content delivered via physical and digital channels to best serve our customers' needs. In a continent where economic progress and social reform are critical goals, we believe that concentrating on our core drivers will ensure appropriate investments to best achieve our vision.

HIGHLIGHTS

for the year ended 30 June 2014

- ↑ Profit from continuing operations before exceptional items 21% up on prior year.
- ↓ Operating costs from continuing operations down 16%.
- ↑ 22% increase in net cash flows from operations before working capital changes.
- ↓ Further R406 million of acquisition finance repaid. Term debt reduced from R698 million to R292 million.
- ↑ TMG now the largest English-language daily newspaper publisher in South Africa.

CORPORATE **ACTIVITY**

During the year under review

- On 29 July 2013, the Books division sold its Struik Christian Media publishing assets for R10 million.
- On 31 July 2013, TMG's 40% interest in Warner Music Gallo Africa (WMGA) was sold back to WMGA for R13 million, while retaining Needletime rights from the joint venture.
- Hirt & Carter acquired the business of Typesetting & Repro Services on 1 August 2013 in a transaction that adds critical mass to Hirt & Carter's Gauteng operations.
- The loss of the Trudon contract made Uniprint's web division unviable, and the decision was made to exit web printing and sell the plant and equipment at the end of August 2013, with Uniprint realising R59 million from the sale of the plant and equipment.
- On 12 September 2013, TMG acquired a 32,26% interest in Multimedia Group Limited, a Ghanaian radio and television group, for R144 million.
- The East London properties were sold for R10 million effective 10 October 2013.
- The Books division's 51% share in Mega Digital was sold on 1 November 2013 for R4 million.
- Bates Printing in Cape Town was acquired on 1 November 2013 at a cost of R70 million as an earnings-enhancing acquisition for Hirt & Carter.
- A 50% stake in Acceleration Media was acquired by Amorphous for R4 million on 1 November 2013.
- The sale of I-Net Bridge to McGregor BFA for R113 million was concluded on 15 November 2013.
- The Books division's 50,1% interest in Random House Struik was sold on 25 November 2013 for R34 million.
- The Nu Metro Cinemas business (including the related cinema advertising business, Popcorn Cinema Advertising Sales) was sold for R75 million with effect from 28 November 2013.
- Exclusive Books was sold on 1 December 2013 for R88 million, and Van Schaik Bookstore was sold on 2 December 2013 for R333 million.
- Airport Media's Ponte advertising site was sold on 2 December 2013 for R15 million.
- On 3 December 2013, TMG acquired 65% of M-Power FM, based in Mpumalanga. We rebranded it Rise FM and relaunched the station on 3 March 2014.
- On 30 January 2014, TMG acquired a 60% interest in Vuma 103FM, a gospel and inspirational format commercial radio broadcaster based in Umhlanga, KwaZulu-Natal.
- On 19 March 2014, TMG acquired 50% of Smartcall Technology Solutions (STS). STS is a mobile wireless application service provider, acquired to give TMG access to mobile development and marketing skills as well as the mobile platform and various licences it holds.
- On 1 May 2014, TMG sold its 51% stake in Boo Media back to Boo Media for R3 million.
- Effective 1 June 2014, Uniprint acquired the business of Ferroprint for a purchase price of R25 million. The Ferroprint business has been integrated into the Uniprint business.
- With effect from 30 June 2014, a 49% interest was acquired in Radio Africa, a leading Kenyan radio, television and newspaper group for R195 million.
- Map Studio was sold on 30 June 2014 for R9 million.

CORPORATE **ACTIVITY** continued

Subsequent to year-end

- New Holland Publishing's Australia and New Zealand operations were disposed of on 1 July 2014 for 2 million Australian dollars (approximately R20 million).
- On 1 July 2014, 100% of Future Publishing, a small publishing and eventing company, was acquired.
- A 30% interest in Capacity Holdings, a software business that manages and maintains a database of retail supplier product photographs and metadata, was purchased for R5 million effective 1 July 2014.
- The Bedfordview property was sold on 13 August 2014 for R60 million.
- The 30,71% minority stake in Learning Channel was bought out on 1 September 2014.
- Interactive Junction Holdings disposed of its interests in PA Junction and PA Group Media for R7 million effective 1 September 2014.
- The Industria property was sold on 26 September 2014 for R5 million.

During the prior year

- On 25 September 2012, TMG acquired all the shares in Avusa it did not already own.
- The 51% stake in MapIT was sold on 31 May 2013 for R37 million.
- The 50% stake in Three Groups Cinemas (Suncoast Cinema) was sold on 31 May 2013 for R18 million, inclusive of a R5-million dividend.
- On 25 June 2013, the remaining 50% of BDFM Publishers was acquired for R20 million. The acquisition resulted in both BDFM Publishers and I-Net Bridge becoming wholly-owned subsidiaries of TMG.
- On 28 June 2013, the Company's 51% interest in Monte Cinemas was sold for R20 million.

SEGMENTAL **STRUCTURE**
as at 30 June 2014

Division	Business entity
Media Newspapers, magazines and digital publishing	**Newspapers** • Sunday Times • The Times • Business Day • Times Media Live (including Times Live, BD Live, Sowetan Live, Herald Live and Dispatch Live) • Sowetan • Sunday World • Daily Dispatch • The Herald • Times Media community newspapers **Magazines** • Financial Mail • South African Home Owner • MIMS and other titles • Picasso Headline
Broadcasting and Content Television and radio broadcasting, content production, out-of-home advertising and digital services	**Television broadcasting and production** • Business Day TV and other channels • Ochre Media **Radio** • Rise FM • Vuma 103 FM • Multimedia Group [32,26%] (Ghana)(including Joy FM, Adom FM, Luv FM, Nhyira FM, Hitz FM and Asempa FM) • Radio Africa [49,0%] (Kenya) (including Kiss FM, East FM, 105.5 FM, Radio Jambo and Classic 105 FM) **Content** • Gallo Record Company • Gallo Music Publishing • Times Media Films **Out-of-home advertising** • Airport Media **Digital services** • Interactive Junction Holdings • Amorphous
Retail Solutions Retail advertising production systems, related database management and development, retail printing, home entertainment and platform businesses	• Hirt & Carter • Uniprint **Home entertainment** • Times Media Home Entertainment **Platform businesses** • Compact Disc Technologies (CDT) • Entertainment Logistics Services (ELS) • Associated Music Distributors (AMD)

DIRECTORATE

KD DLAMINI

BA (Hons) *(Cum laude)*, MPhil

Independent non-executive chairman

Appointed July 2012

Kuseni was a chief executive officer of Old Mutual South Africa and Emerging Markets, head of Anglo American South Africa and a member of Anglo American's executive committee and executive chairman of Richards Bay Coal Terminal. Kuseni also worked for De Beers in South Africa and at its London office, and for AngloGold Ashanti's corporate office in Johannesburg. After graduating from Natal University, he went to Oxford as a Rhodes scholar, where he read for his MPhil degree. In 2008, Kuseni was named a Young Global Leader by the World Economic Forum (WEF). In 2010, the WEF appointed him a member of the Global Agenda Council on Economic Growth and Poverty Alleviation. He presently heads his own investment firm, KDI Holdings, is non-executive chairman of Massmart Holdings and a non-executive director of Aspen Pharmacare Holdings.

AD BONAMOUR

BCom

Chief executive officer

Appointed January 2012

Andrew is the founder of Blackstar Group SE and non-executive chairman of Blackstar Group Proprietary Limited. Andrew previously worked at Brait where he held positions in investment banking, principal investment divisions and corporate finance. He serves on the boards of several listed and unlisted companies.

JHW HAWINKELS

BSc (Electrical Engineering), BCom, MBA

Independent non-executive director

Appointed August 2012

Hans has 10 years of experience in advising local and overseas private equity companies and family offices on their African and Asian investments across all sectors. Prior to that, he was chief executive officer of MultiChoice Africa, a Naspers subsidiary, where he launched DStv across South Africa and sub-Saharan Africa. He spent five years in Hong Kong as chief executive officer of MIH, also a Naspers subsidiary, where he concluded numerous pay-TV and internet deals, notably Tencent.

W MARSHALL-SMITH

BCom, PGDA, CA(SA)

Financial director

Appointed May 2012

Will qualified as a chartered accountant while at Deloitte, and worked in its financial services division in New York, Cape Town and the Isle of Man. He has over 10 years' experience in corporate finance and public and private investing in South Africa. Will joined Blackstar in 2005 at its inception, and has served on the boards of several listed and unlisted companies.

HK MEHTA

Diploma in Printing Technology (Leeds), BSc (Industrial Engineering), MBA

Independent non-executive director

Appointed August 2012

Harish was instrumental in the expansion of Uniprint, which was founded over 80 years ago, to 60 times its original size. Uniprint was acquired by Avusa, now TMG Limited, in 2010. Harish is a non-executive director of Spar, Redefine Income Fund, Wasteman and Cibapac. He is executive chairman of Clearwater Capital, a family fund, and a member of the KZN provincial board of First National Bank.

R NAIDOO

BSc (Hons), MBA

Independent non-executive director

Appointed August 2012

Ravi is the founder and managing director of Interactive Africa, a media, marketing and project management company established in 1994. Prior to that, he spent three years as an account director at Young & Rubicam where he managed a number of multinational accounts. Ravi project-managed the First African in Space mission, as well as South Africa's bid campaign for the 2010 FIFA World Cup™ and the African Connection Rally. Among other accomplishments, he is well known for establishing the International Design Indaba, which is recognised as one of the world's leading design institutions. Ravi also sits on the jury of the Index Awards in Copenhagen, the world's richest design prize.

MM NHLANHLA

BSc, MA (Library and Information Science)

Independent non-executive director

Appointed June 2013

Manana lectured in information science for 10 years and later joined Thebe Investments to launch its book-publishing business. She served as a non-executive director for various Thebe Investments subsidiaries. Manana played a significant role in a number of major BEE deals, including Batho Bonke, Foskor and Rainbow Chicken. She is currently an executive director of Mion Holdings and a non-executive director of Rainbow Chicken and other unlisted companies.

MSM XAYIYA

BA, Cert of Defence Management (Wits), Emerging Market Leadership Program (University of Pennsylvania)

Independent non-executive director

Appointed August 2012

Resigned 7 October 2014

Mikki is the co-founder and executive chairman of Mvelaphanda Holdings. He is a director of several other companies within the Mvelaphanda Holdings investment portfolio.

CHAIRMAN'S **REPORT**

The challenging global economic environment has adversely impacted emerging market economies like South Africa's, which have seen anaemic growth with high unemployment in general and high youth unemployment in particular. South Africa needs bold and visionary strategies to grow its economy and create jobs to alleviate poverty and minimise any risk of social and political instability.

The fortunes and financial performance of Times Media Group are inextricably intertwined with the state of the South African and other economies where we operate. It is in our best commercial interests to have growing and job-creating economies in South Africa and Africa at large.

The business sector, labour and government need to craft and implement the right strategic partnerships in pursuit of growth and job creation. This is key if we are to make South Africa work and deliver prosperity for current and future generations.

TMG's commercial and retail customers have also been impacted by these negative headwinds. It is, however, very pleasing that TMG has managed to deliver a good set of results under these adverse market conditions.

This is largely due to the success of the turnaround that our executive management team under Andrew Bonamour's leadership have effectively executed. One of the key milestones worthy of celebration during the year under review is that TMG is now South Africa's number one publisher of English-language newspapers. This is a major achievement in an industry that is facing many headwinds.

We will continue to grow and extend our industry leadership position by pursuing excellence in everything that we do, as we indeed can and must if we are to maximise shareholder value and stakeholder benefit on a sustained basis.

TMG's strategy is predicated on driving and entrenching a deep and pervasive culture of innovation and entrepreneurship as platforms to enhance our competitive advantage and create value for shareholders in ways that also benefit other key stakeholders.

TMG will continue to work on developing and executing an effective digital strategy to reposition the business appropriately in a media landscape that is in a constant, if not chaotic, state of flux.

A key element of this is ensuring a disciplined approach that tracks and learns from emerging global and local best practice rather than Big Bang and uninformed investments. Most players in the global media space are grappling with the same industry transformation challenges to find profitable digital media models.

TMG is also actively exploring effective ways of monetising the wealth of content developed over many years. In doing this, we will continue to explore and craft value-adding strategic partnerships with industry players with the relevant capabilities and product offerings.

We believe that our major differentiating asset in the South African and African market place going forward will be the quality and relevance of our content, which in turn is largely dependent on the quality of our journalists. We will continue to invest in enhancing the quality and skills of journalists by giving them exposure to the best training and newsrooms in the country and globally.

The growing African market is a key part of TMG's strategy. The rising middle class, increasing urbanisation, industrialisation and diversification of African economies augur well for our strategy to expand our footprint on the continent.

Our investment in Ghana's Multimedia (the largest privately owned media group in that country) gives us a platform into the lucrative West African market as does our investment in Kenya's Radio Africa Group (RAG), the largest privately-owned media group in East Africa, which gives us good exposure to the dynamic and vibrant East African market. We will continue to actively search for value-adding investment opportunities to build scale and enhance our capabilities and reach as a globally competitive African media giant at the heart of, if not at the forefront of, an 'Africa rising'.

A vibrant and developed media industry is a key element in the growth and modernisation of economies and societies alike. African media companies like TMG have a key role to play in shaping the global African narrative in ways that are grounded on facts that inform and educate as appropriate. We are committed to embracing innovation, creativity and an entrepreneurial culture as levers to continue to drive our profitable growth going forward.

TMG cannot grow if our key home market, South Africa, does not grow. I strongly believe in South Africa's great potential to grow at much higher rates than has been the case over the first 20 years of our democracy, if we, among other things, do the following three things:

- Firstly, raise the level of ambition and believe in our combined abilities as a nation to grow our economy above 5% on a sustained basis and create decent jobs for South Africans. This requires smart strategic partnerships between government, business and labour that elevate the national economic interest above all else.
- Secondly, we need to enhance the knowledge and skills intensity of our economy. This requires a combined focus on turning around our education system to produce graduates and workers with relevant skills and attitudes required in the real economy. Another crucial aspect here is ensuring that we have an active culture of lifelong learning to re-skill old workers in a continuously changing world of work and to also empower all workers retrenched in sectors like mining with new and relevant skills to make them employable.
- Thirdly, we need to embrace global competitiveness as a national strategic objective. This requires us to benchmark every aspect of what we do with the best in the world so that we can, in the final analysis, do better than the best in the world. We need a smart regulatory environment and approach that balance compliance with global competitiveness.

TMG is well positioned for growth now that the disposal of its non-core assets is largely complete. We are excited with prospects in broadcasting, digital and on the African continent.

Kuseni Dlamini
Chairman

20 October 2014

CHIEF **EXECUTIVE OFFICER'S REPORT**

INTRODUCTION

The 12 months to 30 June 2014 has been a difficult period operationally, given the tough trading environment. During the year, we continued to reposition and restructure the business, making several acquisitions and selling non-core assets. We continued to bring TMG's infrastructure and cost base in line with a company its size. Core operations performed satisfactorily in a difficult environment as we focused on costs, efficiencies, growth and market share.

While results are difficult to compare given discontinued operations and exceptional items, the continuing operations of TMG performed as follows (before head office):

	EBITDA 2014 Rm	EBITDA 2013 Rm	% Increase
Media	**182**	169	8
Broadcasting and Content	**42**	7	500
Retail Solutions	**191**	172	11

These numbers include retrenchment costs.

We have completely turned around the Home Entertainment, Gallo Music and CD manufacturing businesses with all showing profits after many years of losses. Entertainment Logistics Services and Associated Music Distributors were closed down in September 2014, with working capital consequently released.

Our philosophy is based on a focus on return on capital employed, rational allocation of capital and a tightly controlled costs base. We are entrepreneurial and rapidly responsive in nature. We work hard on instilling this philosophy into our subsidiaries and investments and strive to work with like-minded management.

MEDIA

Comprises our newspapers, magazines and digital news sites

Our media division achieved solid growth in its profit contribution in difficult trading conditions. The results include R20 million of retrenchment costs. Media's EBITDA margin improved from 9% last year to 10% this year. Newspapers grew both advertising and circulation market share after introducing innovative formats and investing in new routes to market. As a result, TMG is now the largest publisher of English-language daily newspapers in South Africa in addition to being the market leader on Sundays. Magazines delivered record profit contributions as a result of a strong performance from SA Home Owner and the introduction of new and profitable subscriber-only titles. Our digital news sites enjoyed robust growth in traffic and profits. TMG will launch several new digital sites in the coming months, including Sunday Times online and Rand Daily Mail online.

BROADCASTING AND CONTENT

Comprises our radio stations, television broadcasting and production, films, music and Vidi

The past year has seen a significant expansion of Times Media's broadcasting interests across the African continent. The acquisition of a 32,3% stake in Ghana's Multimedia Ltd in September 2013 was followed this year by the purchase of a 49% stake in Kenya's Radio Africa Group (RAG) on 30 June 2014. The acquisitions have created a pan-African presence for Times Media, with a strong presence in East, West and Southern Africa.

Multimedia Ghana has six highly successful radio stations and a direct-to-home television platform with wide West African reach. The Ghanaian economy has been under significant strain over the past six months, and this has affected advertising revenue streams, but the radio business continues to perform ahead of expectations. The TV business has been underperforming and TMG is actively involved in helping to turn it around.

RAG in Kenya boasts five market-leading radio stations and is well positioned for Kenyan and East African expansion opportunities. It plans to launch a digital terrestrial television (DTT) service in the near future to capitalise on growing TV advertising revenues in the region. TMG continues to follow opportunities in these regions and is due to complete the purchase of a 49% stake in Beat FM and Capital Radio in Uganda shortly.

In South Africa, TMG has acquired controlling interests in two radio stations – Rise FM in Mpumalanga and Vuma 103 FM in KwaZulu-Natal (KZN). Both are at early stages of development but are well placed to grow in their respective markets and provide a solid radio base for TMG in the country. Vuma has shown strong growth in listenership, doubling its weekly audience in a year and was also the only station in KZN to show growth in the latest listenership data. The centralised national radio sales team that services the two stations has also won the contract for selling advertising for North West FM, providing economies of scale and increased market penetration. In addition, 99FM Radio in Namibia, in which TMG has purchased a 56% stake subject to regulatory approval, has contracted with TMG to sell its advertising.

Our local television business, ABC, launched its third 24/7 channel on the DStv platform. Motoring channel, Ignition, moved from a weekends-only channel to add to our Home Channel and Business Day TV. Early results have been positive and the TV channels business is performing well, along with our production business, Ochre Moving Pictures. The television advertising sales business won the contract to sell for Soweto TV – a powerful free-to-air community channel which also appears on the DStv bouquet. In addition, we are providing content to Soweto TV via programming where we own the rights.

Part of the rationale for the expansion into other sectors and the creation of cross-platform sales teams is to provide a broader reach to our advertising clients. Our ability to offer packages spanning print, television, radio and digital locally and in other African markets provides an opportunity to add value to clients and develop innovative marketing and content solutions.

TMG has also developed a video-on-demand (VOD) business called Vidi, which launched in September 2014, to take advantage of changing television consumption habits and the success of similar services worldwide. Vidi helps position TMG at the forefront of changing television and media trends. TMG has a 50% interest in this new business initiative.

Our films and music content businesses have shown good growth, and the restructuring process over the past 18 months has had a positive impact on both businesses. Films, in particular, has been a strong performer, affirming the decision to invest in long-term distribution rights for theatre, TV and other platforms. TMG will continue to support the business as the premier all-rights independent distributor on the continent. TMG has also expanded the Gallo Music catalogue by acquiring the Bula music catalogue. A further two music catalogue acquisitions are imminent. This is expected to show further growth as digital revenues become a sustainable replacement for declining physical music sales.

RETAIL SOLUTIONS

Comprises Uniprint, Hirt & Carter and Times Media Entertainment

Uniprint

Uniprint's divisions performed extremely well during the year under review and achieved a turnover of R403 million (excluding the web printing division) compared with last year's turnover of R350 million, representing an increase of 15% over the previous year.

Uniprint closed its web printing division and disposed of those assets in August 2013. This decision was taken primarily after losing the contract to print the white and yellow pages telephone directories for Trudon, as well as management's assessment of excess capacity in the web printing market leading to a reduction in margins.

Uniprint's turnover was boosted by successful initiatives in the export market, including election work in Guinea, Mozambique and Bangladesh. In addition, Uniprint successfully executed a project for Coca-Cola for the printing of personalised labels for the 500ml Coke bottle.

CHIEF
EXECUTIVE OFFICER'S REPORT continued

Margins during the period remained under pressure as a result of the depreciation of the rand, the depressed state of the economy and difficulty in passing on cost increases to customers. Excluding web printing, Uniprint achieved an EBITDA for the year of R55 million (2013: R38 million).

Uniprint acquired 100% of the labels business of Ferroprint effective 1 June 2014 for a purchase price of R25 million. TMG's asset-based finance facility was used to acquire the Ferroprint plant and equipment that comprised the bulk of the assets acquired. We anticipate once-off costs of approximately R15 million to integrate this business. The acquisition will be earnings enhancing.

The strategy is to increase the size of Uniprint through acquisitions and organic growth and we believe this will have a positive impact in the next financial year.

Hirt & Carter (H&C)

The trading environment for the 12 months to June 2014 has been mixed for the H&C business units.
As in the first half, margin squeeze and pricing pressure continued to affect the business for the six months to June, on the back of consumer pressure in the retail environment. Despite this, H&C landed several new clients for the business.

H&C grew turnover by 18% for the year, including contributions from T&R and Bates. EBITDA grew 7% to R125 million. Various once-off costs have been accounted for as exceptional items during the year, as certain areas of the business were restructured to provide a lower cost base and streamlined operational structure for current market conditions. H&C's return on capital employed is still unacceptably low, and is being addressed by management.

The H&C software division continues to launch new products into the market, and has successfully grown its customer base during the year. Over the period we enhanced our software offering to provide customers with bespoke solutions to control their marketing spend, and effectively drive their communications strategy to their consumers.

We acquired 100% of Bates Printing in Cape Town for R70 million in November 2013, which will provide our national customers with regional printing capabilities and reduce logistic costs. This acquisition has given our Western Cape operation appropriate regional scale. Bates Printing has proved to be a good acquisition with a strong management team, and is already generating a return on investment.

In addition to the Bates Printing acquisition, we purchased a 30% share of Capacity Holdings, effective 1 July 2014. Capacity Holdings is a software business that manages and maintains a database of retail supplier product photographs and metadata.

POST-RETIREMENT MEDICAL AID

Proceedings have been instituted by a number of former executive employees in relation to claims for increases to post-retirement medical aid subsidies. These proceedings are being defended and TMG's position will be set out in detail in the legal proceedings. TMG does not consider it appropriate to comment further while the proceedings are pending, save to state that it is confident that its position will be vindicated in due course.

OUTLOOK

Whilst the operating environment is difficult for all our divisions, we have worked hard at repositioning and restructuring TMG over the past 18 months. We believe the results of this extensive work are starting to come through and will start benefiting the Group over the next two years. We are working hard on making our investments in Africa meet our expectations. Several new initiatives have been launched which we believe will benefit TMG in terms of long-term growth and sustainability. In addition, the hard work done on changing the philosophy and culture of TMG to be more entrepreneurial has had a positive overall effect on the Group.

Andrew Bonamour
Chief Executive Officer

20 October 2014

SUSTAINABILITY **REPORT**

APPROACH TO SUSTAINABILITY

At TMG, we contribute to customers and the broader community because we open up more choice in media, and we bring people the content they value and trust. We innovate to make things better and we help thousands to access opportunities. We create direct employment for approximately 3 200 permanent staff members and our corporate investments support development across a number of industries.

But while we are proud of the benefits created by our day-to-day businesses, we understand how important it is to see the full picture. Acting responsibly and making a broader contribution is vital to earning the trust of stakeholders and achieving sustainable success.

That is why we strive to use our capabilities to make the biggest possible difference to the issues people care about, including education, societal and environmental issues.

TMG's chairman has reiterated that we believe this approach makes good business sense. It is also the right thing to do – for our own people and our millions of readers and customers.

MATERIAL ISSUES, RISKS AND OPPORTUNITIES

The issues that follow were identified by risk management processes, stakeholder engagement and Global Reporting Initiative (GRI) guidelines. Collectively, they represent the key factors determining TMG's sustainability.

SUSTAINABILITY **REPORT** continued

Operational	Issue	Response
Content delivery shifting from physical to digital	Loss of revenue	Bolster physical product and adopt digital delivery
Piracy	Loss of revenue	Educating the public to avoid buying pirated products. Entertainment business provides financial support to SAFACT* to combat piracy
Loss of key customers in specific businesses	Business sustainability	Key customers are strategically managed; relationships are built and maintained
Social		
Responsible citizenship	Socio-economic (projects, donations)	TMG operations actively participate in community development initiatives
Compliance and ethical standards	Upholding industry standards of fair and ethical reporting	TMG complies with industry standards and codes, and gives readers an appropriate avenue for complaints
Contravention of Competition Act	Adherence to applicable laws and regulations	Regular compliance reviews
Employee retention	Shortage of critical skills	Appropriate training, development and retention initiatives; succession planning
Loss of key personnel	Intellectual capital base	Succession planning in place for key personnel
Environment		
Paper use	Sustainable and environmentally responsible supply	Certified suppliers with sustainable forestry practices
Energy	Availability, security of supply, efficient and responsible use of power resources	Contingency plans for power outages include generators to power critical sites and processes. Initiatives under way to use energy even more efficiently
Governance		
Standards of governance at African investments, including country-specific risks	Protection of investments	TMG has board representation and minority protections in place and is co-invested with local shareholders

** SAFACT: Southern African Federation Against Copyright Theft*

SCOPE OF REPORT

TMG's 2014 integrated annual report covers the Group's financial and non-financial performance. This integrates our economic, social and environmental results for a Group-wide understanding, and sets out the challenges and opportunities ahead.

Our financial reporting covers the full scope of the Group, including non-controlled entities, in accordance with IFRS (International Financial Reporting Standards) and other relevant requirements and legislation.

In terms of non-financial reporting, acquisitions and disposals have made data comparability challenging in some areas. Where possible, methods for determining specific indicators are described in this integrated annual report. We will continue developing Group standards to make stakeholder reporting more relevant and our progress more measurable against published targets for key indicators.

TMG's triple bottom-line reporting will remain a cornerstone of our commitment to sustainable development and our determination to entrench associated best practices in all operations.

TMG reports against the 2006 guidelines of the Global Reporting Initiative (G3), and the content of this integrated annual report has been prepared in line with GRI intermediate application level C (page 29). We have noted the requirements of the new GRI guidelines (G4), published in May 2013, and will incorporate these into our reporting by TMG's 2016 financial year-end.

Sustainability performance in this report spans the 12 months from 1 July 2013 to 30 June 2014, and includes all wholly-owned operations and those where we have management control or joint management control.

TMG's 2014 integrated annual report is available on our website (www.timesmedia.co.za).

In determining material issues to include in this report, TMG uses the methodology recommended by G3 which spans external and internal factors, as follows:

External	Internal
• Key sustainability issues raised by stakeholders • Sectoral issues and challenges reported by peers and industry bodies • Relevant legislation and voluntary agreements (local and international) of strategic significance to the Group and its stakeholders • High-profile sustainability issues, impacts or opportunities, from climate change to HIV/Aids	• TMG's values, policies, strategies, processes and targets • The interests and expectations of stakeholders for whom our corporate progress is paramount, including employees, shareholders and suppliers • Key risks defined by corporate risk methodologies • Critical factors for TMG's success, including the synergy between our operations and the universal aims of sustainable development

SUSTAINABILITY **REPORT** continued

Ongoing feedback from a range of stakeholders helps us to better contextualise certain issues for a more informed understanding by readers.

Feedback is a critical element of our reporting process and any comments should be directed to the company secretary whose contact details are set out on the inside back cover.

ASSURANCE

TMG's internal systems record and monitor the quality (accuracy, completeness, consistency) of management information and any data gaps in the Group.

TMG has considered the value of obtaining external assurance on the sustainability report and concluded that it would serve only a limited useful purpose. This decision is reviewed periodically against changes in the business, our operating environment and best practice in our industry.

CODE OF CONDUCT

Given the nature of the TMG Group, ethical practices underpin our corporate code of conduct. Accordingly, our people are expected to uphold fair practices by:

- Maintaining the highest standards of integrity in all business relationships
- Carefully guarding against influences that may compromise independent judgement and action
- Using their approved authority to act in TMG's best interests at all times.

The Group's code of conduct details the behaviour expected from employees at every level when dealing with stakeholders, including customers, shareholders, suppliers, colleagues and competitors. The code also sets out expectations for the Group as a responsible corporate citizen.

TMG does not condone any unethical business dealings (including fraud, bribery, money laundering) by employees or the violation of any law. To protect the Group's reputation, particularly in its media operations, employees are cautioned to guard against perceived violations. To assist them, the code details acceptable limits on gifts, hospitality, free trips and favours. The code details situations (including outside employment and personal investments) that may lead to conflicts of interest.

Social and ethics matters	Compliant	Policies
Social and economic development United Nations Global Compact – ten principles	✔	• Employment • Relationship building • Safety, health and environment
Organisation for Economic Co-operation and Development (OECD) recommendations on corruption	✔	• Code of conduct and ethics • Fraud and crimes of dishonesty
Employment Equity Act	✔	• Employment • Employment equity
Broad-based Black Economic Empowerment Act	✔	• B-BBEE

Social and ethics matters	Compliant	Policies
Good corporate citizenship Promoting equality, preventing unfair discrimination, reducing corruption	✔	• Employment equity • Relationship building
Contribution to development of associated communities	✔	• Corporate social investment
Record of sponsorship, donations and charitable giving	✔	• Corporate social investment
Environment, health and public safety Company's activities and impact of its products and services	✔	• Safety, health and environment
Consumer relationships Compliance with consumer protection laws and public relations	✔	• Code of conduct and ethics
Labour and employment Standing in terms of International Labour Organisation protocol on decent work and working conditions	✔	• Code of conduct and ethics • Human resources development
Employment relations and contribution to the educational development of employees	✔	• Human resources development • Relationship building • Education assistance

Ten principles of the United Nations Global Compact	
	Human rights Principle 1 – support and respect the protection of internationally proclaimed human rights Principle 2 – not complicit in human rights abuses
	Labour Principle 3 – uphold freedom of association and effective recognition of the right to collective bargaining Principle 4 – elimination of all forms of forced and compulsory labour Principle 5 – effective abolition of child labour Principle 6 – elimination of discrimination in respect of employment and occupation
	Environment Principle 7 – support a precautionary approach to environmental challenges Principle 8 – undertake initiatives to promote greater environmental responsibility Principle 9 – encourage the development and diffusion of environmentally friendly technologies
	Anti-corruption Principle 10 – work against corruption in all its forms, including extortion and bribery.

SUSTAINABILITY **REPORT** continued

CORRUPTION

TMG's code of conduct is aligned with the recommendations of the OECD on corruption. We are committed to fair dealing and integrity in conducting business, with various policies in place to ensure compliance. TMG's standing in terms of the OECD recommendations is entrenched and integral to the working culture across the Group. Non-adherence to these standards is taken very seriously and disciplinary processes are in place.

OECD recommendations on corruption

The Organisation for Economic Co-operation and Development (OECD) has developed specific guidelines on corruption in the business world. These are summarised below:

- Risk assessment – customised to ensure effective controls in place, regularly reviewed and revised
- Policy – visible and enforced
- Training – ongoing and Group-wide
- Responsibility – accountability at all levels
- Support – leading by example
- Oversight – top-level monitoring
- Specific risk areas – detailed policies facilitate compliance and monitoring
- Business partners – ensuring the same standards and controls are in place from the outset
- Accounting – fair and accurate records prevent bribery from being concealed
- Guidance and advice – general information and a confidential reporting facility
- Discipline – appropriate procedures for addressing violations and deterring future transgression.

SENSITIVE INFORMATION

TMG complies with regulations regarding the use of sensitive information imposed by the Companies Act, Financial Markets Act, JSE Limited, the Protection of Personal Information Act and other regulatory bodies and industry associations. To guard against corruption and to promote sound corporate governance, the policy details procedures for employees to disclose contraventions or irregular conduct.

EDITORIAL INDEPENDENCE AND QUALITY OF CONTENT

TMG's media titles recognise that the right to media freedom flows from the right to freedom of expression guaranteed in section 16 of the Constitution of South Africa.

Freedom of expression entails the rights of the public to be informed, and to receive and impart information, ideas and opinions freely. These rights make it possible for citizens to make decisions and judgements about the society in which they live, to exercise their rights and duties as citizens, and to facilitate greater understanding among the people of South Africa and the world.

Freedom of expression, by its nature, protects and defends other rights necessary to a functioning democracy where every citizen enjoys equality, dignity and freedom.

Our media titles play a vital role in disseminating information in South Africa. As such, we have a duty to act as trustee for the public interest. In performing this duty, we uphold the values of the constitution.

Accordingly, we pledge:

- To perform our duties to the highest standards of excellence and integrity
- To deliver true, accurate, fair and balanced reporting
- To investigate and expose abuses of power – whether political, economic, commercial or social – with courage and with commitment to the truth. We do so without being beholden to any interest group, other than our readers and the citizens of South Africa

- To take seriously our role as a watchdog over the people, institutions and forces that shape our society. We do so on behalf of our readers and the citizens of South Africa, especially those who otherwise would not have a voice
- To seek diversity in the views and opinions we publish
- To uphold the South African Press Code.

As a leading media group in South Africa, editorial independence and quality of content are paramount. This pledge is the precursor to a detailed set of editorial policies for journalists and editors that spans print and electronic media and communication, and is closely aligned to the South African Press Code.

CONFLICT OF INTEREST

TMG has appropriate policies to avoid conflicts of interest, from board level down. These are adapted to suit the requirements of specific business units and their industries.

In its Media division, TMG journalists may not work for businesses competing directly with the Company, nor may they hold another full-time job. Any outside, paying work must be approved in writing by the editor or deputy editor.

Any approved part-time or temporary work must not infringe on the Company's resources or disrupt the journalist's responsibility to the Company.

STAKEHOLDER ENGAGEMENT

TMG engages with key stakeholder groups to advance the interests of both our organisation and interested parties.

Media

As a media company, TMG fully understands the power of media and using appropriate channels to convey the corporate story. As such, using both print and online mediums that are accessible to our stakeholders is an essential part of our investor relations programme. In delivering financial and other information about the Company, we use both passive and active mediums. We maintain a database of journalists who follow the industry and the organisation to accurately target our media engagement approach.

Investor community

Engagement with the investor community is driven by three key pillars: market intelligence, compliance and communications. We strive to go beyond compliance with the letter of the law. Our goal is to create a holistic view of the Company, seen by shareholders from a range of vantage points that enable them to make informed decisions about our Group.

The TMG website is updated with financial and corporate information. Shareholders also receive electronic communication. Given the accelerating pace of technological change, further mediums of communication are being investigated to ensure a valuable online presence.

TMG also capitalises on industry platforms to present the Company's strategy, opportunities, trends, performance, risks and other pertinent areas to ensure ongoing transparency on matters of interest.

Employees

Our people are an essential element of our value proposition and thus key in advancing the Company's interests and achieving our goals. Critical to ensuring long-term organisational success is the need to enhance understanding and awareness of the purpose, strategy, goals and direction of the business. Given the diversity of businesses in the Group, it is also important for staff to understand TMG as a whole. We are continually investigating ways of minimising information gaps as far as possible.

SUSTAINABILITY **REPORT** continued

Industry bodies

Our continued involvement with key industry organisations includes:

- World Association of Newspapers
- Print and Digital Media South Africa
- Audit Bureau of Circulations of South Africa
- South African Audience Research Foundation
- South African National Editors' Forum
- Newspaper Association of South Africa
- Magazine Publishers Association of South Africa
- Print Industries Federation of South Africa
- Southern African Federation Against Copyright Theft
- National Organisation for Reproduction Rights in Music in Southern Africa
- Content Delivery and Storage Association
- Recording Industry of South Africa
- South African Music Performance Rights Association
- Publishing Association of South Africa
- Sustainable Energy Society of Southern Africa
- Printing Employers Association of South Africa.

TMG is represented by appropriate senior managers and decision-makers in these organisations to ensure quality interactions. This allows us to play a pivotal role in positively influencing industry-related matters for the benefit of all participants.

GOVERNMENT AND NON-GOVERNMENT FINANCIAL ASSISTANCE

TMG receives no financial assistance from government, although various government departments do place recruitment and other advertisements in TMG publications. In recent years, the quantum of recruitment advertising carried by all print media has dropped significantly, given the economic downturn.
TMG receives no significant financial assistance from non-government sources.

SUPPLY CHAIN MANAGEMENT

Acknowledging that TMG is a diverse Group with many different operations, and sometimes decentralised controls, its procurement policy is designed as a framework for users.

The procurement policy regulates transactions with related parties, and transactions that give rise to conflicts of interest. The responsibility for complying with broad-based black economic empowerment (B-BBEE) criteria rests with the business units, although guidance on specific criteria for the Group is provided. Where possible and appropriate, goods and services are procured from BEE-compliant entities.

TMG has guidelines on labour standards and human rights that govern its relationships with suppliers and business partners, specifically:

- Not to use child labour
- Not to use forced and compulsory labour such as prison workers
- Not to enforce a working week that exceeds 45 hours and to allow employees at least one day off for every 17 days worked
- To support diversity
- To respect the rights of individuals in terms of freedom of association
- To offer a safe and healthy work environment
- To demonstrate full compliance with laws and regulations.

In return for this compliance and good governance, TMG has committed to:

- Selecting suppliers on merit while assessing BEE credentials
- Building mutually beneficial relationships
- Providing existing and potential suppliers with clear criteria for decisions on major supply contracts
- Respecting the patents, trademarks, copyrights, proprietary information and trade secrets of suppliers and business partners.

STATEMENT OF VALUE ADDED

from continuing operations

	2014 Rm	2013 Rm
Revenue	**3 995**	3 831
Paid to suppliers for materials and services	**(2 271)**	(2 450)
Value added	**1 724**	1 381
Finance income	**18**	19
Profit (loss) from investments	**9**	(26)
Total value added	**1 751**	1 374
Employees	**1 227**	1 232
Share-based payments	**21**	–
Providers of capital	**57**	95
– Finance costs	**54**	90
– Dividends	**3**	5
– Owners of the Company	**–**	–
– Non-controlling interests	**3**	5
Central and local government	**117**	(8)
– Income tax expense (credit)	**107**	(18)
– Skills development levy	**10**	10
Reinvested in the Group to maintain and develop operations	**329**	55
– Depreciation and amortisation	**107**	112
– Retained profit (accumulated loss)	**222**	(57)
– Owners of the Company	**228**	(54)
– Non-controlling interests	**(6)**	(3)
Total value distributed	**1 751**	1 374

SUSTAINABILITY **REPORT** continued

OUR PEOPLE

People are the foundation of our business because their combined intellectual capital, experience and expertise are pivotal to our success.

As a content-driven business, TMG's underlying strength is its talent. This in turn underpins our competitiveness in consistently offering renowned brands, products and services to customers.

As our markets change in terms of consumer preferences, the quality of our people enables TMG's brands to proactively adapt to new conditions and still offer appropriate products for different customers.

Understanding the importance of our people, TMG strives for human resources strategies and policies that acknowledge the unique requirements of our diverse business units to support Group performance and growth, and to optimise the potential of every employee in the Group.

The human resources team has concentrated on entrenching sound workplace relationships and confidence. At TMG, we believe that a good work environment is built on fostering respect for people and their diverse views, instilling a climate of trust through open and honest communication and focusing on developing people. Properly implemented, this approach plays a major role in motivating, engaging and retaining knowledge workers and key talent.

TRANSFORMATION

TMG takes a holistic approach to transformation. While our policies and practices support the focus on transformation in terms of the Department of Trade and Industry (dti) scorecard, our commitment has been concentrated on improving black ownership in our Company, procuring from black-owned companies, entrenching an inclusive Company culture and employment equity, including black women and people with disabilities. Our learnerships and internships are focused on historically disadvantaged groups.

Constantly improving our demographic profile is a key driver of TMG's transformation process. This is supported by a detailed employment equity strategy and policy, and significant investment in training and development.

In each business unit, employment equity targets are quantitatively and qualitatively measured. The former is aligned to Group targets, while the latter considers strategic human resources initiatives aimed at attracting, engaging and retaining staff.

A deliberate series of interventions has been implemented by the Company to address these issues. However, it is also important to note that our view is long term and part of a process, rather than an event.

TMG has been audited as a level 3 contributor in terms of the dti scorecard.

LEARNING AND DEVELOPMENT

TMG's strategy on developing people is based on the corporate business strategy and aimed at enhancing skills in the Group, while taking cognisance of national imperatives – the skills development strategy, national qualifications framework and related legislation.

Our business units operate in diverse markets that require different skills sets. Although the human resources development strategy is set at Group level, implementation is tailored to meet the requirements of individual business units and their evolving markets and requisite skills.

In addition to internal training, employees are encouraged to undertake external studies related to the Group's business using the TMG education assistance scheme. This extends loans for tuition fees, and refunds successful candidates on completion of their courses to promote a culture of learning.

TMG also offers financial assistance and bursaries to the children of lower-income employees each year.

AWARDS

TMG's strengths are embodied in its people, quality of content and multi-faceted delivery of that content. During the year, TMG companies and employees received numerous awards for these skills, as well as for broader contributions to their industries and communities.

INTERNSHIP PROGRAMMES

The Group offers journalism learnerships, comprising rotational learning in the editorial sections of different publications to enable learners to develop practical skills in newsroom processes. The programme offers graduates the opportunity to enter the specialised field of economic and business journalism, and is based on courses initiated by the Financial Mail and Business Day in 1998. The course is open to graduates from all disciplines and runs for six to 12 months. Training is intensive, ranging from classroom sessions to practical exercises and hands-on internships. When the classroom component is complete, trainees are rotated through TMG's news and information business units. TMG's internship programmes are accredited by the National Qualifications Framework (NQF). Funding for these programmes is provided by The Argus Voting Trust.

PERFORMANCE-RELATED REMUNERATION

TMG's remuneration policy, underpinned by principles of fairness, transparency and flexibility, reflects the dynamics of the market and the context in which it operates. The policy is aimed at aligning behaviours to the values and strategies of the business. As such, remuneration plays a critical role in attracting and retaining high-performing individuals, and in reinforcing, encouraging and promoting superior performance.

The remuneration mix reflects the relative proportions of pay represented by guaranteed and variable income. It is also linked to job levels and the nature of expected outcomes and performance.

Guaranteed remuneration includes items such as cash component, travel allowance and other allowances. Variable remuneration includes cash incentive bonuses and commissions. The timeframe for paying variable remuneration is typically one year or less. Share incentives are long-term initiatives with varying timeframes – TMG's new share incentive plan became effective on 1 July 2013.

RECRUITMENT

Group policy is to recruit locally and appoint internally wherever possible.

EMPLOYEE RELATIONS

TMG operates in a labour environment where employee rights and freedom of association and speech are respected in terms of current labour legislation and the South African Constitution. Our corporate culture embraces participative management to promote full involvement on issues affecting employees, and individual business units have employee structures in place that suit their particular circumstances.

TMG is committed to:

- Fair treatment and non-discriminatory work practices
- Collective bargaining principles while respecting the individual's right to freedom of association
- Communication via existing structures and appropriate procedures to empower employees.

TMG's sound relationships with employees and stakeholders reflect good leadership at shop-floor level and appropriate policies that guide business units. In addition, feedback from exit interviews is used constructively to enhance working conditions.

SUSTAINABILITY **REPORT** continued

DEFINED BENEFIT RETIREMENT PLAN OBLIGATIONS

TMG's only defined benefit retirement plan, the Johnnic Entertainment Pension Fund, is in liquidation.

POST-RETIREMENT MEDICAL AID

Certain Group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners. This liability totalled R94 million at year-end, and is disclosed in note 26 to the annual financial statements.

EMPLOYEE BENEFITS

Full-time employees are entitled to a range of benefits designed to enhance their work life and retain their services. Benefits also comply with South African labour legislation. At present, employee benefits include:

- Leave (annual, ill-health, maternity, family responsibility, study leave)
- Retirement funding
- Medical aid
- Study assistance
- Funeral cover
- Performance incentives
- Share incentives.

LIFE-THREATENING ILLNESSES

TMG is committed to creating a supportive and non-discriminatory environment in which employees with life-threatening illnesses can continue working for as long as they are medically capable.

The Group policy on life-threatening diseases covers cancer, heart disease, tuberculosis, hepatitis, HIV/Aids.

The policy clarifies TMG's views and commitment to:

- Assisting employees who contract a life-threatening illness
- Provide consistent guidelines to senior management to ensure fair treatment of all employees with life-threatening illnesses
- Inform employees of their rights and benefits.

TMG ensures that no employee suffering from any life-threatening illness is unfairly discriminated against, harassed or victimised in the workplace because of their illness. All employees and managers must respect the confidentiality of information for existing or potential employees with life-threatening illnesses.

HUMAN RIGHTS

TMG supports the basic principles on human rights set out in the Constitution of South Africa, and is guided by international standards such as the UN Global Compact.

Accordingly, several policies governing respect for human rights and non-discrimination are in place. These are regularly reviewed and strictly enforced. Some of these policies, for example sexual harassment, include non-employees.

Broadly, TMG's policies facilitate:

- Safe and healthy working conditions
- Freedom of association

- Non-discrimination in personnel practices
- The prevention of human rights abuses
- The right to collective bargaining
- The elimination of all forms of forced labour
- A precautionary approach to environmental challenges
- Combating corruption.

No operations have been identified in the Group where the right to exercise freedom of association and collective bargaining may be at risk.

TMG does not support child labour, or forced and compulsory labour.

PUBLIC POLICY

As a Group policy, TMG does not contribute financially or in kind to political parties, individual politicians or related institutions.

SAFETY, HEALTH AND ENVIRONMENT

Sustainable development of the environment and the right of people to a healthy environment in which to work and live is a principle TMG fully endorses.

As a Group, we aim to:

- Promote social and environmental responsibility through our business activities
- Develop sound ethical, social and environmental practices relevant to our areas of operations
- Seek and promote relationships with businesses involved in cleaner production and other environmentally friendly processes.

In line with this policy, employees who identify health and safety issues must report them to the appropriate manager.

By the nature of its business, TMG has a low environmental impact. We do, however, comply with relevant environmental legislation and aim to meet global best practice.

TMG is committed to taking requisite precautions to facilitate a safe environment for employees, customers and independent contractors. Equally, TMG conducts its business in a manner that mitigates harm to the environment.

Our comprehensive safety, health and environmental (SHE) policy was drafted using international benchmarks such as the Global Reporting Initiative (GRI), United Nations Global Compact and South African legislation such as the acts governing basic conditions of employment, compensation for occupational injuries and diseases, and labour relations. It also incorporates recommendations on sustainability set out in King III.

The chief executive officer and senior operational management are responsible for implementing the policy.

All employees are responsible for complying with the policy, and are expected to give appropriate and timely attention to issues covered by the policy. Any employee who becomes aware of circumstances relating to the Company's operations or activities that pose a real or potential safety, health and environmental risk to other employees or the wider community, must report the matter in line with procedures set out in the policy.

During the review period, TMG recorded no work-related fatalities or major injuries.

SUSTAINABILITY **REPORT** continued

Materials used

TMG is a major consumer of paper, particularly in our printing and publishing enterprises.

Collectively, the Group uses thousands of tonnes of paper per annum, over two-thirds of which is supplied by Mondi, a recognised leader in sustainable forestry practices. Over one-third of the stock comprises recycled paper.

Given our volumes, our paper-purchasing policy requires that:

- Paper suppliers comply with environmental laws and regulations
- Where possible and viable, paper with recycled content is used
- Paper used is from certified, well-managed forests.

Energy

TMG's primary energy source is electricity. At head office, numerous energy-efficiency measures have been put in place, including the installation of energy-saving light bulbs and movement sensors. Energy is managed by local maintenance departments at our other operations.

The Group uses modern fuel-efficient equipment and recognises the effect of carbon dioxide emissions on the environment. Vehicles and equipment are serviced regularly to ensure efficient fuel consumption.

TMG does not own any major manufacturing plants, except for its printing presses in Port Elizabeth, the printing operations of Uniprint and Hirt & Carter in Durban, and its CD and DVD manufacturing operations in Midrand. The Group therefore does not consume significant amounts of raw materials, apart from paper.

Water use

Although the amount of water TMG uses does not have a large environmental impact, we are committed to ongoing water-efficiency initiatives across the Group.

No fines were imposed on TMG for water pollution or other water-related issues during the period.

Emissions, effluents and waste

TMG outsources the recycling of waste and by-products from its activities to service providers. The service providers separate non-environmentally friendly waste from recycling waste. The Occupational Health and Safety Act obliges employers to safely dispose of waste from hazardous chemical substances. TMG complies by placing this waste in sealed containers to prevent exposure during handling. This is disposed of only at designated sites by contractors complying with the same regulations.

For the TMG Group, hazardous chemical substances consist of diesel, cleaning paraffin, benzene and CD- and plate-making developer fluid. All chemicals are delivered for use and collected for disposal by compliant contractors. This area is carefully monitored by the health and safety committee. To minimise diesel and petrol emissions from vehicles, route plans are assessed to reduce travel distances. Regular service schedules ensure optimum fuel consumption and only reputable service providers are used where this service is outsourced.

A clean-air and non-smoking policy is enforced in all Group premises.

Biodiversity

TMG does not own, lease or manage land in or adjacent to protected areas and areas of high biodiversity value outside protected areas.

Security

By the nature of its business, TMG is required to maintain effective security precautions and systems to protect both its employees and assets. The Company has implemented multi-tiered security measures at various levels of its operations. These measures are regularly reviewed and updated.

Relations with surrounding communities

As TMG's head office building is in a residential area, management has an agreement with the Rosebank Management District and its residents to minimise night-time lighting. TMG has installed sound mufflers around its emergency generator to reduce sound output to an acceptable level.

At other TMG operations, ongoing attention is paid to relations with surrounding communities. Any issues raised are promptly dealt with.

CORPORATE SOCIAL INVESTMENT

As a responsible corporate citizen, TMG is committed to the social development and empowerment of the broader community by contributing to various corporate social investment (CSI) initiatives.

TMG's business units support CSI initiatives related to their specific activities or locations. The programmes chosen during the review period are largely aligned with the corporate strategy and the national agenda in that the focus on education and literacy ties in with promoting the Group's business interests and the country's focus on education.

Operational senior executives control divisional CSI budgets and grants, and report on their activities to the corporate head office.

TMG's CSI programme does not support commercial ventures, religious organisations, tours and exchanges, individuals, sporting activities or bursaries.

COMPLIANCE

Apart from complying with national, corporate and industry standards and regulations, TMG also abides by several media-specific codes of conducts.

One of these is the office of the press ombudsman which provides objective recourse for members of the public on any perceived instance of inappropriate reporting.

The office of the press ombudsman is a self-regulatory mechanism set up by the print media industry to provide impartial, prompt and cost-effective adjudication in settling disputes between members of the public and newspapers and magazines regarding the editorial content of publications. The mechanism is based on two pillars: a commitment to freedom of expression, including freedom of the press, and to excellence in journalistic practice and ethics.

The South African Press Code guides journalists in gathering and distributing news and opinion, and guides the press ombudsman in reaching decisions on complaints from the public.

SUSTAINABILITY **REPORT** continued

PRODUCT RESPONSIBILITY

	Media	Broadcasting and Content	Retail Solutions	Books
Customer health and safety				
Lifecycle stages where health and safety impacts are assessed for improvement	None	None	None	None
Number of incidents of non-compliance with regulations and voluntary codes on health and safety impacts of products and services during their lifecycle	Nil	Nil	Nil	Nil
Products and services labelling				
Type of product and service information required by procedures	None	None	None	None
Marketing communications				
Number of incidents of non-compliance with regulations and voluntary codes including advertising, promotion and sponsorship	Nil	Nil	Nil	Nil
Customer privacy				
Number of substantiated complaints regarding breach of customer privacy and loss of customer data	Nil	Nil	Nil	Nil
Compliance				
Monetary value of significant fines for non-compliance with laws and regulations on the provision and use of products and services	Nil	Nil	Nil	Nil

INFORMATION TECHNOLOGY

TMG's information technology (IT) policy accommodates both the requirements of King III and the ever-changing needs of the digital workplace. IT steering committees are responsible for implementing and enforcing the policy.

TMG's IT department provides related services to business units, governed by service-level agreements. Third-party IT suppliers are required to sign formal contracts with defined service levels, which are managed, measured and reviewed.

Preference is given to IT suppliers that comply with employment equity and B-BBEE measures.

As a media group with different businesses operating under global licences, TMG is highly sensitive to any real or perceived infringement of intellectual property. Accordingly, pirated software is not permitted and users may not use, load or download any software, including unlicensed software, on TMG's IT equipment. Software used on Group IT equipment is also regularly audited. In addition, TMG's software, and any software TMG makes available to users, may not be copied for any purpose, including home use.

GRI INDEX

In terms of GRI reporting standards, TMG has met the requirements set out below and self-declared this report at level C.

<table>
<tr><td rowspan="4">Standard disclosure</td><td>G3 report application level</td><td>C</td><td>C+</td><td>B</td><td>B+</td><td>A</td><td>A+</td></tr>
<tr><td>Profile disclosures</td><td>Report on:
1.1
2.1 – 2.10
3.1 – 3.8, 3.10 – 3.12
4.1 – 4.4, 4.14 – 4.15</td><td rowspan="3">Report externally assured</td><td>Report on all criteria listed for level C plus:
1.2
3.9, 3.13
4.5 – 4.13, 4.16 – 4.17</td><td rowspan="3">Report externally assured</td><td>Report on all criteria listed for level C plus:
1.2
3.9, 3.13
4.5 – 4.13, 4.16 – 4.17</td><td rowspan="3">Report externally assured</td></tr>
<tr><td>Management approach disclosures</td><td>Not required</td><td>For each indicator category</td><td>For each indicator category</td></tr>
<tr><td>Performance indicators (including sector supplement indicators)</td><td>Report on a minimum of 10 performance indicators with at least one from each of: social, economic, environmental</td><td>Report on a minimum of 20 performance indicators with at least one from each of: economic, environmental, human rights, labour, society, product responsibility</td><td>Respond on each G3 and sector supplement indicator with due regard to materiality principle by either:
(a) reporting on indicator or
(b) explaining reason for its absence</td></tr>
</table>

SUSTAINABILITY **REPORT** continued

GRI G3 indicators and media supplement

This index covers GRI's G3 indicators and the *media sector supplement* that TMG has incorporated where possible.

~ partially covered   na – not applicable   nm – not material   nr – not reporte

GRI	Topic	Page
Strategy and analysis		
1.1	Statement from chairman	8, 13
2.1 – 9	Organisational profile	1, 5
2.10	Awards	23
Report parameters		
3.1 – 11	Reporting period, methodology	15
3.12	GRI index	30
3.13	Policy and practice on external assurance	16
Governance, commitments and engagement		
4.1 – 4	Governance structure, *including governance structure and arrangements for content decision-making and its inter-relationship with overall governance of the organisation (commercial, financial, strategic)*	37, 42
4.5	Link between compensation and performance	44
4.6	Process for avoiding conflict of interest, *particularly in content creation and dissemination*	16, 19, 42
4.7	Expertise of board	37
4.8	Policies on economic, environmental and social performance, *including values for creating and/or disseminating content within specific media context*	16, 18
4.9	Procedures for board oversight of economic, environmental and social performance	39
4.10 – 12	Board performance, precautionary approach, external principles endorsed	37
4.13	Membership of industry associations and advocacy groups	20
4.14 – 15	Stakeholder groups, *including media observers and other key bodies involved in media development*	19
4.16	Approach to stakeholder engagement	19
4.17	Topics and concerns raised and response	19
Indicators		
Economic		
EC1	Economic value generated and distributed	21
EC2	Financial implications, other risks and opportunities for activities due to climate change	nm

GRI	Topic	Page
EC3	Coverage of defined benefit plan obligations	24
EC4	Significant financial assistance and advertising revenues received from government	20
M4	*Significant financial assistance received from other non-governmental sources*	20
Market presence		
EC5	Range of ratios of standard entry-level wage by gender compared to local minimum wage at significant operations	22
EC6	Policy, practices, proportion of spending on locally-based suppliers at significant operations	20
EC7	Procedures for local hiring and proportion of senior management hired from local community at significant operations	23
Indirect economic impacts		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro-bono engagement, *including initiatives for discounted/differential advertising spaces, investments to advance accessibility to content, initiatives to support local cultural activities, philanthropic investments, initiatives to close digital divide using own infrastructure/capacities*	27
EC9	Understanding and describing significant indirect economic impacts, including extent	27
Environmental		
Materials		
EN1	Materials used by weight or volume	26
EN2	Percentage of materials used that are recycled input materials	nr
Energy		
EN3	Direct energy consumption by primary energy source	26
EN4	Indirect energy consumption by primary source	26
EN5	Energy saved due to conservation and efficiency improvements	26
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services and resulting reductions in energy requirements	26
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	26
Water		
EN8	Total water withdrawal by source	26
EN9	Water sources significantly affected by withdrawal of water	26

SUSTAINABILITY **REPORT** continued

GRI	Topic	Page
EN10	Percentage and total volume of water recycled and reused	26
Biodiversity		
EN11 – 15	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	na, 26
Emissions, effluents, and waste		
EN16 – 20	Total direct and indirect greenhouse gas emissions by weight	26
EN21	Total water discharge by quality and destination	26
EN22	Total weight of waste by type and disposal method, *including initiatives to recycle or safely dispose of paper, inks, batteries and electronic equipment*	26
EN23	Total number and volume of significant spills	na
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under Basel Annex I, II, III and VIII, and percentage of transported waste shipped internationally	na
EN25	Water bodies and related habitats significantly affected by discharges of water and runoff	na
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of mitigation	na
EN27	Percentage of products sold and packaging materials reclaimed by category	nr
Compliance		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	zero, 27
EN29	Significant environmental impacts of transporting products and other goods and materials used for operations and transporting members of the workforce	nr, 27
EN30	Total environmental protection expenditures and investments by type	nr, 27
Social performance: labour practices and decent work		
Employment		
LA1	Total workforce by employment type, employment contract, and region broken down by gender	nr, 22
M5	*Initiatives to create and manage systems of remuneration and working conditions for content generators across platforms, and results achieved*	23
LA2	Total number and rate of new hires and employee turnover by age group, gender and region	nr, 22

GRI	Topic	Page
LA3	Benefits for full-time employees not provided to temporary/part-time employees, by major operations	24
LA15	Return to work and retention rates after parental leave, by gender	nr
Labour/management relations		
LA4	Percentage of employees covered by collective bargaining agreements	23
LA5	Minimum notice period(s) on significant operational changes, including whether specified in collective agreements	nr
Occupational health and safety		
LA6	Percentage of total workforce represented in formal joint management/worker health and safety committees that help monitor and advise on occupational health and safety programmes	nr, 25
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region and by gender, *including fatalities by gender and using absolute number*	nr, 25
LA8	Education, training, counselling, prevention and risk-control programmes to assist workforce members, their families or community members with serious diseases	nr, 25
LA9	Health and safety topics covered in formal agreements with trade unions	nr, 24
Training and education		
LA10	Average hours of training per year per employee by gender and by employee category, *including training on content creation and dissemination-related matters when technological changes affect employees' areas of expertise*	nr, 22
LA11	Programmes for lifelong learning that support continued employability of employees and assist them in managing career endings	nr, 22
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	nr, 23
Diversity and equal opportunity		
LA13	Composition of governance bodies and breakdown of employees per category by gender, age group, minority group membership and other indicators of diversity	nr, 22
LA14	Ratio of basic salary and remuneration of women to men by employee category, by operation	23
Human rights		
HR1	Percentage and total number of significant investment agreements and contracts that include human rights clauses or that have undergone human rights screening	nr
HR2	Percentage of major suppliers, contractors, business partners screened on human rights, and actions taken	24

SUSTAINABILITY **REPORT** continued

GRI	Topic	Page
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights relevant to operations, including percentage of employees trained	nr, 22, 24
HR4	Total number of incidents of discrimination and actions taken	zero, 25
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	zero, 25
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to elimination of child labour	zero, 25
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	zero, 25
HR8	Percentage of security personnel trained in TMG's policies and procedures on aspects of human rights relevant to operations	na, 24
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	na
HR10	Percentage and number of operations subject to human rights reviews or impact assessments	na
HR11	Number of grievances related to human rights filed, addressed and resolved through formal mechanisms	zero, 25
Freedom of expression		
• *Media organisations exercising freedom of expression, including principles to avoid self-censorship*		18
• *Media organisations supporting society's rights to freedom of expression*		18
Social performance: society		
Community		
SO1	Nature, scope and effectiveness of programmes and practices that assess and manage impacts of operations on communities, including entering, operating and exiting	27
Corruption		
• *Management approach: to journalists receiving benefits, inducements, charging for coverage and paying sources illicitly for news content*		16, 18
SO4	Actions taken in response to incidents of corruption	nr
Public policy		
SO5	Public policy positions and participation in public policy development and lobbying, *including industry issues such as freedom of expression, access to information, youth protection, protection of sources*	18, 20, 25
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions, by country	zero

GRI	Topic	Page
MSS7	*Impact of, and investment in, initiatives to advance sustainable development through media content*	20
Anti-competitive behaviour		
SO7	Number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and outcomes	zero
• *Prioritising and addressing sustainable development issues through media content, pertinent to TMG's portfolio, context and audiences served*		18
• *Own definition of quality media content and approach to ensure compliance (editorial policies, codes, training of journalists, monitoring of initiatives)*		18
• *Initiatives to advance media literacy – empower audiences to access, understand, engage with and respond critically to media content*		18, 19
SO8	Monetary value of significant fines and number of non-monetary sanctions for non-compliance	zero
Social performance: product responsibility		
Management approach:		
• *Empower audiences to consume content responsibly (media literacy initiatives, parental controls, awareness/education on parental controls, awareness-raising and rewards)*		18
• *Establish effective feedback mechanisms and interaction with audience*		18
• *Engage with and protect audience (ombudsman, letters to the editor, retraction, right of reply)*		18, 27
Customer health and safety		
PR1	Life cycle stages in which health and safety impacts of products and services assessed for improvement and percentage of significant categories subject to such procedures	28
PR2	Number of incidents of non-compliance with regulations and voluntary codes on health and safety impacts of products and services during their life cycle, by type of outcomes	28
Products and service labelling		
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	28
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	28
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	28

SUSTAINABILITY **REPORT** continued

GRI	Topic	Page
Marketing communications		
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	28
PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	28
Customer privacy		
Management approach:		
• *Policies/procedures in place for protecting people's private lives and information from being used for entertainment or news content*		18
PR8	Number of substantiated complaints of breaches of customer privacy and losses of customer data	zero
Compliance		
PR9	Monetary value of significant fines for non-compliance with laws and regulations on the provision and use of products and services	zero
Content		
Content quality		
M1	*Method for assessing performance in relation to content creation aspects*	18
M2	*Actions taken to improve performance in relation to content creation aspects, and results obtained*	18
M3	*Number and nature of responses (feedback/complaints) on content creation (quality, sustainability and reflection of society's diversity) and processes for dealing with them*	27

CORPORATE **GOVERNANCE AND RISK MANAGEMENT**

PRINCIPLES AND IMPLEMENTATION OF CORPORATE GOVERNANCE

The directors of TMG are committed to effective corporate governance in conducting the Group's business in line with the ethical values of responsibility, accountability, fairness and transparency espoused in the King Report on Governance for South Africa 2009 (King III). TMG has substantially applied the principles set out in King III for the year under review. The exception is the termination of the internal audit function on 30 June 2013, based on a cost/benefit decision made by the board. TMG is, however, in the process of reconstituting an internal audit function to be effective for its 2015 financial year and beyond. TMG's King III application register is available on the TMG website.

Further reading online:
www.timesmedia.co.za

The directors acknowledge that they are responsible for creating value and long-term sustainability in TMG through effective leadership. This responsibility includes governing TMG from a strong ethical basis and taking into account the legitimate interests and expectations of all stakeholders.

BOARD OF DIRECTORS

TMG has a unitary board. At year-end, there were six independent non-executive directors (five of whom are black), and two executive directors. Non-executive directors provide judgement on issues of strategy, performance, resources and standards of conduct based on their range of skills and commercial expertise. Executive directors propose strategies and implement operational decisions, and execute specific roles and functions in their areas of expertise. Appointments to the board are made in a formal and transparent manner, with the assistance of the nominations committee, and are considered to be a matter for the board as a whole. Details of the directorate appear on pages 6 and 7 of this integrated annual report.

There is a clear division of responsibilities at board level, captured in a policy that provides evidence of the balance of power between the independent non-executive chairman, the chief executive officer and the other independent non-executive directors. The roles of chairman and chief executive officer are separate. The chairman provides overall leadership to the board without limiting the principles of collective responsibility for board decisions. The chairman has no executive functions.

The chief executive officer is responsible for developing and recommending to the board a strategy and vision for the Group, as well as an annual business plan and budget to support the strategy. The board rigorously interrogates the strategy and provides input. The chief executive officer exercises final executive authority to run the Company efficiently on a day-to-day basis, and is the leading interface between the board and executive management.

The board believes its members have the expertise and experience to fulfil their obligations to the Company and all its stakeholders.

No board member has served as a director for more than nine years.

The board has a defined charter in line with King III which sets out its roles and responsibilities, namely, to:

- Provide effective leadership based on an ethical foundation
- Ensure that the Company is, and is seen to be, a responsible corporate citizen, not only in the financial aspects of its business, but also the impact operations have on the environment and the society in which it operates
- Exercise leadership and ensure that all deliberations, decisions and actions are based on the four values underpinning good governance – responsibility, accountability, fairness and transparency
- Build and sustain an ethical corporate culture and ensure the Company's ethics are managed effectively
- Be the custodian of the Group's corporate governance and be responsible for ensuring it complies with all relevant laws and codes of best governance practices and considers adherence to other non-binding rules, codes and standards

CORPORATE **GOVERNANCE AND RISK MANAGEMENT** continued

- Facilitate the establishment of mechanisms and processes that support constructive stakeholder engagement with the Company
- Be accountable for the performance and affairs of the Company, appreciating that strategy, risk, performance and sustainability are inseparable
- Provide strategic direction by discussing and questioning plans and strategies based on TMG's values and objectives, and stakeholder interests and expectations
- Empower management to provide timely, accurate and relevant feedback on progress with approved operational and investment plans and strategies
- Be responsible for risk management and monitoring, with assistance from the audit and risk committee
- Approve the Company's integrated annual report, ensuring it conveys adequate information on the Company's financial and sustainability performance, focusing on substance over form
- Advocate and promote good governance by the Company's subsidiaries.

The board delegates certain functions to well-structured committees without abdicating its own responsibilities. Delegation is formal and involves:

- Establishing and approving formal terms of reference for each permanent committee of the board
- Appropriately constituting these committees with regard to the skills required by each
- An annual review of the permanent committees' terms of reference.

Annual strategic review meetings enable comprehensive objectives to be developed for the Group and its divisions. Once the board has approved the strategy, it oversees and monitors the progress of the business at quarterly board meetings, with additional meetings held as required.

The board has an approvals framework which is regularly reviewed and updated. It clearly sets out authority levels for the board, its committees and executive management. Matters specifically reserved for the board's decision include the adoption of TMG's strategic direction and the approval of financial reports for public disclosure, the budget and significant capital expenditure.

All board members are required to disclose their shareholdings in TMG, outside directorships, personal financial interests and any conflicts of interest.

Board and committee members are supplied with comprehensive information to discharge their duties effectively.

During the year under review, the board reviewed various governance documents. These were updated to align with the change in the nature and structure of the various businesses. None of the changes were of a material nature. A detailed review was conducted of the IT governance structures and processes which were strengthened and formalised.

A special board meeting was held on 3 April 2014 to deliberate on an investigation by the Financial Services Board regarding the acquisition by Blackstar Group SE of shares in TMG from Caxton and CTP Publishers and Printers during a TMG closed period. The JSE Limited had raised the same issue and concluded that no breach of the JSE Listings Requirements was identified. The Financial Services Board has not yet concluded its investigation.

A board-effectiveness evaluation was performed during the financial year.

Attendance at board meetings

Name	26 Sep 2013	27 Nov 2013	12 Mar 2014	3 Apr 2014	26 Jun 2014
KD Dlamini (Chairman)	P	P	P	P	P
AD Bonamour	P	P	P	P	P
JHW Hawinkels	P	P	P	P	P
W Marshall-Smith	P	P	P	P	P
HK Mehta	P	P	P	P	P
R Naidoo	P	P	P	P	P
MM Nhlanhla	P	P	P	P	P
MSM Xayiya	P	A	P	P	P

P – Present

A – Apologies

BOARD COMMITTEES

During the year, the following permanent committees assisted the board in discharging its responsibilities and obligations: audit and risk committee, remuneration committee, nominations committee and the transformation, social and ethics committee. Membership of the audit and risk committee is reflected in its report on page 60. Membership of the remuneration committee is reflected in its report on page 45. Membership of the transformation, social and ethics committee is set out alongside.

All committees report to the board on their activities. The board is cognisant that this does not detract from its ultimate responsibility and accountability for the affairs of the Company.

The board is satisfied that all committees discharged their responsibilities satisfactorily in accordance with their terms of reference. Copies of these terms of reference are available from the company secretary on request.

Audit and risk committee

Full details of this committee are set out in its report on pages 60 to 65.

Remuneration committee

Full details of this committee are set out in its report on pages 44 to 49.

Nominations committee

The nominations committee makes recommendations to the board on board appointments, taking into account the balance and effectiveness of the board, skills required and the demographics of South Africa. The members of the nominations committee are appointed by the board.

The nominations committee met on 3 September 2013 and discussed the composition of the board, with specific reference to the composition of the audit and risk committee. It also reviewed the executive directors' employment contracts.

Messrs KD Dlamini (chairman) and HK Mehta were the committee members during the year.

Transformation, social and ethics committee

The transformation, social and ethics committee met on 9 June 2014. It reviewed the Company's transformation and initiatives in place and to be implemented for the social and ethics matters detailed in Regulation 43 accompanying the Companies Act. As at the Company's year-end, the committee members were Mr MSM Xayiya (chairman), Ms MM Nhlanhla and Mr AD Bonamour. Mr Xayiya resigned as a director on 7 October 2014.

CORPORATE **GOVERNANCE AND RISK MANAGEMENT** continued

COMPANY SECRETARY

The company secretary ensures the board remains cognisant of its duties and that all directors have full and timely information that may be relevant in the proper discharge of their duties, collectively and individually, with detailed guidance on their duties, responsibilities and powers. Directors have unrestricted access to the advice and services of the company secretary, who plays an active role in the corporate governance process.

The company secretary assists in determining the annual board plan and agenda, and in formulating governance and board-related matters. She is closely involved in the induction and orientation of new directors, and acts as secretary for committees of the board.

The company secretary, Joanne Matisonn (FCIS HDip Co Law (Wits)), was appointed secretary to TMG on 3 September 2012. She was previously group secretary at Avusa from 1 February 1998.

In line with the JSE Listings Requirements, the board has reviewed the competence, qualifications and experience of the group secretary through discussion and assessment and concluded that she has the expertise to carry out her duties. The board is satisfied that an arm's-length relationship exists between it and the company secretary as she is not a member of the board, is not involved in day-to-day operations of the Group and is not a prescribed officer.

ACCOUNTABILITY, AUDIT AND RISK MANAGEMENT

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented in terms of International Financial Reporting Standards and the Companies Act. The external auditors offer reasonable, but not absolute, assurance on the accuracy of financial disclosures. The preparation of all financial statements is the responsibility of the board.

The audit and risk committee determines the principles for approving the use of the external auditors for non-audit services.

Internal audit

The audit and risk committee determines the scope of the internal audit function. While the function was discontinued in 2013, TMG is in the process of reconstituting the internal audit function to be effective for the 2015 financial year onwards.

Financial and operational risks and controls

Risk governance operates within a defined structure approved by the board and monitored by the audit and risk committee. The objectives are to identify the level of risk appropriate to the Group, taking into account the need to increase shareholder value through an entrepreneurial culture and ensuring the Group achieves its objectives. Risk identification includes both actual and potential risks.

Steps to mitigate risks and compensating controls are implemented and monitored. This process is recorded in a critical risk areas document that covers a broad range of risks including physical and operational risks, human resources risks, technology risks, business continuity and disaster recovery risks and compliance risks. All divisional management committees review and update their own critical risk areas at least twice a year.

The following critical risk areas that may impact at a Group level have been identified:

Risk	Risk mitigation
Content delivery shift from physical to digital	TMG is bolstering its physical product and adopting digital delivery platforms.
Loss of licences and agencies	Strategic management of Group licences is in place, and includes building and maintaining relationships with licensors.
Loss of key personnel	Retention of key employees is an important part of the Group's human resources function. In cases where key personnel do leave, their replacement is identified in advance by succession planning.
Contravention of Competition Act	Compliance with competition law is continually reviewed.
Standards of governance at African investments, including country-specific risks	TMG has board representation and minority protections in place, and is co-invested with local shareholders.
Power outages	Generators have been acquired to provide power to critical sites and processes during power outages.
Loss of key customers	Strategic management of key customers is in place, and includes building and maintaining relationships with these customers.
Destruction of 4 Biermann Avenue building	Security is maintained for the building.
Ability to service borrowings	Cash flow is continually managed and reviewed.

CORPORATE **GOVERNANCE AND RISK MANAGEMENT** continued

Systems of internal controls include defined lines of accountability. The board is satisfied as to the effectiveness of the Company's internal controls.

Operational risks are managed to acceptable levels by ensuring the appropriate infrastructure, controls, systems and people are in place across the Group. Contingency plans are in place to ensure ongoing product and service delivery under adverse conditions.

The board is aware that it operates in a dynamic environment, and is alert to new areas of risk exposure that may require its attention. Accordingly, there is a continual focus on ensuring the control environment in which the business operates is understood and maintained at the required level.

The board is satisfied that an adequate risk management process is in place to identify, evaluate and manage key risks faced by the Group.

DIRECTORS' RESPONSIBILITY

The directors acknowledge their responsibility for the adequacy of accounting records, effectiveness of risk management and the internal control environment, appropriateness of accounting policies, and the bases of estimates and provisions. The directors also acknowledge their responsibility for preparing the annual financial statements, adhering to appropriate accounting standards, and preparing related information that fairly presents the state of affairs and the results of the operations of the Company.

GOING CONCERN

The directors confirm they are satisfied that TMG has adequate financial resources to continue in business for the foreseeable future. Accordingly, the annual financial statements have been prepared on the going-concern basis.

BUSINESS ETHICS AND CODE OF CONDUCT

The Group complies with applicable laws and regulations. Dealings with stakeholders are based on integrity and ethics. TMG conducts its business through fair practices, and trades with suppliers who subscribe to similar ethical standards. The Company's code of conduct is available on the Company's intranet. The Company's editorial charter affirms its commitment to the principle of editorial independence. In addition to complying with national, corporate and industry standards and regulations, TMG also abides by various media-specific codes of conduct.

The directors' code of conduct is in line with the recommendations of King III. It covers a wide range of business practices and procedures. It does not endeavour to cover every issue that may arise, but sets out basic principles to guide directors of the Company and its subsidiaries to deal with ethical issues, to advise on channels to report possible unethical conduct and to foster a culture of honesty and accountability. TMG also has a specific code of conduct for directors.

SHARE DEALINGS BY DIRECTORS AND MANAGEMENT

In line with statutory and regulatory obligations and best practice, directors and management may not deal, directly or indirectly, in the Company's shares during specific closed periods. These closed periods operate from year-end to the announcement of annual results, and from half-year-end to the announcement of interim results. Restrictions on share dealings are also applied during any other period considered sensitive in terms of the Listings Requirements of the JSE Limited.

Directors and the company secretary require the prior approval of the chairman, chief executive officer or financial director before dealing in the Company's shares.

INDUSTRY ENGAGEMENT

TMG is actively engaged in a variety of industry bodies, including World Association of Newspapers, Print and Digital Media South Africa, Audit Bureau of Circulations of South Africa, South African Audience Research Foundation, South African National Editors' Forum, Newspaper Association of South Africa, Magazine Publishers Association of South Africa, Print Industries Federation of South Africa, Southern African Federation Against Copyright Theft, National Organisation for Reproduction Rights in Music in Southern Africa, Content Delivery and Storage Association, Recording Industry of South Africa, South African Music Performance Rights Association, Publishing Association of South Africa, Sustainable Energy Society of Southern Africa and Printing Employers' Association of South Africa through funding and by the leading roles played by TMG executives and management in these industry bodies.

COMMUNICATIONS WITH SHAREHOLDERS

The chairman and executive directors engage with shareholders, institutional investors, analysts and the media. Group operations have their own programmes in place to inform stakeholders on material issues.

Financial results are published in the press, and on the Company's website. Shareholders are offered the opportunity to receive financial results electronically. Shareholders who wish to take advantage of this service are requested to contact Computershare whose details appear on the inside back cover. Shareholders are invited to attend the annual general meeting of the Company.

Certificated shareholders are reminded that they are unable to deal in their TMG shares unless their shares are dematerialised.

REMUNERATION **COMMITTEE REPORT**

TERMS OF REFERENCE

The remuneration committee assists the board to fulfil its responsibilities for setting and administering remuneration policies that contribute to the long-term sustainability of the Company. The committee is guided in its deliberations by detailed terms of reference in line with King III and approved by the board. Copies of the committee's terms of reference are available from the company secretary on request.

The committee is accountable to the board for duties assigned by the latter. It has an oversight role and makes recommendations to the board. The committee confirms it has conducted its affairs in compliance with its terms of reference, and has discharged its responsibilities accordingly.

The committee is responsible for:

- Company policy on executive and senior management remuneration
- Specific remuneration packages for executive directors of the Company
- Long-term incentive schemes and allocation of rights and shares
- Recommending non-executive directors' fees, including fees for chairmen and members of board committees for subsequent approval by shareholders of the Company.

The committee must perform all functions necessary to fulfil this role, including:

- Overseeing the setting and administration of remuneration in the Company
- Overseeing the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance
- Reviewing the outcomes of implementing the remuneration policy
- Ensuring that the mix of fixed and variable pay, in cash, shares and other elements, meets the Company's needs and strategic objectives
- Satisfying itself on the accuracy of recorded performance measures that govern the vesting of incentives
- Ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued
- Considering the performance evaluations of the chief executive officer and other executive directors of the Company, both as directors and as executives, in determining remuneration
- Selecting an appropriate comparative group when comparing remuneration levels
- Regularly reviewing incentive schemes to ensure they contribute to shareholder value, and are administered in terms of their rules
- Considering the appropriateness of any early vesting of share-based schemes
- Overseeing the preparation, and recommending to the board, the remuneration committee report for inclusion in the Company's integrated annual report
- Attendance by the chairman of the committee or, in his absence, any other member of the committee at annual general meetings of the Company.

During the year under review, the committee:

- Agreed the terms for executive director compensation and the renewal of their employment contracts
- Approved the bonuses for the executive directors
- Approved a mandate for executive and general staff salary increases
- Recommended the level of fees to be paid to non-executive directors for recommendation to the board and approval by the shareholders
- Reviewed the remuneration committee report for inclusion in the integrated annual report
- Approved the participants and allocations for the share-based incentive scheme.

MEMBERSHIP

The committee of non-executive directors is appointed by the board of directors for each financial year.

Executive directors attend committee meetings as invitees, but recuse themselves during discussions on their own remuneration and benefits.

The committee has access, if required, to external information and research on market data and trends from independent consultants.

EXECUTIVE DIRECTOR CONTRACTS OF EMPLOYMENT

Executive directors have renewed their employment contracts for a period of three years with effect from 1 October 2013. The contracts include appropriate restraint of trade provisions.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors' fees were approved by the Company's shareholders on 27 November 2013. At the annual general meeting scheduled for 27 November 2014, shareholders will be requested to approve a 6% increase in non-executive directors' fees effective 1 January 2015.

Attendance at remuneration committee meetings

Name	25 Sep 2013	17 Mar 2014
HK Mehta (Chairman)[1]	P	P
R Naidoo[2]	P	P
MSM Xayiya[3]	P	P

P – Present

[1] *Appointed chairman on 1 April 2014*

[2] *Resigned chairmanship on 1 April 2014*

[3] *Resigned as a director on 7 October 2014*

KEY PRINCIPLES OF THE REMUNERATION POLICY

Non-executive directors' remuneration

Non-executive directors' fees comprise annual retainers. Non-executive directors are not eligible to participate in the Company's share-based incentive plans.

Executive remuneration

Key to the Company's success is an incentivised, skilled and stable senior management team. TMG relies on talent throughout its divisions and publications, and needs to be able to attract and retain talent to grow and develop its business. To achieve this, the directors have adopted a total remuneration policy which comprises basic salary and benefits, short-term incentive bonuses and long-term incentive and retention share-based compensation.

The directors have structured executive remuneration to remain competitive as an employer in attracting the best talent, to create a high performance culture across the business, and to deliver alignment between performance and reward so that the short- and long-term needs of the business are met.

REMUNERATION COMMITTEE REPORT continued

KEY PRINCIPLES OF THE REMUNERATION POLICY continued

Executive remuneration consists of the following components:

Basic salary and benefits

The guaranteed portion of remuneration comprises salary and benefits. Base salaries reflect the role, job size and responsibility of the executive.

Short-term incentive bonus

Variable remuneration consists of an annual incentive bonus linked to a performance rating of financial and operational objectives. The bonus is settled in cash.

Key principles for the short-term incentives are:

- Incentives are not guaranteed and are payable at the board's discretion on recommendation by the remuneration committee.
- Key performance indicators (KPIs) are set for individuals, and executives are measured on their achievement of these targets.
- The annual audited performance of the Group as a whole has an effect on each individual's incentives.

Each executive's KPIs vary depending on their role and responsibility but are influenced by the following factors:

- The individual's operational influence and the ability to measure this influence (these may be non-financial, for example circulation numbers)
- The individual's achievement of their personal strategic objectives (these include transformational objectives and/or personal objectives)
- Achieving a target EBIT and return on equity (the influence of this factor depends on the role of the individual, and, for example, will have considerable weighting for the chief executive officer).

Long-term incentive and retention share-based scheme

After an examination of similar competitive schemes in South Africa and abroad, and in consultation with major shareholders, the share incentive plan was designed, and was approved on 27 March 2013 by the Company's shareholders in general meeting. Details of the scheme are available in the circular to shareholders dated 25 February 2013. The first tranche of share incentives was granted to eligible employees on 1 July 2013 to be in line with TMG's new financial year.

The long-term performance component comprises share-based incentives designed to attract, retain and incentivise management and align management and shareholder interests through share ownership. A summary of the key principles and their rationale is set out on page 48 of this integrated annual report.

NON-EXECUTIVE DIRECTORS' FEES

	Chairman R000	Other R000
Annual retainers		
Board	600	200
Audit and risk committee	80	40
Remuneration committee	65	35
Nominations committee	65	35
Transformation, social and ethics committee	65	35

These retainers were effective for both 2013 and 2014.

The following non-executive directors' fees were paid:

	2014 R000	2013 R000
KD Dlamini (Chairman)	**715**	559
JHW Hawinkels[1]	**760**	180
HK Mehta	**278**	194
R Naidoo	**298**	229
MM Nhlanhla[2]	**235**	7
MSM Xayiya	**300**	225
MR Basel[3]	**–**	62
	2 586	1 456

[1] *2014 fees include payments for consultancy services of R490 000 provided to the Broadcasting and Content division*

[2] *Appointed on 20 June 2013*

[3] *Appointed on 8 November 2012 and resigned on 1 March 2013*

EXECUTIVE DIRECTORS' EMOLUMENTS

The following executive directors' emoluments were paid in respect of salaries and bonuses:

	Salary R000	Performance bonus[3] R000	Total R000
2014			
AD Bonamour[1]	**3 313**	**2 500**	**5 813**
W Marshall-Smith[1]	**2 200**	**1 400**	**3 600**
	5 513	**3 900**	**9 413**
2013			
AD Bonamour[2]	1 333	–	1 333
W Marshall-Smith[2]	875	–	875
	2 208	–	2 208

[1] *Salaries for July to September 2013 were paid to Blackstar Group Proprietary Limited. R500 000 was paid in respect of Mr Bonamour and R325 000 in respect of Mr Marshall-Smith*

[2] *Paid to Blackstar Group Proprietary Limited from October 2012*

[3] *Performance bonuses are paid annually in arrears*

In recognition of the significant number of retrenchments in the Group, 1 April 2014 salary increases were not awarded to a number of senior employees, including TMG's two executive directors.

Details regarding executive directors' share incentives are set out on page 49.

Other than the executive directors, there are no employees who are prescribed officers as defined in the Companies Act.

REMUNERATION **COMMITTEE REPORT** continued

TMG SHARE INCENTIVE PLAN

The share incentive plan includes performance conditions (see below) set by the remuneration committee at the time the incentives are allocated. The share incentives granted qualify, subject to the performance conditions, for TMG shares at the allocation price. The incentives are accounted for as equity-settled. One third of the incentives vest, to the extent that performance conditions are met, three years after the grant date. A further third vests four years after the grant date and the final third vests five years after the grant date, to the extent that performance conditions are met. The share incentives lapse to the extent that performance conditions are not met.

The share incentives are valued by Alexander Forbes Financial Services using stochastic models based on the standard binomial options pricing model (and mathematically consistent with the Black-Scholes model), but which allow for the particular features of employee share incentives to be realistically modelled. The valuation models include estimates on expected incentive lives, volatilities, dividend yields and risk-free interest rates.

TMG is currently limited to 12 707 714 shares in settlement of benefits under its share incentive plan. The maximum number of unvested share incentives that may be granted to any one participant is limited to 1 906 157.

Backdating share incentive grants is not permitted. It is intended that benefits under the share incentive plan will be settled by purchasing TMG shares on the market for the relevant incentive holders. As at 30 June 2014, 606 733 TMG shares had been acquired by Times Media Proprietary Limited, a wholly-owned subsidiary of TMG, to be used in the settlement of TMG's obligations under the share incentive plan.

TMG's chief executive officer, financial director, senior executives and key employees are eligible to participate in the share incentive plan. At year-end, there were approximately 160 incentive holders. Share incentives were allocated based on a multiple of employee salary. The multiple ranged from 0,2 to 4,5 depending on employee roles and responsibilities.

In line with driving a strong culture of performance, all options are conditional on the achievement of a combination of the following performance criteria:

1. Group target EBITDA (20% allocation)
2. Maintaining Group debt covenants (20% allocation)
3. Achieving individual KPI's (60% allocation). Individual KPI's are focused towards aligning employee behaviour with stakeholder interests. Individual KPI's will vary for each individual. The variation of KPI's will be based on the individual's role, responsibilities and ability to influence these indicators. The specific business the individual works within will also influence the KPI objectives. By way of example, the following KPI's may apply to an individual: return on capital, growth in earnings and cash flow, operational targets like circulation and production efficiencies, cost control, contribution toward B-BBEE targets and succession planning.

Vesting in terms of criterion 3 depends on achieving at least criterion 1 or criterion 2.

	2014
Maximum number of share incentives available for allocation at the beginning of the year	**12 707 714**
Number of share incentives lapsed during the year	**598 465**
Number of shares incentives granted during the year	**(12 985 249)**
Number of share incentives available for allocation	**320 930**

Grant date	Expiry date	Allocation price R	Number of share incentives in issue
1 July 2013	30 June 2023	13,50	11 468 191
31 October 2013	30 October 2023	13,50	430 951
4 December 2013	3 December 2023	13,50	74 074
1 March 2014	28 February 2024	13,50	391 346
1 June 2014	31 May 2024	13,50	22 222
Number of share incentives in issue at 30 June 2014			**12 386 784**

Director	Number of share incentives granted on 1 July 2013	Number of share incentives in issue at 30 June 2014	Fair value of share incentives granted R000
AD Bonamour	1 166 667	1 166 667	7 863
W Marshall-Smith	648 148	648 148	4 369
	1 814 815	1 814 815	12 232

- The directors' share incentives were granted on 1 July 2013 with an allocation price of R13,50 per share incentive.
- Fair value is determined by Alexander Forbes Financial Services as described on page 48 of this integrated annual report.

Signed on behalf of the committee by:

HK Mehta
Chairman
23 September 2014

ANALYSIS OF **SHAREHOLDERS**

	Number of shareholders	% of total shareholders	Number of shares	% of issued share capital
Beneficial holders holding 5% or more				
Blackstar Group SE			41 076 782	32,3
Public Investment Corporation			27 232 917	21,4
Total			**68 309 699**	**53,7**
Fund managers managing 10% or more				
Public Investment Corporation			27 232 917	21,4
Coronation Fund Managers			18 910 337	14,9
Kagiso Asset Management			18 672 477	14,7
Total			**64 815 731**	**51,0**
Shareholder type				
Non-public shareholders	8	0,6	75 061 624	59,1
Holders holding 10% or more	2	0,1	68 309 699	53,7
Directors' holdings (excluding indirect holdings via Blackstar Group SE)	5	0,4	6 145 192	4,9
Shares held by wholly-owned subsidiary	1	0,1	606 733	0,5
Public shareholders	1 381	99,4	52 015 521	40,9
Total	**1 389**	**100,0**	**127 077 145**	**100,0**

STOCK **EXCHANGE PERFORMANCE**

		2014	2013
Closing price 30 June	(R per share)	**21,80**	19,00
Highest quoted intraday price	(R per share)	**23,89**	20,64
Lowest quoted intraday price	(R per share)	**18,20**	11,50
Number of shares traded	(million)	**31,7**	47,5
Ratio of shares traded to shares in issue	(%)	**25,0**	37,4
Value of shares traded	(R million)	**636,1**	680,1
Free float	(%)	**41**	32

INDEX TO THE **AUDITED ANNUAL FINANCIAL STATEMENTS**

STATEMENT OF **DIRECTORS' RESPONSIBILITIES**

The directors of Times Media Group Limited are required by the Companies Act of South Africa (the Act) to maintain adequate accounting records and to prepare annual financial statements that fairly present the state of affairs of the Company and the Group as at the end of the financial year and the profit or loss for that year, in conformity with International Financial Reporting Standards and the Act. The annual financial statements are the responsibility of the directors and it is the responsibility of the external auditor to report on the annual financial statements. The report of the external auditor to the shareholders of the Company is set out on pages 54 and 55. These annual financial statements have been audited in compliance with the applicable requirements of the Act.

The preparation of these annual financial statements for the year ended 30 June 2014 was supervised by TMG's financial director, Mr W Marshall-Smith CA(SA).

To enable the directors to meet their responsibilities, the board sets standards and implements systems of internal control aimed at reducing the risk of error or loss. These controls include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored, and all employees are required to maintain the highest ethical standards in ensuring that business is conducted in a manner which is above reproach.

DIRECTORS' **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The Company and Group annual financial statements, which appear on pages 56 to 116 were approved by the board of directors on 23 September 2014 and are signed for and on behalf of the board by:

KD Dlamini
Chairman

AD Bonamour
Chief Executive Officer

CERTIFICATE **BY THE COMPANY SECRETARY**

I hereby certify that, in respect of the financial year ended 30 June 2014, the Company has lodged with the Companies and Intellectual Property Commission all returns and notices required of a public company in terms of the Companies Act No 71 of 2008 South Africa, and that these returns are true, correct and up to date.

JR Matisonn
Company Secretary

Johannesburg
23 September 2014

EXTERNAL **AUDITOR'S REPORT**

To the shareholders of Times Media Group Limited

We have audited the consolidated and separate financial statements of Times Media Group Limited set out on pages 66 to 116, which comprise the statements of financial position as at 30 June 2014, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 control 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 consolidated and separate financial statements present fairly, in all material respects, the financial position of Times Media Group Limited as at 30 June 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the directors' report, the audit and risk committee's report and the certificate by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per JAR Welch
Partner

23 September 2014

DIRECTORS' **REPORT**

The directors are pleased to present their report, together with the audited annual financial statements, for the year ended 30 June 2014.

NATURE OF BUSINESS

TMG had the following divisions during the year under review:

The Media division includes the Group's interests in newspapers and magazines.

Broadcasting and Content contains the Group's interests in radio and broadcast, film production, film distribution, music, out-of-home advertising and the digital businesses of Interactive Junction Holdings and Amorphous. On 12 September 213, TMG acquired a 32,26% interest in Multimedia Group Limited, a Ghanaian radio and TV Group, and on 30 June 2014 a 49% interest in Radio Africa, a leading Kenyan radio, television and newspaper group.

The Retail Solutions division houses TMG's activities in retail advertising production systems and related database management and development, and retail printing via Hirt & Carter and Uniprint. The division also includes Times Media Home Entertainment, Compact Disc Technologies (CDT), Entertainment Logistics Services (ELS) and Associated Music Distributors (AMD). Typesetting & Repro Services was acquired on 31 July 2013, and Bates Printing on 1 November 2013.

The Books division comprises the Booksite Afrika book logistics business, the United Kingdom-based Lovell Johns mapping business and the United Kingdom, Australia and New Zealand book publishing businesses.

The following assets were sold during the year under review:

Media:

- I-Net Bridge was sold on 15 November 2013
- The East London properties were sold on 10 October 2013.

Broadcasting and Content:

- Airport Media's Ponte advertising site was sold on 2 December 2013
- Boo Media was sold on 1 May 2014.

Retail Solutions:

- Uniprint's web division's plant and equipment was sold at the end of August 2013.

Books:

- The Struik Christian Media publishing assets were sold on 29 July 2013
- Mega Digital was sold on 1 November 2013
- Random House was sold on 25 November 2013
- Exclusive Books was sold on 1 December 2013
- Van Schaik Bookstore was sold on 2 December 2013
- Map Studio was sold on 30 June 2014.

Entertainment (discontinued operation):

- Warner Music Gallo Africa was sold on 31 July 2013
- Nu Metro Cinemas and Popcorn Cinema Advertising Sales were sold on 28 November 2013.

FINANCIAL PERFORMANCE

The profit attributable to owners of the Company amounted to R400 million (2013: R3 million), and headline earnings amounted to R210 million (2013: R43 million).

SUBSIDIARY COMPANIES

The Group's share of the attributable profits and losses of its subsidiaries, after taking into account taxation and non-controlling interests, for the year ended 30 June was:

	2014	2013
	Rm	Rm
Profits	**584**	212
Losses	**(182)**	(210)

SHARE CAPITAL

There has been no change in the ordinary share capital of TMG, save for the acquisition of the Company's own shares.

ACQUISITION OF THE COMPANY'S OWN SHARES

At the last annual general meeting, shareholders approved a special resolution granting a general approval for the Company and/or its subsidiaries to acquire shares in the Company until the next annual general meeting. During the year 576 767 TMG shares were acquired by Times Media Proprietary Limited (a wholly-owned subsidiary of TMG) in relation to TMG's share incentive plan. The shares were acquired at an average price of R21,43 per share, and are held as treasury shares. At the forthcoming annual general meeting, shareholders will be asked to consider a special resolution to renew this general approval. This general authority will be effective until the Company's 2015 annual general meeting.

MAJOR SHAREHOLDERS

The following shareholders beneficially held in excess of 5% of the issued ordinary shares of the Company as at 30 June:

	2014		2013	
	Number of ordinary shares	**% of issued ordinary shares**	Number of ordinary shares	% of issued ordinary shares
Blackstar Group SE	**41 076 782**	**32,3**	24 071 427	18,9
Public Investment Corporation	**27 232 917**	**21,4**	25 805 539	20,3
Caxton & CTP Publishers & Printers			14 772 092	11,6
Kagiso Asset Management			13 176 621	10,4

Further analysis of shareholders' interests in TMG is provided on page 50.

DIRECTORS' **REPORT** continued

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

At 30 June 2014 and at the date of approval by the board of TMG's annual financial statements, Mr AD Bonamour held 4 000 TMG shares directly and 4 100 837 TMG shares indirectly (2013: 4 000 shares directly and 2 208 430 shares indirectly), Mr W Marshall-Smith held 2 721 073 TMG shares indirectly (2013: 1 448 593 shares indirectly), and Mr HK Mehta held 1 959 TMG shares directly and 6 138 233 TMG shares indirectly (2013: 1 959 shares directly and 5 921 537 shares indirectly).

No other TMG directors held shares in the issued ordinary share capital of the Company as at 30 June 2014 and at the date of approval of TMG's annual financial statements.

Between 30 June 2014 and the sign-off of the integrated annual report, Ochinta Investments Proprietary Limited purchased 50 500 contracts for difference in respect of TMG shares. Mr HK Mehta is a director of Ochinta Investments and the trustee and beneficiary of the shareholder of Ochinta Investments.

TMG SHARE INCENTIVE PLAN

The first tranche of share incentives under the TMG share incentive plan was granted to employees on 1 July 2013. Further details of the TMG share incentive plan appear in the remuneration committee report on pages 48 and 49 of this integrated annual report.

BOARD COMMITTEES

Details of the work of board committees appear in the corporate governance and risk management report on pages 37 to 43, the audit and risk committee report on pages 60 to 65 and the remuneration committee report on pages 44 to 49.

LITIGATION

Post-retirement medical aid – Proceedings have been instituted by a number of former executive employees in relation to claims for increases to post-retirement medical aid subsidies. These proceedings are being defended and TMG's position will be set out in detail in the legal proceedings. TMG does not consider it appropriate to comment further while the proceedings are pending, save to state that it is confident that its position will be vindicated in due course.

Vuma licence – The High Court of South Africa's Gauteng Local division Johannesburg, in a judgement dated 5 August 2014, remitted the award of Vuma's radio licence to the Independent Communications Authority of South Africa (ICASA) for reconsideration. Pending ICASA's reconsideration, and for a period of 180 calendar days after the announcement of the award of the licence, Vuma is authorised to continue broadcasting. Vuma has lodged a leave to appeal the court's decision.

Video rental kiosks – Legal action has been brought against TMG in respect of an alleged oral agreement to do business with the plaintiffs. The plaintiffs are claiming R35 million in respect of video rental kiosk costs, consulting fees and damages for the loss of future business. TMG is defending the claim, and has also instituted a counter claim.

GOING CONCERN

These annual financial statements have been prepared on the going-concern basis. The board reviewed the Group's ability to continue trading as a going concern in the foreseeable future and, based on this review, considers that presentation of the financial statements on the going-concern basis is appropriate.

BORROWING POWERS

The borrowing powers of the Company which, in terms of the Company's memorandum of incorporation, are unlimited, may all be exercised by the Company's directors.

EVENTS AFTER THE REPORTING PERIOD

New Holland Publishing's Australian and New Zealand operations were disposed of on 1 July 2014 for 2 million Australian dollars (approximately R20 million).

On 1 July 2014, 100% of Future Publishing, a small publishing and eventing company, was acquired.

A 30% interest in Capacity Holdings, a software business that manages and maintains a database of retail supplier product photographs and metadata, was purchased for R5 million effective 1 July 2014.

The Bedfordview property was sold on 13 August 2014 for R60 million.

The 30,71% minority stake in Learning Channel was bought out on 1 September 2014.

Interactive Junction Holdings disposed of its interests in PA Junction and PA Group Media for R7 million effective 1 September 2014.

TMG's video-on-demand business, Vidi, was launched on 10 September 2014.

Entertainment Logistics Services and Associated Music Distributors were closed down in September 2014.

The directors are not aware of any other material events that occurred after the reporting date up to the date of this report.

DIVIDENDS

A maiden interim dividend of 25 cents per ordinary share was declared on 18 March 2014 for the six months ended 31 December 2013.

A final dividend of 35 cents per ordinary share was declared on 23 September 2014 for the year ended 30 June 2014.

SPECIAL RESOLUTIONS

TMG passed the following special resolutions at its annual general meeting held on 27 November 2013:

- Authorising the Company and/or a subsidiary of the Company to acquire the Company's shares
- Approval of non-executive directors' fees
- Providing financial assistance to subscribe for securities in terms of section 44 of the Companies Act
- Providing financial assistance to related or inter-related companies or corporations in terms of section 45 of the Companies Act.

DIRECTORS AND SECRETARY

Details of directors in office, including directorate changes, are set out on pages 6 and 7.

The directors listed in the notice of annual general meeting on page 118 retire by rotation at the forthcoming annual general meeting, and are eligible and available for re-election.

Details of the company secretary are set out on the inside back cover.

EXTERNAL AUDITOR

Shareholders will be requested at the forthcoming annual general meeting to re-appoint Deloitte & Touche as the external auditor of the Company. It is noted that Mr JAR Welch is the designated partner.

AUDIT AND **RISK COMMITTEE REPORT**

The audit and risk committee is pleased to present its report for the financial year ended 30 June 2014.

The committee has been established as a statutory body in terms of the Companies Act No 71 of 2008 (the Act) and in terms of the JSE Listings Requirements and the recommendations of King III. The committee has detailed terms of reference that comply with the Act, the JSE Listings Requirements and King III, and have been approved by the board. Copies of the terms of reference are available from the company secretary on request.

MEMBERSHIP

At the annual general meeting held on 27 November 2013, shareholders approved the appointment of the chairman and members of the committee for the 2014 financial year. At the upcoming annual general meeting shareholders will be asked to approve the appointment of the chairman and members of the committee for the 2015 financial year. The committee consists of independent non-executive directors who are all financially literate. The members are Messrs JHW Hawinkels (chairman), KD Dlamini and R Naidoo. Mr Dlamini resigned as chairman of the committee on 1 October 2013 but remained a member. This change was effected to comply with King III and the JSE Listings Requirements that permit the chairman of the board to be a member of this committee but not to serve as its chairman.

PURPOSE

The committee is responsible for its statutory duties in terms of the Act. In addition, the committee is required to perform other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes within the Company.

RISK MANAGEMENT

The committee is required to oversee:

- Financial reporting risks
- Internal financial controls
- Fraud and IT risks as they relate to financial reporting.

The committee is responsible for:

- Monitoring a Group-wide system of internal control to manage all Group risks
- Reviewing and monitoring the effectiveness and integrity of the Company's financial reporting and internal financial controls
- Reviewing the effectiveness of the process for identifying, assessing and reporting all significant business risks and the management of those risks, and making recommendations to the board
- Monitoring management's response to identified weaknesses in controls and the effectiveness of corrective actions
- Reviewing serious instances of fraud, breakdown in control and litigation as well as evaluating the Company's exposure
- Reviewing the disclosure to shareholders on internal controls
- Reviewing the adequacy of insurance cover
- Overseeing the development and annual review of a policy and plan for risk management to recommend to the board for approval
- Monitoring implementation of the policy and plan for risk management
- Making recommendations to the board on the levels of risk tolerance and appetite, and monitoring that risks are managed within approved levels of risk tolerance and appetite
- Ensuring management considers and implements appropriate risk responses
- Ensuring continuous risk monitoring by management takes place

- Expressing the committee's formal opinion to the board on the effectiveness of the system and process of risk management
- Reviewing risk management reporting included in the integrated annual report.

EXTERNAL AUDIT

- Evaluating, co-ordinating and monitoring external audit processes
- Overseeing the Company's relations with the external auditor, including determination of fees to be paid to the external auditor and their terms of engagement
- Subject to the approval of shareholders in general meeting, making recommendations to the board on the appointment, retention and removal of the external auditor and, if the board does not accept the recommendations, including in the report of the committee a statement explaining its recommendation and the reasons why the board has taken a different position
- Overseeing the process for selection and, where applicable, dismissal of the external auditor
- Ensuring the appointment of the external auditor complies with the Act and any other legislation relating to the appointment of external auditors
- Determining, subject to the Act, the nature and extent of any non-audit services the external auditor may provide to the Company
- Pre-approving any proposed agreement with the external auditor to provide non-audit services
- Reviewing, at least annually, the risks and, where relevant, safeguards to the independence, effectiveness and objectivity of the external auditor, including an assessment of the auditor's qualifications, expertise and resources, taking into account relevant professional and regulatory requirements
- Monitoring the rotation of key partners appointed to the audit
- At the start of each annual audit cycle, ensuring appropriate plans are in place for the audit
- Overseeing the nature and scope of the audit engagement and approving the proposed audit fees and engagement letter
- Meeting with the external auditor at least twice a year; once at the planning stage, where the scope of the audit is considered, and once at the reporting stage
- Reviewing the external auditor's proposed audit opinion
- Reviewing disclosure details, for inclusion in the Company's integrated annual report, on auditor independence
- At the end of the annual audit cycle, reviewing the effectiveness of the audit process
- Considering whether the audit firm and, where appropriate, the individual auditor responsible for performing the functions of external auditor, are accredited on the JSE's list of auditors as required by the JSE Listings Requirements.

INTEGRATED REPORTING

- Reviewing the annual financial statements, interim reports, preliminary and provisional results announcements, summarised integrated information, any other price-sensitive information, prospectuses, trading statements and similar documents
- Commenting in the annual financial statements on the financial statements, accounting practices and effectiveness of internal financial controls
- Reviewing the disclosure of sustainability issues in the Company's integrated annual report to ensure that it is reliable and does not conflict with the financial information included in the reporting
- Recommending the Company's integrated annual report to the board for approval
- Considering whether the external auditor should perform assurance procedures on the interim results.

AUDIT AND **RISK COMMITTEE REPORT** continued

FINANCIAL REPORTING PROCESS

- Monitoring the integrity of interim and annual financial statements, reports to shareholders of the Company, corporate governance statements on audit and risk management, preliminary results announcements and any other announcements on the Company's results or other financial information
- Evaluating the financial statements of the Group for reasonableness, compliance with accounting standards and regulatory requirements, completeness and accuracy
- Considering and approving, if appropriate, changes to the Group's auditing and accounting principles and practices as suggested by management, external auditors or internal auditors.

COMBINED ASSURANCE

- Ensuring a combined assurance model is applied to provide a co-ordinated approach to all assurance activities
- Ensuring the combined assurance received is appropriate to address significant risks facing the Company
- Monitoring the relationship between external assurance providers and the Company.

FINANCE FUNCTION AND FINANCIAL DIRECTOR

- Reviewing the expertise, resources and experience of the Company's financial function, and disclosing the results in the integrated annual report
- Considering and satisfying itself annually on the suitability of the expertise and experience of the financial director.

GENERAL

- Providing the financial director and external auditors access to the chairman of the committee or any other member on any matter within the committee's remit
- Duly considering the JSE Listings Requirements, King Code and relevant international requirements
- Overseeing any investigation of activities within its terms of reference
- Conducting reviews of the committee's work and charter, and making recommendations to the board to ensure the committee is operating at maximum effectiveness.

DUTIES CARRIED OUT

The committee has performed its duties and responsibilities during the financial year according to its terms of reference.

External audit

The committee:

- Nominated Deloitte & Touche and Mr JAR Welch as the external auditor and designated audit partner, respectively, to shareholders for appointment for the financial year ended 30 June 2014, and ensured the appointments complied with legal and regulatory requirements
- Confirmed that the external auditor and designated audit partner are accredited by the JSE
- Approved the external audit engagement letter, audit plan and budgeted audit fees payable to the external auditor
- Reviewed the audit and evaluated the effectiveness of the external auditor
- Obtained a statement from the external auditor confirming its independence was not impaired
- Determined the nature and extent of all non-audit services provided by the external auditor and pre-approved all non-audit services undertaken
- Obtained assurances from the external auditor that adequate accounting records were maintained.

Internal audit

The committee:

- Reviewed the requirement for an internal audit function for the Group
- Recommended the reconstitution of an internal audit function to be effective for TMG's 2015 financial year and beyond.

Financial statements

The committee:

- Confirmed that interim and annual financial statements should be prepared on the going-concern basis
- Examined the interim and annual financial statements and other financial information made public, prior to its approval by the board
- Considered accounting treatments, significant and unusual transactions and accounting judgements
- Considered the appropriateness of accounting policies and any changes made
- Reviewed the external auditor's audit report on the annual financial statements
- Reviewed the representation letter for the annual financial statements signed by management
- Considered any problems identified as well as any legal and tax matters that could materially affect the financial statements
- Met separately with management and the external auditor
- Concluded that the annual financial statements fairly present the financial position of the Company and the Group at the end of the financial year and the results of the Company's and the Group's operations and cash flows for the financial year.

Internal control

The committee:

- Received assurances that proper accounting records were maintained and that systems to safeguard the Group's assets were in place
- Believes there were no material breakdowns in internal control.

Risk management

The committee:

- Reviewed its charter and made the required changes
- Reviewed the critical risks that could potentially impact the Group
- Reviewed the updated approvals framework which had been amended to align with the Group's new structure
- Reviewed the Group's insurance cover.

Sustainability

The committee:

- Reviewed the sustainability reporting included in the Group's integrated annual report and satisfied itself that it was consistent with the annual financial statements
- Considered the desirability of obtaining external assurance on the sustainability reporting and recommended to the board that it would serve only a limited useful purpose.

AUDIT AND **RISK COMMITTEE REPORT** continued

Legal and regulatory

The committee:

- Reviewed with management legal matters that could have a material impact on the Group
- Reviewed the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities
- Considered reports provided by management and the auditors on compliance with legal and regulatory requirements
- Reviewed the definition of a prescribed officer and confirmed that only Messrs Bonamour and Marshall-Smith, the chief executive officer and financial director, respectively, fell within this definition
- Reviewed the trading statements and results announcements prior to publication thereof.

Combined assurance

The committee reviewed the plans and reports of the auditors and other assurance providers including management, and concluded these were adequate to address all significant financial risks facing the business.

Financial director and finance function

The committee:

- Considered the experience and expertise of the financial director and concluded these were appropriate
- Considered the expertise, resources and experience of the finance function and concluded these were appropriate.

Independence of external auditor

The committee, after taking the following factors into account, is satisfied that Deloitte & Touche is independent of the Company and the Group:

- Representations made by Deloitte & Touche to the committee
- The external auditor does not, except as independent auditor or in rendering permitted non-audit services, receive any remuneration or other benefit from the Group
- The auditor's independence was not impaired by any consultancy, advisory or other work undertaken
- The auditor's independence was not prejudiced by any previous appointment as auditor
- The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Annual financial statements

Following a review of the Group and Company annual financial statements of Times Media Group Limited for the year ended 30 June 2014, the committee is of the view that, in all material respects, these comply with the relevant provisions of the Act and International Financial Reporting Standards and fairly present the financial position at that date and the results of operations and cash flows for the year then ended. The committee recommended the Group and Company annual financial statements for the year ended 30 June 2014 to the TMG board for approval. The board approved the integrated annual report, inclusive of the annual financial statements, which will be open for discussion at the forthcoming annual general meeting. The committee also reviewed and satisfied itself on the integrity of the integrated annual report and recommended it to the board for approval.

Attendance at audit and risk committee meetings

Name	23 Sep 2013	17 Mar 2014	9 Jun 2014
JHW Hawinkels (Chairman)[1]	P	P	P
KD Dlamini[2]	P	P	P
R Naidoo	P	A	P

P – Present

A – Apologies

[1] *Appointed chairman on 1 October 2013*

[2] *Resigned chairmanship on 1 October 2013*

The external auditors, in their capacity as independent auditors to the Group, attended and reported at meetings of the committee. Executive directors and relevant senior managers attended meetings by invitation.

Signed on behalf of the committee by:

JHW Hawinkels
Chairman

STATEMENTS OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
CONTINUING OPERATIONS					
Revenue	3	**3 995**	3 831	**–**	–
Cost of sales		**(2 951)**	(2 728)	**–**	–
Gross profit		**1 044**	1 103	**–**	–
Operating expenses		**(772)**	(878)	**(2)**	(2)
Operating costs	4	**(644)**	(766)	**(2)**	(2)
Depreciation	6	**(74)**	(80)	**–**	–
Amortisation	7	**(33)**	(32)	**–**	–
Share-based payments	41	**(21)**	–	**–**	–
Profit (loss) from operations before exceptional items		**272**	225	**(2)**	(2)
Exceptional items	8	**87**	(198)	**(676)**	(999)
Profit (loss) from operations		**359**	27	**(678)**	(1 001)
Net finance (costs) income		**(36)**	(71)	**–**	1 008
Finance income	9	**18**	19	**–**	1 014
Finance costs including interest paid on cash flow hedges	10	**(54)**	(90)	**–**	(6)
Share of profits (losses) of associates and joint ventures (net of income tax)		**9**	(26)	**–**	–
Profit (loss) before taxation		**332**	(70)	**(678)**	7
Taxation (expense) credit	11	**(107)**	18	**–**	(2)
Profit (loss) from continuing operations		**225**	(52)	**(678)**	5
DISCONTINUED OPERATIONS					
Profit from discontinued operations	12	**172**	62		
(Loss) profit after taxation before profit on disposals		**(32)**	15		
Profit on disposals (net of capital gains tax)		**204**	47		
Profit (loss) for the year		**397**	10	**(678)**	5
Other comprehensive (loss) income					
Items that may be reclassified subsequently to profit or loss					
Change in fair value of cash flow hedges (net of income tax)		**(7)**	7	**–**	–
Exchange differences on translation of foreign operations		**(4)**	–	**–**	–
Other comprehensive (loss) income for the year (net of income tax)		**(11)**	7	**–**	–
Total comprehensive income (loss) for the year		**386**	17	**(678)**	5

		Group		Company	
	Notes	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
Profit (loss) attributable to:					
Owners of the Company		**400**	3	**(678)**	5
Profit (loss) from continuing operations		**228**	(54)		
Profit from discontinued operations		**172**	57		
Non-controlling interest		**(3)**	7		
(Loss) profit from continuing operations		**(3)**	2		
Profit from discontinued operations		**–**	5		
Profit (loss) for the year		**397**	10	**(678)**	5
Total comprehensive income (loss) attributable to:					
Owners of the Company		**389**	10		
Profit (loss) from continuing operations		**223**	(45)		
Profit from discontinued operations		**166**	55		
Non-controlling interest		**(3)**	7		
(Loss) profit from continuing operations		**(3)**	2		
Profit from discontinued operations		**–**	5		
Total comprehensive income (loss) for the year		**386**	17	**(678)**	5
Earnings (loss) per ordinary share from continuing operations	13				
Basic (cents)		**180**	(52)		
Diluted (cents)		**178**	(52)		
Earnings per ordinary share from discontinued operations	13				
Basic (cents)		**135**	41		
Diluted (cents)		**134**	41		
Earnings (loss) per ordinary share from continuing and discontinued operations	13				
Basic (cents)		**315**	(11)		
Diluted (cents)		**312**	(11)		
Number of ordinary shares in issue (000)					
At the beginning of the year		**127 077**	52 013		
At the end of the year		**127 077**	127 077		
Weighted average for the year		**126 982**	141 230		
Weighted average for the year (diluted)		**128 127**	141 230		

STATEMENTS OF **FINANCIAL POSITION**

as at 30 June 2014

		Group		Company	
	Notes	**2014 Rm**	2013 Rm	**2014 Rm**	2013 Rm
ASSETS					
Non-current assets		**1 669**	1 431	**1 024**	1 734
Property, plant and equipment	14	**380**	392	**–**	–
Goodwill	15	**455**	491	**–**	–
Other intangible assets	16	**366**	340	**–**	–
Interests in subsidiaries	17	**–**	–	**1 024**	1 734
Interests in associates and joint ventures	18	**376**	22	**–**	–
Investments	19	**2**	13	**–**	–
Long-term receivable	20	**8**	–	**–**	–
Cash flow hedges	25	**–**	10	**–**	–
Deferred taxation assets	27	**82**	163	**–**	–
Current assets		**1 249**	1 292	**1**	1
Inventories	21	**249**	230	**–**	–
Trade and other receivables	22	**935**	943	**–**	–
Taxation prepaid		**18**	16	**–**	–
Bank balances, deposits and cash		**47**	103	**1**	1
Non-current assets classified as held for sale		**203**	893		–
Total assets		**3 121**	3 616	**1 025**	1 735
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company		**1 528**	1 162	**1 019**	1 729
Stated capital	23	**1 724**	1 724	**1 724**	1 724
Other reserves	24	**(1 135)**	(1 133)	**–**	–
Accumulated profits (loss)		**939**	571	**(705)**	5
Non-controlling interest		**–**	46		
Total equity		**1 528**	1 208	**1 019**	1 729
Non-current liabilities		**514**	1 019	**–**	–
Long-term borrowings	25	**366**	690	**–**	–
Post-retirement benefits liabilities	26	**85**	264	**–**	–
Operating leases equalisation liabilities		**24**	18	**–**	–
Deferred taxation liabilities	27	**39**	47	**–**	–
Current liabilities		**1 047**	972	**6**	6
Trade and other payables	28	**905**	785	**6**	6
Provisions	29	**33**	18	**–**	–
Post-retirement benefits liabilities	26	**9**	10	**–**	–
Taxation liabilities		**9**	16	**–**	–
Bank overdrafts and other short-term borrowings	25	**91**	143	**–**	–
Liabilities directly associated with non-current assets classified as held for sale		**32**	417		–
Total equity and liabilities		**3 121**	3 616	**1 025**	1 735

STATEMENTS OF **CASH FLOWS**

for the year ended 30 June 2014

	Notes	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
OPERATING ACTIVITIES					
Net cash flows from operations before working capital changes		**416**	340	**(2)**	(14)
Working capital changes		**57**	174	**–**	6
Net cash flows from operations	31	**473**	514	**(2)**	(8)
Net finance costs including interest paid on cash flow hedges		**(33)**	(69)	**–**	6
Taxation paid		**(113)**	(69)	**–**	(2)
Net cash flows from operating activities		**327**	376	**(2)**	(4)
INVESTING ACTIVITIES					
Income from investments	32	**5**	5	**–**	1 008
Acquisition of property, plant and equipment – to maintain operations	33	**(167)**	(129)	**–**	–
Proceeds on disposal of property, plant and equipment	14	**83**	13	**–**	–
Acquisition of other intangible assets		**(11)**	(21)	**–**	–
Proceeds on disposal of other intangible assets		**15**	–	**–**	–
Acquisition of investments		**(15)**	(14)	**–**	–
Disposal of investments		**15**	–	**–**	–
Acquisition of subsidiaries and businesses	34	**(107)**	(11)	**–**	–
Disposal of subsidiaries and businesses	34	**575**	20	**–**	–
Acquisition of minority interests in subsidiaries		**–**	(2)	**–**	–
Acquisition of investments in associates and joint ventures		**(365)**	–	**–**	–
Disposal of investment in associate		**12**	13	**–**	–
Costs related to acquisitions and disposals		**(46)**	–	**–**	–
Net decrease in long-term receivables and loans		**5**	10	**–**	–
Net cash flows from investing activities		**(1)**	(116)	**–**	1 008
FINANCING ACTIVITIES					
Net (decrease) increase in borrowings		**(302)**	423	**–**	(316)
Dividends paid by subsidiaries to non-controlling interests		**(8)**	(18)	**–**	
Decrease (increase) in loans owing by subsidiaries		**–**	–	**34**	(40)
Dividends paid		**(32)**	–	**(32)**	–
Purchase of Avusa shares		**–**	(1 130)	**–**	(1 130)
Effect of accounting for implementation of TMG scheme of arrangement		**–**	173	**–**	–
Net cash flows from financing activities		**(342)**	(552)	**2**	(1 486)
Net decrease in cash and cash equivalents		**(16)**	(292)	**–**	(482)
Cash and cash equivalents at the beginning of the year		**59**	354	**1**	483
Foreign operations translation adjustment		**(3)**	(3)	**–**	–
Cash and cash equivalents at the end of the year	35	**40**	59	**1**	1

STATEMENTS OF **CHANGES IN EQUITY**

for the year ended 30 June 2014

Group	Stated capital Rm	Other reserves Rm	Accu-mulated profits Rm	Owners' interest Rm	Non-control-ling interest Rm	Total equity Rm
Balance at 30 June 2012	704	856	568	2 128	79	2 207
Profit attributable to owners of the Company	–	–	3	3	7	10
Change in fair value of cash flow hedges (net of income tax)	–	7	–	7	–	7
Shares issued	1 020	–	–	1 020	–	1 020
Effect of reverse acquisition accounting	–	(1 978)	–	(1 978)	–	(1 978)
Effect of acquisitions and disposals of non-controlling interests	–	(2)	–	(2)	(22)	(24)
Equity-settled share incentive plans	–	(16)	–	(16)	–	(16)
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	(18)	(18)
Balance at 30 June 2013	1 724	(1 133)	571	1 162	46	1 208
Profit attributable to owners of the Company	**–**	**–**	**400**	**400**	**(3)**	**397**
Change in fair value of cash flow hedges (net of income tax)	**–**	**(7)**	**–**	**(7)**	**–**	**(7)**
Exchange differences on translation of foreign operations	**–**	**(4)**	**–**	**(4)**	**–**	**(4)**
Effect of acquisitions and disposals of non-controlling interests	**–**	**–**	**–**	**–**	**(35)**	**(35)**
Equity-settled share incentive plans	**–**	**21**	**–**	**21**	**–**	**21**
Treasury shares	**–**	**(12)**	**–**	**(12)**	**–**	**(12)**
Dividends paid	**–**	**–**	**(32)**	**(32)**	**–**	**(32)**
Dividends paid by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**(8)**	**(8)**
Balance at 30 June 2014	**1 724**	**(1 135)**	**939**	**1 528**	**–**	**1 528**
Notes	23	24				

Company	Stated capital Rm	Accu-mulated profits Rm	Owners' interest Rm
Balance at 30 June 2012	704	–	704
Profit attributable to owners of the Company	–	5	5
Shares issued	1 020	–	1 020
Balance at 30 June 2013	1 724	5	1 729
Loss attributable to owners of the Company	**–**	**(678)**	**(678)**
Dividends paid	**–**	**(32)**	**(32)**
Balance at 30 June 2014	**1 724**	**(705)**	**1 019**
Note	23		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

These annual financial statements are presented in South African rands since that is the functional currency of the Company and the presentation currency for the Group. The Company is incorporated and domiciled in South Africa.

These financial statements have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listings Requirements and the requirements of the South African Companies Act (as amended). The accounting policies are compliant with IFRS, and their application is consistent, in all material respects, with those detailed in TMG's 2013 integrated annual report, apart from the adoption, from 1 July 2013 up to the reporting date, of those new and amended IFRS standards and interpretations with effective dates for the Company of 1 July 2013 up to the reporting date, and those amendments included in the International Accounting Standards Board's annual improvements project where such amendments were effective for the Company from 1 July 2013 up to the reporting date. The adoption of the new and amended IFRS standards and interpretations, and improvements project amendments, has not had a material effect on the Company's financial results.

On 25 September 2012, TMG acquired the entire issued ordinary share capital of Avusa via a scheme of arrangement. The application of IFRS, in particular IFRS 3: *Business Combinations,* results in Avusa (the legal acquiree) being recognised as the acquirer for accounting purposes, and in the transaction being accounted for as a reverse acquisition. Accordingly, the consolidated Group financial statements are prepared as a continuation of the financial statements of Avusa (the legal subsidiary and accounting acquirer), with one adjustment, which is the retroactive adjustment of Avusa's legal capital to reflect TMG's legal capital. The calculation of earnings per ordinary share for the year ended 30 June 2013 is described in note 13 hereunder.

In compliance with IFRS 5: *Non-current Assets Held for Sale and Discontinued Operations,* the relevant comparative financial information has been re-presented.

The following new and amended IFRS standards that were in issue but not yet effective at TMG's year-end date of 30 June 2014, will be adopted by TMG as they become effective for TMG:

- Amended standards relevant and effective for TMG on 1 July 2014:

  IAS 19 Employee Benefits
  - Amendments to the requirements regarding contributions from employees or third parties that are linked to service.

  IAS 32 Financial Instruments: Presentation
  - Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure.

  IAS 36 Impairment of Assets
  - Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amended standards relevant and effective for TMG on 1 July 2016:

  IAS 16 Property, Plant and Equipment
  - Amendments establishing the principle for the basis of depreciation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

  IAS 27 Separate Financial Statements
  - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

IAS 28 Investments in Associates and Joint Ventures
- Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture.

IAS 38 Intangible Assets
- Amendments establishing the principle for the basis of amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.

IFRS 10 Consolidated Financial Statements
- Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture.

IFRS 11 Joint Arrangements
- New guidance on accounting for the acquisition of an interest in a joint operation that constitutes a business.

• New standard relevant and effective for TMG on 1 July 2017:

IFRS 15 Revenue from Contracts with Customers
- Requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires enhanced disclosures about revenue.

• New and amended standards relevant and effective for TMG on 1 July 2018:

IFRS 7 Financial Instruments: Disclosures
- Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

IFRS 9 Financial Instruments
- Finalised version of IFRS 9 that replaces IAS 39.

In addition, the International Accounting Standards Board's annual improvements project includes amendments to various standards. Certain of these amendments are effective for TMG on 1 July 2014, with others being effective in subsequent periods.

The adoption of the abovementioned standards and improvements is not expected to have a material effect on TMG's financial results, but may impact disclosure in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

TMG carries its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment losses.

The consolidated Group annual financial statements incorporate the financial statements of TMG and the entities it controls. Control is achieved where TMG is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the Group statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions and balances are eliminated on consolidation.

The non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. The non-controlling interest consists of the amount of the interest at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the subsidiary's equity are attributed to the non-controlling interest, even if this results in the non-controlling interest having a negative balance.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the sum of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Costs directly attributable to the business combination are recognised immediately in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities which meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) which are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* which assets are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The non-controlling interest in the acquiree is measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where non-controlling interests are acquired subsequent to initial acquisition, the excess of the cost over carrying value is recognised as equity.

Interests in joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the strategic financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of joint ventures and associates are incorporated in these annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Under the equity method, investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investment, less any impairment in the value of individual investments. Losses in excess of the Group's interest in the investment (which includes any long-term interests which, in substance, form part of the Group's net investment in the joint venture or associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture or associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where the Group transacts with a joint venture or associate, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture or associate.

Goodwill

The accounting for goodwill arising on the acquisition of subsidiaries, joint ventures and associates is described above. Goodwill is not amortised.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognised for goodwill is not reversed in a subsequent reporting period.

On disposal of subsidiaries, joint ventures and associates, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes.

The sale of goods is recognised when the goods are delivered and title has passed. The rendering of services is recognised as the service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Revenue from royalties is recognised on an accrual basis in terms of the relevant royalty agreement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy regarding the capitalisation of borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the time pattern of the user's benefit. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the term pattern of the user's benefit.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of these Group annual financial statements, the results and financial position of each entity are expressed in South African rands, which is the functional currency of the Company, and the presentation currency for the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates ruling at the reporting date. Non-monetary items carried at fair value which are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts.

For the purpose of presenting these Group annual financial statements, the assets and liabilities of the Group's foreign operations are expressed in South African rands using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's foreign currency translation reserve. This includes exchange differences arising on loans extended from one entity to another within the same group, as these loans are regarded as part of the net investment in a foreign operation if settlement of the loans is neither planned nor likely to occur in the foreseeable future. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs capitalised

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at three-year intervals by independent actuaries.

Post-retirement benefits

The Group's post-retirement benefits are valued by independent actuaries, with gains and losses recognised in profit or loss.

Taxation

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued
for the year ended 30 June 2014

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred taxation assets and liabilities are set off against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property (other than land), plant and equipment to their estimated residual values over their estimated useful lives.

Leasehold improvements and assets held under finance leases are depreciated to their estimated residual values over their estimated useful lives or, where shorter, the term of the relevant lease.

Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their own estimated useful lives.

Useful lives, residual values and methods of depreciation are reviewed annually.

The following life spans were used during the year to depreciate property, plant and equipment to estimated residual values:

Plant, furniture and equipment	3 to 20 years
Leasehold improvements	3 to 10 years
Buildings	15 to 50 years
Vehicles	3 to 5 years
Capitalised leased assets	3 to 5 years

The gain or loss arising on the disposal or scrapping of an item of property, plant and equipment is recognised immediately in profit or loss.

Intangible assets other than goodwill

Intangible assets other than goodwill are recognised initially at cost if acquired separately, and at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised, but is tested for impairment annually and impaired if required. If assessed as having a finite useful life, it is amortised over its estimated useful life, and tested for impairment if there is an indication of an impairment.

Publishing rights and titles acquired are capitalised as intangible assets, and are presumed to have an indefinite life unless there are indications of a shorter life. Publishing rights and titles are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate. Costs to develop publishing titles internally are recognised in profit or loss.

Trade names acquired are capitalised as intangible assets, and are presumed to have an indefinite life unless there are indications of a shorter life. Trade names are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate.

The following life spans were used during the year to amortise intangible assets assessed as having finite useful lives:

Patents and trademarks	10 to 20 years
Licences	3 to 5 years
Publishing rights and titles	10 to 15 years
Computer software	3 to 5 years
Customer relationships	6 to 10 years

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the carrying amounts of tangible and intangible assets other than goodwill are reviewed to determine whether there is any indication that those assets have suffered an impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but with the increased carrying amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Write-downs to net realisable value are recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value, and are subsequently present-valued where the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Music, film and video contract advances

Music contract advances are recognised in profit or loss on payment or release of the product, whichever is the earlier. Film and video contract advances are recognised in profit or loss at the time that the releaser has the right to release the product.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

Investments

Investments, including those in subsidiaries, are recognised and derecognised on a trade date basis where the purchase or sale of the investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are recognised at fair value.

An impairment loss is recognised in profit or loss when there is objective evidence that the investment is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the investment's cost would have been had the impairment not been recognised.

Investments classified as financial assets are measured at subsequent reporting dates at fair value, with gains and losses arising from changes in fair value being recognised in profit or loss. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are recognised initially at fair value, with any changes in fair value being recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Bank overdrafts are measured at fair value. Interest-bearing bank loans are measured at amortised cost using the effective interest method.

Trade payables

Trade payables are measured at fair value.

Forward exchange contracts

Forward exchange contracts are recognised initially at fair value at the contract date, and are remeasured to fair value at subsequent reporting dates, with gains and losses arising from changes in fair value being recognised in profit or loss.

Cash flow hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

On initial designation of the hedge, the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transactions, together with the methods that will be used to assess the effectiveness of the hedging relationships, are formally documented. Assessments are made at the inception of the hedge relationships, as well as on an ongoing basis, as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedges are designated, and as to whether the actual results of each hedge are within a range of 80% to 125%.

If the hedging instruments no longer meet the criteria for hedge accounting, expire, are sold, terminated, unwound or exercised, hedge accounting is discontinued prospectively, and any cumulative gain or loss previously recognised in equity is transferred to profit or loss.

Provisions

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that the obligation will need to be settled. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are present-valued where the effect of discounting is material.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of the incentives that will eventually vest, and is adjusted for the effect of non-market vesting conditions.

Judgements made

In applying the Group's accounting policies, the following judgements have been made:

Deferred taxation assets

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available in future against which the deferred taxation assets can be utilised. The future availability of taxable profits is based on management's judgements regarding future business plans.

Asset lives and residual values

Property (other than land), plant and equipment and significant components thereof are depreciated to their residual values over their estimated useful lives. Methods of depreciation, residual values and estimated useful lives are reviewed annually, based on management's judgement of relevant factors and conditions.

Impairment of tangible and intangible assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is then estimated to determine the extent of any impairment.

Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives and intangible assets not yet available for use are also tested annually for impairment by comparing their carrying amounts with their recoverable amounts.

Goodwill acquired in a business combination is also tested annually for impairment.

In its impairment testing, management takes into account various considerations, including future cash flows expected to be generated by the assets under review.

Purchase price allocation relating to business combinations

Judgement is exercised to determine the purchase price allocation arising from business combinations.

Sources of estimation uncertainty

Valuation of post-retirement benefits

The actuarial valuations of post-retirement benefits are based on estimations including discount rates, healthcare cost inflation rates and subsidy amounts. The Group's post-retirement benefits are valued by independent actuaries.

Valuation of share-based payments

The valuation models used to value share-based payments include estimates as to expected incentive lives, volatilities, vestings, dividend yields and risk-free interest rates. The Group's share-based payments plans are valued by independent actuaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	Group 2014 Rm	Group 2013 Rm	Company 2014 Rm	Company 2013 Rm
3. REVENUE				
CONTINUING OPERATIONS				
Goods sold	**3 146**	3 312		
Services rendered	**849**	519		
	3 995	3 831		
4. OPERATING COSTS				
CONTINUING OPERATIONS				
Operating costs are stated after charging (crediting):				
Operating lease charges	**82**	78		
– land and buildings	**72**	68		
– equipment and vehicles	**10**	10		
Net foreign exchange (profits) losses				
– realised	**(1)**	2		
Retirement benefit plans contributions	**77**	78		
– defined contribution plans	**76**	77		
– defined benefit plan	**1**	1		
Staff costs (including retirement benefit plan contributions)	**1 237**	1 194		

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

CONTINUING OPERATIONS

5.1 BUSINESS SEGMENTS

	Media Rm	Broadcasting and Content Rm	Retail Solutions Rm	Entertainment Rm	Books Rm	Subtotal Rm	Elminations Rm	Subtotal Rm	Corporate Rm	Share-based payments Rm	Total Rm
2014											
Revenue	**1 917**	**421**	**1 657**	**–**	**–**	**3 995**	**–**	**3 995**	**–**	**–**	**3 995**
Inter-segment revenue*	**41**	**28**	**123**	**–**	**–**	**192**	**(192)**	**–**	**–**	**–**	**–**
	1 958	**449**	**1 780**	**–**	**–**	**4 187**	**(192)**	**3 995**	**–**	**–**	**3 995**
Profit (loss) from operations before exceptional items	**162**	**27**	**133**	**–**	**–**	**322**	**–**	**322**	**(29)**	**(21)**	**272**
Depreciation	**17**	**5**	**52**	**–**	**–**	**74**	**–**	**74**	**–**	**–**	**74**
Amortisation	**5**	**8**	**20**	**–**	**–**	**33**	**–**	**33**	**–**	**–**	**33**
Exceptional items	**(21)**	**(4)**	**(33)**	**–**	**–**	**(58)**	**–**	**(58)**	**145**	**–**	**87**
Capital expenditure											
Property, plant and equipment	**14**	**10**	**60**	**–**	**–**	**84**	**–**	**84**	**4**	**–**	**88**
Intangible assets	**2**	**3**	**3**	**–**	**–**	**8**	**–**	**8**	**–**	**–**	**8**
2013											
Revenue	1 835	325	1 671	–	–	3 831	–	3 831	–	–	3 831
Inter-segment revenue*	284	41	245	–	–	570	(570)	–	–	–	–
	2 119	366	1 916	–	–	4 401	(570)	3 831	–	–	3 831
Profit (loss) from operations before exceptional items	156	1	108	–	–	265	–	265	(40)	–	225
Depreciation	18	3	59	–	–	80	–	80	–	–	80
Amortisation	4	6	22	–	–	32	–	32	–	–	32
Exceptional items	(9)	(19)	(54)	(77)	–	(159)	–	(159)	(39)	–	(198)
Capital expenditure											
Property, plant and equipment	25	8	65	13	17	128	–	128	1	–	129
Intangible assets	11	8	2	–	–	21	–	21	–	–	21

- TMG's operating segments are components that engage in business activities from which they earn revenues and incur expenses, whose operating results are regularly reviewed by TMG's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance, and for which discrete financial information is available. In addition, each operating segment is headed up by a segment manager who is directly accountable to, and who maintains regular contact with, the chief operating decision maker to discuss operating activities, financial results, forecasts and plans of the operating segment.
- The accounting policies of the reportable segments are the same as the Group's accounting policies.
- The products and services from which each reportable segment derive their revenues are set out in the segmental structure on page 5 of the integrated annual report.
- Operational changes during the year, including management changes and acquisitions and disposals, have resulted in changes in reportable segments. The relevant comparative financial information has been re-presented accordingly. Details of the operating entities that make up the business segments are set out in the segmental structure on page 5 of the integrated annual report.

* *Charged on arm's length terms.*

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

5. BUSINESS AND GEOGRAPHICAL SEGMENTS continued

CONTINUING OPERATIONS

5.2 GEOGRAPHICAL SEGMENTS

The Group's continuing operations are all South African based while the discontinued operations are arranged into two geographical segments, namely South Africa and International. International operations comprise the United Kingdom, Australia and New Zealand.

	Group	
	2014 Rm	2013 Rm
Revenue		
CONTINUING OPERATIONS		
South Africa	**3 995**	3 831

	Segment assets		Capital expenditure on property, plant, equipment and intangible assets	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
Assets excluding goodwill	**2 463**	2 232	**178**	150
South Africa	**2 463**	2 232	**178**	149
International	**–**	–	**–**	1
Goodwill	**455**	491		
	2 918	2 723	**178**	150

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
6. DEPRECIATION				
CONTINUING OPERATIONS				
Plant, furniture and equipment	**68**	74		
Leasehold improvements	**3**	3		
Buildings	**1**	1		
Vehicles	**2**	2		
	74	80		
7. AMORTISATION				
CONTINUING OPERATIONS				
Patents and trademarks	**1**	–		
Licences	**5**	2		
Publishing rights and titles	**1**	1		
Computer software	**7**	9		
Contracts and customer relationships	**19**	20		
	33	32		

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
8. EXCEPTIONAL ITEMS				
CONTINUING OPERATIONS				
Media	**(21)**	(9)		
– Impairment of community newspaper title	**(1)**	–		
– Revaluation of investment	**–**	2		
– Post-retirement medical aid provisioning	**–**	(14)		
– Gain on acquisition of BDFM Group	**–**	24		
– Retrenchment costs	**(20)**	(21)		
Broadcasting and Content	**(4)**	(19)		
– Gain on acquisition of Rise FM	**3**	–		
– Gain on disposal of Ponte advertising site	**10**	–		
– Impairment of goodwill	**(16)**	(13)		
– Retrenchment costs	**(1)**	(6)		
Retail Solutions	**(33)**	(54)		
– Profit on sale of Universal Web assets	**8**	–		
– Costs related to closure of Universal Web	**(6)**	–		
– Gain on acquisition of Ferroprint	**4**	–		
– Impairment of intangible assets	**–**	(27)		
– Impairment of Uniprint plant	**–**	(10)		
– Legacy balances and legal matters	**(15)**	–		
– Retrenchment costs	**(24)**	(17)		
Entertainment	**–**	(77)		
– Legacy balances and legal matters	**–**	(7)		
– Profit on disposal of property	**–**	2		
– Impairment of customised SAP system	**–**	(16)		
– Impairment of gaming stock	**–**	(14)		
– Losses on non-renewal of licence	**–**	(21)		
– Increased stock provisioning	**–**	(12)		
– Write-off of development costs of new business channels	**–**	(9)		
Corporate	**145**	(39)	**(676)**	(999)
– Revaluation of listed investments	**1**	–	**–**	–
– Post-retirement medical aid	**149**	–	**–**	–
– Costs related to acquisitions	**(4)**	–	**–**	–
– Retirement fund surplus	**–**	9	**–**	–
– Scheme of arrangement transaction costs	**–**	(62)	**–**	(12)
– Impairment of investment in subsidiary	**–**	–	**(676)**	(987)
– Credit arising on cancellation of Avusa share incentive plans	**–**	14	**–**	–
– Retrenchment costs	**(1)**	–	**–**	–
	87	(198)	**(676)**	(999)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
9. FINANCE INCOME				
CONTINUING OPERATIONS				
Interest received	**18**	19	**–**	6
Bank deposits	**7**	18	**–**	6
Cash flow hedges	**10**	–	**–**	–
Other	**1**	1	**–**	–
Dividends received				
Subsidiaries	**–**	–	**–**	1 008
	18	19	**–**	1 014
10. FINANCE COSTS				
CONTINUING OPERATIONS				
Interest paid				
Borrowings	**43**	73	**–**	–
Loan-raising fee (amortised) (see note 25)	**2**	1	**–**	–
Cash flow hedges	**2**	10	**–**	–
Finance leases	**6**	4	**–**	–
Other	**1**	–	**–**	–
Suppliers	**–**	2	**–**	–
Preference dividends	**–**	–	**–**	6
	54	90	**–**	6

	Group		Company	
	2014 Rm	2013 Rm	**2014 Rm**	2013 Rm
11. TAXATION				
CONTINUING OPERATIONS				
Current taxation	**70**	39	**–**	2
South African normal taxation				
– current year	**68**	41	**–**	2
– prior year under (over) provision	**2**	(2)	**–**	–
Deferred taxation (see note 27)	**37**	(57)	**–**	–
Current year	**37**	(58)	**–**	–
Prior year under provision	**–**	1	**–**	–
	107	(18)	**–**	2
	%	%	**%**	%
Tax rate reconciliation				
Taxation at the standard rate	**28**	(28)	**(28)**	28
Tax effect of non-deductible expenses	**4**	16	**28**	4 130
Capital profits	**–**	(9)	**–**	–
Non-taxable income	**–**	–	**–**	(4 129)
Utilisation of tax losses not previously recognised	**–**	(18)	**–**	–
Deferred tax assets not raised on estimated assessable losses	**1**	3	**–**	–
Share of (profits) losses of associates	**(1)**	10	**–**	–
	32	(26)	**–**	29

- South African normal taxation is calculated at 28% (2013: 28%) of the estimated taxable income for the year. The closing balance on deferred taxation is calculated at 28% (2013: 28%).
- Taxation of foreign subsidiaries is calculated at the rates prevailing in their respective jurisdictions.
- The Group's estimated assessable losses available for the reduction of future taxable income, and not taken into account in the computation of the deferred taxation assets, amounted to R13 million (2013: R8 million).
- The Company has no available credits in respect of secondary tax on companies.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

12. DISCONTINUED OPERATIONS

The following assets comprise TMG's discontinued operations:

Media
- Industria property
- Port Elizabeth property
- I-Net Bridge (disposed of on 15 November 2013)
- East London properties (disposed of on 10 October 2013)

Broadcasting and Content
- Boo Media (disposed of on 1 May 2014)
- Interactive Junction Holdings

Retail Solutions
- Bedfordview property

Books
- Map Studio (disposed of on 30 June 2014)
- Van Schaik Bookstore (disposed of on 2 December 2013)
- Exclusive Books (disposed of on 1 December 2013)
- New Holland Publishing (Random House Struik disposed of on 25 November 2013, Mega Digital disposed of on 1 November 2013 and Struik Christian Media disposed of on 29 July 2013)
- MapIT (disposed of on 31 May 2013)

Entertainment
- Nu Metro Cinemas including Popcorn Cinema Advertising Sales (disposed of on 28 November 2013)
- 40% interest in Warner Music Gallo Africa (disposed of on 31 July 2013)
- Monte Cinemas (disposed of on 28 June 2013)
- 50% stake in Three Groups Cinemas (Suncoast Cinema) (disposed of on 31 May 2013)

	Group 2014 Rm	Group 2013 Rm
12. DISCONTINUED OPERATIONS continued		
Revenue	**920**	2 182
Cost of sales	**(479)**	(1 185)
Gross profit	**441**	997
Operating expenses	**(430)**	(901)
Operating costs	**(402)**	(838)
Depreciation	**(20)**	(51)
Amortisation	**(8)**	(12)
Profit from operations before exceptional items	**11**	96
Exceptional items	**(11)**	(66)
Profit from operations	**–**	30
Net finance income	**1**	1
Finance income	**2**	5
Finance costs	**(1)**	(4)
Share of (losses) profits of associates (net of income tax)	**(12)**	2
(Loss) profit before taxation	**(11)**	33
Taxation	**(21)**	(18)
(Loss) profit after taxation before profit on disposals	**(32)**	15
Profit on disposals (net of capital gains tax)	**204**	47
Profit on disposal of properties	**8**	–
Profit on disposal of I-Net Bridge	**85**	–
Loss on disposal of Boo Media	**(3)**	–
Loss on disposal of Map Studio	**(1)**	–
Profit on disposal of Van Schaik Bookstore	**116**	–
Profit on disposal of Exclusive Books	**63**	–
Loss on disposal of Random House Struik	**(7)**	–
Loss on disposal of Struik Christian Media	**(1)**	–
Loss on disposal of Nu Metro Cinemas and Popcorn Cinema Advertising Sales	**(18)**	–
Loss on disposal of Warner Music Gallo Africa	**(1)**	–
(Loss) profit on disposal of MapIT	**(1)**	32
Profit on disposal of Monte Cinemas	**-**	11
Profit on disposal of Three Groups Cinemas (Suncoast Cinema)	**-**	9
Capital gains tax	**(36)**	(5)
Profit from discontinued operations	**172**	62

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

	Group 2014 Rm	Group 2013 Rm
12. DISCONTINUED OPERATIONS continued		
Segmental revenue from external customers		
Media	**54**	116
Broadcasting and Content	**75**	68
Books	**654**	1 584
Entertainment	**137**	414
	920	2 182
Segmental profit (loss) from operations before exceptional items		
Media	**(1)**	6
Broadcasting and Content	**(1)**	3
Books	**12**	90
Entertainment	**1**	(3)
	11	96
Segmental exceptional items		
Broadcasting and Content		
– Goodwill impairment	**–**	(20)
Books	**(12)**	(31)
– Impairment of Exclusives.co.za	**(1)**	(15)
– Increased provisioning of stock and debtors	**(1)**	(13)
– Retrenchment costs	**(3)**	(3)
– Early termination of lease	**(4)**	–
– Impairment of carrying value of business	**(3)**	–
Entertainment	**1**	(15)
– Final dividend from Monte Cinemas	**1**	–
– Impairment of property, plant and equipment	**–**	(6)
– Onerous leases	**–**	(7)
– Retrenchment costs	**–**	(2)
	(11)	(66)
Assets and liabilities of discontinued operations classified as held for sale		
Non-current assets	**92**	259
Current assets	**111**	634
Non-current liabilities	**6**	32
Current liabilities	**26**	385
Cash flow information		
Net cash flows from operations	**11**	156
Taxation paid	**1**	(5)
Net cash flows from operating activities	**12**	151
Net cash flows from investing activities	**(62)**	7
Net cash flows from financing activities	**44**	(13)
Foreign operations translation adjustment	**(3)**	(3)
Cash flows from discontinued operations	**(9)**	142

13. EARNINGS PER ORDINARY SHARE

Group

The calculation of basic earnings and headline earnings per ordinary share for the year ended 30 June 2014 is based on earnings of R400 million and headline earnings of R210 million, respectively, and on a weighted average of 126 981 955 ordinary shares in issue.

The calculation of diluted earnings and diluted headline earnings per ordinary share for the year ended 30 June 2014 is based on earnings of R400 million and headline earnings of R210 million, respectively, and on a weighted average of 128 126 827 diluted ordinary shares in issue. The additional diluted ordinary shares arise as a result of equity-settled share incentives in issue.

The earnings and headline earnings for the year ended 30 June 2013 include a comparative interest charge of R19 million from the beginning of that year to the reverse acquisition date of 25 September 2012 in respect of the R1,15 billion term loans raised. The weighted average number of ordinary shares in issue during the year ended 30 June 2013 is calculated on the basis of the number of ordinary shares in issue from the beginning of the year to the acquisition date, being the weighted average number of ordinary shares of Avusa (the accounting acquirer) in issue during that period, multiplied by the share exchange ratio in terms of the acquisition, and the weighted average number of ordinary shares in issue from the acquisition date to the end of the year, being the weighted average number of ordinary shares of TMG (the legal acquirer) in issue during that year.

The calculation of basic and diluted earnings and headline earnings per ordinary share for the year ended 30 June 2013 is based on a loss of R16 million and headline earnings of R24 million, respectively, and on a weighted average of 141 230 227 ordinary shares in issue.

		2014		2013	
Reconciliation between earnings and headline earnings		**Gross Rm**	**Net of tax Rm**	Gross Rm	Net of tax Rm
CONTINUING OPERATIONS					
Earnings (loss)			**228**		(54)
(Profit) loss on disposal of property, plant and equipment		**(6)**	**8**	3	2
(Profit) loss on disposal of intangible assets		**(10)**	**(6)**	2	2
Impairment of plant and equipment		**–**	**–**	10	7
Impairment of intangible assets		**1**	**1**	42	30
Impairment of goodwill		**16**	**16**	13	13
Impairment of loan		**–**	**–**	25	25
Revaluation of investments		**(1)**	**–**	(3)	(3)
Profits on disposal of listed investments		**(1)**	**(1)**	–	–
Gain on acquisition of Rise FM and Ferroprint (2013: BDFM Group)		**(7)**	**(7)**	(24)	(24)
Attributable to non-controlling interest		**–**	**–**	–	–
Headline earnings (loss)			**239**		(2)
Earnings (loss) per ordinary share from continuing operations					
Basic	(cents)		**180**		(52)
Diluted	(cents)		**178**		(52)
Headline earnings (loss) per ordinary share from continuing operations					
Basic	(cents)		**188**		(15)
Diluted	(cents)		**187**		(15)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued
for the year ended 30 June 2014

	2014 Gross Rm	2014 Net of tax Rm	2013 Gross Rm	2013 Net of tax Rm
13. EARNINGS PER ORDINARY SHARE continued				
DISCONTINUED OPERATIONS				
Earnings		**172**		57
Profit on disposal of interests in I-Net Bridge, Boo Media, Map Studio, Van Schaik Bookstore, Exclusive Books, Random House Struik, Struik Christian Media, Mega Digital, Nu Metro Cinemas and Popcorn Cinema Advertising Sales, Warner Music Gallo Africa and MapIT (2013: MapIT, Monte Cinemas and Suncoast Cinema)	**(232)**	**(198)**	(52)	(47)
Loss on disposal of property, plant and equipment	**2**	**1**	1	1
Profit on disposal of properties	**(8)**	**(7)**	–	–
Impairment of carrying value of business	**3**	**3**	–	–
Impairment of plant and equipment	**–**	**–**	6	4
Impairment of intangible assets	**–**	**–**	15	10
Impairment of goodwill	**–**	**–**	20	20
Attributable to non-controlling interest	**–**	**–**	–	–
Headline (loss) earnings		**(29)**		45
Earnings per ordinary share from discontinued operations				
Basic (cents)		**135**		41
Diluted (cents)		**134**		41
Headline (loss) earnings per ordinary share from discontinued operations				
Basic (cents)		**(23)**		32
Diluted (cents)		**(23)**		32
TOTAL OF CONTINUING AND DISCONTINUED OPERATIONS				
Earnings (loss) per ordinary share				
Basic (cents)		**315**		(11)
Diluted (cents)		**312**		(11)
Headline earnings per ordinary share (cents)				
Basic (cents)		**165**		17
Diluted (cents)		**164**		17

Group	Plant, furniture and equipment Rm	Leasehold improve-ments Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
14. PROPERTY, PLANT AND EQUIPMENT						
COST						
Balance at 30 June 2012	1 533	37	42	22	1	1 635
Additions at cost	122	4	1	2	–	129
Acquisition of subsidiaries	14	2	–	–	–	16
Disposal of subsidiaries	(34)	–	–	–	–	(34)
Other disposals	(193)	(7)	(1)	(4)	–	(205)
Assets written off	–	(4)	–	–	–	(4)
Foreign exchange differences	3	–	–	–	–	3
Transfer to other intangible assets	(6)	–	–	–	–	(6)
Classified as held for sale	(448)	(11)	(8)	(5)	(1)	(473)
Balance at 30 June 2013	991	21	34	15	–	1 061
Classified as held for sale	(10)	–	(14)	–	–	(24)
Additions at cost	78	10	–	–	–	88
Acquisition of subsidiaries and businesses	82	1	–	2	–	85
Other disposals	(213)	(2)	(2)	(1)	–	(218)
Balance at 30 June 2014	**928**	**30**	**18**	**16**	**–**	**992**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 30 June 2012	988	25	13	15	1	1 042
Charge for the year						
– Continuing operations	74	3	1	2	–	80
– Discontinued operations	49	1	–	1	–	51
Acquisition of subsidiaries	11	1	–	–	–	12
Disposal of subsidiaries	(18)	–	–	–	–	(18)
Other disposals	(179)	(7)	–	(3)	–	(189)
Impairments	18	–	–	–	–	18
Assets written off	–	(3)	–	–	–	(3)
Foreign exchange differences	2	–	–	–	–	2
Classified as held for sale	(313)	(4)	(3)	(5)	(1)	(326)
Balance at 30 June 2013	632	16	11	10	–	669
Classified as held for sale	(8)	–	(4)	–	–	(12)
Charge for the year	68	3	1	2	–	74
Acquisition of subsidiaries and businesses	36	–	–	1	–	37
Other disposals	(152)	(1)	(2)	(1)	–	(156)
Balance at 30 June 2014	**576**	**18**	**6**	**12**	**–**	**612**

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

Group	Plant, furniture and equipment Rm	Leasehold improve-ments Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
14. PROPERTY, PLANT AND EQUIPMENT continued						
CARRYING AMOUNT						
At 30 June 2013	359	5	23	5	–	392
At 30 June 2014	**352**	**12**	**12**	**4**	**–**	**380**
PROFIT (LOSS) ON DISPOSALS						
For the year ended 30 June 2013						
Proceeds	9	–	3	1	–	13
Net book value of disposals	14	–	1	1	–	16
(Loss) profit on disposals	(5)	–	2	–	–	(3)
For the year ended 30 June 2014						
Proceeds	**67**	**1**	**–**	**–**	**–**	**68**
Net book value of disposals	**61**	**1**	**–**	**–**	**–**	**62**
Profit on disposals	**6**	**–**	**–**	**–**	**–**	**6**

- Registers containing details of the freehold land and buildings are available for inspection at the registered office of the Company.
- Property, plant and equipment with a net book value of R107 million (2013: R54 million) was encumbered as reflected in note 25.

	Group	
	2014 **Rm**	2013 Rm
15. GOODWILL		
COST		
Balance at beginning of the year	**559**	570
Recognised on acquisition and disposal of subsidiaries	**41**	1
Classified as held for sale	**(81)**	(12)
Balance at end of the year	**519**	559
ACCUMULATED IMPAIRMENT		
Balance at beginning of the year	**68**	36
Impairment	**16**	33
Classified as held for sale	**(20)**	(1)
Balance at end of the year	**64**	68
CARRYING AMOUNT		
At beginning of the year	**491**	534
At end of the year	**455**	491

The carrying amount of goodwill includes the following significant items:

- R313 million (2013: R313 million) on acquisition of Retail Solutions.
- R41 million (2013: Rnil) on acquisition of Bates Printing.
- R40 million (2013: R40 million) on acquisition of the final 40% stake in Compact Disc Technologies.
- R10 million (2013: R25 million) on acquisition of Airport Media.
- R20 million (2013: R20 million) on acquisition of New Africa Publications (Sowetan).

The carrying amounts of goodwill in respect of other cash-generating units are not significant in comparison with the Group's total carrying amount of goodwill.

Cash flows used in impairment testing of goodwill were projected using five-year periods and estimated future growth rates discounted by the Group's weighted average cost of capital.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

Group	Patents and trade-marks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relation-ships Rm	Trade names Rm	Total Rm
16. OTHER INTANGIBLE ASSETS							
COST							
Balance at 30 June 2012	67	32	80	206	210	166	761
Additions at cost	3	2	3	13	–	–	21
Disposals	–	–	(2)	(5)	–	–	(7)
Assets written off	–	–	–	(23)	–	–	(23)
Acquisition of subsidiaries	5	12	30	5	–	–	52
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)
Foreign exchange differences	1	–	1	2	–	–	4
Transfer from property, plant and equipment	–	–	–	6	–	–	6
Classified as held for sale	(37)	–	(47)	(102)	(1)	–	(187)
Balance at 30 June 2013	39	46	65	85	209	166	610
Classified as held for sale	–	–	–	(17)	–	–	(17)
Additions at cost	–	3	–	5	–	–	8
Disposals	–	–	–	(1)	(12)	–	(13)
Acquisition of subsidiaries	–	43	–	–	22	–	65
Balance at 30 June 2014	**39**	**92**	**65**	**72**	**219**	**166**	**653**
ACCUMULATED AMORTISATION AND IMPAIRMENT							
Balance at 30 June 2012	65	29	60	132	45	–	331
Charge for the year							
– Continuing operations	–	2	1	9	20	–	32
– Discontinued operations	–	–	1	11	–	–	12
Impairments	–	–	–	(8)	–	–	(8)
Assets written off	–	–	–	13	27	–	40
Disposals	–	–	(1)	(5)	–	–	(6)
Acquisition of subsidiaries	5	9	–	2	–	–	16
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)
Foreign exchange differences	1	–	1	1	–	–	3
Classified as held for sale	(35)	–	(16)	(81)	(1)	–	(133)
Balance at 30 June 2013	36	40	46	57	91	–	270
Classified as held for sale	–	–	–	(5)	(5)	–	(10)
Charge for the year	1	5	1	7	19	–	33
Impairments	–	–	1	–	–	–	1
Disposals	–	–	–	(1)	(7)	–	(8)
Acquisition of subsidiaries	–	–	–	–	1	–	1
Balance at 30 June 2014	**37**	**45**	**48**	**58**	**99**	**–**	**287**

Group	Patents and trade-marks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relation-ships Rm	Trade names Rm	Total Rm
16. OTHER INTANGIBLE ASSETS continued							
CARRYING AMOUNT							
At 30 June 2013	3	6	19	28	118	166	340
At 30 June 2014	**2**	**47**	**17**	**14**	**120**	**166**	**366**
PROFIT (LOSS) ON DISPOSALS							
For the year ended 30 June 2013							
Proceeds	–	–	–	–	–	–	–
Net book value of disposals	–	–	1	–	–	–	1
Loss on disposals	–	–	(1)	–	–	–	(1)
For the year ended 30 June 2014							
Proceeds	**–**	**–**	**–**	**–**	**15**	**–**	**15**
Net book value of disposals	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Profit on disposals	**–**	**–**	**–**	**–**	**10**	**–**	**10**

Trade names and certain publishing rights and titles have no foreseeable limit to the period over which they are expected to be available for use. Accordingly, they are assessed as having indefinite useful lives, and are not amortised. Their carrying values are detailed above. The trademarks have been hypothecated in favour of the security SPV as detailed in note 25.

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for the year ended 30 June 2014

	Group		Company	
	2014 **Rm**	2013 Rm	**2014** **Rm**	2013 Rm
17. INTERESTS IN SUBSIDIARIES				
Unlisted shares at cost less amount written off			**1 018**	1 694
Owing by subsidiaries			**6**	40
			1 024	1 734
18. INTERESTS IN ASSOCIATES AND JOINT VENTURES				
	376	22	**–**	–
Unlisted shares at cost less amount written off	**366**	10	**–**	–
Amounts owing	**4**	10	**–**	–
Share of post-acquisition reserves	**6**	2	**–**	–
Directors' valuation	**376**	22	**–**	–
Further information regarding interests in associates and joint ventures is set out in note 42.				
19. INVESTMENTS				
	2	13		
Seardel Investment Corporation Limited	**2**	–		
African Media Entertainment Limited	**–**	13		
These listed investments are classified as financial assets and are carried at fair value. Fair value is determined by reference to the price quoted on the JSE Limited.				
20. LONG-TERM RECEIVABLE				
Nu Metro Cinemas purchase price receivable on 28 November 2015	**8**	–		
The Nu Metro Cinemas (including Popcorn Cinema Advertising Sales) sale price includes R10 million payable by the purchaser on 28 November 2015. This receivable has been discounted at TMG's weighted average cost of capital.				
21. INVENTORIES				
Merchandise	**130**	111		
Work in progress	**24**	22		
Raw materials	**94**	96		
Consumable stores and maintenance spares	**1**	1		
	249	230		
Inventory write-offs expensed	**10**	44		
Inventories recognised as an expense in cost of sales	**645**	685		

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
22. TRADE AND OTHER RECEIVABLES				
Trade receivables	**774**	736		
Gross	**800**	769		
Allowances for doubtful receivables	**(26)**	(33)		
Sundry receivables	**106**	146		
Prepayments	**55**	61		
	935	943		
Movement in allowances for doubtful receivables				
Balance at beginning of the year	**33**	45		
Provided during the year	**8**	12		
Utilised during the year	**(1)**	(6)		
Reversed during the year	**(14)**	(12)		
Classified as held for sale	**–**	(6)		
Balance at end of the year	**26**	33		
The directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables have been pledged in favour of the security SPV as detailed in note 25. Credit risk relating to trade receivables is detailed in note 30.				
23. STATED CAPITAL				
Authorised share capital				
500 000 000 (2013: 500 000 000) ordinary no par value shares				
Issued and fully paid-up share capital				
127 077 145 (2013: 127 077 145) ordinary no par value shares	**1 724**	1 724	**1 724**	1 724

Shares held as treasury shares by Times Media Proprietary Limited, a wholly owned subsidiary of TMG:

- 29 966 shares purchased at R15,59 per share in terms of TMG's April 2013 odd-lot offer.
- 576 767 shares purchased at an average price of R21,43 per share in the market during the year ended 30 June 2014.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

	Group		Company	
	2014 **Rm**	2013 Rm	**2014** **Rm**	2013 Rm
24. OTHER RESERVES				
Foreign currency translation reserve	**(5)**	(1)		
Equity-settled share incentives reserve	**17**	(4)		
Excess of cost of non-controlling interest over carrying value on acquisition	**(24)**	(24)		
Treasury shares held by subsidiary	**(12)**	–		
Fair value of cash flow hedges	**–**	7		
Effect of reverse acquisition accounting	**(1 111)**	(1 111)		
	(1 135)	(1 133)		
25. BORROWINGS				
Unsecured				
• **Bank overdrafts**	**43**	87	**–**	–
Bank overdrafts bear interest at rates related to prime.				
• **Asset financing**	**20**	–	**–**	–
The asset financing bears interest at 7,4% per annum.				
• **Various borrowings**	**3**	3	**–**	–
The loans are interest-free with no fixed terms of repayment.				
Total unsecured borrowings	**66**	90	**–**	–
Secured				
• **Term funding loans**	**292**	698	**–**	–

R1,15 billion was borrowed on 25 September 2012, R575 million by way of a six-year amortising loan, and R575 million by way of a six-year bullet loan. The amortising loan pays interest at JIBAR +3%, and the bullet loan at JIBAR +3,5%.

Security over the loans includes a guarantee by a security SPV and indemnity by the Group in favour of the security SPV, cross-guarantees provided by wholly owned Group companies, the cession and pledge of shares in wholly owned subsidiaries, and the cession, pledge and hypothecation by Times Media Proprietary Limited of its bank accounts, book debts and trademarks.

Loan covenants, including net debt to EBITDA, debt service cover and interest cover were complied with, and no defaults have occurred.

The loan-raising fee is amortised over the period of the loan. The amortised amount is included in finance costs (see note 10).

R858 million (2013: R452 million) of the six-year loans was repaid by 30 June 2014.

These loans require the prior consent of the lenders, FirstRand Bank, Nedbank and The Standard Bank of South Africa, for TMG to acquire and dispose of businesses, and to make distributions to shareholders.

In order to hedge against the risk of interest rate fluctuations on this JIBAR-linked loan funding, interest rate swap agreements were entered into. The swaps were accounted for as cash flow hedges and were fully unwound during the year.

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
25. BORROWINGS continued				
Secured continued				
• **Vehicle and asset financing**	**99**	44	**–**	–
The vehicle and asset financing has interest rates varying from 7% to 9% per annum, and repayment terms ranging from three to five years. The underlying assets provide the security.				
• **Finance leases**	**–**	1	**–**	–
Interest rates vary from 6,5% to 15,0%. The leases are repayable within three to five years and are secured by the underlying assets.				
Total secured borrowings	**391**	743	**–**	–
Total borrowings	**457**	833	**–**	–
Maturities of the above borrowings:				
– Within one year	**91**	143	**–**	–
– In the second to fifth years inclusive	**366**	304	**–**	–
– After five years	**–**	386	**–**	–
Total borrowings	**457**	833	**–**	–
Amount due within one year shown under current liabilities	**91**	143	**–**	–
Total long-term borrowings	**366**	690	**–**	–
Assets encumbered				
Property, plant and equipment (see note 14)	**107**	54	**–**	–

In terms of its memorandum of incorporation, the Company's borrowing powers are unrestricted.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

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26. POST-RETIREMENT BENEFITS LIABILITIES

Certain Group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners and employees on retirement. An obligation in respect of post-retirement medical aid benefits no longer forms part of the conditions of employment for new employees. The quantum of the post-retirement medical aid obligation is valued by independent actuaries. As noted in the directors' report, proceedings have been instituted by a number of former executive employees in relation to claims for increases to post-retirement medical aid subsidies. These proceedings are being defended.

		Group	
		2014	2013
Principal actuarial assumptions			
Discount rate	(% per annum)	**8,5**	8,0
Healthcare cost inflation rate	(% per annum)	**8,4**	7,9
Number of members			
In-service		**76**	305
Pensioners		**388**	383
		464	688
		Rm	Rm
Post-retirement benefits liabilities at beginning of the year		**274**	242
Current service costs		**6**	7
Interest costs		**21**	27
Expected employer benefit payments		**(10)**	(15)
		291	261
Actuarial gain		**(100)**	(3)
Settlement of liabilities		**(97)**	–
Acquisition of remaining 50% interest in BDFM Group		**–**	16
Post-retirement benefits liabilities at end of the year		**94**	274
Payable within one year		**(9)**	(10)
Non-current liabilities		**85**	264
The present value of the unfunded obligation is fully provided.			
The effect of a one percentage point movement in the assumed healthcare cost trend rate on:			
Aggregate of current service costs and interest costs			
–1%		**–**	(2)
+1%		**–**	1
Accumulated post-retirement benefits liabilities			
–1%		**(2)**	(16)
+1%		**2**	9
R96 million of the 2014 actuarial gain arises on valuation as a result of the subsidy amount assumption being capped at the 2013 level.			
Contributions expected to be paid in the next financial year		**10**	10

Group	Balance at 30 June 2013 Rm	Classified as held for sale Rm	Credit (charge) to income Rm	Charge to equity Rm	Acquistion (disposal) of sub-sidiaries (net) Rm	**Balance at 30 June 2014 Rm**
27. DEFERRED TAXATION						
Taxation effect of:						
Post-retirement benefits liabilities	77	–	(51)	–	–	**26**
Accounting provisions	69	(1)	(5)	–	(23)	**40**
Assessable losses	41	–	(20)	–	–	**21**
Operating leases equalisation liabilities	14	–	1	–	(2)	**13**
Excess taxation allowance over amortisation charge	3	–	1	–	(1)	**3**
Share-based payments liabilities	1	–	6	–	–	**7**
Cash flow hedges	(3)	–	–	3	–	**–**
Pension fund surplus	(15)	–	15	–	–	**–**
Purchase price allocation on acquisition of subsidiaries	(26)	–	5	–	(17)	**(38)**
Excess taxation allowance over depreciation charge	(45)	–	11	–	5	**(29)**
	116	(1)	(37)	3	(38)	**43**
Reconciled as follows:						
Deferred taxation assets	163					**82**
Deferred taxation liabilities	(47)					**(39)**
	116					**43**

Deferred taxation assets have been raised on assessable income tax losses of R75 million (2013: R146 million) where future taxable profits are expected.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June 2014

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
28. TRADE AND OTHER PAYABLES				
Trade payables	**901**	782	**–**	–
Current portion of operating leases equalisation liabilities	**4**	3	**–**	–
Liabilities to shareholders for scheme of arrangement and odd-lot offer	**–**	–	**6**	6
	905	785	**6**	6

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

29. PROVISIONS

Group	Balance at 30 June 2013 Rm	Provided during the year Rm	Utilised during the year Rm	Reversed during the year Rm	**Balance at 30 June 2014 Rm**
Overage	16	23	(6)	–	**33**
Onerous leases	2	–	–	(2)	**–**
	18	23	(6)	(2)	**33**

- **Overage**
  The provision represents royalties payable by Times Media Films to studio houses. The provision is based on royalty percentages, and the amount finally paid is dependent on the performance of the films.
- **Onerous leases**
  The provision was in respect of sub-economic leases, based on discounted future rental costs.

30. FINANCIAL INSTRUMENTS

Capital risk management

The Company and the Group define total capital as "total equity" plus "long-term borrowings" as reflected in the statement of financial position.

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and other benefits to other stakeholders.

The Company and the Group may issue or repurchase shares, return capital to shareholders, pay dividends, raise or repay debt and buy or sell assets in order to maintain or change the capital structure.

Capital is monitored using the gearing ratio.

Significant accounting policies

Details of significant accounting policies, including recognition criteria and the basis of measurement in respect of each category of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management

The Company and the Group do not trade in financial instruments, including derivative financial instruments, for speculative purposes. The Company and the Group are, however, still exposed in the normal course of their operations to financial risks. In order to minimise these risks, the Company and the Group may enter into transactions that make use of financial instruments. The Company's and the Group's risk management process uses formally documented policies and frameworks, including limits and reporting structures, to control and monitor financial risk.

	Loans and receivables	
	2014	2013
Categories of financial instruments	**Rm**	Rm
Financial assets		
Trade and sundry receivables*	**877**	873
Bank balances, deposits and cash	**47**	103
	924	976

	Loans and payables	
	2014	2013
	Rm	Rm
Financial liabilities		
Vehicle and asset financing	**119**	45
Other interest-bearing borrowings	**335**	785
Interest-free borrowings	**3**	3
Trade and other payables*	**888**	770
	1 345	1 603

* *Excludes taxes.*

30. FINANCIAL INSTRUMENTS continued

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (ie. as prices) or indirectly (ie. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs (ie. market data).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy at which the fair value measurement is categorised.

No transfers were made between the hierarchy levels during the reporting period. No change in the valuation techniques applied occurred from the prior reporting period.

	2014 Rm	2013 Rm
Level 1		
Investments	**2**	13
Level 2		
Financial assets		
Cash flow hedges	**–**	10
Loans to associates and joint ventures	**4**	10
Trade and sundry receivables*	**877**	873
Financial liabilities		
Vehicle and asset financing	**119**	45
Other interest-bearing borrowings	**335**	785
Interest-free borrowings	**3**	3
Trade and other payables*	**888**	770

* *Excludes taxes.*

30. FINANCIAL INSTRUMENTS continued

Liquidity risk

Liquidity risk is the risk of being unable to meet a financial commitment. The Company and the Group manage their liquidity risk by holding cash balances and by maintaining banking facilities. In addition, actual and budgeted cash flows are prepared and reviewed.

The following table details the contractual maturity for non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date for the repayment of the liability. The cash flows include both principal and interest payments.

	Average interest rate (%)	Less than 1 year Rm	1 to 2 years Rm	2 to 5 years Rm	After 5 years Rm	Total Rm
2014						
Vehicle and asset financing	**7,9**	**25**	**28**	**66**	**–**	**119**
Other interest-bearing borrowings	**8,8**	**63**	**26**	**246**	**–**	**335**
Interest-free borrowings		**3**	**–**	**–**	**–**	**3**
Trade and other payables*		**888**	**–**	**–**	**–**	**888**
		979	**54**	**312**	**–**	**1 345**
2013						
Vehicle and asset financing	7,2	12	33	–	–	45
Other interest-bearing borrowings	8,4	128	51	220	386	785
Interest-free borrowings		3	–	–	–	3
Trade and other payables *		770	–	–	–	770
		913	84	220	386	1 603

* *Excludes taxes.*

At 30 June 2014, the Company had R250 million (2013: R250 million) of bank overdraft facilities.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

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30. FINANCIAL INSTRUMENTS continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Company and the Group deal with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Use is made of independent credit rating agencies, publicly available financial information and internal trading records to rate customers and potential customers. Exposures to and credit ratings of counterparties are regularly monitored. The aggregate value of transactions concluded is spread amongst approved counterparties.

The Company and the Group do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets represents the maximum exposure to credit risk. Collateral is taken and credit insurance is purchased where practical.

	2014 Rm	2013 Rm
Trade and sundry receivables*	**877**	873
Bank balances, deposits and cash	**47**	103
	924	976

* *Excludes taxes.*

Trade receivables

Trade receivables comprise a large number of customers spread across all divisions. Credit risk is limited due to the large customer base. Operational management evaluates the creditworthiness of customers before credit facilities are granted, and thereafter on a regular basis. Each business unit establishes an allowance for doubtful receivables that represents an estimate of potential losses in respect of amounts owed by trade debtors. Credit terms vary between the divisions but the majority of customers are given terms between 30 and 60 days.

	2014 Rm	2013 Rm
Ageing of trade receivables (gross)		
Current	**400**	355
30 days	**226**	263
60 days	**70**	61
90 days	**31**	30
120 days	**73**	60
	800	769
Ageing of allowance for doubtful receivables		
Current	**–**	–
30 days	**–**	–
60 days	**–**	1
90 days	**1**	6
120 days	**25**	26
	26	33
Ageing of trade receivables (net)		
Current	**400**	355
30 days	**226**	263
60 days	**70**	60
90 days	**30**	24
120 days	**48**	34
	774	736

	2014 Rm	2013 Rm
30. FINANCIAL INSTRUMENTS continued		
Ageing of trade receivables past due		
Current	**–**	–
30 days	**3**	2
60 days	**53**	49
90 days	**29**	26
120 days	**68**	55
	153	132
Ageing of trade receivables past due net of allowance for doubtful receivables		
Current	**–**	–
30 days	**3**	2
60 days	**53**	48
90 days	**28**	20
120 days	**43**	29
	127	99
Ageing of trade receivables neither past due nor impaired		
Current	**400**	355
30 days	**223**	261
60 days	**17**	12
90 days	**2**	4
120 days	**5**	5
	647	637
Debtors' days	**61**	57
Segmental analysis of trade receivables (net)		
Media	**275**	290
Broadcasting and Content	**51**	51
Retail Solutions	**448**	395
	774	736
Segmental analysis of trade receivables neither past due nor impaired		
Media	**264**	270
Broadcasting and Content	**46**	49
Retail Solutions	**337**	318
	647	637

- The Retail Solutions division's trade receivables include the Associated Music Distributors debtors' book, which includes the factored trade receivables of the home entertainment and music businesses.
- The trade receivables that are past due, but not impaired, represent receivables where there has been no significant change in credit quality and the amounts are still considered recoverable.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

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30. FINANCIAL INSTRUMENTS continued

Market risk

The Group's activities expose it to the market risks of changes in foreign currency exchange rates, interest rates and investment values.

Foreign currency risk

The Group operates in a global business environment and therefore enters into transactions in currencies other than functional currencies. Exposure to the risk of fluctuating foreign currency exchange rates is reduced by the Group's policy to use forward exchange contracts where practical. The Group does not enter into derivative contracts for speculative purposes.

At the year end, the Group had contracted the following amounts under outstanding forward exchange contracts:

	Foreign amounts		Rand contract amounts		Rand fair value amounts	
	2014	2013	**2014**	2013	**2014**	2013
Group	**m**	m	**Rm**	Rm	**Rm**	Rm
Foreign exchange contracts – receivable						
At year end, there were no foreign exchange contracts receivable.						
Foreign exchange contracts – payable						
US dollar	**0,3**	3,7	**3**	37	**3**	35
British pound	**–**	0,6	**–**	9	**–**	10
Euro	**0,1**	0,5	**2**	6	**2**	6
Singapore dollar	**–**	0,2	**–**	2	**–**	2
			5	54	**5**	53

At year end, there were no material foreign currency-denominated assets or liabilities not covered by forward exchange contracts. Accordingly, there was no material sensitivity at year end to exchange rate fluctuations.

Year end closing exchange rates to the South African rand	**2014**	2013
US dollar	**10,63**	9,93
British pound	**18,18**	15,08
Euro	**14,55**	12,92
Australian dollar	**10,01**	9,05
New Zealand dollar	**9,30**	7,66
Ghanaian cedi	**3,16**	–
Kenyan shilling	**0,12**	–

30. FINANCIAL INSTRUMENTS continued

Interest rate risk

The Company and the Group are exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates. The exposures to interest rates are detailed in the liquidity risk section of this note. As disclosed in the borrowings note (note 25), the Group used forward interest rate contracts to manage this risk.

The sensitivity analysis below was prepared based on the exposure to interest rates at year end. For floating rate liabilities, the analysis was prepared assuming the amount of unhedged liability outstanding at year end was outstanding for the whole year. A 100 basis point increase or decrease represents a reasonably possible change in interest rates.

	100 basis point change in interest rates	
	Increase Rm	Decrease Rm
2014		
(Loss) profit	**(5)**	**5**
2013		
(Loss) profit	(8)	8

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
31. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH FLOWS FROM OPERATIONS				
Profit (loss) before taxation	**321**	(37)	**(678)**	7
Adjusted for:				
Share of losses of associates	**3**	24	**–**	–
Finance income	**(20)**	(24)	**–**	(1 014)
Finance costs	**55**	94	**–**	6
Depreciation	**94**	131	**–**	–
Amortisation	**41**	44	**–**	–
Impairment of goodwill	**16**	33	**–**	–
Impairment of property, plant and equipment	**–**	16	**–**	–
Impairment of intangible assets	**2**	58	**–**	–
(Profit) loss on disposal of property, plant and equipment	**(12)**	3	**–**	–
(Profit) loss on disposal of intangible assets	**(10)**	1	**–**	–
(Decrease) increase in post-retirement benefits liabilities	**(149)**	15	**–**	–
Employer portion of pension fund surplus	**46**	(9)	**–**	–
Scheme of arrangement transaction costs	**–**	(12)	**–**	–
Share incentive plans	**21**	(2)	**–**	–
Operating leases equalisation liabilities	**5**	4	**–**	–
Other non-cash items	**3**	1	**676**	987
Net cash flows from operations before working capital changes	**416**	340	**(2)**	(14)
Working capital changes	**57**	174	**–**	6
(Increase) decrease in inventories	**(4)**	27	**–**	–
Decrease (increase) in trade and other receivables	**30**	(26)	**–**	–
Increase in trade and other payables	**31**	173	**–**	6
Net cash flows from operations	**473**	514	**(2)**	(8)
32. INCOME FROM INVESTMENTS				
Cash dividends received from subsidiaries	**–**	–	**–**	1 008
Cash dividends received from associates	**5**	5	**–**	–
	5	5	**–**	1 008
33. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT				
Additions:				
– to maintain operations	**88**	129		
– to expand operations	**–**	–		
Total additions (see note 14)	**88**	129		

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
34. ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES				
Acquisition of subsidiaries and businesses				
2014				
• Typesetting and Repro Services on 1 August 2013 (100%)				
• Bates Printing on 1 November 2013 (100%)				
• Rise FM on 3 December 2013 (65%)				
• Vuma 103 FM on 30 January 2014 (60%)				
• Ferroprint on 1 June 2014 (100%)				
2013				
• BDFM Publishers Proprietary Limited on 25 June 2013 (50%)				
Net assets acquired				
Property, plant and equipment	**48**	4		
Intangible assets	**107**	36		
Non-current assets	**–**	15		
Bank balances, deposits and cash	**9**	9		
Long-term borrowings	**(4)**	(1)		
Non-current liabilities	**(21)**	(16)		
Net current liabilities	**(16)**	(3)		
Total net assets acquired	**123**	44		
Gain arising on acquisition	**(7)**	(24)		
Total consideration	**116**	20		
Settled by:				
Cash	**(116)**	(20)		
Net cash outflow arising on acquisition				
Cash consideration paid	**(116)**	(20)		
Net bank balances, deposits and cash acquired	**9**	9		
	(107)	(11)		

Disposal of subsidiaries and businesses

2014

- Struik Christian Media on 29 July 2013 (100%)
- Mega Digital on 1 November 2013 (51%)
- I-Net Bridge on 15 November 2013 (100%)
- Random House Struik on 25 November 2013 (50,1%)
- Nu Metro Cinemas business (including Popcorn Cinema Advertising Sales) on 28 November 2013 (100%)
- Exclusive Books on 1 December 2013 (100%)
- Van Schaik Bookstore on 2 December 2013 (100%)
- Boo Media on 1 May 2014 (51%)
- Map Studio on 30 June 2014 (100%)

2013

- MapIT on 31 May 2013 (51%)
- Monte Cinemas on 28 June 2013 (51%)

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

	Group		Company	
	2014 **Rm**	2013 Rm	**2014** **Rm**	2013 Rm
34. ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES continued				
Net assets disposed				
Property, plant and equipment	**(192)**	(16)		
Non-current assets	**(53)**	(1)		
Bank balances, deposits and cash	**(66)**	(17)		
Net current assets	**(218)**	(2)		
Long-term borrowings	**44**	–		
Non-current liabilities	**17**	–		
Total net assets disposed	**(468)**	(36)		
Non-controlling interests	**38**	22		
	(430)	(14)		
Settled by:				
Cash	**641**	37		
Purchase price receivable	**23**	20*		
	664	57		
Net cash inflow arising on disposals				
Cash consideration received	**641**	37		
Net bank balances, deposits and cash disposed	**(66)**	(17)		
	575	20		

* *Cash received 1 July 2013.*

	Group		Company	
	2014 **Rm**	2013 Rm	**2014** **Rm**	2013 Rm
35. CASH AND CASH EQUIVALENTS				
Bank balances, deposits and cash	**83**	170	**1**	1
– Continuing	**47**	103	**1**	1
– Discontinued	**36**	67	**–**	–
Bank overdrafts	**(43)**	(111)	**–**	–
– Continuing	**(43)**	(87)	**–**	–
– Discontinued	**–**	(24)	**–**	–
	40	59	**1**	1

Bank balances, deposits and cash have original maturities of three months or less. The carrying amounts of these assets approximate their fair values.

	Group		Company	
Bank overdrafts comprise:				
South African rand	**43**	111	**–**	–
Foreign currencies	**–**	–	**–**	–
	43	111	**–**	–

	Group		Company	
	2014	2013	**2014**	2013
	Rm	Rm	**Rm**	Rm
36. CONTINGENT LIABILITIES				
Claims which may result from pending litigation	**–**	–	**–**	–
Details of material litigation are set out in the directors' report on page 58.				
37. CAPITAL EXPENDITURE COMMITMENTS				
Contracted but not provided for	**3**	14	**–**	–
Authorised but not yet contracted for	**–**	–	**–**	–
	3	14	**–**	–
38. LEASE COMMITMENTS				
Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:				
Within one year	**98**	210	**–**	–
In the second to fifth years inclusive	**330**	559	**–**	–
After five years	**132**	231	**–**	–
	560	1 000	**–**	–

- Lease payments recognised in profit or loss are reflected in note 4.
- The lease commitments detailed above do not include turnover rent to the extent that turnover rent exceeds base rent.

39. RETIREMENT BENEFIT PLANS

The Group has retirement benefit plans covering substantially all employees. Eligible employees are members of either defined contribution or defined benefit plans administered by the Group, or are members of funds associated with industry or employee organisations.

The South African retirement benefit plans are governed by the Pension Funds Act, 1956. The assets of the plans are held separately from those of the Group, in funds under the control of trustees. The cost charged to profit or loss represents contributions payable to the plans at rates specified in the rules of each plan.

Defined contribution plans

The defined contribution plans are designed to provide a lump sum on retirement or a combination of a lump sum and a pension. The benefits are dependent on the investment performance of the plans. Both employees and Group companies contribute to the plans on a fixed contribution basis. Apart from contributions paid, the Group has no further obligations in respect of these plans.

Defined benefit plan

The Group's defined benefit retirement plans are the Times Media Group Limited Pension Fund which had only 12 in-service members at 30 June 2014 (2013: 13 in-service members) and the Johnnic Entertainment Pension Fund which is in liquidation.

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

	Company	
	2014	2013
	Rm	Rm
40. RELATED PARTY TRANSACTIONS		
Directors' remuneration		
Non-executive		
Fees for services as directors	**3**	1
Executive		
Salaries and bonuses	**9**	2
Total directors' remuneration	**12**	3
Paid by other Group companies	**(12)**	(3)

The remuneration of executive directors is determined by the remuneration committee having regard to comparable market information. In the case of non-executive directors, retainers and fees are approved by the shareholders. Further information regarding the remuneration of individual directors is set out in the remuneration committee report on page 47.

Other related party transactions

- Transactions between subsidiaries have been eliminated on consolidation and are not disclosed in this note.
- Transactions between the Group and its associates and joint ventures were concluded at arm's length.
- There were no transactions between the Company and its subsidiaries apart from inter-group loans.

	Group	
	2014	2013
	Rm	Rm
41. SHARE-BASED PAYMENTS		
CONTINUING OPERATIONS		
Charge to profit or loss in respect of equity-settled share incentives	**21**	–

Further detail regarding share-based payments is set out in the remuneration committee report on pages 48 and 49.

42. INTERESTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Subsidiaries

The consolidated Group annual financial statements incorporate the financial statements of TMG and the entities it controls. Control is achieved where TMG has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from the entity's activities. The power to govern has been determined by a shareholding in excess of 50%. It is Group operating policy that cash transfers are made only where all shareholders are in agreement.

The following profits (losses) arose on the disposal of subsidiaries:

	Group	
	2014 **Rm**	2013 Rm
I-Net Bridge	**85**	–
Boo Media	**(3)**	–
Mega Digital	**–**	–
Random House Struik	**(6)**	–
MapIT	**(1)**	29
Monte Cinemas	**1**	10

These profits and losses are recognised in "Profit on disposals (net of capital gains tax)" in the statement of profit or loss and other comprehensive income.

Joint ventures

The Group has joint ventures whereby the Group and other parties undertake economic activities that are subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint control has been determined by each party having a 50% shareholding in the joint venture. It is Group operating policy that cash transfers are made only where all shareholders are in agreement.

The Group does not have any joint operations in terms of which it has rights to the assets and obligations for the liabilities of the joint operation.

During the year under review, the Group had no material joint ventures. TMG accounts for its interests in joint ventures using the equity method.

Summarised financial information for the Group's joint ventures is set out below:

	2014 **Rm**	2013 Rm
Share of profits from continuing operations (net of income tax)	**2**	–
Share of profits from discontinued operations (net of income tax)	**–**	–
Share of other comprehensive income	**–**	–
Share of total comprehensive income	**2**	–

NOTES TO THE ANNUAL **FINANCIAL STATEMENTS** continued

for the year ended 30 June 2014

42. INTERESTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES continued

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the strategic financial and operating policy decisions of the investee. Significant influence has been determined by shareholdings of 20% or more, but less than 50%.

During the year under review, the following associates were material to the Group's reporting:

Multimedia Group

- TMG acquired its 32,26% interest in Multimedia Group, a Ghanaian radio and television group, on 12 September 2013.

Radio Africa

- TMG acquired its 49% interest in Radio Africa, a Kenyan radio and television group, on 30 June 2014.

Summarised financial information for TMG's two material associates is set out below:

	Multi-media Group 2014 Rm	**Radio Africa 2014 Rm**
Non-current assets	**30**	**27**
Current assets	**49**	**193**
Non-current liabilities	**–**	**(101)**
Current liabilities	**(45)**	**(87)**
Net assets	**34**	**32**
Revenue	**115**	**–**
Profit from continuing operations	**19**	**–**
Profit from discontinued operations (net of income tax)	**–**	**–**
Other comprehensive income	**–**	**–**
Total comprehensive income	**19**	**–**
In addition to the above summarised financial information, the following detail is provided:		
Cash and cash equivalents	**–**	**2**
Current financial liabilities (excluding trade and other payables and provisions)	**–**	**–**
Non-current financial liabilities (excluding trade and other payables and provisions)	**–**	**(101)**
Interest income	**3**	**–**
Tax (expense) credit	**–**	**–**

The above financial information comprises the translated amounts included in the IFRS financial statements of the associates (and not TMG's share thereof).

Summarised financial information for the Group's associates that are individually immaterial is set out below:

	Group	
	2014 Rm	2013 Rm
Share of profits (losses) from continuing operations (net of income tax)	**1**	(26)
Share of (losses) profits from discontinued operations (net of income tax)	**(12)**	2
Share of other comprehensive income	**–**	–
Share of total comprehensive loss	**(11)**	(24)

NOTICE OF **ANNUAL GENERAL MEETING**

Times Media Group Limited
Incorporated in the Republic of South Africa
Registration number: 2008/009392/06
JSE share code: TMG
ISIN: ZAE000169272
("TMG" or "the Company")

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of shareholders of the Company will be held at the Hyatt Regency Hotel, 191 Oxford Road, Rosebank, Johannesburg on Thursday, 27 November 2014 at 15:00.

RECORD DATES

The record date for determining which shareholders of the Company are entitled to receive the notice of annual general meeting is Friday, 24 October 2014 and the record date for determining which shareholders of the Company are entitled to participate in and vote at the annual general meeting is Friday, 21 November 2014. Accordingly, the last date to trade to be registered in the register of members of the Company and be eligible to participate in and vote at the annual general meeting is Friday, 14 November 2014.

ATTENDANCE AND VOTING

If you are a registered shareholder on the record date, you may attend the annual general meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the Company) to represent you at the annual general meeting. Any appointment of a proxy may be effected by using the attached form of proxy and, for the proxy to be effective and valid, it must be completed and delivered in accordance with the instructions thereon.

If you are a beneficial shareholder and not a registered shareholder on the record date:

- and wish to attend the annual general meeting, you must obtain the necessary letter of authority to represent the registered shareholder of your shares from your Central Securities Depository Participant (CSDP) or broker;
- and do not wish to attend the annual general meeting but would like your vote to be recorded at the annual general meeting, you should contact the registered shareholder of your shares through your CSDP or broker and provide them with your voting instructions;
- the attached form of proxy must not be completed by you.

All participants at the annual general meeting (including proxies) will be required to provide satisfactory identification to the chairman of the annual general meeting. Forms of identification include valid identity documents, driver's licences and passports.

On a show of hands, every shareholder of the Company present in person or represented by proxy will have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy will have one vote for every share held in the Company.

Forms of proxy may also be obtained on request from the Company's registered office. It is preferable that the completed forms of proxy be deposited at, posted or faxed to the Company's transfer secretaries at the address below, to be received no later than 15:00 on Wednesday, 26 November 2014 or handed to the chairman of the annual general meeting (or any adjournment) at any time before the appointed proxy/ies exercise/s any of the relevant shareholder's rights at the annual general meeting (or any adjournment), provided that if a shareholder lodges a form of proxy with the transfer secretaries less than 24 hours before the annual general meeting, this shareholder will also be required to provide a copy of the form of proxy to the chairman of the annual general meeting before the appointed proxy exercises any of the shareholder's rights at the annual general meeting (or any adjournment). Any forms of proxy not lodged by

NOTICE OF **ANNUAL GENERAL MEETING** continued

this time must be handed to the chairman of the annual general meeting immediately prior to the annual general meeting. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend, speak and vote in person at the annual general meeting should the shareholder subsequently decide to do so.

Equity securities held by a subsidiary and/or a share trust or scheme will not have their votes at the annual general meeting taken into account for the purposes of resolutions proposed in terms of the Listings Requirements of the JSE ("the Listings Requirements").

Copies of TMG's 2014 integrated annual report are available from TMG's company secretary and website.

PURPOSE OF THE ANNUAL GENERAL MEETING

The purpose of the annual general meeting is to:

- present the directors' report, auditor's report and audited annual financial statements of the Company and the TMG Group ("Group") for the year ended 30 June 2014;
- present the audit and risk committee report;
- consider any matters raised by shareholders with or without advance notice to the Company; and
- consider, and, if deemed fit, pass, with or without modification, the resolutions set out below.

The audited annual financial statements of the Company and Group are presented at the annual general meeting. Ahead of the meeting, the audited annual financial statements are available on the Company's website at www.timesmedia.co.za, or may be requested and obtained from the company secretary at matisonnj@timesmedia.co.za.

Ordinary business: To consider, and, if deemed fit, approve the following ordinary resolutions with or without modification.

Explanation: To be adopted, all ordinary resolutions (except for ordinary resolution number 4 which requires a 75% approval) require the support of a majority of votes cast by shareholders present or represented by proxy at this annual general meeting.

1. Ordinary resolution number 1: re-election of non-executive directors

"Resolved that:

1.1 Mr HK Mehta, who retires by rotation in terms of the memorandum of incorporation ("MOI") of the Company, and who is eligible and available for re-election, be and is hereby re-elected as an independent non-executive director of the Company.

1.2 Mr R Naidoo, who retires by rotation in terms of the MOI of the Company, and who is eligible and available for re-election, be and is hereby re-elected as an independent non-executive director of the Company."

Explanation: Brief biographies of these independent non-executive directors appear on page 7 of the integrated annual report.

The ordinary resolutions numbers 1.1 and 1.2 will be considered by separate votes.

The reason for these ordinary resolutions is that the MOI requires that a third of the Company's non-executive directors retire at the annual general meeting. A retiring director, if eligible, may be re-elected.

2. **Ordinary resolution number 2: re-appointment of external auditor**

"Resolved that:

Deloitte & Touche, as nominated by the Company's audit and risk committee, be and is hereby re-appointed as the independent external auditor of the Company until the conclusion of the next annual general meeting. It is noted that Mr JAR Welch is the designated audit partner who will undertake the audit for the financial year ending 30 June 2015."

Explanation: The reason for ordinary resolution number 2 is that the Company, being a listed public company, must appoint an independent external auditor and have its annual financial statements audited.

3. **Ordinary resolution number 3: re-election of audit and risk committee members and chairman**

"Resolved that:

The members of the audit and risk committee set out below be and are hereby appointed by way of separate resolutions to hold office until the conclusion of the next annual general meeting:

3.1 Mr JHW Hawinkels (Chairman)

3.2 Mr KD Dlamini

3.3 Mr R Naidoo."

Explanation: Brief biographies of these independent non-executive directors appear on pages 6 and 7 of the integrated annual report.

The reason for ordinary resolution number 3 is that, at each annual general meeting, a public company must elect an audit and risk committee comprising at least three independent non-executive members.

4. **Ordinary resolution number 4: general authority to issue shares for cash**

"Resolved that:

The directors of the Company be and are hereby authorised by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Listings Requirements, this notice and, provided that:

- the approval will be valid until the date of the next annual general meeting of the Company, provided it does not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash in any one financial year may not exceed an aggregate of 15% of the Company's issued share capital of that class, as at the date of this notice. As at the date of this notice, 15% of the Company's listed equity securities represents 19 061 571 shares;
- in the event of a subdivision or consolidation of issued equity securities during the aforementioned approval period, the existing authority must be adjusted accordingly to represent the same allocation ratio;
- any equity securities issued under the general authority during the period for which the authority is valid (until the Company's next annual general meeting, provided it does not extend beyond 15 months from the date of this resolution) must be deducted from the aforementioned calculated amount of securities;
- any such issue will only be securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the Listings Requirements and not to related parties;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 trading days prior to the date that the

NOTICE OF
ANNUAL GENERAL MEETING continued

price of the issue is agreed between the issuer and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30 business day period; and

- the Company publishes an announcement after it has issued, on a cumulative basis and within the period contemplated in paragraph 5.50(b) of the Listings Requirements, 5% or more of the number of shares in issue prior to that issue."

Explanation: For listed entities wishing to issue shares for cash (other than issues by way of rights offers and/or in consideration for acquisitions and/or to share incentive schemes approved by the JSE and by the shareholders of the Company), it is necessary for the board to obtain the prior authority of the shareholders in accordance with the Listings Requirements and the MOI of the Company.

The reason for ordinary resolution number 4 is, accordingly, to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements and the MOI of the Company.

For this resolution to be passed, votes in favour must represent at least 75% of all votes cast and/or exercised at the meeting.

Special business: To consider, and, if deemed fit, approve the following special resolutions with or without modification.

Explanation: To be passed, all special resolutions require votes in favour to represent at least 75% of all votes cast and/or exercised at the meeting.

5. Special resolution number 1: general authority for the Company and/or subsidiary to acquire the Company's shares

"Resolved that:

The Company and/or a subsidiary of the Company be and is hereby authorised to repurchase or purchase, as the case may be, ordinary shares issued by the Company on such terms and conditions and in such amounts as the directors of the Company may decide, but subject always to the provisions of section 48 read with section 46 of the Companies Act, 71 of 2008, as amended ("the Act"), the Listings Requirements and the following limitations:

- the repurchase of securities is implemented through the order book of the JSE Limited trading system, without any prior understanding or arrangement between the Company and the counter-party;
- this general authority will only be valid until the Company's next annual general meeting, provided that it does not extend beyond 15 months from the date of passing of this special resolution;
- the Company is authorised to do so by its MOI;
- the general repurchase by the Company is limited to a maximum of 20% in aggregate of its issued share capital in any one financial year;
- any such general repurchases are subject to Exchange Control Regulations and approval at that time;
- the general repurchase by subsidiaries of the Company is limited to a maximum of 10% in aggregate of the Company's issued share capital in any one financial year (provided that no more than 10% of the Company may be held by a subsidiary);
- the repurchase is not made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the transaction was effected;
- the repurchase does not take place during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless there is a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and the repurchase programme has been submitted to the JSE in writing and is executed by an independent third party;
- the Company publishes an announcement after it or its subsidiaries have cumulatively acquired 3% of the number of ordinary shares in issue at the time that the shareholders' authority for the purchase is granted and for each 3% in aggregate of the initial number acquired afterwards;

- the ordinary share capital and reserves of the Company and Group are adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase;
- the available working capital of the Company and Group is adequate for ordinary business purposes for a period of 12 months following the date of the repurchase;
- the Company and the Group's assets will exceed the liabilities of the Company and Group for a period of 12 months after the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the Company and Group will be able to repay their debts in the ordinary course of business for a period of 12 months following the date of the repurchase;
- the Company appoints only one agent to effect any repurchases on its behalf; and
- prior to entering the market to proceed with the repurchase, the board, by resolution authorising the repurchase, has acknowledged that it has applied the solvency and liquidity test as set out in section 4 of the Act and reasonably concluded that the Company will satisfy the solvency and liquidity test immediately after completing the proposed repurchase and that, since the test was done, there have been no material changes to the financial position of the Group."

Explanation: The reason for and effect of special resolution number 1 is to give a mandate to the directors to repurchase or purchase ordinary shares issued by the Company on such terms, conditions and in such amounts as determined from time to time, subject to the limitations set out above and in compliance with sections 46 and 48 of the Act.

The following additional information, some of which may appear elsewhere in the integrated annual report of which this notice forms part, is provided in terms of the Listings Requirements for purposes of this general repurchase authority:

- Major beneficial shareholders – page 50; and
- Share capital of the Company – page 97.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear on the inside back cover of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that, to the best of their knowledge, there are no facts that have been omitted that 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 relevant to special resolution number 1.

MATERIAL CHANGES

Other than facts and developments disclosed in the integrated 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.

STATEMENT OF BOARD'S INTENTION

The directors of the Company have no specific intention to effect the provisions of special resolution number 1, but will continually review the Company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

NOTICE OF
ANNUAL GENERAL MEETING continued

6. Special resolution number 2: approval of non-executive directors' fees

"Resolved that:

In terms of section 66(9) of the Act, that the Company be and is hereby authorised to remunerate its non-executive directors for their services as directors, with effect from 1 January 2015, on the basis set out below:

	R
Board	
(annual retainer)	
Chairman	**636 000**
Other	**212 000**
Audit and risk committee	
(annual retainer)	
Chairman	**84 800**
Other	**42 400**
Remuneration committee	
(annual retainer)	
Chairman	**68 900**
Other	**37 100**
Transformation, social and ethics committee	
(annual retainer)	
Chairman	**68 900**
Other	**37 100**
Nominations committee	
(annual retainer)	
Chairman	**68 900**
Other	**37 100**
Ad hoc committees	
(annual retainer)	
Chairman	**68 900**
Other	**37 100"**

Explanation: The reason for and effect of special resolution number 2 is to grant the Company the authority to pay fees to its non-executive directors for their services as directors.

7. Special resolution number 3: financial assistance to purchase or subscribe for securities

"Resolved that:

The directors be and are hereby authorised as a general authority in terms of, and subject to, the provisions of section 44 of the Act to cause the Company to provide direct and/or indirect financial assistance by way of a loan, guarantee, provision of security or otherwise to any person, company or corporation for the purpose of, or in connection with, the purchase of any securities of the Company or a related or inter-related company or corporation, or the subscription for any option or securities, issued or to be issued by the Company or a related or inter-related company or corporation, provided that the board is satisfied that, immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test as set out in section 4 of the Act, that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company and that any conditions or restrictions on granting financial assistance that may be included in the Company's MOI have been satisfied, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

Explanation: The reason for and effect of special resolution number 3 is to grant the directors of the Company the authority to cause the Company to provide financial assistance for the purchase of securities in the Company or a related or inter-related company or corporation or for the subscription for securities issued or to be issued by the Company or corporation or a related or inter-related company or corporation.
It does not authorise the provision of financial assistance to a director of the Company.

8. Special resolution number 4: financial assistance to related or inter-related company or corporation

"Resolved that:

The directors be and are hereby authorised as a general authority in terms of, and subject to, the provisions of section 45 of the Act to cause the Company to provide any direct and/or indirect financial assistance to any company or corporation which is related or inter-related to the Company, provided that the board is satisfied that, immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test as set out in section 4 of the Act, that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company and that any conditions or restrictions on granting financial assistance that may be included in the Company's MOI have been satisfied, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

Explanation: The reason for and effect of special resolution number 4 is to grant the directors of the Company the authority to cause the Company to provide financial assistance to a company or corporation that is related or inter-related to the Company. It does not authorise the provision of financial assistance to a director of the Company.

9. Special resolution number 5: amendment to the Company's MOI

"Resolved that:

Clause 5.1 of Schedule 1 of the Company's MOI be and is hereby amended to read as follows:

'The Board or any Director or any one or more Ordinary Shareholders of the Company holding at least 10% of the voting rights may call a meeting of any class of Shareholders at any time."

Explanation: The reason for and effect of special resolution number 5 is to specify the shareholding threshold required to demand the convening of a shareholders' meeting.

10. Ordinary resolution number 5: authority to sign documentation

"Resolved that:

Any director of the Company or the company secretary be and is hereby authorised to take all actions necessary and sign all documents required to give effect to ordinary resolutions numbers 1 to 4 and special resolutions numbers 1 to 5."

11. Ordinary resolution number 6: non-binding advisory vote on the Company's remuneration policy

"Resolved that:

The Company's remuneration policy and its implementation, as detailed in the remuneration committee report on pages 45 and 46, be and is hereby approved by way of a non-binding advisory vote, as recommended by King III."

Explanation: The reason for ordinary resolution number 6 is to enable shareholders to express their views, as recommended by King III, on the Company's remuneration policy.

By order of the board

JR Matisonn
Company Secretary

20 October 2014

Registered office
4 Biermann Avenue
Rosebank, 2196
Johannesburg

PO Box 1746
Saxonwold, 2132

Transfer secretaries
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

SHAREHOLDERS' **DIARY**

Financial year end	30 June 2014
Year end results announced	September 2014
Integrated annual report published	October 2014
Annual general meeting to be held	November 2014
Interim results to be announced	March 2015

Note*: Dates subject to alteration*

FORM OF **PROXY**

(for use by certificated and own-name-registered dematerialised shareholders only)

Times Media Group Limited
Incorporated in the Republic of South Africa
Company registration number: 2008/009392/06
JSE share code: TMG
ISIN: ZAE000169272
("TMG" or "the Company")

For the annual general meeting to be held on Thursday, 27 November 2014

A shareholder of the Company entitled to attend, speak and vote at the annual general meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead.

I/We (name/s in BLOCK LETTERS)

of (address)

being (a) shareholder(s) of the Company, and entitled to votes, do hereby appoint

of or failing him/her,

the chairman of the annual general meeting, as my/our proxy to represent me/us at the annual general meeting to be held at the Hyatt Regency Hotel, 191 Oxford Road, Rosebank, Johannesburg on Thursday, 27 November 2014 at 15:00 to vote in favour, against or abstain from voting on:

		In favour	Against	Abstain
1.	Ordinary resolution number 1: re-election, by separate resolutions, of each of the following non-executive directors:			
1.1	Mr HK Mehta			
1.2	Mr R Naidoo			
2.	Ordinary resolution number 2: re-appointment of external auditor			
3.	Ordinary resolution number 3: re-election, by separate resolutions, of the following audit and risk committee members and chairman:			
3.1	Mr JHW Hawinkels (Chairman)			
3.2	Mr KD Dlamini			
3.3	Mr R Naidoo			
4.	Ordinary resolution number 4: general authority to issue shares for cash			
5.	Special resolution number 1: Company and/or subsidiary to acquire the Company's shares			
6.	Special resolution number 2: approval of non-executive directors' fees			
7.	Special resolution number 3: financial assistance to purchase or subscribe for securities			
8.	Special resolution number 4: financial assistance to related or inter-related company or corporation			
9.	Special resolution number 5: amendment to the Company's memorandum of incorporation			
10.	Ordinary resolution number 5: authority to sign documentation			
11.	Ordinary resolution number 6: non-binding advisory vote on the Company's remuneration policy			

Signed at on 2014

Signature of shareholders(s)

Assisted by (where applicable)

Please read the notes on the reverse hereof.

NOTES TO THE **FORM OF PROXY**

1. Mark with an "X" whichever is applicable. Unless otherwise directed, the proxy will vote as he/she thinks fit.
2. If this proxy form is signed under power of attorney, such power of attorney, unless previously registered with the Company, must accompany it, failing which the proxy form cannot be used at the meeting.
3. This proxy form must be signed, dated and returned to reach the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107, by no later than 15:00 on Wednesday, 26 November 2014. Alternatively, any forms of proxy not lodged by this time must be handed to the chairman of the meeting immediately prior to the annual general meeting.

CORPORATE **INFORMATION**

Times Media Group Limited

Incorporated in the Republic of South Africa
Company registration number: 2008/009392/06
JSE share code: TMG
ISIN code: ZAE000169272
Telephone: +27 11 280 3000
Internet: www.timesmedia.co.za

Directorate

KD Dlamini *(Chairman)*
AD Bonamour* *(Chief Executive Officer)*
W Marshall-Smith* *(Financial Director)*
JHW Hawinkels
HK Mehta
R Naidoo
MM Nhlanhla
* *Executive*

Company secretary and registered office

JR Matisonn
4 Biermann Avenue
Rosebank, 2196
Johannesburg

PO Box 1746
Saxonwold, 2132

Email: matisonnj@timesmedia.co.za

Legal advisers

Edward Nathan Sonnenbergs
150 West Street
Sandown, 2196

PO Box 783347
Sandton, 2146

Corporate advisers and sponsor

PSG Capital Proprietary Limited
1st Floor Ou Kollege Building
35 Kerk Street
Stellenbosch, 7600

PO Box 7403
Stellenbosch, 7599

Transfer Secretaries

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg, 2001

PO Box 61051
Marshalltown, 2107

Auditors

Deloitte & Touche
Deloitte Place
The Woodlands Office Park
20 Woodlands Drive
Woodmead, Sandton

Private Bag X6
Gallo Manor, 2052

Bankers

The Standard Bank of South Africa Limited
30 Baker Street
Rosebank, 2196
Johannesburg

PO Box 61029
Marshalltown, 2107

UNAUDITED CONDENSED CONSOLIDATED GROUP FINANCIAL RESULTS

for the six months ended 31 December 2014

Times Media Group

Condensed consolidated statement of profit or loss and other comprehensive income

		Six months ended 31 December 2014 Rm	Six months ended 31 December 2013 Rm
CONTINUING OPERATIONS			
Revenue		**2 108**	2 092
Cost of sales		**(1 530)**	(1 530)
Gross profit		**578**	562
Operating expenses		**(406)**	(391)
Operating costs		**(339)**	(330)
Depreciation		**(40)**	(34)
Amortisation		**(17)**	(15)
Share-based payments		**(10)**	(12)
Profit from operations before exceptional items		**172**	171
Exceptional items		**(28)**	155
Profit from operations		**144**	326
Net finance costs		**(21)**	(22)
Finance income		**1**	12
Finance costs including interest paid on cash flow hedges		**(22)**	(34)
Share of (losses) profits of associates and joint ventures (net of income tax)		**(5)**	6
Profit before taxation		**118**	310
Taxation		**(38)**	(89)
Profit from continuing operations		**80**	221
DISCONTINUED OPERATIONS			
Profit from discontinued operations		**20**	257
(Loss) profit after taxation before profit on disposals		**(25)**	24
Profit on disposals (net of capital gains tax)		**45**	233
Profit for the period		**100**	478
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges (net of income tax)		**–**	(8)
Exchange differences on translation of foreign operations		**1**	(4)
Other comprehensive income (loss) for the period (net of income tax)		**1**	(12)
Total comprehensive income for the period		**101**	466
Profit (loss) attributable to:			
Owners of the Company		**104**	476
Profit from continuing operations		**84**	218
Profit from discontinued operations		**20**	258
Non-controlling interest		**(4)**	2
(Loss) profit from continuing operations		**(4)**	3
(Loss) profit from discontinued operations		**–**	(1)
Profit for the period		**100**	478
Total comprehensive income (loss) attributable to:			
Owners of the Company		**105**	464
Profit from continuing operations		**85**	212
Profit from discontinued operations		**20**	252
Non-controlling interest		**(4)**	2
(Loss) profit from continuing operations		**(4)**	3
(Loss) profit from discontinued operations		**–**	(1)
Total comprehensive income for the period		**101**	466
Earnings per ordinary share from continuing operations			
Basic	(cents)	**66**	172
Diluted	(cents)	**66**	171
Earnings per ordinary share from discontinued operations			
Basic	(cents)	**16**	203
Diluted	(cents)	**15**	202
Earnings per ordinary share from continuing and discontinued operations			
Basic	(cents)	**82**	375
Diluted	(cents)	**81**	373

Condensed consolidated statement of financial position

	As at 31 December 2014 Rm	As at 31 December 2013 Rm	As at 30 June 2014 Rm
ASSETS			
Non-current assets	**1 740**	1 565	1 669
Property, plant and equipment	**374**	379	380
Intangible assets	**865**	879	821
Interests in associates and joint ventures	**416**	174	376
Investments	**–**	10	2
Long-term receivable	**–**	8	8
Deferred taxation assets	**85**	115	82
Current assets	**1 203**	1 526	1 249
Inventories, receivables and other current assets	**1 162**	1 390	1 202
Bank balances, deposits and cash	**41**	136	47
Non-current assets classified as held for sale	**95**	162	203
Total assets	**3 038**	3 253	3 121
EQUITY AND LIABILITIES			
Total equity	**1 564**	1 643	1 528
Equity attributable to owners of the Company	**1 570**	1 638	1 528
Non-controlling interest	**(6)**	5	–
Non-current liabilities	**506**	528	514
Long-term borrowings	**352**	385	366
Post-retirement benefits liabilities	**87**	78	85
Operating leases equalisation liabilities	**29**	22	24
Deferred taxation liabilities	**38**	43	39
Current liabilities	**956**	1 041	1 047
Payables and other current liabilities	**870**	963	947
Short-term borrowings	**63**	66	48
Post-retirement benefits liabilities	**9**	9	9
Bank overdrafts	**14**	3	43
Liabilities directly associated with non-current assets classified as held for sale	**12**	41	32
Total equity and liabilities	**3 038**	3 253	3 121

Condensed consolidated segmental statement

	Six months ended 31 December 2014 Rm	Six months ended 31 December 2013 Rm
CONTINUING OPERATIONS		
Segmental revenue from external customers		
Media	**968**	1 012
Broadcasting and Content	**205**	213
Retail Solutions	**935**	867
	2 108	2 092
Segmental profit (loss) from operations before exceptional items		
Media	**91**	90
Broadcasting and Content	**11**	24
Retail Solutions	**101**	86
	203	200
Corporate	**(21)**	(17)
	182	183
Share-based payments	**(10)**	(12)
	172	171

Condensed consolidated statement of cash flows

	Six months ended 31 December 2014 Rm	Six months ended 31 December 2013 Rm
Net cash flows from operations	**169**	210
Net finance costs including interest paid on cash flow hedges	**(21)**	(21)
Taxation paid	**(33)**	(33)
Net cash flows from operating activities	**115**	156
Net cash flows from investing activities	**(36)**	233
Net cash flows from financing activities	**(52)**	(267)
Net increase in cash and cash equivalents	**27**	122
Cash and cash equivalents at the beginning of the period	**40**	59
Foreign operations translation adjustment	**–**	(1)
Cash and cash equivalents at the end of the period	**67**	180

Condensed consolidated statement of changes in equity

	Share capital Rm	Other reserves Rm	Accumulated profits Rm	Owners' interest Rm	Non-controlling interest Rm	Total equity Rm
Balance at 30 June 2013	1 724	(1 133)	571	1 162	46	1 208
Profit attributable to owners of the Company	–	–	476	476	2	478
Change in fair value of cash flow hedges (net of income tax)	–	(8)	–	(8)	–	(8)
Exchange differences on translation of foreign operations	–	(4)	–	(4)	–	(4)
Effect of acquisitions and disposals of non-controlling interests	–	–	–	–	(37)	(37)
Equity-settled share incentive plans	–	12	–	12	–	12
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	(6)	(6)
Balance at 31 December 2013	**1 724**	**(1 133)**	**1 047**	**1 638**	**5**	**1 643**
Balance at 30 June 2014	1 724	(1 135)	939	1 528	–	1 528
Profit (loss) attributable to owners of the Company	–	–	104	104	(4)	100
Effect of acquisitions and disposals	–	(20)	–	(20)	–	(20)
Effect of acquisitions and disposals of non-controlling interests	–	(8)	–	(8)	(2)	(10)
Equity-settled share incentive plans	–	10	–	10	–	10
Dividends paid	–	–	(44)	(44)	–	(44)
Balance at 31 December 2014	**1 724**	**(1 153)**	**999**	**1 570**	**(6)**	**1 564**

HIGHLIGHTS

Times Media Group

- TMG now has a footprint in East and West Africa through Kenya and Ghana
- TMG has exposure to 16 radio stations throughout Africa
- Kenya radio achieved a record profit for the 6 month period
- 3 out of 7 newspapers grew circulation
- TMG's Media Division increased market share of advertising spend
- Digital business growing and profitable
- All print newspapers are profitable
- Moved up to a level 2 BEE contributor with value add

Notes

1. Basis of preparation

The unaudited condensed consolidated Group financial results for the six months ended 31 December 2014 have been prepared and presented in accordance with the International Financial Reporting Standard IAS 34: Interim Financial Reporting, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listings Requirements, and the requirements of the South African Companies Act No 71 of 2008 (as amended). The accounting policies are compliant with IFRS, and their application is consistent, in all material respects, with those detailed in TMG's 2014 integrated annual report, apart from the adoption, from 1 July 2014 up to the reporting date, of those new and amended IFRS statements and interpretations with effective dates for the Company of 1 July 2014 up to the reporting date, and those amendments included in the International Accounting Standards Board's annual improvements project where such amendments were effective for the Company from 1 July 2014 up to the reporting date. The adoption of the new and amended IFRS statements and interpretations, and improvements project amendments, has not had a material effect on the Company's financial results.

In compliance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the relevant comparative financial information has been re-presented.

The preparation of these condensed consolidated Group interim financial statements was supervised by TMG's financial director, Mr W Marshall-Smith CA(SA).

	Six months ended 31 December 2014 Rm	Six months ended 31 December 2013 Rm
2. Exceptional items		
CONTINUING OPERATIONS		
Media		
– Retrenchment costs	(10)	(5)
Broadcasting and Content	–	(5)
– Gain on disposal of Ponte advertising site	–	11
– Impairment of goodwill	–	(16)
Retail Solutions	(11)	(3)
– Profit on sale of Universal Web assets	–	8
– Costs related to closure of Universal Web	(3)	(3)
– Costs related to Ferroprint acquisition	(1)	–
– Costs related to closure of businesses	(1)	–
– Legacy balances and legal matters	(2)	–
– Retrenchment costs	(4)	(8)
Corporate	(7)	168
– Revaluation of listed investments	–	1
– Profit on disposal of listed investments	–	1
– Post-retirement medical aid	(6)	169
– Costs related to acquisitions	–	(2)
– Retrenchment costs	(1)	(1)
	(28)	155
3. Reconciliation between earnings and headline earnings		
CONTINUING OPERATIONS		
Earnings	84	218
Profit on disposal of property, plant and equipment	–	(8)
Profit on disposal of intangible assets	–	(10)
Impairment of goodwill	–	16
Revaluation of listed investments	–	(1)
Profit on disposal of listed investments	–	(1)
Tax effect	–	6
Attributable to non-controlling interest	–	–
Headline earnings	84	220
Headline earnings per ordinary share from continuing operations		
Basic (cents)	66	173
Diluted (cents)	66	172
DISCONTINUED OPERATIONS		
Earnings	20	258
Profit on disposal of interests in companies and businesses	–	(259)
Loss on disposal of property, plant and equipment	–	2
Profit on disposal of properties	(51)	(9)
Impairment of intangible assets	25	1
Tax effect	7	36
Attributable to non-controlling interest	–	–
Headline earnings	1	29
Total headline earnings from continuing and discontinued operations	85	249
Headline earnings per ordinary share from discontinued operations		
Basic (cents)	1	23
Diluted (cents)	1	23
Headline earnings per ordinary share from continuing and discontinued operations		
Basic (cents)	67	196
Diluted (cents)	67	195

4. Earnings per ordinary share

The calculation of basic earnings and headline earnings per ordinary share for the six months ended 31 December 2014 is based on earnings of R104 million (2013: R476 million) and headline earnings of R85 million (2013: R249 million), respectively, and on a weighted average of 126 470 412 ordinary shares in issue (2013: 127 047 179 shares).

The calculation of diluted earnings and headline earnings per ordinary share for the six months ended 31 December 2014 is based on earnings of R104 million (2013: R476 million) and headline earnings of R85 million (2013: R249 million), respectively, and on a weighted average of 128 018 541 diluted ordinary shares in issue (2013: 127 526 675 shares). The additional diluted ordinary shares arise as a result of equity-settled share incentives in issue.

5. Discontinued operations

The following assets comprise TMG's discontinued operations:

Media
- Industria property (disposed of on 26 September 2014)
- I-Net Bridge (disposed of on 15 November 2013)
- East London properties (disposed of on 10 October 2013)
- Port Elizabeth property

Broadcasting and Content
- Boo Media (disposed of on 1 May 2014)
- Interactive Junction Holdings (disposed of on 6 January 2015)

Retail Solutions
- Bedfordview property (disposed of on 13 August 2014)

Books
- Van Schaik Bookstore (disposed of on 2 December 2013)
- Exclusive Books (disposed of on 1 December 2013)
- New Holland Publishing (Lovell Johns disposed of on 1 November 2014, New Holland Publishing Australia and New Zealand disposed of on 1 July 2014, Map Studio disposed of on 30 June 2014, Random House Struik disposed of on 25 November 2013, Mega Digital disposed of on 1 November 2013 and Struik Christian Media disposed of on 29 July 2013)

Entertainment
- Nu Metro Cinemas including Popcorn Cinema Advertising Sales (disposed of on 28 November 2013)
- 40% interest in Warner Music Gallo Africa (disposed of on 31 July 2013)

	Six months ended 31 December 2014 Rm	Six months ended 31 December 2013 Rm
Revenue	62	818
Cost of sales	(7)	(425)
Gross profit	55	393
Operating expenses	(54)	(363)
Operating costs	(51)	(340)
Depreciation	(1)	(19)
Amortisation	(2)	(4)
Profit from operations before exceptional items	1	30
Exceptional items	(27)	(3)
(Loss) profit from operations	(26)	27
Net finance costs	–	1
Finance income	–	2
Finance costs	–	(1)
Share of profits of associates (net of income tax)	–	1
(Loss) profit before taxation	(26)	29
Taxation	1	(5)
(Loss) profit after taxation before profit on disposals	(25)	24
Profit on disposals (net of capital gains tax)	45	233
Profit on disposal of properties	51	9
Profit on disposal of I-Net Bridge	–	85
Profit on disposal of Van Schaik Bookstore	–	116
Profit on disposal of Exclusive Books	–	66
Profit on disposal of Random House Struik	–	7
Loss on disposal of Nu Metro Cinemas and Popcorn Cinema Advertising Sales	–	(15)
Capital gains tax	(6)	(35)
Profit from discontinued operations	20	257
Segmental revenue from external customers		
Media	–	54
Broadcasting and Content	29	50
Books	33	577
Entertainment	–	137
	62	818
Segmental profit (loss) from operations before exceptional items		
Media	–	(1)
Broadcasting and Content	–	(1)
Books	1	31
Entertainment	–	1
	1	30
Segmental exceptional items		
Broadcasting and Content	(27)	–
– Impairment of goodwill	(25)	–
– Costs relating to disposal of businesses	(1)	–
– Retrenchment costs	(1)	–
Books	–	(3)
– Impairment of Exclusives.co.za	–	(1)
– Retrenchment costs	–	(2)
	(27)	(3)
Assets and liabilities of discontinued operations classified as held for sale		
Non-current assets	20	6
Current assets	75	156
Non-current liabilities	3	9
Current liabilities	9	32
Cash flow information		
Net cash flows from operations	4	19
Interest received	–	1
Taxation refunded	–	3
Net cash flows from operating activities	4	23
Net cash flows from investing activities	75	(71)
Net cash flows from financing activities	(10)	35
Foreign operations translation adjustment	–	(1)
Cash flows from discontinued operations	69	(14)

TIMES MEDIA GROUP LIMITED
Incorporated in the Republic of South Africa
Registration number: 2008/009392/06
Share code: TMG ISIN: ZAE000169272
("Times Media Group" or "Times Media" or "TMG" or "the Company" or "the Group")

Commentary

INTRODUCTION

The trading conditions for the six months ended December 2014 were challenging across our Group's divisions. Despite this, TMG managed to hold operating profit steady. We have done a lot of work across divisions and companies to align our cost base with revenue as well as invest in areas where we believe we can generate good returns on our capital. Last year we began cleaning up some legacy issues in our Media Division and during this period we continued with these initiatives. Our intention is to take unnecessary expenses and costs out of Media so that we can strengthen our core operations which are good at content generation. We are reticent to follow the herd in a digital strategy that has no possibility of generating a return on investment. Our approach is measured and commercially driven.

Our investment in Kenya has surpassed our expectations and has had a record six months driven by a strong management team and a robust radio advertising market, while Ghana's tough macroeconomic environment has affected the consumer and had a knock on effect on our investment. Television operations continue to struggle in the country but radio remains less affected by the downturn. The Cedi has devalued by some 19% against the Rand over calendar 2014 which hasn't helped.

Group turnover from continuing operations was R2,108 billion and operating profit before exceptional items from continuing operations was R172 million.

We have begun looking at our businesses' processes, cash flow generation, general efficiencies and other pertinent areas across the Group which is already yielding results.

MEDIA

Profits from our Media Division remained steady despite revenue falling by 4%. (Advertising in the corresponding six months was unusually high because it included spend associated with the death of Nelson Mandela). Despite the decline we continued to grow our advertising market share at the expense of our main competitors. In total we have grown market share by three percentage points over the past three years.

EBITDA for the period was R102 million (2013: R100 million), despite R10 million in retrenchment costs and a decline in turnover for the period under review. Depreciation was higher than usual due to increased investment in IT.

Three of our titles (The Times, the Sowetan and Daily Dispatch) were amongst the five dailies to grow circulation while most other competitors' titles suffered steep declines. The Times in particular has cemented its position as the biggest quality daily paper in the all-important Johannesburg market. The circulation of the rest of the titles was steady. All TMG newspaper individual titles were profitable for the period and continue to be. We have also maintained margins for all the newspaper titles. We also managed to turn Financial Mail around which registered a profit for the six month period and continues to trade profitably. Since TMG has owned 100% of Business Day we have seen a remarkable recovery and the title now trades very profitably.

Our magazine division continued to enjoy robust profit growth primarily due to the launch of new titles targeted at our existing newspaper subscribers. As a result of the success achieved by Wanted (Business Day) and Business Class (Sunday Times) we plan to launch a series of new titles in the next six months. The first of these, a fashion magazine (The Edit) which will be inserted into the Sunday Times is attracting strong support from advertisers seeking a new home following the collapse in sales of women's consumer magazines. SA Homeowner grew its sales by 4,5% at a time when consumer magazines as a whole experienced a 4% decline.

Our digital division grew revenue by 30% on the back of a 59% growth in unique browsers across our network. TMG now attracts over 6 million unique browsers. Our premier site, TimesLive, grew by more than 300% year-on-year and in the period under review became the second largest news website in SA fast closing in on the top news site. We are in the process of upgrading our editorial system to enable our staff to work seamlessly between print, mobile and internet.

During the period we also launched Rand Daily Mail online which has quickly become very popular with audiences having grown to over 219 000 unique browsers in February 2015, a growth of 472% over the previous month. Rand Daily Mail has quickly become a leader in the opinion segment of journalism. Further Times Media digital properties are in the pipeline. Our digital is run on strictly commercial considerations, which means we only invest capital if we can generate an adequate return. As a result, our digital division is profitable and growing.

We are constantly reviewing our operations and in the period under review had one-off retrenchment costs of R10 million.

BROADCASTING AND CONTENT

Our Broadcast and Content Division ("B&C") is our newest division, and in its growth phase where we have invested capital and time in order to achieve our objectives. B&C comprises businesses in South Africa and across the African continent. Profitability in South Africa is lower overall as a result of investment in certain early stage businesses such as radio and reinvestment in our TV assets, but core divisional revenues were steady despite soft advertising markets. As a result of investment costs the division reported an EBIT decline from continuing operations of R13 million to R11 million. Revenues were steady or up across all businesses with the exception of TV production, which is by nature highly cyclical, and our non-core outdoor assets. Whilst in its early stages, the division represents TMG's core medium to long term growth opportunity. Our businesses outside of South Africa and joint ventures are reported under share of associates and joint ventures and not in the B&C segmental income statement.

The division comprises:
- Radio Africa Group (Kenya)
- MultiMedia (Ghana)
- One Africa (formerly ABC)
- Ochre Moving Pictures
- Vuma FM and Rise FM
- Times Media Films
- Music (Gallo, Bula and Sheer)
- Digital

Rest of Africa

Radio Africa Group ("RAG") in Kenya is the leading independent radio business in Kenya and owns three of the top five radio stations in Nairobi: Jambo, Classic and Kiss. RAG also owns the Star newspaper and TV platform, Bamba TV. RAG delivered record earnings for the first half performance driven by radio (RAG EBITDA was R32 million for the 6 month period, being a growth of 14%). The Star newspaper is relatively small but profitable. Bamba TV is a free-to-air Digital Terrestrial Television ("DTT") platform that launched in December 2014 as Kenya switched over to a new DTT broadcast environment. TMG owns 49% of RAG.

In Ghana, 32% held MultiMedia Group has a strong pedigree as the leading independent broadcaster in the country. Multimedia's leading radio stations Joy and Adom command significant audience and advertising market share and its TV platform Multi TV has over 2 million boxes in homes in Ghana and more across the rest of west Africa. The business has been hampered by weak macro-economic and advertising markets but radio has been resilient and boasts a strong established team and loyal audience. Multi TV remains under pressure in terms of establishing a solid advertising base and has recently consolidated its positioning to focus on key TV channels where it has dominant market positions in terms of programming. As an advertising led business it will rely on an improvement in economic performance in the country.

We are in the final stages of purchasing a significant minority stake in two Ugandan radio stations and in two separate deals, majority shareholdings in a Namibian TV station and a radio station. These acquisitions will extend our footprint in Africa and enhance our radio sales ability across our various stations. TMG now has equity exposure to 16 radio stations throughout Africa, from none two years ago.

South Africa

Content

Our content businesses are showing growth as increased focus on all rights ownership and their commercialisation yields results. The films distribution business, which owns rights to various international and local films which are then sold into platforms such as theatres, TV and video on demand (VOD), operates in a fast changing market and has good short to medium term prospects. The business is committed to investing in local and international production and distribution to ensure its future sustainability. Our physical home entertainment business is in managed decline in line with the reduced consumption of DVDs in the market. The independent film distribution market has become highly competitive with large dominant players entering the content acquisition market.

Gallo Music is the largest independent music catalogue in South Africa and has been bolstered by the acquisition of additional music catalogues namely, Bula Music and Sheer Sound. The acquisitions bring increased scale in terms of music and artists, in the face of declining physical markets. Our music business continues to build but growth has yet to match the decline in physical markets. Our music business is in the process of transforming into a 360 degree offering including events and artist management with a broad market-wide offering. Our objective is to supply our music content to a number of different platforms. We believe the music business holds significant value in the long term if it invests prudently and is commercially focused.

Our TV production business, Ochre Moving Pictures, has built a steady base of productions from which to grow including Scandal, Takalani Sesame and Eksê.

Ochre has succeeded in pitches for certain new South African shows and continues to develop innovative programming in a competitive market. Ochre works closely with our TV channels business, One Africa.

Broadcast

Our local broadcast businesses are either in development phase or are being reinvested in to deliver a sustainable local broadcast platform. As advertising driven businesses they are subject to cyclical changes.

One Africa, renamed from ABC, houses three satellite TV channels, namely Business Day TV, Home Channel and Ignition. It has recently invested in new studios and extending the Ignition channel to a 24 hour offering. It remains profitable and has good scope for further growth.

Our radio, Vuma FM and Rise FM, are long term investments as it takes time to establish listenership and build market share from an audience and revenue perspective. The unit is an early stage development business with two start up regional radio stations still establishing a footprint in their markets. Both Durban based Vuma and Mpumulanga's Rise FM are producing good listenership growth with advertising revenues beginning to pick up. The radio business has also invested in sales capacity to service other stations such as 99fm in Namibia and North West FM in Rustenburg as well as Rise and Vuma.

Digital

50%-owned Smartcall Technology Services ("STS") is showing strong revenue growth in mobile services, providing products across sub-Saharan Africa. For the 11 months ended January 2015, STS increased turnover by 36% and EBIT by 58%. The STS business holds and manages video-on-demand platform VIDI, which remains in early investment stage. The offering has been well received by the market, but will require further development of South Africa's broadband infrastructure to reach acceptable operating levels. VOD services require a depth of content which is expensive to procure in order to attract and maintain sufficient subscribers. The South African market is unaccustomed to the VOD model and therefore a consistent customer education campaign is required to boost take up. VOD has many benefits to consumers compared to pay and linear TV and is growing in leaps and bounds globally. VIDI is in effect a movie rental store in your home.

TMG sold its Interactive Junction business to Saon Group in January 2015 as part of the strategy to dispose of non-core assets. Further smaller sales remain to be finalised but the balance of the division now forms the core of the Group's growth strategy going forward.

RETAIL SOLUTIONS

Hirt and Carter ("H&C")

The trading environment for the 6 months to December 2014 for H&C proved challenging with continued pressure on pricing and margin.

The effect of overall macro-economic influences in the economy has had a specific bearing on disposable income per capita from a consumer perspective in the retail sector which is where H&C operates in.

Despite difficult trading conditions H&C grew turnover by 6% with a focus on growth and development of new accounts whilst delivering service excellence to existing customers.

For the period EBITDA grew 24% to R90 million from R73 million in the comparative period partly due to T&R and Bates Printing not being reflected for the full comparative period. Bates Printing has proved to be an excellent acquisition which has brought a first class management team into H&C. Initiatives are currently underway to merge H&C and Bates Printing in Cape Town into a single service operation. The merging of the two operations will enhance efficiencies and improve earnings in the Cape region.

National focus was placed on the H&C cost base by initiating operating expenses reviews to align expenditure to the ever changing market conditions and to avoid an inverted value curve in relation to the revenue base. We were successful in reducing expenditure by 9% over the period. Much of the savings were derived from re-structuring initiatives in the Gauteng region. The revised business is geared for growth and expansion.

A key area of focus has been to improve H&C's return on capital.

The H&C Software Division continues to invest in software development and bespoke retail system solutions to provide value added services to our customers and to enhance and assist the communication strategy to customers.

The 30% acquisition in Capacity Holdings provides a platform for an integrated market solution to enhance digital library content management to our existing and future customer base. Further investment on software development will grow and expand the business.

Uniprint

All Uniprint divisions performed well during the six months under review and achieved a turnover of R306 million compared with the corresponding period last year of R242 million which represents an increase in turnover of 26%.

Uniprint achieved an EBITDA of R49 million for the period under review compared with an EBITDA of R31 million for the corresponding period last year, representing an increase of 58% over the previous year.

Uniprint's increase in operating profit is going to be difficult to maintain at this level due to the state of the South African economy which has resulted in lower demand from consumers with the consequence that there is excess capacity in the market. As a result margins have declined as it has become increasingly difficult to recover cost increases in a depressed market as a result of a volatile South African Rand against the US$ and the EURO.

Labels

It has been a very active six months for Uniprint. Uniprint acquired labels business Ferroprint with effect from 1 June 2014 and the particular focus during the first 6 months was the integration and rationalisation of Ferroprint into Uniprint labels. Although we still have a way to go we believe we have made good progress in settling the acquisition and the immediate plans are now to upgrade and improve the equipment that we acquired.

The Labels Division also secured and commenced execution of the Coke "Connect" names project for certain east and central African countries in addition to undertaking the project for the second year in South Africa. This project runs until the end of March 2015.

Exports

During the period under review Uniprint's Export Division was successful in acquiring an election project for Mozambique which was once off in nature and highly profitable for Uniprint.

Forms and Direct Mail

The Forms Division has been significantly impacted by the five month strike at the S A Post Office resulting in several of our major retailers and telcom customers opting to avoid the use of the post office for delivery of their statements and direct mail to their customers. This has resulted in Uniprint losing turnover of approximately R60 million per annum which we perceive to be of a permanent nature. Uniprint will therefore have to refocus its Forms business to replace the lost turnover. Unfortunately this will require time and could result in investing in additional capital equipment and making strategic acquisitions.

Packaging

The Packaging Division was relocated to new premises which offer improved workflow as well as rationalisation benefits with the Forms Division finished goods warehouse.

Management's focus for the immediate future is as follows:

1. Extract the benefits of the Ferroprint acquisition;
2. Increase our market share in the packaging sector; and
3. Refocus and re-engineer the Forms Division to replace lost turnover due to the non-functioning of the S A Post Office and consequential rapid migration to digital technology.

BEE

TMG recently moved up to a level 2 BEE contributor with value add supplier status. A lot of work has been done in the company on transformation and meeting our empowerment objectives. TMG remains the original media empowerment transaction where the National Empowerment Consortium acquired control of Johnnic Holdings from Anglo American in August 1996.

SCHEME OF ARRANGMENT

Shareholders are reminded of the Blackstar led TMG scheme of arrangement in process as detailed in the February 2015 circular.

For and on behalf of the board

KD Dlamini — *Chairman*
AD Bonamour — *Chief Executive Officer*

Rosebank
30 March 2015

Directors: KD Dlamini *(Chairman)*, AD Bonamour* *(Chief Executive Officer)*, W Marshall-Smith* *(Financial Director)*, JHW Hawinkels, HK Mehta, R Naidoo, MM Nhlanhla **Executive* MSM Xayiya resigned with effect from 7 October 2014

Company secretary: JR Matisonn

Email: matisonnj@timesmedia.co.za

Address: 4 Biermann Avenue, Rosebank, 2196, Johannesburg, PO Box 1746, Saxonwold, 2132

Sponsor: PSG Capital

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ANNEX III

FINANCIAL INFORMATION ON KTH

KAGISO TISO HOLDINGS

Kagiso Tiso Holdings Proprietary Limited (RF)
(Registration number 2011/000848/07)

Consolidated Financial Statements
for the year ended 30 June 2012

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General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Investment holding
Registration number	2011/000848/07
Tax reference number	9241/0351/88
VAT number	4290159377
Non-executive directors	NL Sowazi (Co-chairperson) LN Angel (Co-chairperson) DKT Adomakoh JW Dreyer JJ Durand (Resigned 2012/07/23) MV Kruger (Appointed 2012/07/23) V Mufamadi ZC Nevhutalu S Patlaer KB Schoeman JJ Viljoen (Resigned 2012/09/20)
Executive directors	V Nkonyeni (Chief Executive Officer) JB Hirson (Chief Investment Officer) FF Gillion (Chief Financial Officer) KL Matseoa (Resigned 2011/10/31)
Alternative directors	PJ Makosholo
Business address	Kagiso Tiso House 100 West Street Wierda Valley Sandton 2196
Postal address	P O Box 55276 Northlands 2116
Auditors	PricewaterhouseCoopers Incorporated Registered Auditor Johannesburg
Bankers	The Standard Bank of South Africa Limited
Attorneys	DLA Cliffe Dekker Hofmeyr Webber Wentzel Attorneys
Company secretary	S Mayet
Public officer	FF Gillion
Preparation of financial statements	These audited annual consolidated financial statements were internally prepared under the supervision of the Chief Financial Officer, FF Gillion CA (SA)
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Publish date	10 May 2013

Contents

The reports and statements set out below comprise the consolidated financial statements presented to the shareholders:

Statement of responsibility by the board of directors

The directors are responsible for the maintenance of adequate accounting records and the preparation of the consolidated financial statements.

The consolidated financial statements are prepared, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act No 71 of 2008, on the going concern basis and incorporate full and responsible disclosure. The consolidated financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Frencel Gillion CA(SA).

The directors are satisfied that the information contained in the consolidated financial statements fairly presents the results of operations for the period then ended and the financial position of the Group at the reporting date.

The directors are also responsible for the Group's system of internal financial controls. The system was developed to provide reasonable, but not absolute assurance regarding the reliability of the financial statements, the safeguarding of assets, and to prevent and detect misrepresentation and losses.

To the best of their knowledge, the board of directors confirm that they have every reason to believe that the Group has adequate resources in place to continue as a going concern in the future. The financial statements have accordingly been prepared on this basis.

The consolidated financial statements were audited by the independent auditor, PricewaterhouseCoopers Incorporated, to whom unrestricted access were given to all financial records and related information. The auditor's report is presented on page 5

The Group and Company financial statements set out on pages 6 - 78 were approved by the board of directors and were signed on its behalf by

M Sowazi
Non-executive co chairperson

FP Gillion
Chief Financial Officer

10 May 2013
Date

Statement by the Company secretary

I, Safeera Mayet, being the Company Secretary of Kagiso Tiso Holdings Proprietary Limited (RF), hereby certify that all returns and notices of Kagiso Tiso Holdings Proprietary Limited (RF) required in terms of the Companies Act, 2008, as applicable, have, in respect of the period under review, been filed with the Commission and that all such returns and notices appear to be true, correct and up to date.

S Mayet
Company secretary

10 May 2013
Date

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Independent Auditor's Report

To the shareholders of Kagiso Tiso Holdings Proprietary Limited (RF) and its subsidiaries

We have audited the consolidated and separate financial statements of Kagiso Tiso Holdings Proprietary Limited (RF) as set out on pages 6 to 78, which comprise the statements of financial position as at 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the directors report, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act No. 71 of 2008 of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 control 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Kagiso Tiso Holdings Proprietary Limited (RF) as at 30 June 2012, 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 the requirements of the Companies Act No. 71 of 2008 of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Victor Muguto
Registered Auditor
Johannesburg
Date 10 May 2013

PricewaterhouseCoopers Inc., 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa
T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.co.za

Directors' report

The directors have pleasure in presenting their first annual report which forms part of the audited financial statements of the Company and the Group for the year ended 30 June 2012.

1 Nature of the business

Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") was formed as a result of the merger between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited on 1 July 2011 with a substantial capitalisation and a robust investment portfolio with interests in various sectors of the South African economy.

2 Subsidiaries, associates, joint ventures and partnerships

Particulars of the subsidiary companies, associated companies and other investments are disclosed in Annexures A - E.

3 Investment activities

MMI Holdings Ltd

During the year KTH restructured its interest in MMI Holdings Limited ("MMI"). This involved increasing its stake in MMI by acquiring the interest held by the management trust. As a result of the restructuring, KTH now owns 7.1% in MMI and have increased the unencumbered portion of this holding to increase cash flows to KTH.

AECI Limited and Aveng Limited

KTH concluded a transaction to convert its interest in AECI Limited ("AECI") subsidiary, AEL Holdco Limited, into listed shares at AECI level, resulting in a 2.8% interest in AECI. At the same time, the associated debt funding was refinanced with Rand Merchant Bank. A similar flip up transaction was concluded with Aveng Limited ("Aveng"), whereby shares in Aveng Trident Steel Proprietary Limited and Aveng (Africa) Proprietary Limited was exchanged for shares in Aveng. Both deals were concluded with extended lock-ins to 2014 and 2015 for Aveng and AECI, respectively.

Actom Investment Holdings Proprietary Limited

Actom Investment Holdings Proprietary Limited ("Actom"), a leading electrical engineering business in which KTH has a 18.62% equity interest, acquired SAVCIO Proprietary Limited, a repairs and services business in the electrical engineering space. KTH invested additional capital in order to follow its rights to fund this acquisition by Actom.

NM Rothschild & Sons (South Africa) Proprietary Limited

KTH concluded the disposal of its interest in NM Rothschild & Sons (South Africa) Proprietary Limited.

O-line Holdings Limited

O-line Holdings Limited, an Alt-X listed Company in which KTH held a 31% interest, received an offer from OBO Bettermann, a German based Company to aquire the business. KTH signed irrevocable undertakings and the deal was concluded in June 2012.

Eris Property Group Proprietary Limited

KTH is in the process of concluding a transaction to increase its interest in Eris Property Group Proprietary Limited ("Eris") from 15% to 22%. As part of this transaction MMI Holdings Limited will acquire a controlling interest in Eris. This transaction is still subject to regulatory approvals.

4 Operating and financial review

During the year under review, KTH focused on bedding down the merger including integration of the various financial and operating systems as well as the integration of the human capital within the business. On the investment front, management focused on restructuring a number of investments, as discussed in more detail above. Kagiso Media Limited ("KML"), the major operating subsidiary of KTH, posted a 21% increase in revenue. This translated into a 2.6% increase in operating profit for the period. KML disposed of its 50% stake in Lexis Nexis Proprietary Limited during the year and acquired 100% of Juta and Company Limited. The Group provided for deferred tax on all financial assets, which resulted in a deferred tax charge of R 332 584 000 through profit and loss and R 246 851 000 through other comprehensive income. Net profit was also negatively impacted by an impairment charge of R 255 952 000 relating to the adjustment of the carrying value of Idwala Industrial Holdings Proprietary Limited to its fair value. The investment impairments were offset by strong growth in the market values of strategic investments including MMI Holdings Limited and Exxaro Resources Limited. The results for the year ended 30 June 2012 are presented in the Company and Group financial statements set out on pages 6 to 78.

The Group results are summarised as follows:

Financial Position	R'000
Total assets	14 938 084
Total equity	9 182 961
Total shareholders equity	6 753 118
Total borrowings	3 737 300
Intrinsic value*	7 394 400

* Based on independent valuation

4 Operating and financial review *(continued)*

Operating results	**R'000**
Revenue	1 056 965
Operating profit	774 797
Other gains / (losses) - net	506 622
Impairment of investments, loans, assets and goodwill	(350 498)
Finance costs	(429 286)
Income tax expense	(495 183)
Profit attributable to the Owners of the parent	41 493

5 Share Capital

Ordinary shares

Authorised share capital

KTH is authorised to issue 1 000 000 ordinary shares of no par value

Issued share capital

1 000 000 ordinary shares were issued at a total issue consideration of R7 396 376 000.

Preference shares

KTH issued 2 711 cumulative redeemable preference shares to Firecorp 559 Proprietary Limited, a subsidiary of the company.

Full details of all preference shares issued by subsidiaries of KTH are available for inspection at the Company's registered address.

6 Shareholders

The major shareholders of the Company at 30 June 2012 were:

Kagiso Charitable Trust	31 318%
Industrial Partnerships Proprietary Limited (Remgro Limited)	25 054%
Tiso Investment Holdings Proprietary Limited	14 102%
Tiso Foundation Charitable Trust	7.521%
KTH Staff Participation Trust	6.883%

There were no major movements in shareholding during the current year.

7 Share schemes

KTH implemented a management and staff share incentive scheme whereby 6.883% of the KTH share capital was acquired by the KTH Staff Participation Trust for the benefit of staff. The purchase price of the shares was funded by a consortium of banks supported by a guarantee from KTH for the "A" preference share funding. The awards are made by the Board on the recommendation of the Remuneration Committee and awards vest in three tranches commencing three years from the award date.

8 Directors

The following directors were in office up to the date of this report:

David Kwame Tandoh Adomakoh	
Frencel Frankton Gillion	Executive director
Jacob Bruce Hinson	Executive director
Jakobus Johannes Viljoen	Resigned 2012/08/20
Jan Jonathan Durand	Resigned 2012/07/23
Jan Willem Dreyer	
Kgotso Buni Schoeman	
Lebelle Nthabakae Angel	
Margo Vanessa Kruger	Appointed 2012/07/23
Nkululeko Leonard Sowazi	
Saamsoodein Pather	
Vhonani Mufamadi	
Vuyisa Nkonyeni	Executive director
Zwoitwaho Calvin Nevhutalu	

Alternates:
Pabalelo Joel Makosholo

Directors interests

No director has any interest in any of the contracts entered into with the Company or its group companies.

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8 Directors (continued)

Directors' remuneration
Full details of all amounts paid to the executive and non-executive directors are disclosed in note 50 to the consolidated financial statements.

Key management changes
KL Matseke resigned as the Chief Executive Officer of KTH on 31 October 2011. V Nkonyeni was appointed as Chief Executive Officer on 1 January 2012. JB Hinson was appointed as Chief Investment Officer on 1 September 2011.

9 Borrowing limitations
There are no limitations on borrowings in terms of the memorandum of incorporation of the Company. The Company's borrowing limits are informed by its finance policies and its debt covenants. In terms of its debt covenants, KTH can raise debt up to a maximum of R 2,1 billion for the financial year ending 30 June 2013.

10 Special resolutions
All special resolutions taken during the financial period are available for inspection at the Company's registered office.

11 Company secretary
The secretary of the company is S Mayet of:

Business address	Kagiso Tiso House 100 West Street Wierda Valley Sandton 2196
Postal address	P O Box 55276 Northlands 2116

12 Auditors
PricewaterhouseCoopers Incorporated will continue in office in accordance with section 90(6) of the Companies Act No. 71 of 2008.

13 Going concern
The Company and Group financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors assess the Group's future financial performance and financial position on an on-going basis and have no reason to believe that the Group will not be a going concern in the year ahead.

14 Material events after reporting date
Subsequent to the reporting date, Kagiso Sizanani Capital Limited (RF) ("KSC"), a wholly-owned subsidiary of KTH, concluded an agreement to restate the Domestic Medium Term Note ("DMTN") programme to conform to JSE regulations as well as increasing the programme size from R1 billion to R2 billion. KSC also refinanced the KSP 003, KSP 004 and KSP 005 preference shares that were issued to Investec Limited. A new debt instrument KSP 007 in the amount of R250 million was issued on 31 August 2012 to refinance the aforementioned preference shares. In addition, KSC issued a new listed bond to the value of R 600 million.

On 17 August 2012, the Kagiso Charitable Trust ("KCT") and Industrial Partnerships Proprietary Limited (Remgro Limited) entered into share purchase transactions with minority shareholders of KTH resulting in the direct and indirect shareholding of KCT and Remgro Limited increasing to 38.034% and 32.289% respectively.

Subsequent to the reporting date, Tiso INL Investments 1 Proprietary Limited disposed of its entire investment in Investec Limited.

15 Dividends
Dividend policy
In terms of the KTH memorandum of incorporation, the Board shall declare and pay a dividend of not less than 30% of the consolidated after tax profit of the Company (excluding unrealised gains and losses) for the respective financial year, subject to solvency and liquidity requirements.

Dividend declaration
No ordinary dividends were declared or paid to shareholders by the board of directors after taking into account the solvency and liquidity requirements of the Company.

Kagiso Tiso Holdings Proprietary Limited (RF)
(Registration number 2011/000848/07)
Consolidated Financial Statements for the year ended 30 June 2012

Statement of financial position

	Notes	Consolidated 2012 R'000	Company 2012 R'000
Assets			
Non-current assets			
Property, plant and equipment	5	164 150	11 034
Intangible assets	6	723 920	-
Goodwill	7	1 139 735	-
Investment in subsidiaries	8	-	7 593 704
Investment in associates, joint ventures and partnerships	9	2 065 112	459 092
Available for sale financial assets - equity instruments	10	1 583 240	610 181
Hybrid financial instruments	11	-	-
Financial assets at fair value through profit and loss	12	6 237 182	-
Held-to-maturity financial assets	13	454 069	61 467
Loans and receivables	14	88 824	-
Amounts due from Group companies	15	478 022	7 000
Deferred income tax assets	16	52 311	-
Total non-current assets		**12 986 565**	**8 742 478**
Current assets			
Financial assets at fair value through profit and loss	12	212 601	-
Held-to-maturity financial assets	13	20 943	-
Loans and receivables	14	103 035	44 395
Amounts due from Group companies	15	5 078	819 458
Inventories	17	54 935	-
Current income tax receivable		18 525	1 868
Trade and other receivables	18	347 173	4 066
Properties under development	19	6 916	-
Cash and cash equivalents	20	1 119 243	401 809
Total current assets		**1 911 419**	**1 271 596**
Assets classified as held-for-sale	21	41 000	41 000
Total assets		**14 938 984**	**10 055 074**
Equity and liabilities			
Equity			
Share capital	22	7 396 375	7 396 376
Treasury shares	23	(685 117)	-
Other (deficits) / reserves	24	(1 866 006)	1 468 254
Retained earnings		1 977 864	50 542
Total shareholders' equity		**6 753 117**	**8 915 172**
Non-controlling interests	25	2 429 843	-
Total equity		**9 182 960**	**8 915 172**
Non-current liabilities			
Borrowings	26	2 566 588	218 365
Deferred income	27	43 330	-
Operating lease liability		7 292	365
Deferred income tax liability	16	1 365 174	122 755
Share-based payment liabilities	28	43 175	13 977
Total non-current liabilities		**4 035 860**	**355 462**
Current liabilities			
Borrowings	26	1 150 712	369 231
Trade and other payables	29	263 959	16 659
Provisions	30	216 390	1 275
Amounts due to Group companies	15	8 100	398 274
Current income tax liabilities		86 159	-
Bank overdraft	20	1 144	1
Total current liabilities		**1 720 484**	**784 440**
Total liabilities		**5 756 024**	**1 139 902**
Total equity and liabilities		**14 938 984**	**10 055 074**

The accounting policies and notes on pages 13 to 78 are an integral part of these financial statements.

Kaglen Tiso Holdings Proprietary Limited (RF)
(Registration number 2011/000848/07)
Consolidated Financial Statements for the year ended 30 June 2012

Statement of comprehensive income

	Notes	Consolidated 2012 R'000	Company 2012 R'000
Continuing operations			
Revenue	31	1 056 965	4 660
Costs of sales	32	(506 879)	-
Depreciation and amortisation	33	(105 720)	(3 102)
Other operating expenses - net	34	(170 069)	(103 714)
Operating profit / (loss)		**274 297**	**(102 156)**
Dividend income	35	305 995	182 623
Other gains / (losses) - net	36	506 622	(4 517)
Profit / (loss) on sale of investments - net	37	24 279	13 250
Net impairment of investments, loans, assets and goodwill	38	(350 498)	14 387
Finance income	39	123 203	36 723
Finance costs	40	(429 266)	(67 415)
Profit before taxation		**494 613**	**72 895**
Income tax expense	41	(495 183)	(22 353)
(Loss) / profit after taxation		**(40 570)**	**50 542**
Share of after-tax profit of associates, joint ventures and partnerships	9	255 721	-
Profit for the period from continued operations		**218 151**	**50 542**
Discontinued operations			
Profit from discontinued operations	43	304 114	-
Profit for the year		**522 265**	**50 542**
Other comprehensive income/(losses):			
Fair value adjustments on available-for-sale financial assets	42	514 727	295 778
Share of other comprehensive income of associated companies		8 787	-
Cash flow hedges		999	-
Currency translation differences		1 097	-
Recycling of gains on available-for-sale financial assets		(9 975)	-
Tax relating to items of other comprehensive income / (losses)	16	(246 651)	(108 054)
Total other comprehensive income		**268 984**	**187 724**
Total comprehensive income		**788 249**	**238 266**
Profit attributable to:			
- Owners of the parent		41 493	50 542
- Non-controlling interests		480 772	-
		522 265	**50 542**
Total comprehensive income attributable to:			
- Owners of the parent		283 883	238 266
- Non-controlling interests		504 366	-
		788 249	**238 266**

The accounting policies and notes on pages 13 to 78 are an integral part of these financial statements.

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Kagiso Tiso Holdings Proprietary Limited (KTH)
(Registration number 2011/000940/07)
Consolidated Financial Statements for the year ended 30 June 2012

Statement of Changes in Equity

	Attributable to owners of the parent									Consolidated	
	Ordinary share capital	Treasury shares	IFRS 3 reserve	Common control (deficit) / reserve	Share-based payment deficit	Available-for-sale reserves	Other reserves	Retained earnings	Shareholders' equity	Non-controlling interest	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group											
Balance at 1 July 2011	-	-	-	-	-	-	-	-	-	-	-
Issue of shares	7 396 376	-	-	-	-	-	-	-	7 396 376	-	7 396 376
Treasury shares issued	-	(685 117)	-	-	-	-	-	-	(685 117)	-	(685 117)
Common control transaction	-	-	-	(2 874 738)	-	129 [illegible]	305 [illegible]	1 886 371	(561 [illegible])	1 574 5[illegible]	1 0[illegible]
Business combination transaction	-	-	193 910	-	-	-	-	-	193 910	1 020 3[illegible]	1 213 817
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	7 244	7 244
Total comprehensive income	-	-	-	-	-	221 306	10 553	41 49[illegible]	263 853	504 356	788 249
Profit for the year	-	-	-	-	-	-	-	41 493	41 4[illegible]	480 772	632 256
Other comprehensive income for the year	-	-	-	-	-	221 306	10 553	-	242 360	23 584	265 944
Change in interest	-	-	-	-	-	-	134 178	-	134 176	(219 52[illegible])	(85 345)
IFRS 2 share-based payments	-	-	-	-	(5 394)	-	-	-	(5 394)	-	(5 394)
Ordinary dividends	-	-	-	-	-	-	-	-	-	(412 692)	(412 692)
Balance at 30 June 2012	7 396 376	(685 117)	193 910	(2 874 738)	(5 394)	350 998	450 112	1 927 864	6 753 117	2 429 843	9 182 960
Company											
Balance at 1 July 2011	-	-	-	-	-	-	-	-	-	-	-
Issue of shares	7 396 376	-	-	-	-	-	-	-	7 396 376	-	7 396 376
Common control transaction	-	-	-	1 096 047	-	-	-	-	1 096 047	-	1 096 047
Business combination transaction	-	-	189 877	-	-	-	-	-	189 877	-	189 877
Total comprehensive income	-	-	-	-	-	187 724	-	50 542	238 266	-	238 266
Profit for the year	-	-	-	-	-	-	-	50 542	50 542	-	50 542
Other comprehensive income for the year		-	-	-	-	187 724	-		187 724		187 724
IFRS 2 share-based payments	-	-	-	-	(5 394)	-	-	-	(5 394)		(5 394)
Balance at 30 June 2012	7 396 376	-	189 877	1 096 047	(5 394)	187 724	-	50 542	8 915 172	-	8 915 172
Note	22	23	24	24	24	24	24			25	

The accounting policies and notes on pages 13 to 78 are an integral part of these financial statements.

Statement of cash flows

	Notes	Consolidated 2012 R'000	Company 2012 R'000
Cash flows from operating activities			
Cash generated from / (used in) operations	44	174 497	(119 787)
Finance income received		90 944	21 355
Dividends received		390 962	180 065
Finance costs paid		(216 149)	(52 604)
Income tax paid		(179 457)	(1 934)
Dividends paid to non-controlling interests		(127 569)	-
Net cash generated from operating activities		**131 228**	**27 095**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(37 433)	(8 526)
Proceeds on sale of property, plant and equipment		561	-
Acquisition of intangible assets		(3 930)	-
Proceeds on sale of intangible assets		39	-
Acquisition of subsidiaries and associates		(324 284)	-
Proceeds on sale of subsidiaries, associates and joint ventures		684 172	14 821
Payment of contingent consideration		(11 000)	-
Distributions received from associates		15 201	-
Distributions received from joint ventures		24 500	-
Movement in Group Company loans		(89 345)	712
Acquisition of financial assets		(20 483)	-
Proceeds on sale of financial assets		475 480	-
Movement in loans and receivables		3 616	-
Net cash generated from investing activities		**817 794**	**7 007**
Cash flows from financing activities			
Proceeds on issue of preference shares		745 974	-
Purchase of treasury shares		(483 376)	-
Redemption of preference shares		(524 389)	-
Proceeds from borrowings		157 990	-
Repayment of borrowings		(463 952)	(58 088)
Settlement of financial guarantee contract		(15 000)	(15 000)
Return of members interest		(16 407)	-
Repayment of shareholder loans		(2 453)	-
Net cash used in financing activities		**(606 613)**	**(73 088)**
Net movement in cash and cash equivalents		342 409	(38 986)
Cash, cash equivalents and bank overdrafts acquired through business combination and common control transaction		752 769	440 794
Cash, cash equivalents and bank overdrafts included in assets-held-for-sale		22 911	-
Cash, cash equivalents and bank overdrafts at the end of the year	20	**1 118 089**	**401 808**

1 General information

Kagiso Tiso Holdings Proprietary Limited (RF) is a black-owned and managed investment holding Company with investments in a number of strategic sectors of the South African economy including financial services, media, power, industrials, construction and resources.

1.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1.3 Basis of preparation

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the South African Companies Act 71 of 2008, as amended.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) held at fair value through profit or loss, and IFRS 5 disposal Groups.

The preparation of these consolidated financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the consolidated financial statements.

The consolidated financial statements are presented in South African Rand and all amounts, unless otherwise indicated, are stated in thousands.

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 note 4

1.4 Basis of consolidation

1.4.1 Consolidation - subsidiary companies

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 one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or 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. They are deconsolidated / derecognised from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. 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 excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Investments in subsidiaries are accounted for at cost less impairment in the Company's separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The carrying amount of these investments are reviewed annually for impairments and written down when necessary.

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated, unrealised losses are also eliminated unless the cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Special purpose entities are entities created to accomplish a narrow and well-defined objective such as holding of specific investments or housing staff incentive schemes. These entities take different legal forms. A special purpose entity is consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the Group effectively has control over the entity.

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1.4 Basis of consolidation *(continued)*

1.4.2 Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests 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 are recorded in equity, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary. When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

1.4.3 Investment in associates and jointly controlled entities

Associates, including partnerships, are entities over which the Group generally has between 20% and 50% of the voting rights or over which the Group has significant influence, but which it does not control. A jointly controlled entity is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. Under this method the Group's share of post acquisition profit and losses of associates and jointly controlled entities is recognised in profit and loss 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. The Group's investment in associates include goodwill (net of accumulated impairment losses) and notional intangibles (net of accumulated amortisation) identified on acquisition.

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 is reclassified to profit and loss where appropriate.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

When the Group's share of losses in an associated Company 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 associated Company.

Certain associated companies have year-ends that differ from that of the Company. In such circumstances the results of listed and certain unlisted companies are accounted for from the latest published information and management accounts as at year-end, respectively. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group and its subsidiaries to the extent that it is material and appropriate for the specific industry in which the associate operates.

1.4.4 Separate financial statements

In the Company's separate financial statements, investments in subsidiaries, associated companies, joint ventures and partnerships are carried at cost less any impairments.

1.5 Financial instruments

Financial instruments disclosed in the consolidated financial statements include cash and cash equivalents, investments, derivative instruments, receivables and short-term loans, trade and other payables and borrowings. Financial instruments are initially recognised at fair value, including transaction costs, when the Group becomes party to the contractual terms of the instruments. All purchases and sales of financial instruments are recognised at the trade date. The transaction costs relating to the acquisition of financial instruments held at fair value through profit or loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

1.5.1 Financial assets - classification

The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available for sale.

Loans and receivables

Loans and receivables are non derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

Held-to-maturity financial instruments

Instruments with fixed maturity that the Group has the intent and ability to hold to maturity are classified as held-to-maturity financial instruments and are carried at amortised cost using the effective interest rate method.

These financial assets are initially measured at fair value plus direct transaction costs. At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts. Financial assets that the Group has the positive intention and ability to hold to maturity are classified as held to maturity.

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1.5.1 Financial assets - classification *(continued)*

Available-for-sale financial instruments

Other long-term financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised through other comprehensive income in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in the statement of comprehensive income.

Financial instruments at fair value through profit and loss

These instruments, consisting of financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in profit or loss in the statement of comprehensive income in the period in which they arise within 'other gains / (losses) - net'. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue when the Group's right to receive payment is established.

1.5.2 Financial liabilities

Other payables and borrowings

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

Preference shares

Preference shares which carry a mandatory redemption, or are redeemable at the option of the shareholder in respect of which dividend payments are not discretionary, in both cases, are classified as financial liabilities. Where the dividend payments in both cases are discretionary, the preference shares are classified as compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are recognised in profit or loss as finance costs on an amortised cost basis using the effective interest rate method. The liability component of a compound financial instrument is initially recognised as the present value of future cash flows. The equity component is equal to the proceeds less the liability component.

Derivatives and hedging activities

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives are classified as financial assets at fair value through profit or loss. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Debt securities

Debt securities which carry a mandatory coupon, or are redeemable at specific dates at the option of the holder are recognised initially at fair value, net of transaction costs incurred. Debt securities are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Interest paid on these debt securities is charged to profit or loss at the effective interest rate method.

1.5.3 Derecognition of financial instruments

Financial assets (or portions thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the Group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in other comprehensive income, is included in the statement of comprehensive income.

Financial liabilities (or portions thereof) are derecognised when the Group's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, is included in the statement of comprehensive income.

1.5.4 Offsetting of financial instruments

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

1.5.5 Loans to and from Group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as loans and receivables and carried at amortised cost.

1.5 Financial instruments *(continued)*

1.5.6 Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

1.5.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate 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. Trade and other receivables are classified as loans and receivables.

1.5.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included in current liabilities on the statement of financial position.

1.6 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Land is not depreciated. Depreciation is calculated on a straight-line method to write off the cost of the assets over their expected useful lives. Major leasehold improvements are amortised over the shorter of their respective lease periods or estimated useful life. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The carrying values of property, plant and equipment are reviewed periodically to assess whether the net recoverable amount has declined below the carrying amount. In the event of such impairment, the carrying amount is reduced and the reduction is charged as an expense in the profit or loss. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains or losses on disposals are determined by comparing the proceeds with the assets carrying amounts. These are included in the profit or loss in the related period.

The estimated useful lives of property, plant and equipment have been assessed as follows:

Item	Average useful life
Computer equipment	3 - 5 years
Freehold land and buildings	30 years
Furniture and fittings	5 - 10 years
Leasehold improvements	1 - 10 years
Motor vehicles	3 - 10 years
Office equipment	2 - 5 years
Plant and equipment	2 - 10 years

1.7 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, or associate, or jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in the interest in investments in associates or jointly controlled entities, if positive.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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. The Group allocates goodwill to each subsidiary, associate, and/or joint venture at acquisition of interest.

Profit at acquisition is recognised in profit or loss in the period in which it arises.

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 and thirty years using the straight-line method.

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1.7 Intangible assets *(continued)*

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 and five years.

Broadcast licence

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

Transmitter split facility

The transmitter split facility is initially recorded at acquisition cost. This asset has a definite useful life and is carried at cost less accumulated amortisation and accumulated 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 thirty 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 definite useful life and are carried at cost less accumulated amortisation and, if required, accumulated impairment. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives.

The useful lives were determined as follows:

Item	Average useful life
Patents	5 years
Brand names, copyrights and trademarks	7 - 30 years
Title rights	10 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, or there is no active market for these assets.

Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to have future benefits. Other development costs are recognised as an expense when 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.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- 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.
- There is an ability to use or sell the product.
- It can be demonstrated how the product will generate probable future economic benefits.
- Technical, financial and other resources to complete the development and to use or sell the product are available.
- 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 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.

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1.8 Impairment of assets

Impairment – subsidiaries and associated companies
An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use. The carrying amounts of subsidiaries and associated companies are reviewed if there is objective evidence of impairment and written down where necessary.

Property, plant and equipment
Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written-off amounts are accounted for in the statement of comprehensive income.

Financial instruments carried at amortised cost
A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a held-to-maturity investment or 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 decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the statement of comprehensive income.

Assets classified as available for sale

The Group assesses at each reporting date, whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment losses on the financial asset previously recognised in profit or loss is removed from other comprehensive income, and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not subsequently reversed through the statement of comprehensive income – such reversals are accounted for in other comprehensive income.

1.9 Leases

Assets leased in terms of finance leases, where the Group assumes substantially all the risks and rewards of ownership, are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum finance lease payments. Leased assets are depreciated over the shorter of the lease period or the period over which the particular asset category is otherwise depreciated. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the capital balance outstanding. The finance charges are accounted for in profit or loss over the term of the lease using the effective interest rate method.

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 profit or loss on a straight-line basis over the period of the lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted.

1.10 Inventories

Inventory is stated at the lower of cost or net realisable value. For the Broadcasting and Content segments, the cost of inventory is determined by means of the first-in first-out basis. For the Information segment, the cost of inventory is determined by means of the weighted-average 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.

1.11 Current and deferred income tax

The tax expense on the profit or loss for the year comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred income tax and deferred capital gains tax are provided for on a comprehensive basis, 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. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is also not recognised on the initial recognition of goodwill, nor is it recognised on investments in subsidiaries and joint ventures where the Group controls the timing of the reversal of temporary differences and it is possible that these differences will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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 tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of each asset or liability, and is not discounted.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

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. The STC expense is included in the taxation charge in the statement of comprehensive income in the period that the dividend accrues. STC was replaced with a new dividends tax effective from 1 April 2012.

1.12 Properties under development and inventory

Properties under development and inventory are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished properties, publications and work in progress comprises design costs, raw materials, direct labour, other direct costs, amounts paid to printers, editors and authors and related production overheads. It excludes borrowing costs as well as administrative overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.13 Non-current assets (or disposal Groups) held-for-sale

Non-current assets (or disposal Groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition and management is committed to the sale subject only to terms that are usual and customary.

Immediately before classification as held-for-sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal Group) is brought up-to-date in accordance with the applicable standard. Then, on initial classification as held-for-sale, non-current assets (other than investment properties, deferred tax assets, financial assets and inventories) are measured in accordance with IFRS 5, that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

1.14 Share capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of new shares are accounted for in equity as a deduction from the proceeds.

Shares in the Company held by Group companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the Group's equity.

1.15 Preference shares

Preference shares issued by the Group are recorded at the net proceeds received, which is the fair value less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is allocated to preference share capital and any excess is allocated to preference share premium, including the costs that were incurred with the share issue.

Preference shares, which are mandatorily redeemable on a specific date or which are redeemable at the option of the holder, are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as interest expense.

1.16 Provisions and other liabilities

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expected expenditure required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within twelve months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. Bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The Company has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Share-based compensation - Company

The Group operates various cash settled and equity settled share based compensation plans. Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction. When goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity are measured directly at the fair value of the goods or services received, provided that the fair value can be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement. Changes in fair value are recognised in profit or loss for the period.

Share-based compensation - subsidiary

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Company accounts for those services as they are rendered by the counterparty during the vesting period, or on a straight line basis over the vesting period.

If the share-based payments vest immediately, the services received are recognised in full. For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share based payment transaction if, and to the extent that, no such liability has been incurred.

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

1.17 Employee benefits (continued)

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 3 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 reporting 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. 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.

1.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Interest income on impaired loans is recognised using the original effective interest rate. Dividends are recognised when the right to receive payment is established.

1.19 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 Group's and 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. 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 profit or loss and disclosed separately in the notes to the consolidated financial statements.

1.20 Dividend distributions

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 shareholders.

1.21 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

1.22 Current / Non-current distinction

Items are classified as current when it is expected to be realised, traded, consumed or settled within twelve months after the reporting date, or the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date.

1.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms. Subsequently the Company's liabilities under such guarantees are measured at the higher of - the amount in terms of IAS 37 and the initial amount less cumulative amortisation.

1.15 Financial guarantee contracts *(continued)*

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2 New and amended accounting standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

Accounting policy developments include new standards issued, amendments to standards and interpretations issued on current standards . As of 1 July 2011, the Group adopted the following new and amended standards effective for the first time for the 30 June year end.

IAS 1 Presentation of Financial Statements
(effective date - financial periods commencing on/after 1 January 2011)
Clarification of statement of changes in equity

Amendment to IFRS 7 Financial Instruments: Disclosures – Transfer of financial assets
(effective date - financial periods commencing on/after 1 July 2011)
The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that financial statements did not allow users to understand the on-going risks the entity faced due to derecognised receivables and other financial assets.

IFRS 7 Financial Instruments: Disclosures
(effective date - financial periods commencing on/after 1 January 2011)
Clarification of disclosures

Amendment to IAS 12 Income taxes on deferred tax
(effective date - financial periods commencing on/after 1 January 2012)
Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

Amendments to IAS 1 Presentation of Financial Statements on presentation of items of OCI
(effective date - financial periods commencing on/after 1 July 2012)
The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.

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

Amendments to IFRS 9 – Financial Instruments (2011)
(effective date - financial periods commencing on/after 1 January 2015)
The IASB has published an amendment to IFRS 9, 'Financial Instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified

IFRS 9 – Financial Instruments (2009)
(effective date - financial periods commencing on/after 1 January 2013)
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. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial Instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

2.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group (continued)

IFRS 10 – Consolidated financial statements
(effective date - financial periods commencing on/after 1 January 2013)
This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a Group consolidates as its subsidiaries.

IFRS 11 - Joint arrangements
(effective date - financial periods commencing on/after 1 January 2013)
This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 – Disclosures of interests in other entities
(effective date - financial periods commencing on/after 1 January 2013)
This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 - Fair value measurement
(effective date - financial periods commencing on/after 1 January 2013)
This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011) – Separate financial statements
(effective date - financial periods commencing on/after 1 January 2013)
This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011) – Associates and joint ventures
(effective date - financial periods commencing on/after 1 January 2013)
This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Amendments to IAS 32 – Financial Instruments: Presentation
(effective date - financial periods commencing on/after 1 January 2014)
The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

2.3 Improvements to IFRSs (issued May 2010) was issued by the IASB as part the 'annual improvements process' resulting in the following amendments to standards issued, effective for the first time for 30 June 2012 year-ends:

Amendment to IAS 1, 'Presentation of financial statements'
(effective date - financial periods commencing on/after 1 January 2013)
The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.

Amendment to IAS 32, 'Financial instruments: Presentation'
(effective date - financial periods commencing on/after 1 January 2013)
The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

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3 Financial risk management

Various financial risks have an impact on the Group's results: market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Company and its subsidiary companies' risk management programmes, of which key aspects are explained below, acknowledge the unpredictability of financial markets and are aimed to minimise any negative effect thereof. Derivative instruments are used to hedge against certain financial risk exposures.

Risk management is carried out under policies approved by the board of directors of the Company and of relevant subsidiaries. The Company's executive committee identifies, evaluates and hedges financial risks in co-operation with the Group's operating units.

3.1 Market risk

Price risk

Exposure to price risk is due to investments in listed and unlisted shares which are classified as "Available-for-sale financial assets" and investments in money market funds. Investments in cash and cash equivalents consist mainly of interest bearing liquid investments with a low risk.

The Group is exposed to equity securities price risk because of investments held by the Group that are publicly traded and are listed on the Johannesburg Stock Exchange.

Foreign exchange risk

The Group is exposed to foreign exchange translation risk through an investment in foreign cash by its foreign subsidiary KTH Africa Cooperatief A.U. The Board of Directors monitors the exposure on foreign cash on a regular basis and the risk is limited through the diversification in foreign currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Interest rate risk

Due to significant cash investments, movements in market interest rates influence income. The Company has outsourced its treasury function to Andisa Capital. Interest rate risk is managed by the service provider by using approved counterparties that offer the best rates in accordance with the company's treasury policy.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Company and its subsidiary companies are also exposed to interest rate risk due to long-term debt. The interest rate profile of the liabilities is disclosed in note 26.

The Group's sensitivity to market risk

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The following table illustrates the sensitivity of the Group's profit and other comprehensive income to market risk if markets change with the following percentages.

	Consolidation			Company		
	Change	loss R'000	Equity R'000	Change	Profit or loss R'000	Equity R'000
Interest rates	2.00%	75	-	2.00%	8	-
Foreign exchange	R1*	5 494	-	R 1	-	-
Equity prices	10.00%	102 619	-	10.00%	-	-
		108 187	-		8	-

The above was calculated with reference to the carrying value of financial instruments at year-end.

* - This represents a R1 weakening in the rand against the following currencies: Euro, British pound, US dollar and other currencies.

Accounting policies

3.2 Credit risk

The Group's exposure to credit risk is the fair value of loans, loans to associated companies and joint ventures, trade receivables, derivative instruments and cash and cash equivalents as indicated above, as well as financial guarantee contracts.

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non performance by these counterparties.

Loans to associated companies and joint ventures
Management continuously assesses the credit risk of loans to associated companies and joint ventures through its representation on the respective boards. Loans to associated companies and joint ventures are within their mandated terms.

Cash and cash equivalents
Cash and cash equivalents are only held by approved institutions with an acceptable credit-worthiness. The treasury policy sets the limit for each financial institution.

3.3 Liquidity risk

The Group has substantial cash balances at their disposal and substantial long-term debt due to investments made that are funded. The Group ensures that adequate credit facilities are available to maintain flexibility in the funding of transactions.

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Available liquid resources are:

	Consolidated R'000	Company R'000
Cash and cash equivalents	1 115 233	401 809
Committed facilities	125	125
Trade and other receivables	366 522	3 415
	366 647	3 540

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

Consolidation

	Carrying value R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2012					
Borrowings	3 737 280	1 150 712	-	2 586 568	-
Operating lease liability	7 292	-	-	7 292	-
Amounts due to Group companies	8 100	8 100	-	-	-
Share-based payment liabilities	43 176	-	-	43 176	-
Trade and other payables	363 959	363 959	-	-	-
Provisions	110 390	110 390	-	-	-
	4 270 217	1 633 161	-	2 637 036	-

3.3 Liquidity risk (continued)

Company

	Carrying value R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2012					
Borrowings	418 626	368 231	-	50 395	-
Financial guarantee contracts	167 970	-	-	167 970	-
Operating lease liability	365	-	-	365	-
Amounts due to Group companies	398 274	398 274	-	-	-
Share-based payment liabilities	13 977	-	-	13 977	-
Trade and other payables	16 659	16 659	-	-	-
Provisions	1 275	1 275	-	-	-
	1 017 146	**784 439**	-	**232 707**	-

3.4 Capital management

The Group manages its shareholders' equity, i.e. its stated capital, reserves and treasury shares, as capital. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders in the form of dividends and capital appreciation.

Consistent with other investment holding companies in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. The total capital is calculated as equity as shown in the statement of financial position plus net debt.

The gearing ratio at 30 June 2012 is as follow:

	Consolidated R'000	Company R'000
Total borrowings	3 737 300	586 596
Cash, cash equivalents and bank overdraft	(1 118 089)	(401 808)
Net debt	**2 619 211**	**184 788**
Total equity	9 182 960	8 915 172
Total capital	**11 802 171**	**9 099 960**
Gearing ratio	22.19%	2.03%

3.5 Fair value estimation

Financial instruments that are measured at fair value in the statement of financial position, are disclosed by level of the following fair value hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (as for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, EBIT and EBITDA multiples, net asset value, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Any derivatives embedded in financial instruments are separated from the host contract when their economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. Gains and losses are reported in profit or loss in the statement of comprehensive income.

3.5 Fair value estimation *(continued)*

The following table illustrates the fair values of financial assets that are measured at fair value, by hierarchy level:

Consolidation

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Available-for-sale	85 182	1 598 058	-	1 683 240
Assets at fair value through profit and loss	2 716 876	3 718 907	-	6 435 783
	2 802 058	**5 316 965**	**-**	**8 119 023**

Company

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Available-for-sale	22	610 159	-	610 181

The following table illustrates the fair value of financial liability by hierarchy level:

Consolidation

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Interest rate swap	-	27	-	27

Company

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Financial guarantee contracts	-	-	167 970	167 970

Reconciliation of carrying value of level 3 liabilities:

	Fair value through profit and loss R'000	Total R'000
30 June 2012		
Balances at the beginning of the period	-	-
Additions	167 970	167 970
	167 970	**167 970**

The Company's maximum exposure to credit risk is equal to the value of the financial guarantee recognised.

4 Critical accounting estimations and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates.

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.

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.

4 Critical accounting estimations and judgements *(continued)*

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.

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.

Production income

The Group measures production income for the content segment based on the percentage of completion. The percentage of completion is based on management's best estimate, taking into account historical trends, past experience and management forecasts

Provisions

Provisions were raised and management determined an estimate based on the information available.

Investments

The most critical judgement exercised relates to the classification of investments as associated companies rather than investments available-for-sale. There are some investments over which the company is believed to have significant influence although it has an interest of less than 20% in these companies. However, as the Group has board representation and is one of the major shareholders of these companies, its influence over their financial and operating policies is significant. These investments are accordingly accounted for as associated companies using the equity method and not as financial instruments at fair value.

Deferred income taxation

A significant estimate relates to the Group's accounting policy in terms of which deferred taxation is provided for on all temporary differences between the carrying value and the tax base of investments. This tax is measured at the estimated tax consequences based on the manner in which the entity, at the reporting date, expects to recover the carrying value of the various investments. The carrying value of investments in associated companies is mainly recovered through dividends. As no taxable temporary differences exist, deferred taxation is provided at 0%. Deferred taxation is provided on temporary differences that arise on the revaluation of available-for-sale investments based on the future economic benefits the entity expects to realise from that asset, i.e. a combination of dividends and capital gains or losses.

Business combinations

Critical accounting estimates and assumptions were also made during the purchase price allocation process in accounting for acquisitions as business combinations in accordance with IFRS 3: Business Combinations. These estimates and assumptions relate to the determination of useful lives of assets, discount rates, growth rates and valuation of unlisted investments.

Fair value of associates, derivatives and other financial instruments (including share options)

The fair value of associates and financial instruments (including derivatives and embedded derivatives) that are not traded in active markets is determined by using valuation techniques or models. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The Group has used discounted cash flows, earnings multiples and net asset value valuation methods for various available-for-sale investments that were not traded in active markets.

Associates, partnerships and jointly controlled entities with different year-ends

Part of the equity-accounted earnings from some associates, partnerships and jointly controlled entities are based on reviewed financial information and the actual results may differ.

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Notes to the consolidated financial statements

Property, plant and equipment

Consolidated	Computer equipment R'000	Freehold land and buildings R'000	Furniture and fittings R'000	Leasehold improvements R'000	Motor vehicles R'000	Office equipment R'000	Plant and equipment R'000	Total R'000
Carrying value at 1 July 2011	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Additions	8 923	-	3 553	14 485	1 301	1 536	19 145	48 943
Business combinations / common control transaction	11 739	55 000	17 400	10 313	3 318	3 203	36 794	137 767
Disposals	(62)	-	(499)	(124)	(3)	(99)	-	(787)
Transfers	(56)	-	-	-	-	-	-	(56)
Depreciation	(4 729)	-	(2 064)	(3 007)	(771)	(928)	(10 218)	(21 717)
Carrying value at 30 June 2012	**15 815**	**55 000**	**18 390**	**21 667**	**3 845**	**3 712**	**45 721**	**164 150**
Cost	20 544	55 000	20 454	24 674	4 616	4 640	55 939	185 867
Accumulated depreciation	(4 729)	-	(2 064)	(3 007)	(771)	(928)	(10 218)	(21 717)

Company	Computer equipment R'000	Furniture and fittings R'000	Leasehold improvements R'000	Motor vehicles R'000	Office equipment R'000	Total R'000
Carrying value at 1 July 2011	-	-	-	-	-	-
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Additions	2 640	739	7 389	-	743	11 511
Business combinations / common control transaction	356	1 210	-	260	799	2 625
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Depreciation	(731)	(483)	(1 367)	(86)	(435)	(3 102)
Carrying value at 30 June 2012	**1 265**	**1 466**	**6 022**	**174**	**1 107**	**11 034**
Cost	2 996	1 949	7 389	260	1 542	14 136
Accumulated depreciation	(731)	(483)	(1 367)	(86)	(435)	(3 102)

The Group leases various motor vehicles, office equipment, LED screens and production equipment, under non-cancellable finance lease agreements. The lease terms are between 36 and 60 months and ownership of the assets lies within the Group. Refer to note 26 for further disclosure.

An independent valuation of the freehold land and buildings acquired as part of the acquisition of Ikra and Company Limited was performed by independent valuers for the purpose of the purchase price allocation. The valuation was determined by reference to recent market transactions on arm's length terms. Refer to note 47 for further disclosure.

The property comprises offices and a warehouse situated on Erf 1030, Killster Industrial Township, Welton and section No 5 in the Sunclare building situated at 21 Dreyer Street, Claremont.

Notes to the consolidated financial statements

6 Intangibles assets

Consolidated	Trademarks, titles, copyright and intellectual property R'000	Development expenditure R'000	Broadcast licence R'000	Transmitter split facility R'000	Customer relationships R'000	Systems and software R'000	Total R'000
Carrying value at 1 July 2011	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-	-	-
Additions	-	1 360	-	-	-	2 570	3 930
Business combinations / common control transaction	297 239	3 165	92 959	36 331	305 678	28 470	763 843
Disposals	-	(28)	-	-	-	(11)	(39)
Transfers	-	-	-	-	-	56	56
Amortisation	(15 579)	-	(3 122)	(681)	(20 355)	(4 133)	(43 870)
Carrying value at 30 June 2012	**281 660**	**4 498**	**89 837**	**35 650**	**285 323**	**26 952**	**723 920**
Cost	297 239	4 498	92 959	36 331	305 678	31 085	767 790
Accumulated amortisation	(15 579)	-	(3 122)	(681)	(20 355)	(4 133)	(43 870)

7 Goodwill

Consolidated	Goodwill R'000
Carrying value at 1 July 2011	-
Cost	-
Accumulated impairment	-
Business combinations / common control transaction	1 134 900
Contingent consideration adjustment	4 835
Carrying value at 30 June 2012	**1 139 735**
Cost	1 139 735
Accumulated impairment	-

Goodwill is tested annually for any possible impairment. The goodwill relates to the Group's investment in Kagiso Media Limited

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
8 Investment in subsidiaries		
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Subsidiaries acquired through common control transaction	-	540 935
Subsidiaries acquired through business combinations	-	3 165 633
Fair value adjustment made on investment in subsidiaries	-	3 779 799
Financial guarantees granted	-	117 823
Disposals	-	(10 486)
Carrying value at the end of the period	**-**	**7 593 704**

The directors' valuation of the unlisted shares is not less than their carrying amounts. Refer to Annexure A for detailed disclosure of the investments in subsidiaries.

9 Investment in associates, joint ventures and partnerships

	Consolidated 2012 R'000	Company 2012 R'000
9.1 Associates		
Carrying value at the beginning of the period	-	-
Associates acquired through business combinations	1 686 492	736
Associates acquired through common control transaction	246 497	-
Share of net attributable profit of associates and dilutionary effects	161 590	-
Dividends received from associates	(26 658)	-
Equity accounted movements on reserves	15 182	-
Additional investment made in associate	73 511	-
Amortisation of intangibles included in purchase price	(40 120)	-
Disposal of associates	(316 630)	-
Impairment of associates	(342 274)	-
Classified as held-for-sale	(41 093)	-
Deferred gain on sale	(35 964)	-
Fair value adjustments	-	6 000
Elimination of transactions with associates	(677)	-
Carrying value at the end of the period	**1 377 904**	**6 736**
Directors valuation of associates based on independent valuations	1 736 057	6 736
Associates include the following:		
Actom Investment Holdings Proprietary Limited	470 102	-
Actom Repair Services Proprietary Limited	12 915	-
Battery Technologies Proprietary Limited	1 519	-
Bell Equipment Sales SA Proprietary Limited	36 474	-
Coffey Projects (Africa) Proprietary Limited	2 754	-
Eris Property Group Proprietary Limited	98 746	-
Eris Property Developments Proprietary Limited**	-	-
Idwala Industrial Holdings Proprietary Limited	568 077	-
Imvelo Consortium Proprietary Limited**	-	-
Johnson Facilities Management Proprietary Limited	4 842	-
Kagiso Property Developments Proprietary Limited	4 796	-
Lupo Bakery Proprietary Limited**	-	-
Makana Radio Communications Proprietary Limited*	21 069	-
Metropolitan Retirement Administrators Proprietary Limited	1 450	6 000
Moyeng Energy Proprietary Limited	4 353	-
Newmillen 122 Investments Proprietary Limited	719	736
SATT Container Services Proprietary Limited	15 089	-
Sea Harvest Holdings Proprietary Limited	12 827	-
Central Media Group Proprietary Limited*	5 522	-
Shanike Investments No. 42 Proprietary Limited*	56 195	-
Tamela Holdings Proprietary Limited	13 488	-
The Resolve Group Proprietary Limited	8 234	-
Thebe Convergent Technology Holdings Proprietary Limited*	20 198	-
Total associates	**1 377 904**	**6 736**

All associates are incorporated in South Africa. Refer to Annexure B and C for detailed disclosure of the investments in associates.

* Associates of Kagiso Media Limited

** Less than R 1 000

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000

9 Investment in associates, joint ventures and partnerships *(continued)*

9.2 Joint ventures

Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Joint ventures acquired through common control transaction	445 477	109 304
Fair value adjustment made on investment in joint ventures	-	332 696
Contributions made	1 651	2 969
Capital repayment	-	(2 443)
Share of net attributable profit of joint ventures	36 712	-
Distributions received from joint ventures	(10 385)	-
Equity-accounted movements on reserves	[illegible]	-
Impairment of joint ventures	(14 805)	-
Carrying value at the end of the period	**456 608**	**442 525**
Directors valuation of joint ventures based on independent valuations	743 377	442 525

Joint ventures include the following:		
Cshell 488 Proprietary Limited**	-	-
Infrastructure Finance Corporation Limited	182 993	-
XA Investment Partners Trust	29 441	65 851
Kagiso Strategic Investments Proprietary Limited	258 307	352 674
Kagiso Strategic Investments II Proprietary Limited	(14 133)	24 000
Total joint ventures	**456 608**	**442 525**

Kagiso Strategic Investments Proprietary Limited

The Group jointly controls Kagiso Strategic Investments Proprietary Limited ("KSI") with Rand Merchant Bank. KSI investments include the following

Company	**Holding**
Bytes Technology Group South Africa Proprietary Limited	27.00%
Degussa Africa Holdings Proprietary Limited	11.72%
Waco Africa Proprietary Limited	25.10%
Multotec Proprietary Limited	20.0%

Kagiso Strategic Investments II Proprietary Limited

The Group jointly controls Kagiso Strategic Investments II Proprietary Limited ("KSI II") with Rand Merchant Bank. KSI II has a 32% investment in Actom Repair Services Proprietary Limited.

Refer to Annexure B and D for detailed disclosure of the investments in joint ventures.

9.3 Partnerships

Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Partnerships acquired through common control transaction	219 235	(55)
Fair value adjustment made on investment in partnerships	-	9 986
Share of net attributable profit of partnerships	40 359	-
Distributions received	(28 994)	-
Carrying value at the end of the period	**230 600**	**9 831**
Directors valuation of partnerships based on independent valuations	266 066	9 831

Partnerships include the following:		
Kagiso Ventures Private Equity Fund 1	561	4 831
The Calibre Private Equity Investors Partnership No. 10	5 154	-
The Calibre Private Equity Investors Partnership No. 11	820	-
The Calibre Private Equity Trust	6 473	5 000
XK Platinum Partnership	217 592	-
Total partnerships	**230 600**	**9 831**

Refer to Annexure B and E for detailed disclosure of the investments in partnerships.

Total investment in associates, joint ventures and partnerships	**2 065 112**	**459 092**

** Less than R 1 000

Notes to the consolidated financial statements

		Consolidated 2012 R'000	Company 2012 R'000
10 Available-for-sale investments : equity instruments			
Reconciliation of carrying amount			
Carrying value at the beginning of the period		-	-
Available-for-sale investments acquired through common control transaction		1 101 793	314 346
Fair value adjustments		509 388	295 778
Additions		72 073	57
Carrying value at the end of the period		**1 683 240**	**610 181**

Available-for-sale investments : equity instruments include the following:

	Instrument	Consolidated 2012 R'000	Company 2012 R'000
FirstRand Empowerment Trust	Participation interest	603 282	603 282
Kagiso Infrastructure Investments Proprietary Limited	Ordinary shares	57	57
Remgro Limited	Ordinary shares	22	22
Metropolitan Health Corporate Proprietary Limited	Ordinary shares	300 535	-
MMI Holdings Limited	Ordinary shares	85 162	-
Coricep Development Proprietary Limited	Ordinary shares	1 768	-
Macsteel Services Centre SA Proprietary Limited	Ordinary shares	277 500	-
Venozi Proprietary Limited**	Ordinary shares	-	-
Inyanga Trading 76 Proprietary Limited	Ordinary shares	6 820	6 820
Motololo Holdings Proprietary Limited**	Ordinary shares	-	-
Alstom S&E Africa Proprietary Limited	Ordinary shares	67 334	-
Alstom Power Services Proprietary Limited	Ordinary shares	39 191	-
Blue Falcon 69 Trading Proprietary Limited	Ordinary shares	270 620	-
Three Diamonds Trading 564 Proprietary Limited	Ordinary shares	30 850	-
Total available-for-sale investments : equity instruments		**1 683 240**	**610 181**

Blue Falcon 69 Trading Proprietary Limited

Blue Falcon 69 Trading Proprietary Limited ("Blue Falcon") is a special purpose vehicle whose activities are restricted to owning "A" acquired ordinary shares in Adcock Ingram Holdings Limited ("AIH"). Blue Falcon was set up by Kagiso Strategic Investments III Proprietary Limited, Kutlwano Youth Development, and Mookodi Pharma Trust. The investment in Blue Falcon is accounted for as an equity-linked derivative instrument. Fair value movements are recognised through profit or loss. The option to trade the shares would be exercised at the earliest possible date, which will be 10 years after inception of the agreement, being 1 April 2020.

Valuation assumptions

The equity-linked instruments were valued as an European call option using the Monte Carlo Simulation model. Volatility was measured as annualised standard deviation of the daily price changes in the underlying shares, being AIH, assuming a normally distributed return on the share price. This is normally calculated with reference to the historical volatility of the share over a period equal to the remaining option period prior to the valuation date. Due to insufficient historical information of AIH as it's only been listed for 3.3 years, the volatility was based on 3.3 years of data.

The risk-free rate determined by a bootstrapped zero coupon perfect fit swap curve was obtained from the mark-to-market of bonds on the valuation date. A dividend yield of 2.81% was used.

Three Diamonds Trading 564 Proprietary Limited

Three Diamonds Trading 564 Proprietary Limited ("Three Diamonds") is a special purpose vehicle formed by Kagiso Strategic Investments III Proprietary Limited and Imperial Holdings Limited to hold 80 million ordinary shares in MIX Telematics Limited ("MIX"). The effective interest in MIX held by Three Diamonds is 12.18%.

The investment in Three Diamonds is accounted for as an equity-linked derivative instrument. Fair value movements are recognised through profit or loss. The option to trade the shares would be exercised at the earliest possible date, which will be 3 years after the inception of the agreement, being 3 March 2013.

Valuation assumptions

The equity-linked instruments were valued as an European call option using the Monte Carlo Simulation model. Volatility was measured as annualised standard deviation of the daily price changes in the underlying shares, being MIX, assuming a normally distributed return on the share price. This is normally calculated with reference to the historical volatility of the share over a period equal to the remaining option period prior to the valuation date

The risk-free rate determined by a bootstrapped zero coupon perfect fit swap curve was obtained from the mark-to-market of bonds on the valuation date. A dividend yield of 3.05% was used.

** Less than R 1 000

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000

10 Available-for-sale investments : equity instruments *(continued)*

Other investments
Fair value adjustments for unlisted available-for-sale investments: equity instruments is based on various valuation techniques. These included EBIT and EBITDA multiples, discounted cash flows, discounted market prices as well as net asset value.

The total of the above available-for-sale equity investments are classified as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Non-current assets	1 683 240	610 181
Current assets	-	-
	1 683 240	**610 181**

11 Hybrid financial instruments

Available-for-sale investments : debt component

	Consolidated 2012 R'000	Company 2012 R'000
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Available-for-sale acquired through common control transaction	733 093	-
Converted to ordinary shares	(400 345)	-
Fair value adjustments	(12 554)	-
Derecognised on modification	(321 000)	-
	-	-

Held for trading financial instrument: embedded derivative component

	Consolidated 2012 R'000	Company 2012 R'000
Carrying value at the beginning of the period	-	-
Available-for-sale acquired through common control transaction	905 886	-
Converted to ordinary shares	(737 442)	-
Fair value adjustments	133 141	-
Derecognised on modification	(301 585)	-
Carrying value at the end of the period	-	-

Hybrid financial instruments included the following:
- 53 000 000 variable rate cumulative redeemable convertible preference shares in MMI Holdings Ltd (A1)
- 12 700 000 variable rate cumulative redeemable convertible preference shares in MMI Holdings Ltd (A2)
- 34 381 139 variable rate cumulative redeemable convertible preference shares in MMI Holdings Ltd (A3)

During the reporting period, the investment into the hybrid financial instruments was restructured. Prior to the restructuring, details of the preference shares were as follows:

The preference shares in MMI Holdings Ltd ("MMI") were cumulative convertible redeemable preference shares with a variable rate. These preference shares were convertible into ordinary shares in MMI on a one for one basis from three years and one day after issue date and, if not converted, compulsorily redeemable on the fifth anniversary of the issue date. The MMI preference shares would become redeemable if there was an early redemption of the MMI "A" SPV Preference shares as a result of the occurrence of certain default events.

These preference shares were treated as hybrid instruments with a debt component and an option component. The debt component was accounted for as a financial asset with changes in fair values recognised directly in equity. The option component was accounted for as an embedded derivative (the embedded derivative was classified as current asset or liability) with changes in fair values recognised directly in the statement of comprehensive income.

The preference dividend was payable semi-annually on the 31 March and 30 September of each year. The A3 MMI preference dividend was calculated with reference to certain performance measures.

During the reporting period the A1 & A2 preference shares were converted to ordinary shares in MMI. These ordinary shares are designated at initial recognition as financial assets at fair value through profit or loss. Refer to note 12 for further details on the ordinary shares.

The terms of the A3 preference shares were modified during the period from a variable rate dividend to a fixed rate of R1.32 per share. The terms as changed are substantially different, and thus the original A3 preference shares were derecognised and a new financial asset is recognised in respect of the modified A3 preference shares. The new financial asset is designated at initial recognition as a financial asset at fair value through profit or loss. Refer to note 12 for further details on the A3 MMI preference shares.

		Consolidated 2012 R'000	Company 2012 R'000
12 Financial assets at fair value through profit and loss			
Reconciliation of carrying amount			
Carrying value at the beginning of the period		-	-
Financial assets at fair value acquired through common control transaction		536 555	-
Financial assets at fair value acquired through business combinations		3 928 530	-
Fair value adjustments		526 096	-
Additions		1 444 602	-
Carrying value at the end of the period		**6 435 783**	-

Financial assets at fair value through profit and loss include the following:

Listed securities	**Holding**		
MMI Holdings Limited	7.10%	1 984 751	-
Emira Property Fund	8.35%	530 961	-
AECI Limited	2.74%	772 843	-
Aveng Limited	0.00%	3	-
Investec Limited	1.54%	713 601	-
		3 017 159	-

Unlisted securities	**Holding**		
Main Street 333 Proprietary Limited	9.71%	2 951 402	-
Nozala Capital Management Proprietary Limited	50.00%	72 892	-
Nozala Holdings Proprietary Limited	15.00%	48 508	-
Qakazana Investment Holdings Proprietary Limited	36.00%	345 822	-
		3 418 624	-

Total financial assets at fair value through profit and loss		6 435 783	-

Changes in the fair value of financial assets at fair value through profit and loss are recorded in other gains / (losses) - net in the statement of comprehensive income (note 36).

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts. The fair value of all listed equity securities are based on their current bid prices in an active market.

MMI Holdings Limited
MMI Holdings Limited ("MMI") is a South African based financial services group whose core businesses are long and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits.

Off the Shelf Investments 109 Proprietary Limited ("OTSI 109") and Off the Shelf Investments 108 Proprietary Limited ("OTSI 108") are special purpose vehicles ("SPV") used to hold the Groups' investment in MMI.

The investment in MMI Limited comprises both MMI ordinary shares and A3 MMI preference shares. During the reporting period, the investment in MMI was restructured.

Of the MMI ordinary shares, 31,560,630 shares were acquired as part of the common control transaction. As part of the restructuring, 16,028,430 shares were declared as a dividend in specie and 6,758,841 shares were disposed of.

In the past, OTSI 108 issued SPV preference shares to fund the purchase of "A1", "A2" and "A3" MMI preference shares. Prior to the restructuring, the "A1"," A2" and "A3" MMI preference shares were accounted for as available-for-sale financial assets.

As part of the restructuring, during June 2012 the "A1" and "A2" MMI preference shares were converted to 53,000,000 and 12,700,000 MMI ordinary shares, respectively. The ordinary shares have been designated as financial assets held at fair value through profit or loss. In addition, during June 2012 the terms of the "A3" MMI preference shares were modified substantially, resulting in the derecognition of this available-for-sale financial asset, and a new financial asset recognised based on the amended terms.

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000

12 Financial assets at fair value through profit and loss *(continued)*

MMI Holdings Limited

Reconciliation of carrying amount: ordinary shares		
Carrying value at the beginning of the period	-	-
Financial asset at fair value acquired through common control transaction	536 555	-
Fair value adjustments	60 378	-
Addition via conversion of preference shares	1 143 180	-
Dividend in specie	(285 853)	-
Disposal	(117 804)	-
Carrying value at the end of the period	**1 338 646**	-
Number of ordinary shares	74 493 359	-
Share price (cents)	1 797	-
Reconciliation of carrying amount: preference shares		
Carrying value at the beginning of the period	-	-
Recognised on modification of A3 MMI preference shares	646 105	-
Carrying value at the end of the period	**646 105**	-
Number of preference shares	34 381 139	-
Fair value per preference share (cents)	1 879	-
Total carrying amount: ordinary shares and preference shares	**1 984 751**	-

Emira Property Fund

Emira Property Fund ("Emira") is a portfolio created under the Emira Property Scheme in terms of the Collective Investment Schemes Control Act, Act. 45 of 2002. It has been listed in the Real Estate Investment Trusts sector on the JSE Limited since 28 November 2003. The Fund is managed by Strategic Real Estate Managers Proprietary Limited ("STREM"), which is approved by the Registrar of Collective Investment Schemes to manage the Fund.

In October 2005 Tiso Property Proprietary Limited ("Tiso Property") acquired 35 491 905 shares in Emira as part of Emira's goal to introduce long term empowerment. The purchase price was funded by Rand Merchant Bank ("RMB") through a senior debt facility and a mezzanine debt facility. The balance was funded by Tiso Property as an equity contribution.

Tiso Property subsequently acquired an additional 6 779 563 shares in Emira when Emira required capital funding bringing its total shareholding in Emira to 42 271 468 shares (8.35%). All the shares are held by Tiso Property, a wholly-owned subsidiary of the Group.

Tiso Property was subject to a lock-in period of five years, during which the shares could not be disposed of. Emira has further restricted Tiso Property to three years during which it can only dispose of the interest to another BEE party. The initial five year lock in has passed and Tiso Property are now in the first year of the subsequent three year lock-in

Number of shares	42 271 468	-
Share price (cents)	1 275	-

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

AECI Limited

AECI Limited ("AECI") is a speciality product and services Group of companies with a focus on servicing the mining and manufacturing sectors. AECI operates in 23 countries in the chemical services, mining services, property and speciality fibres industries.

Originally, Business Venture Investments No 884 Proprietary Limited ("BVI 884"), Business Venture Investment Proprietary Limited No 851 ("BVI 851") and the Tiso AEL Development Trust ("AEL Trust"), together called the KTH Consortium, owned an effective 25.1% of the shareholding in AEL Holdings Limited ("AEL").

In 2011, AECI entered into a broad based black economic empowerment ("B BBEE") transaction with the KTH Consortium whereby AECI acquired the 25.1% not held by it in AEL and in exchange issued BVI 884 and the AEL Trust with 3 509 000 and 1 159 667 ordinary shares in AECI, respectively.

	Consolidated 2012 R'000	Company 2012 R'000

12 Financial assets at fair value through profit and loss *(continued)*

AECI Limited *(continued)*

The transaction agreement includes certain BEE lock-in provisions in relation to the AECI shares:
- The shares cannot be encumbered without the consent of AECI;
- BVI 884 cannot dispose of the AECI shares or participate in a partial offer and;
- BVI 884 cannot dispose of the AECI shares other than to transfer them to a wholly owned subsidiary of the Group.

The lock-in period commenced on 18 January 2012 and ends on the exit date, 31 December 2015. The agreement also provides AECI with pre-emptive rights for a period of one year after the lock-in, whereby BVI 884 cannot dispose of more than 250 000 AECI shares, whether in one or more tranches, unless BVI 884 first offers to sell such shares to AECI. The contract also defines certain trigger events which would allow AECI to exercise a call option over the AECI shares.

In October 2004 BVI 884 entered into a preference share agreement with The Standard Bank of South Africa Limited ("Standard Bank") at a dividend rate of 15.4% nominal compounded annually in arrears. These preference shares were refinanced in June 2012 with Rand Merchant Bank to replace the Standard Bank preference shares at a dividend rate of Jibar plus 330 basis points.

All the shares are held by BVI 884, a wholly owned subsidiary of the Group

Number of shares	3 509 000	-
Share price (cents)	7 975	-

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

Aveng Limited and Qakazana Investment Holdings Proprietary Limited
The Aveng Group ("Aveng") is a multi-disciplinary construction and engineering Group, anchored in South Africa, with expertise in a number of market sectors: power, mining, infrastructure, commercial and industrial, oil and gas.

In 2004, Four Arrows 39 Proprietary Limited ("Four Arrows") invested in Aveng Africa and Trident Steel which are operating subsidiaries of Aveng. Qakazana Investment Holdings Proprietary Limited ("Qakazana") was established to facilitate the introduction of 25% BEE shareholding in both Aveng Africa and Trident Steel. Four Arrows acquired 36% of the issued share capital of Qakazana.

The Qakazana shareholders were granted a put option which required Aveng to purchase all the shares from the Qakazana shareholders. Aveng could settle the put option either in cash or by issuing shares in Aveng Limited or a combination of the two.

Four Arrows exercised the put option in November 2011 and, through the restructured transaction, flipped up its shareholding in Aveng Africa and Trident Steel into Aveng.

The Group currently holds 97 shares in Aveng through its subsidiary Four Arrows. The delivery of the remaining 9 659 820 shares has been deferred until 30 June 2014. The total holding of 9 659 917 shares amounts to a 2.41% holding in Aveng. The deferred shares are used to calculate the value of the investment in Qakazana.

All the shares are held by Four Arrows, a wholly-owned subsidiary of the Group.

Number of shares	97	-
Share price (cents)	3 580	-

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

Investec Limited
Investec Limited ("Investec") is an international financial services and products Company, which operates in three principle markets (South Africa, the United Kingdom and Australia), providing services to a niche client base. The Company also operates in various other geographies on a smaller scale.

On 12 November 2003, Tiso INL Investments I Proprietary Limited ("Tiso INL") invested in Investec. Tiso INL purchased 14 million Investec shares at a cost of R 252 million. In terms of the transaction agreement, Tiso INL was obliged to pay to the Public Investment Corporation ("PIC") and Investec Bank (Mauritius) Limited ("IBM") a participation amount. Furthermore, Tiso INL was indebted to the PIC and IBM for the amounts specified in the respective PIC and IBM loan agreements

	Consolidated 2012 R'000	Company 2012 R'000

12 Financial assets at fair value through profit and loss *(continued)*

Investec Limited *(continued)*

With the conclusion of the stay-in agreement between Tiso INL and IBM on 12 August 2011, the amounts owed by Tiso INL to the PIC in respect of the loan agreement and the participation amount, and the amounts owed to IBM in terms of the loan agreement were settled. Accordingly, Tiso INL remained liable to pay to IBM the participation amount of R104.83 million, which the parties agreed would be settled with terms as set out in the stay-in agreement.

The terms of the stay-in agreement provide the following in respect of the 2 182 150 allocated Investec stay-in shares ("the shares"):

- The shares shall remain an asset of Tiso INL until IBM issues the demand notice;
- Until the demand notice is issued, Tiso INL shall be entitled to exercise all voting rights attached to the shares, and receive for its own benefit any and all distributions made by Investec;
- Tiso INL shall not be entitled to dispose of any of the shares;
- IBM shall be entitled, but not obliged, at any time after the stay-in period (the period commencing on the closing date (12 August 2011) and terminating on the third anniversary thereof), to issue a demand notice requiring Tiso INL to settle its obligation to pay the IBM participation amount by either transferring the ownership of the shares to IBM or selling the shares and paying over the net income to IBM. The method of settlement is determinable by IBM.

The remaining 4 529 282 shares held by Tiso INL are directly held as an investment. The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy. All the shares are held by Tiso INL, a wholly-owned subsidiary of the Group.

Subsequent to the reporting date, the 4 529 282 shares held by Tiso INL were disposed of.

Number of shares	4 529 282	-
Share price (cents)	4 801	-

Main Street 333 Proprietary Limited

In 2006, Morning Tide Investments 168 Proprietary Limited ("Morning Tide") participated in the black economic empowerment transaction of Exxaro Resources Limited ("Exxaro"). In terms of this transaction, a newly created Company, Main Street 333 Proprietary Limited ("Main Street 333") acquired the controlling shareholding of Exxaro. Morning Tide acquired a 9.71% interest in Main Street 333, with a consortium of other investors subscribing for the remaining 90.29%. The Company owns 82.05% of the issued share capital of Morning Tide.

The original purchase consideration was financed by Morning Tide through the issue of non-participating "C" preference shares to the value of R27 million and the issue of "A" and "B" redeemable preference shares to the value of R225 million to The Standard Bank of South Africa Limited and Nedbank Limited respectively. This resulted in Morning Tide being cash neutral until such time as Exxaro's indebtedness to Main Street 333 has been discharged.

Morning Tide's investment in the share capital of Main Street 333 is not yet accounted for as an investment in associate. The entire transaction is accounted for as an equity-linked derivative instrument. Upon settlement of the liabilities, the investment will become an associate. The equity-linked instrument has been classified as a derivative and fair value movements recognised through profit and loss.

Valuation assumptions

The investment was valued using the Monte Carlo technique. All of the dates of relevance in the life of the option, dividend declare date, dividend LDR dates, dividend payment dates, the effective date, the maturity date, debt roll up dates are arranged in order (some dates may play more than one role here). The price is made to evolve from the one date to the next date in that ladder.

The risk-free rate determined by a bootstrapped zero coupon perfect fit swap curve was obtained from the mark-to-market of bonds on the valuation date. A dividend yield of 3.49% was used.

At the maturity date, 28 November 2013, it is assumed that the asset is liquidated. The cash so released is used to service any remaining debt. The remainder is equity. The present value of this cash is then found. The financial asset is regarded as a Level 2 instrument, as per the fair value hierarchy.

	Consolidated 2012 R'000	Company 2012 R'000

12 Financial assets at fair value through profit and loss *(continued)*

Nozala Capital Management Proprietary Limited and Nozala Holdings Proprietary Limited

Nozala Capital Management Proprietary Limited and Nozala Holdings Proprietary Limited are shareholder companies of Nozala Investments Proprietary Limited ("Nozala"). Nozala is a broad based women's investment company that holds investments in various listed and unlisted companies. The Group has an effective interest of 15.80% in Nozala.

Valuation assumptions

Nozala performs its own valuations of the assets it holds. Various methodologies were applied by Nozala to value its investments including discounted cash flow and earnings multiples, depending on the investment type and available information.

The total of the above financial assets at fair value through profit and loss are classified as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Non-current assets	6 222 182	-
Current assets	213 601	-
	6 435 783	-

13 Held-to-maturity financial assets

	Consolidated 2012 R'000	Company 2012 R'000
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Held-to-maturity financial assets acquired through common control transaction	238 659	-
Held-to-maturity financial assets acquired through business combinations	171 545	23 908
Dividends accrued	8 524	2 558
Additions	53 484	35 001
Carrying value at the end of the period	**474 412**	**61 467**

Held-to-maturity financial assets include:

	Instrument	Consolidated 2012 R'000	Company 2012 R'000
Actom Investment Holdings Proprietary Limited*	Preference shares	376 020	-
Eris Property Fund Proprietary Limited	Preference shares	30 777	-
Sea Harvest Holdings Proprietary Limited	Preference shares	32 614	-
Kagiso Ventures Investment Holdings Proprietary Limited	Preference shares	35 001	35 001
Clidet 902 Proprietary Limited	Preference shares	-	26 466
Total held-to-maturity financial assets		**474 412**	**61 467**

* Preference shares issued does not accrue any dividends.

Eris Property Fund Proprietary Limited

Various classes of preference shares have been issued by Eris Property Fund Proprietary Limited. The dividend rate ranges between 11.854% to 12.347%. Dividends accrue on a daily basis and compounds semi-annually. Dividends will accumulate and will be settled from net rental income and / or realisation gains in terms of the provisions of the fund agreements.

Sea Harvest Holdings Proprietary Limited

The preference shares issued by Sea Harvest Holdings Proprietary Limited ("Sea Harvest") are cumulative redeemable preference shares and dividends are calculated at 95% of the prime lending rate. The preference dividends are redeemable at the option of Sea Harvest.

Clidet 902 Proprietary Limited

These preference shares accrue dividends on a daily basis and are compounded monthly in arrears at a rate of prime plus 500 basis points. The redemption date is the first business day after the 5th anniversary of the subscription date.

Kagiso Ventures Investment Holdings Proprietary Limited

During the financial period Kagiso Tiso Holdings Proprietary Limited (RF) acquired 8 preference shares in Kagiso Ventures Investment Holdings Proprietary Limited. These preference shares do not accrue any dividends.

Full details relating to the preference shares are available from the registered office of the Company.

The total of the above held-to-maturity financial assets are classified as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Non-current assets	454 063	61 467
Current assets	20 349	-
	474 412	61 467

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Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000

14 Loans and receivables

Bravopic 101 CC	3 824	-
Kagiso Charitable Trust	3 533	3 533
Kagiso Trust Investments Share Trust 2008	-	30 447
Mobi Alliance	7 235	-
Other receivables	90 867	10 415
	105 459	**44 395**

Terms attached to loans and receivables

The loan to Kagiso Charitable Trust (KCT) is with the Company and is secured by shares held by KCT in FirstRand Limited through the FirstRand Empowerment Trust. The loan has no fixed terms of repayment and bears interest at 500 basis points above the prime.

The loan to Bravopic 101 CC relates to the sale by Kagiso Exhibitions and Events Proprietary Limited of its shares in Expo Solutions Proprietary Limited for the purchase price of R 7,3 million on 1 July 2010. The loan is payable in 16 instalments over a period of four years. The loan is interest-bearing at an interest rate of prime less 200 basis points.

The loan to Mobil Alliance is unsecured, interest-free and has no fixed payment terms and therefore is payable on demand.

The remainder of the loans and receivables are interest-free and have no fixed terms of repayment.

The total of the above loans and receivables are classified as follows:

Non-current assets	3 824	-
Current assets	101 635	44 395
	105 489	**44 395**

15 Amounts due from / (to) Group companies

Associates	478 691	7 000
Joint ventures	826	826
Partnerships	83	1
Subsidiaries	-	233 605
Indirect subsidiaries	-	186 752
	479 600	**428 184**

The total of the above amounts due from / (to) Group companies are classified as follow:

Non-current assets	478 022	7 000
Current assets	9 678	819 458
Current liabilities	(8 100)	(398 274)
	479 600	**428 184**

Refer to Annexure F and G for detailed disclosure of the amounts due from / (to) Group companies.

16 Deferred income tax

Deferred income tax asset

Deferred income tax assets to be recovered within 12 months	18 571	-
Deferred income tax assets to be recovered after more than 12 months	33 740	-
	52 311	**-**

Deferred income tax liability

Deferred income tax liabilities to be recovered within 12 months	4 527	-
Deferred income tax liabilities to be recovered after more than 12 months	(1 369 701)	(122 755)
	(1 365 174)	**(122 755)**
Deferred income tax liability (net)	**(1 312 863)**	**(122 755)**

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	Consolidated 2012 R'000	Company 2012 R'000

16 Deferred income tax *(continued)*

The gross movement on the net deferred income tax account is as follows:		
Carrying value at the beginning of the period	-	-
Acquired through common control transaction	(228 774)	1 036
Acquired through business combinations	(446 394)	-
Tax losses	(7)	-
Originating temporary differences charged to the statement of comprehensive income	(332 554)	(15 737)
Originating temporary differences charged to other comprehensive income	(246 851)	(109 054)
Acquisition of subsidiaries	(50 675)	-
Deemed gain on disposal	2 442	-
Carrying value at the end of the period	**(1 312 863)**	**(122 755)**

Deferred income tax assets are recognised for assessed tax losses to the extent that future taxable profits are probable.

Temporary differences associated with associates, joint ventures and partnerships
Deferred tax on associates, joint ventures and partnerships are provided at 0% as it is expected that the carrying value of these investments will be recovered by the receipt of dividends from these investments

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred income tax assets		
Property, plant and equipment	(4 602)	-
Intangible assets	7	-
Inventories	3 917	-
Investments	14 113	-
Prepayments	(404)	-
Doubtful debt provisions	1 221	-
Provisions	13 767	-
Deferred revenue	1 909	-
Straight-lining of leases	554	-
Assessed loss recognised	20 302	-
Other temporary differences	1 827	-
	52 311	-

Deferred income tax liabilities		
Property, plant and equipment	(5 743)	-
Intangible assets	(157 791)	-
Investments	(1 166 356)	(122 755)
Prepayments	(568)	-
Doubtful debt provisions	(21)	-
Provisions	5 086	-
Deferred revenue	50	-
Straight-lining of leases	(71)	-
Other temporary differences	318	-
	(1 365 174)	**(122 755)**

17 Inventories

Work in progress	7 156	-
Finished goods	64 483	-
Production supplies	350	-
	71 989	-
Write downs to inventories	(17 674)	
	54 315	-

An impairment charge of R 17 674 000 is recognised against the inventories to write these down to net realisable value.

The cost of inventories recognised as an expense and included in raw materials and consumables amounted to R 119 923 000.

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
18 Trade and other receivables		
Trade receivables	268 770	-
Less: provision for impairment of receivables	(10 543)	-
Trade receivables - net	258 227	-
Prepayments	13 156	665
Operating lease asset	651	651
Dividends receivable	36 704	-
Other receivables	58 435	2 750
	367 173	**4 066**

At 30 June 2012, trade receivables of R33 738 000 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	6 520	-
Past due by 31 to 60 days	3 106	-
Past due by 61 to 90 days	3 128	-
Past due by more than 90 days	20 984	-
	33 738	**-**

At 30 June 2012, trade receivables of R10 543 000 were impaired and fully provided for as a result of financial difficulties encountered by the various individual customers.

Past due by 1 to 30 days	206	-
Past due by 31 to 60 days	431	-
Past due by 61 to 90 days	836	-
Past due by more than 90 days	9 070	-
	10 543	**-**

The trade receivables that are neither past due nor impaired are considered to have a low risk of default.

The carrying value of the financial assets above is considered to be a reasonable approximation of the fair value

Reconciliation of the provision for impairment of receivables		
Carrying value at the beginning of the period	-	-
Acquired from common control transaction	2 771	-
Acquired from business combinations	2 193	-
Provision for impairment of receivables	7 561	-
Receivables written off during the year as uncollectible	(1 067)	-
Unused amounts reversed	(905)	-
Carrying value at the end of the period	**10 543**	**-**

19 Properties under development		
Development work in progress	6 916	-

Development work in progress represents costs capitalised in respect of the following development projects:

Somerset West, Western Province	5 313	-
Land Shelly Beach, KwaZulu Natal	1 603	-
	6 916	**-**

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Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
20 Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	351	3
Current bank balances	577 696	19 469
Short-term deposits	541 186	382 337
Bank overdraft	(1 144)	(1)
	1 118 089	**401 808**

The carrying amount of cash and cash equivalents is considered to be a reasonable approximation of the fair value.

R3 505 351 has been pledged in terms of a lease guarantee for the premises to be occupied by the Group.

21 Assets classified as held-for-sale

The investment in Abland Manapa Investments Proprietary Limited and Abland Manapa Developments Proprietary Limited is classified as a non-current asset held-for-sale as at 30 June 2012 as it's carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and all the IFRS 5 requirements were met.

	Consolidated 2012 R'000	Company 2012 R'000
Assets classified as held-for-sale		
Investment in associates	41 000	41 000

22 Share capital

	Consolidated 2012 R'000	Company 2012 R'000
Authorised		
1 000 000 ordinary shares with no par value	1 000 000	1 000 000
Issued		
1 000 000 ordinary shares	7 396 376	7 396 376
Movement of ordinary shares for the period		
Total number of shares issued at the beginning of the period	-	-
Shares issued	1 000 000	1 000 000
	1 000 000	**1 000 000**

23 Treasury shares

	Consolidated 2012 R'000	Company 2012 R'000
KTH Staff Participation Trust	(482 300)	-
Kagiso Trust Investments Share Trust 2008	(60 615)	-
Tiso Share Trust	(136 596)	-
Kagiso Asset Management Employee Share Trust*	(5 605)	-
	(685 117)	-

* Treasury shares issued by a subsidiary of the Group.

These trusts are consolidated into the Group figures due to the shares being issued under control of the Trustees of the Trust, who are also directors of the Group.

	Consolidated 2012 R'000	Company 2012 R'000
Movement of treasury shares for the period		
Total number of shares issued at the beginning of the period	-	-
Shares issued	98 273	-
	98 273	-
Reconciliation of number of shares held		
Shares held by KTH Staff Participation Trust	68 831	-
Shares held by Kagiso Trust Investments Share Trust 2008	21 740	-
Shares held by Tiso Share Trust	7 702	-
	98 273	-

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000

24 Other (deficits) / reserves

Analysis of reserves

IFRS 3 reserve	193 016	189 877
Common control deficit	(2 874 738)	1 096 047
Share-based payment deficit	(5 394)	(5 394)
Available-for-sale reserve	350 999	187 724
Other reserves	450 112	-
	(1 896 006)	1 468 254

IFRS 3 reserve

When the Group acquired the assets of Tiso Group Proprietary Limited on 1 July 2011, the fair value of shares issued, calculated in accordance with IFRS, exceeded the issue value of the shares in accordance with the shareholders' agreement. This resulted in the difference being recorded in a reserve called the IFRS 3 reserve.

Fair value of net identifiable assets acquired	3 151 566	3 148 427
Purchase consideration	(2 958 550)	(2 958 550)
	193 016	189 877

Common control deficit

The acquisition of the Kagiso Trust Investments Proprietary Limited assets was considered to be a business combination under common control. In accordance with the Group's accounting policy for common control business combinations, the predecessor method of accounting was applied. In accordance with the predecessor method, any difference between the consideration given (shares issued) and the aggregate book value of the assets and liabilities (as of the date of the transaction) is recognised in a separate reserve within equity called the common control deficit reserve.

Book value of net identifiable assets acquired under common control	1 563 088	5 533 873
Purchase consideration	(4 437 826)	(4 437 826)
	(2 874 738)	1 096 047

25 Non-controlling interests

Analysis of non-controlling interests:

Emerald Panther Investments 43 Proprietary Limited	(1 156)	-
Firefly Investments 166 Proprietary Limited	11 858	-
Kagiso Asset Management Proprietary Limited	(361)	-
Kagiso Media Limited	1 336 149	-
Kagiso Trust Enterprises Proprietary Limited	(6)	-
Kagiso Ventures Proprietary Limited	(845)	-
Mainstreet 336 Proprietary Limited	40 131	-
Morning Tide Investments 168 Proprietary Limited	991 759	-
Xanthe Investment Holdings Proprietary Limited	325	-
	2 429 843	-

Analysis of dividends paid to non-controlling interests:

Off the Shelf Investments 109 Proprietary Limited	294 956	-
Kagiso Asset Management Proprietary Limited	6 798	-
Xanthe Investment Holdings Proprietary Limited	3 214	-
Kagiso Media Limited	90 748	-
Emerald Panther Investments 43 Proprietary Limited	5 346	-
Firefly Investments 166 Proprietary Limited	4 632	-
	412 892	-

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	Consolidated 2012 R'000	Company 2012 R'000

26 Borrowings

Interest-bearing loans	1 053 498	129 892
Preference shares	2 220 605	288 142
Debt securities	351 500	-
Finance lease liabilities	9 701	592
Short-term borrowings	1 696	-
Financial guarantees granted	-	167 970
	3 737 300	**586 596**

The total of the above borrowings are classified as follows:

Non-current liabilities	2 586 589	218 365
Current liabilities	1 150 712	368 231
	3 737 300	**586 596**

Interest-bearing loans

Interest-bearing loans include the following:

Deutsche Investitions-Und Entwicklungsgesellschaft MBH	129 892	129 892
Nedbank Limited	408 745	-
Rand Merchant Bank	447 140	-
Investec Limited	53 910	-
Alstom Sth Africa Power Projects Proprietary Limited	50 000	-
Alstom Africa Holdings Proprietary Limited	50 000	-
Non-controlling interest loans	14 311	-
Total interest-bearing loans	**1 063 498**	**129 892**

Deutsche Investitions-Und Entwicklungsgesellschaft MBH
Deutsche Investitions-Und Entwicklungsgesellschaft MBH ("DEG") provided the Company with two loan facilities (R 100 million and R 75 million). The loan facilities have the following terms:

The R 100m loan obtained is repayable in two equal instalments on 15 February 2012 and 15 August 2012. The Company shall pay interest at a nominal compounded semi-annual rate being JIBAR plus 240 basis points. This loan is unsecured.

Reconciliation of carrying amount

Capital outstanding	50 000	50 000
Accrued interest	2 471	2 471
	52 471	**52 471**

The R 75m loan obtained is repayable in six semi-annual equal instalments starting on 15 August 2012. The Company shall pay interest at a nominal compounded semi-annual rate being 6-month JIBAR plus 240 basis points. This loan is unsecured.

Reconciliation of carrying amount

Capital outstanding	75 000	75 000
Accrued interest	2 471	2 471
	77 471	**77 471**

Nedbank Limited
Nedbank Limited provided loan funding to Kagiso Power Services III Proprietary Limited ("KPS III") and Tiso Electrical Proprietary Limited ("Tiso Electrical") at a rate of 3-months JIBAR plus 275 basis points. These funds were used to invest into Actom Investment Holdings Proprietary Limited ("Actom"). The loan funding is repayable on 30 March 2017. KPS III and Tiso Electrical have pledged the shares in Actom as security for the funding obtained.

Rand Merchant Bank
Rand Merchant Bank ("RMB") provided loan funding to Tiso Property Proprietary Limited ("Tiso Property") to acquire MMI Holdings Limited's rights in Emira Property Fund ("Emira"). Financing was raised by means of a senior loan and mezzanine loan.

The interest rate on the senior loans are JIBAR plus 172 basis points compounded monthly and the interest rate on the mezzanine loans are JIBAR plus 508 basis points compounded monthly. Both the senior and mezzanine loan funding is repayable on 16 September 2016.

	Consolidated 2012 R'000	Company 2012 R'000

26 Borrowings *(continued)*

Rand Merchant Bank *(continued)*

Interest rate swap contracts were entered into by Tiso Property with RMB for the variable rate on the senior and mezzanine loans. The fixed rate payer is Tiso Property, while RMB is the floating rate payer. The notional principal amounts outstanding relating to interest rate swap contracts at 30 June 2012 was R 27 million. Tiso Property has pledged its units in Emira as security for the funding obtained.

Investec Limited

Investec Bank ("Investec") provided a project loan facility to the maximum principal amount of R230 million to Kagiso Platinum Ventures Proprietary Limited ("KPV") to be utilised on the Mototolo project. KPV pledged its mineral rights in Mototolo Holdings Proprietary Limited in favour of Investec.

The loan initially accrued interest at 250 basis points above 3-month JIBAR compounded quarterly in arrears. The day following the Financial Completion Date the interest rate reduces to 225 basis points above 3-month JIBAR compounded quarterly in arrears. The loan is repayable in 15 equal semi-annual instalments beginning 30 months after the first advance. The first advance being May 2006. The loan was settled in full after the reporting date.

Alstom Sth Africa Power Projects Proprietary Limited

The loan from Alstom Sth Africa Power Projects Proprietary Limited bears interest at 0% and subject to the terms of the loan advanced to Alstom Power Services Proprietary Limited.

Alstom Africa Holdings Proprietary Limited

The loan bears interest at 0% and is due and payable upon the disposal Emerald Panther Investments 43 Proprietary Limited of its investment in the 1000 "A" Class Ordinary shares in Alstom S&E Africa Proprietary Limited, whether forced or voluntarily.

Non-controlling interest loans

These loans were advanced by minority shareholders in Firefly Investments 166 Proprietary Limited and Emerald Panther Investments 43 Proprietary Limited.

The maturity of interest-bearing borrowings is as follow:		
Payable within 1 year or on demand	143 802	79 892
More than 1 year but not exceeding 2 years	50 000	50 000
More than 2 years but not exceeding 5 years	859 696	-
More than 5 years	-	
	1 053 498	**129 892**

<u>**Preference shares**</u>

Preference shares include the following:

SPV redeemable preference shares		
Friedcorp 559 Proprietary Limited	288 142	288 142
Off the Shelf Investments 127 Proprietary Limited	106 759	-
Off the Shelf Investments 108 Proprietary Limited	568 015	-
Vanmac Investments Proprietary Limited	9 228	-
Morning Tide Investments 168 Proprietary Limited	286 356	-
Tswelo Holdings Proprietary Limited	399 643	-
Business Ventures Investments No 884 Proprietary Limited	61 622	-
Cardona Investments 428 Proprietary Limited	579 247	-
Alizay Properties 46 Proprietary Limited	62 575	-
Total preference shares	**2 320 605**	**288 142**

Friedcorp 559 Proprietary Limited

The preference shares are issued to Depfin Investments Proprietary Limited. The preference shares accrue dividends at a rate of 91,30% of prime, compounded monthly in arrears. The accrued dividends are payable on 1 October each year. The preference shares were fully redeemable on 1 July 2016, but an early redemption of these preference shares has taken place subsequent to the reporting date.

Off the Shelf Investments 127 Proprietary Limited

The preference shares are issued to MMI Holdings Limited. The preference shares accrue dividends at a rate of 80,00% of prime, compounded monthly in arrears. The accrued dividends are payable on 31 December each year. The preference shares are fully redeemable on 8 September 2015 but the redemption can be extended by agreement between MMI Holdings Limited and Off the Shelf Investments 127 Proprietary Limited.

	Consolidated 2012 R'000	Company 2012 R'000

26 Borrowings *(continued)*

Preference shares (continued)

Off the Shelf Investments 108 Proprietary Limited
Two different classes of preference shares are issued by Off the Shelf Investments 108 Proprietary Limited namely "A3" preference shares and "G" preference shares.

The "A3" preference shares are issued to MMI Holdings Limited. The preference shares accrue dividends at a rate of 88.00% of prime, compounded monthly in arrears. The accrued dividends are payable on 30 September and 31 March each year. The preference shares are fully redeemable on 29 June 2017.

The "G" preference shares are issued to a consortium of funders made up of Depfin Investments Proprietary Limited, Rand Merchant Bank, Sanlam Capital Markets Limited and Sanpref Proprietary Limited. The preference shares accrue dividends at a rate of 83.00% of prime, compounded monthly in arrears. The accrued dividends are payable on the 7th business day after the receipt of each MMI Holdings Limited dividend distribution in respect of the pledged MMI Holdings Limited ordinary shares. The preference shares are fully redeemable on 29 June 2017. Forty one million MMI Holdings Limited shares are pledged as security for the funding obtained.

Vanmac Investments Proprietary Limited
The preference shares are issued to Macsteel Services Centre SA Proprietary Limited. The preference shares accrue dividends at a rate of prime plus 200 basis points, compounded monthly in arrears. The preference shares are fully redeemable on 31 August 2016.

Morning Tide Investments 168 Proprietary Limited
The preference shares are issued to Depfin Investments Proprietary Limited and The Standard Bank of South Africa Limited. The preference shares accrue dividends at 80% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 7 September 2016. Morning Tide Investments 168 Proprietary Limited has pledged its shares in Main Street 333 Proprietary Limited as security for the funding obtained.

Tipwala Holdings Proprietary Limited
The preference shares are issued to Main Street 642 Proprietary Limited. The preference shares accrue dividends at 22% per annum, compounded quarterly in arrears. The preference shares are fully redeemable on 15 December 2015. The shares in Idwala Industrial Holdings Proprietary Limited have been pledged as security for the funding obtained.

Business Ventures Investments No 884 Proprietary Limited
The preference shares are issued to Rand Merchant Bank. The preference shares accrue dividends at JIBAR plus 350 basis points, compounded monthly in arrears. The accrued dividends are payable on the 5th business day after the receipt of each AECI Limited dividend distribution. The preference shares are fully redeemable on 31 December 2015. Business Ventures Investments No 884 Proprietary Limited has pledged its shares in AECI Limited as security for the funding obtained.

Cardona Investments 428 Proprietary Limited
Two different classes of preference shares are issued by Cardona Investments 428 Proprietary Limited namely, "A" preference shares and "B" preference shares.

The "A" preference shares are issued to Depfin Investments Proprietary Limited, Rand Merchant Bank and The Standard Bank of South Africa Limited. The preference shares accrue dividends at a rate of 100.65% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 22 July 2016.

The "B" preference shares are issued to Depfin Investments Proprietary Limited, Rand Merchant Bank and The Standard Bank of South Africa Limited. The preference shares accrue dividends at a rate of 124.30% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 22 July 2016.

Allzoy Properties 46 Proprietary Limited
The preference shares are issued to Investec Bank Limited. The preference shares accrue dividends at 99% of prime, compounded monthly in arrears. The accrued dividends are payable on 11 June and 10 December each year. The preference shares are fully redeemable on 12 December 2015. Allzoy Properties 46 Proprietary Limited has pledged its shares in D-Line Holdings Limited as security for the funding obtained.

The maturity of preference shares is as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Payable within 1 year or on demand	368 729	288 142
More than 1 year but not exceeding 2 years	-	-
More than 2 years but not exceeding 5 years	1 951 876	-
More than 5 years	-	-
	2 320 605	288 142

	Consolidated 2012 R'000	Company 2012 R'000

26 Borrowings *(continued)*

Debt securities

On 16 September 2004, Kagiso Sizanani Capital Proprietary Limited ("KSC") established a domestic note and redeemable preference share programme for a total programme value of R 1 billion. Subsequent to the reporting date, the programme memorandum has been restated and the programme value is increased to R 2 billion. In addition, KSC issued a new listed bond to the value of R 600 million.

Listed redeemable preference shares

	Consolidated 2012 R'000	Company 2012 R'000
Authorised preference shares		
1 000 000 redeemable preference shares R1 each	1 000	-
Issued preference shares		
KSP003	79 630	-
KSP004	73 254	-
KSP005	104 774	-
Total issued preference shares	**257 658**	**-**

KSP003, for a nominal value of R 78 million is a floating yield redeemable preference share. The shares bear a dividend which is payable and repriced six monthly at 84.70% of prime on a NACS basis. The shares redeem on 1 February 2013 and are listed on the Johannesburg Securities Exchange ("JSE")

KSP004, for a nominal value of R 72 million is a floating yield redeemable preference share. The shares bear a dividend which is payable and repriced six monthly at 84.70% of prime on a NACS basis. The shares are redeemable on 1 April 2013 and are listed on the JSE.

KSP005, for a nominal value of R 100 million is a floating yield redeemable preference share. The shares bear a dividend which is payable and repriced six monthly at 99.70% of prime on a NACS basis. The shares are redeemable on 1 July 2012 and are listed on the JSE. These preference shares were refinanced after the reporting period.

The maturity of listed preference shares is as follows:		
Payable within 1 year or on demand	257 658	-
More than 1 year but not exceeding 2 years	-	-
More than 2 years but not exceeding 5 years	-	-
More than 5 years	-	-
	257 658	**-**

Listed bonds

Issued listed bonds		
KSB004	52 473	-
KSB005	41 669	-
Total listed bonds	**94 142**	**-**

KSB004, for a nominal value of R 50 million is a floating rate note. The instrument bears interest which is payable and repriced quarterly at a fixed yield of 12%. The instrument matures on 1 February 2013 and is listed on the JSE.

KSB005, for a nominal value of R 40 million is a floating rate note. The instrument bears a coupon half-yearly on a determination date at a fixed margin of 220 basis points above a fixed coupon of Government Stock R201. The instrument matures on 28 February 2013 and is listed on the JSE.

The maturity of listed bonds is as follows:		
Payable within 1 year or on demand	94 142	-
More than 1 year but not exceeding 2 years	-	-
More than 2 years but not exceeding 5 years	-	-
More than 5 years	-	-
	94 142	**-**

Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") issued a financial guarantee to the holders of these instruments to make specified payments, to reimburse holders in case of default by KSC.

KTH did not default on any of the obligations under the domestic note and redeemable preference share programme for the period under review.

	Consolidated 2012 R'000	Company 2012 R'000

26. Borrowings *(continued)*

Finance lease liabilities

The Group leases various motor vehicles, office equipment, LED screens and production equipment, under non-cancellable finance lease agreements. The lease terms are between 36 and 60 months and ownership of the assets lies within the Group.

	Consolidated 2012 R'000	Company 2012 R'000
Finance lease liabilities - minimum payments		
Less than one year	7 080	264
Later than one year and less than five years	3 422	440
	10 502	704
Future finance expenses on finance lease payments	(801)	(112)
Present value of finance lease payments	**9 701**	**592**
The present value of finance lease liabilities are as follows:		
Less than one year	6 543	197
Later than one year and less than five years	3 158	395
	9 701	**592**
Assets subject to finance lease (net carrying amount)		
Computer equipment	708	-
Motor vehicles	216	-
Plant and equipment	18 427	-
Office equipment	671	634
	20 022	**634**

Financial guarantees granted

	Consolidated 2012 R'000	Company 2012 R'000
Investec Limited	-	49 871
Rand Merchant Bank	-	-
Rand Merchant Bank, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited	-	92 777
Nedbank Limited	-	25 322
	-	**167 970**

As part of the merger between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited ("Tiso Group"), Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") acquired the liabilities of Tiso Group. This included the following two financial guarantees:

Financial guarantee - Investec Limited

Allzay Properties 46 Proprietary Limited ("Allzay") acquired a 27.03% (66 202 150 shares) stake in O-Line Holdings Limited ("O-Line") which was funded primarily through the issue of preference shares to Investec Limited ("Investec") to the value of R 62 464 000, and a portion of the funding was settled in cash. Tiso Group entered into a contract with Investec whereby Tiso Group would become liable should Allzay be unable to redeem all the preference shares issued to Investec.

Allzay was to redeem the preference shares on scheduled redemption dates as per the contract. The preference shares would be redeemed using the dividends received on the O-Line ordinary shares. Dividends received by Allzay would be invested in a Call account until the scheduled redemption dates. The funding received from Investec accrued interest at 99% of prime.

Prior to the merger, Tiso Group was liable for any preference shares which have not been redeemed through the dividends received from O-Line and through the sale of O-Line ordinary shares. Subsequent to the merger, this liability has been transferred to KTH.

The redemption of the preference shares is directly related to the O-Line ordinary share price and as such the financial guarantee was valued using a Monte Carlo simulation. The O-Line share price was valued using the Geometric Brownian Motion model of valuation. The financial guarantee was valued as at 13 December 2009, and has a maturity of 6.5 years (30 June 2016). The volatility for O-Line was estimated at 72.35% using the exponentially weighted methodology. Since O-Line listed on the Alt-X in November 2007, only two years of historical data had been used in the estimated volatility.

	Consolidated 2012 R'000	Company 2012 R'000
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Acquired through business combinations	-	62 604
Amortisation for the period	-	(12 733)
Carrying value at the end of the period	-	**49 871**

	Consolidated 2012 R'000	Company 2012 R'000

26 Borrowings *(continued)*

Financial guarantees granted (continued)

Financial guarantee - Rand Merchant Bank

Tiso Telecom Proprietary Limited ("Tiso Telecom") acquired a 25.1% (92 733 300 shares) stake in Africa Cellular Towers Limited ("ACT"). This stake was funded through the issue of 80 000 "A" Preference shares and 1 "B" Preference shares to RMB Property Holdings Proprietary Limited ("RMB") for a subscription price of R 80 000 000 and R 0.01, respectively. Tiso Group entered into a contract with RMB whereby Tiso Group would become liable should Tiso Telecom be unable to redeem all the preference shares issued to RMB.

Prior to the merger, Tiso Group was liable for any preference shares which have not been redeemed through the dividends received from ACT and through the sale of the ACT ordinary shares. Subsequent to the merger, this liability has been transferred to KTH. The structure replicates an European call option whose strike price grows over the term of the option. While the debt accrues interest, dividends received on the underlying ACT shares are used to service the interest. In order to incorporate all the characteristics of the structure, a Monte Carlo Simulation Model was developed that replicates these features.

The financial guarantee was valued as at 1 July 2010, the date on which the rate of the "A" preference shares was changed. The "A" preference shares have a final redemption date of 13 February 2014. The volatility of ACT was estimated at 67.38% using the equally weighted methodology. Since ACT listed on the Alt X in November 2005, only 3.6 years of historical data had been used in the estimated volatility.

The financial guarantee was valued as at R 15 million at 1 July 2011, which was the amount that KTH would be required to pay RMB in respect of this guarantee.

During the current reporting period, this financial guarantee was called by RMB and KTH was required to pay R 15 million to RMB. There is no remaining financial guarantee to RMB as at 30 June 2012.

	Consolidated	Company
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Acquired through business combinations	-	15 000
Settlement of guarantee	-	(15 000)
Carrying value at the end of the period	-	-

The following guarantees were entered into by KTH during the current reporting period:

Financial guarantee - Rand Merchant Bank, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited

On 22 July 2011, Cardona Investments 428 Proprietary Limited concluded a Bridge Facility Agreement for the purpose of funding the capital contribution made by KTH staff to enable the KTH Staff Participation Trust ("KTH Staff Trust") to purchase shares in KTH. The funding of the capital contribution was provided by Nedbank Limited, FirstRand Bank Limited, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited. This funding comprises "A" preference shares and "B" preference shares, and required a guarantee in the event that the KTH Staff Trust is unable to meet the loan obligations. KTH has provided a guarantee whereby it acts as a guarantor for the funding of the "A" preference shares only.

The structure replicates an European call option whose strike (i.e. the debt) grows over the term of the option. While the debt accrues interest, dividends received by the KTH Staff Trust on the underlying KTH shares are used to service the interest. In order to incorporate all the characteristics of the structure, a Monte Carlo Simulation model was developed replicating these features. The maturity of the transaction is 5 years and 1 day from the date of issue, being 23 July 2016.

The volatility for KTH was estimated by calculating the volatility of the All Share Index. An equally-weighted volatility calculated over the historical period ending up to the valuation date of 30 June 2012 equal in duration to the time to maturity was applied in valuing the financial guarantee. An expected dividend forecast was used to determine the forecasted dividend yield.

	Consolidated	Company
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Fair value of financial guarantee at initial recognition	-	92 777
Carrying value at the end of the period	-	92 777

	Consolidated 2012 R'000	Company 2012 R'000

26 Borrowings *(continued)*

Financial guarantees granted (continued)

Financial guarantee - Nedbank Limited

On 29 March 2012, Tiso Electrical Proprietary Limited ("Tiso Electrical") and Kagiso Power Services III Proprietary Limited ("KPS III") entered into an agreement with Nedbank Limited ("Nedbank") for term facilities amounting to R199,697,972 for Tiso Electrical and R195,408,718 for KPS III (collectively referred to as "the debt") in order to finance existing and additional investments in Actom Investment Holdings Proprietary Limited ("Actom"). The contractual rate offered by Nedbank on the debt is JIBAR plus 300 basis points, nominal annual compounded quarterly.

KTH provided a limited guarantee on the debt and pledged its 18.62% equity holding in Actom against any likely default by Tiso Electrical and KPS III. In addition to the limited guarantee, KTH provides an undertaking which covers that portion of the debt over the limited guarantee amount. The maturity date of the transaction is five years from the date of issue, being 29 March 2017.

The fair value of the guarantee is defined as the present value of:

$$G = \text{Min}\,(\text{Max}\,(A - D - R430\text{ million}, 0)\,,\ R120\text{ million})$$

Where:

A = value of the Actom shares on maturity
D = value of the outstanding debt on maturity
R430 million = the guarantee only activates if A - D > R430 million
R120 million = the guarantee cannot exceed R120 million

As the payoff structure represents an option-type payoff, a Monte Carlo simulation was utilised as an appropriate valuation technique

The volatility of Actom was estimated by calculating the volatility of the Electrical & Electrical Equipment Index (J273) on the JSE. An equally-weighted volatility (24.84%) calculated over the historical period leading up to the valuation date equal in duration to the time to maturity was applied in valuing the financial guarantee.

Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Fair value of financial guarantee at initial recognition	-	25 322
Carrying value at the end of the period	**-**	**25 322**

The maturity of financial guarantees are as follows:		
Payable within 1 year or on demand	-	-
More than 1 year but not exceeding 2 years	-	-
More than 2 years but not exceeding 5 years	-	167 970
More than 5 years	-	-
	-	**167 970**

27 Deferred income

The part disposal of the investment in Idwala Industrial Holdings Proprietary Limited in December 2008 by Tiswala Investments Proprietary Limited ("Tiswala") resulted in the investment in associate showing a negative balance. This balance was recognised as deferred income and will be recognised in future periods as the associate makes profits. During the 2009 financial period, Tiswala started to recognise the movement in results from the associate against this balance.

Reconciliation of carrying amount		
Financial asset at fair value acquired through business combinations	69 294	-
Deferred gain on sale recognised during the year	(35 964)	-
	33 330	**-**

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
28 Share-based payment liabilities		
Kagiso Asset Management Employee Share Trust	29 199	-
The Kagiso Trust Investments Share Scheme 2008	1 406	1 406
The KTH Staff Participation Trust	12 571	12 571
	43 176	**13 977**

Kagiso Asset Management Employee Share Trust

On 12 October 2005 Kagiso Asset Management Proprietary Limited ("KAM") established the Kagiso Asset Management Employee Share Trust ("the trust") which purchased 19% of the issued share capital of KAM. The trust was initially funded by an interest-bearing loan from a co-shareholder. Units in the trust were then allocated to employees. This initial allocation effectively represented 16.5% of the issued shares and a corresponding loan account.

The share scheme is considered to be cash-settled in accordance with IFRS 2 Share-based payments.

In terms of the trust deed, the trust is financed by its own resources and by loans made to the trust by KAM and Kagiso Tiso Holdings Proprietary Limited (RF). There are certain provisions relating to requirements to sell units back to the trust on leaving the employment of KAM prior to certain dates set out in participation notices issued to beneficiaries.

Summary of the movements in the share scheme are as follows:

Authorised units
The trust purchased 5 636 shares in KAM from an existing shareholder for a gross consideration of R 191 per share and 800 units from an exiting beneficiary for a gross consideration of R 251.24 per unit.

Allocated units
4 000 units were allocated to beneficiaries during the current year.

There were no other movements in the share scheme in the current period.

Description of the share scheme:

The share scheme can be described as being made up of "A", "B" and "C" units.

"A" Units
The units originally issued ("A units") effectively represent the value of shares in KAM plus a corresponding portion of the debt of the trust.

These "A units" had conditions attached which set out a timetable for determining the proportion of the value of the units that the employee will receive if they leave KAM's employment. All dates in this timetable have now passed, so there are now no conditions applying to the sale of these units. As at 30 June 2012, the "A" units' corresponding portion of the debt in the trust has been repaid.

"B" Units
The units issued in August 2008 ("B units") effectively each represent the value of a share in KAM but offset by an amount, which in one case is equal to a portion of the trust's debt plus a "notional loan" amount, and in all other cases is equal to a portion of the trust's debt. These offsets increase by the relevant interest rate and are reduced by dividends received by the trust. The effect of this is that the units have a zero value at issue, but will increase by the increase in the share price and any dividends received, less the accrual of interest on the loan and/or the "notional loan", less any payments of dividends to beneficiaries.

These "B units" have conditions attached, which set out a timetable for determining the proportion of the value of the units that the employee will receive if they leave KAM's employment. The timetable that is still applicable is as follows:

- Should the employee leave between 31 December 2011 and 31 December 2012, upon sale of the units he will be entitled to 50% of the unit value.
- Should the employee leave anytime after 31 December 2012, upon sale of the units he will be entitled to 100% of the unit value.

	Consolidated 2012 R'000	Company 2012 R'000

28 Share based payment liabilities *(continued)*

Kagiso Asset Management Employee Share Trust *(continued)*

"C" Units

The units issued in August 2011 ("C units") effectively each represent the value of a share in KAM but offset by an amount which is equal to a portion of the trust's debt. These offsets increase by the relevant interest rate and are reduced by dividends received by the trust. The effect of this is that the units have a zero value at issue, but will increase by the increase in the share price and any dividends received, less the accrual of interest on the loan, less any payments of dividends to beneficiaries.

These "C units" have conditions attached, which set out a timetable for determining the proportion of the value of the units that the employee will receive if they leave KAM's employment. The timetable that is still applicable is as follows:

- Should the employee leave prior to 31 December 2013, upon sale of the units he will be entitled to receive 0% of the unit value.
- Should the employee leave between 31 December 2013 and 31 December 2014, upon sale of the units he will be entitled to 40% of the unit value.
- Should the employee leave between 31 December 2014 and 31 December 2015, upon sale of the units he will be entitled to 50% of the unit value.
- Should the employee leave anytime after 31 December 2015, upon sale of the units he will be entitled to 100% of the unit value.

Summary of movements in the share purchase scheme are as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Authorised units		
Opening balance	79 500	-
Created due to share purchases	5 636	-
Closing balance	**85 136**	-
Allocated as follows:		
"A" units	53 400	-
"B" units	23 400	-
"C" units	4 000	-
Unallocated	4 335	-
	85 136	-

Share-based payment liability

The fair value of the liability at year-end is as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Opening balance	9 918	-
Fair value movement	19 281	-
Closing balance	**29 199**	-

The fair value of the services provided was determined using the Monte Carlo simulation.

The Kagiso Trust Investments Share Scheme 2008

In April 2010, the Kagiso Trust Investments Share Scheme 2008 ("the Scheme") was established for qualifying employees of the Group. The Scheme holds shares in the issued ordinary share capital of the Company.

Shares are offered to qualifying employees at aggregate fair-value of each cash generating unit in the Group as determined by the most recent approved valuation of the Group. The share price of each share is then calculated by dividing the aggregate value by the number of ordinary shares in issue by the Company.

On the expiry of the 5 years from the date of the offer, the beneficiary is entitled to sell any portion of their scheme shares to the Scheme at market value.

The Scheme is considered to be a share appreciation scheme that is cash-settled in accordance with IFRS 2 share-based payments.

During the current financial year, the valuation was performed by KPMG Incorporated and the value determined is based on assumptions over various inputs determined internally.

	Consolidated 2012 R'000	Company 2012 R'000

28 Share based payment liabilities *(continued)*

The Kagiso Trust Investments Share Scheme 2008 *(continued)*

Summary of movements in the share purchase scheme are as follows:

	Consolidated 2012	Company 2012
Number of shares		
Existing issues	2 422	2 422
Exercised	(1 477)	(1 477)
Granted	7 702	7 702
Shares forfeited, not issued	(4 909)	(4 909)
	3 738	3 738
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Liability acquired through common control transaction	8 515	8 515
Paid out to participants	(1 284)	(1 284)
Charge to statement of comprehensive income	(5 825)	(5 825)
Carrying value at the end of the period	**1 406**	**1 406**

The KTH Staff Participation Trust

The KTH Staff Participation Trust ("KTH Staff Trust") was formed in order to facilitate an incentive scheme for the employees of Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH") as well as employees of two of KTH's shareholders, Tiso Foundation Charitable Trust and Kagiso Charitable Trust. The employees of these entities can earn units in the KTH Staff Trust which will vest in full after five years of service, commencing on 1 July 2011. On 1 July 2011, each recipient was required to pay an amount of R0.01 per trust unit allocated to them. Once the trust units have vested, recipients will by virtue of obtaining trust units become beneficiaries of the KTH Staff Trust. The holders of these trust units can, at any chosen time thereafter, redeem their trust units for shares in KTH. The KTH Staff Trust currently holds an equivalent number of shares in KTH as there are units in the KTH Staff Trust. These shares were acquired by the KTH Staff Trust using a capital contribution received from Cardona Investments 428 Proprietary Limited ("Cardona"). During the reporting period, Cardona obtained funding for this capital contribution to enable the KTH Staff Trust to purchase the initial KTH shares. The funding of this capital contribution was provided by A and B preference shares issued by Cardona to Nedbank Limited, FirstRand Bank Limited, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited. Refer to note 23 for further details on the treasury shares held by KTH Staff Trust.

The trust units represent the option to acquire shares in KTH. Should the recipient's employment be terminated, the units will return to the KTH Staff Trust as unallocated units in exchange for either shares in KTH, the original payment of R0.01, or 50% of the payment, depending on whether the person is considered a Good Leaver, a Bad Leaver, or an Aggravated Bad Leaver. All returned units will form part of the KTH Staff Trust's unallocated units & will remain restricted.

The requirements of IFRS 2 apply, as this is a transaction in which KTH is receiving services in exchange for a transfer of its own equity instruments, in spite of the fact that this transfer is made by a shareholder of KTH, i.e. the KTH Staff Trust, and not KTH itself. A cash-settled share-based payment transaction is one in which an entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price or value of equity instruments of the entity. The awards issued by KTH shall be treated as cash-settled liabilities, on the basis that payment is mandatory on cessation of employment based on whether the person is considered a Good Leaver, a Bad Leaver, or an Aggravated Bad Leaver.

In the above arrangement, the KTH Staff Trust is acting as an agent on behalf of KTH. The KTH Staff Trust is consolidated into the Group. The cash-settled share-based payment liability is recognised in the consolidated financial statements of KTH.

The strike price of the options are equal to the outstanding loan balances of the A and B preference shares at the expiry date of 1 July 2016, which is expected to be R 1 032 377 829.

The vesting schedule of the option is tabulated below:

Vesting Period	% Vesting	Cumulative % Vested	Vesting Date
Year 1	0.00%	0.00%	01 July 2012
Year 2	0.00%	0.00%	01 July 2013
Year 3	33.33%	33.33%	01 July 2014
Year 4	33.33%	66.66%	01 July 2015
Year 5	33.33%	100.00%	01 July 2016

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	Consolidated 2012 R'000	Company 2012 R'000

28 Share based payment liabilities *(continued)*

The KTH Staff Participation Trust *(continued)*

The total number of trust units are 68 831. At 30 June 2012, 40 584 trust units have been allocated to KTH employees, 1 429 trust units have been allocated to Tiso Foundation Charitable Trust employees, and 6 493 trust units have been allocated to Kagiso Charitable Trust. The remainder of the trust units is 20 325 which remain unallocated as at 30 June 2012

Movements in the number of allocated trust units are tabulated below:

	Consolidated	Company
Number of units		
Outstanding at the beginning of the period	-	-
Granted to Kagiso Charitable Trust employees on 1 July	6 493	-
Granted to Tiso Foundation Charitable Trust employees on 1 July	1 429	-
Granted to KTH employees on 1 July	44 480	-
Forfeited by KTH employees terminating during the year	(4 156)	-
Granted to new KTH employees during the year	260	-
Outstanding at the end of the period	**48 506**	-

The fair value of all trust units as at 30 June 2012 is R 46 869 631, determined by applying the Black-Scholes model. The fair value of each trust unit as at 30 June 2012 is R681.

The following significant inputs into the Black-Scholes model were as follows:

Dividend yield	0,00%
Volatility	14,94%
Share price (cents)	8 457,70
Exercise date	01 June 2018
Discounting factor	5,28%

The full value of the trust units allocated by KTH Staff Trust to employees of Tiso Foundation Charitable Trust and Kagiso Charitable Trust are debited to equity during the current reporting period, as KTH has no control over the employment services which those beneficiaries provide.

As at 30 June 2012, R 973 060 and R 4 421 329 has been debited to equity to account for the trust units allocated to employees of Tiso Foundation Charitable Trust and Kagiso Charitable Trust, respectively.

The trust units allocated to KTH employees will be accounted for over the vesting period, during which the services are provided to KTH. As at 30 June 2012, R12 571 719 has been recognised as a liability to account for the trust units allocated to KTH employees.

	Consolidated	Company
Reconciliation of carrying amount		
Carrying value at the beginning of the period	-	-
Charge to equity	5 394	5 394
Charge to statement of comprehensive income	7 177	7 177
Carrying value at the end of the period	**12 571**	**12 571**

29 Trade and other payables

	Consolidated	Company
Trade payables	39 840	-
Other payables	170 879	16 659
Other accrued expenses	75 936	-
Amounts owing to equity holders of Kagiso Media Limited	20 521	-
Loan from trust beneficiaries - Tiso Share Trust	116 591	
Deferred income	29 192	-
	363 959	**16 659**

Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
30 Provisions		
Leave pay provision	19 964	1 275
Bonus provision	55 762	-
Royalty provision	32 487	-
Other	2 177	-
	110 390	**1 275**
Reconciliation of provisions		
Carrying value at the beginning of the period	-	-
Provisions acquired through common control transaction	57 866	-
Charged to the statement of comprehensive income	52 524	1 275
Carrying value at the end of the period	**110 390**	**1 275**
31 Revenue		
Revenue is derived from the following:		
Advertising	380 425	-
Production income	251 777	-
Contract service revenue	51 136	-
Subscriptions to published works	42 812	-
Electronic and online products	36 431	-
Intellectual property revenue	23 763	-
Entrance fees, commissions, sponsorships and other	5 160	-
Web income	4 727	-
Training	1 213	-
Base fees	86 681	-
Management fees	13 340	4 660
	1 056 968	**4 660**
32 Cost of sales		
Cost of sales is derived from the following:		
Raw material and consumables	(119 937)	-
Commission and levies	(150 841)	-
Employee costs	(236 101)	-
	(506 879)	**-**
33 Depreciation and amortisation		
Amortisation of intangibles		
Trademarks, titles, copyright and intellectual property	(15 579)	-
Broadcast licence	(3 122)	-
Transmitter split facility	(641)	-
Customer relationships	(20 455)	-
Systems and software	(4 173)	-
	(43 970)	**-**
Depreciation		
Computer equipment	(4 729)	(731)
Furniture and fittings	(2 064)	(483)
Leasehold improvements	(3 607)	(1 367)
Motor vehicles	(271)	(86)
Office equipment	(426)	-
Plant and equipment	(10 718)	(435)
	(21 717)	**(3 102)**
Amortisation of intangibles included in associate carrying amounts	(40 133)	-
Total depreciation and amortisation	**(105 820)**	**(3 102)**

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Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
34 Operating profit / (loss)		
Operating profit / (loss) is stated after taking the following into account:		
Other income		
Gain on bargain purchases	102 337	-
Derecognition of Escrow provision	25 900	25 900
Derecognition of IFRS 2 reserve	152 543	-
Recoupments of shared costs	4 881	4 881
Income from events and production of advertisements	11 156	-
Profit on sale of property, plant and equipment	2 047	2 047
Other	18 034	6 857
Total other income	**316 910**	**39 685**
Expenses		
Auditors' remuneration - current year	(15 073)	(4 672)
Inventory write-down	(17 674)	-
Marketing and programming expenses	(44 105)	-
Professional fees	(41 601)	(16 234)
Personnel costs - staff costs	(109 376)	(60 217)
Legal fees	(19 516)	(10 327)
Loss on sale of property, plant and equipment	(2 250)	(1 270)
Rental expenses	(85 725)	(6 523)
Other expenses	(72 659)	(44 156)
Total expenses	**(486 979)**	**(143 399)**
Other operating expenses - net	**(170 069)**	**(103 714)**

35 Dividend income

	Consolidated 2012 R'000	Company 2012 R'000
Subsidiaries		
Kagiso Strategic Investments III Proprietary Limited	-	6 401
Kagiso Trust Enterprises Proprietary Limited	-	8 600
Kagiso Asset Management Proprietary Limited	-	10 931
Tiso Electrical Proprietary Limited	-	23 315
Kagiso Media Limited	-	67 656
Tiso IVI Investments I Proprietary Limited	-	5 836
	-	**122 739**
Available-for-sale financial instruments		
Kagiso Infrastructure Investments Proprietary Limited	120	120
Metropolitan Health Corporate Proprietary Limited	20 847	-
MMI Holdings Limited	5 062	-
Macsteel Services Centre SA Proprietary Limited	11 750	-
Alstom S&E Africa Proprietary Limited	14 000	-
Alstom Power Services Proprietary Limited	18 083	-
Blue Falcon 69 Trading Proprietary Limited	2 968	-
	72 330	**120**
Financial assets at fair value through profit and loss		
MMI Holdings Limited	115 267	-
Emira Property Fund	22 785	-
AECI Limited	6 307	-
Investec Limited	18 945	-
Main Street 333 Proprietary Limited	40 940	-
Nozala Capital Management Proprietary Limited	425	-
Nozala Holdings Proprietary Limited	450	-
	205 184	**-**
Other financial instruments		
RTG Fleet Services Proprietary Limited	20 000	20 000
KA Investment Partners Trust	-	5 989
Preference dividends	8 482	33 775
	28 482	**59 764**
Total dividend income	**305 996**	**182 623**

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Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
36 Other gains / (losses) - net		
Financial assets at fair value through profit and loss		
MMI Holdings Limited	232 424	-
Emira Property Fund	(64 024)	-
Main Street 333 Proprietary Limited	339 328	-
AECI Limited	1 774	-
Investec Limited	(12 752)	-
Kozala Capital Management Proprietary Limited	21 354	-
Kozala Holdings Proprietary Limited	7 018	-
Africa Cellular Towers Limited	-	(17 250)
	528 092	**(17 250)**
Available-for-sale investments: equity instruments		
Blue Falcon 69 Trading Proprietary Limited	(45 696)	-
Three Diamonds Trading 564 Proprietary Limited	22 [illegible]	-
	(23 003)	**-**
Other	1 533	12 733
Total other gains / (losses) - net	**506 622**	**(4 517)**
37 Profit / (loss) on sale of investments - net		
MMI Holdings Limited	(1 143)	-
NM Rothschilds & Sons (South Africa) Proprietary Limited	(7 983)	-
Octane Holdings Limited	15 379	-
Investec Limited	(15 934)	-
Alstom Electrical SA Proprietary Limited	15 000	-
Alstom SA Proprietary Limited	5 002	-
AEL Holdco Limited	(917)	-
Emerald Panther Investments 43 Proprietary Limited	4 227	-
Firefly Investments 166 Proprietary Limited	10 658	-
Kagiso Asset Management Proprietary Limited	-	13 250
	24 279	**13 250**
38 Net impairment of investments, loans, assets and goodwill		
Associates		
Acton Repair Services Proprietary Limited	(32 605)	-
Battery Technologies Proprietary Limited	(18 754)	-
Coffey Projects (Africa) Proprietary Limited	(16 283)	-
Idwala Industrial Holdings Proprietary Limited	(255 952)	-
	(323 594)	
Joint ventures		
Kagiso Strategic Investments II Proprietary Limited	(29 863)	-
Other (impairments) / reversals including loans	2 959	14 387
Total net impairment of investments, loans, assets and goodwill	**(350 498)**	**14 387**
39 Finance income		
Interest income from banks	60 068	21 383
Interest income from Group companies	56 569	15 340
Other interest income received	6 566	-
	123 203	**36 723**

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Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000
40 Finance costs		
Interest paid on loans	(126 966)	(28 267)
Dividends on preference shares	(295 375)	(38 930)
Other interest paid	(6 945)	(218)
	(429 286)	**(67 415)**
41 Income tax expense		
Major components of the tax expense		
Current income tax		
Current income tax on profits for the year	(150 307)	(6 616)
Secondary tax on companies	(11 292)	-
	(161 599)	**(6 616)**
Deferred income tax		
Origination and reversal of temporary differences	(337 584)	(15 737)
Total tax expense	**(499 183)**	**(22 353)**
Reconciliation between accounting profit and tax expense		
Profit before income tax	454 613	72 895
Tax at the applicable tax rate of 28%	**127 292**	**20 411**
Tax effect of adjustments on taxable income		
Expenses not deductible for tax purposes	220 521	54 236
Income not subject to tax	(234 331)	(67 059)
Future capital gain payable	337 584	14 699
Capital gains tax	22 616	66
Secondary tax on companies	11 292	-
Tax losses recognised	14 210	-
	499 183	**22 353**
42 Fair value adjustments on available-for-sale financial assets		
Designated through other comprehensive income / (loss)		
Alstom Power Services Proprietary Limited	11 226	-
Alstom S&E Africa Proprietary Limited	(4 668)	-
FirstRand Empowerment Trust	290 460	290 460
Inyanga Trading 76 Proprietary Limited	5 318	5 318
Marsteel Services Centre SA Proprietary Limited	75 500	-
Metropolitan Health Corporate Proprietary Limited	149 776	-
MMI Holdings Limited	4 779	-
Other	(20 164)	-
	512 227	**295 778**

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Notes to the consolidated financial statements

	Consolidated 2012 R'000	Company 2012 R'000

43 Profit from discontinued operations

The results of the discontinued operations for the year are presented below:

Profit and loss		
Other income	24 500	-
Net profit on sale of joint venture	338 696	-
Other expenses	(2 032)	-
Operating profit	**361 164**	-
Income tax expense	(57 050)	-
Profit after tax from discontinued operations	**304 114**	-

There were no other discontinued operations in the current year, other than LexisNexis Proprietary Limited which had been classified as an asset held-for-sale in the previous financial year and sold in the current year.

The sale of LexisNexis Proprietary Limited, a 50% owned joint venture Company of Kagiso Media Limited and an overseas partner, Reed Elsevier Plc, was concluded on 15 December 2011.

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

Property, plant and equipment	5 887	-
Intangible assets	164 105	-
Goodwill	3 166	-
Deferred income tax assets	10 796	-
Inventories	9 779	-
Trade and other receivables	55 520	-
Cash and cash equivalents	22 911	-
Deferred income tax liabilities	(59)	-
Provisions, trade and other payables	(58 795)	-
Current income tax liability	(7 952)	-
Total value of assets and liabilities disposed	**226 304**	-
Sale proceeds	565 000	-
Less: Total value of assets and liabilities disposed	(226 304)	-
Less: Capital gains tax arising from disposal	(57 050)	-
Less: Cost incurred on disposal	(2 032)	-
Plus: Dividend received	24 500	-
Profit on disposal in Group's account	**304 114**	-
Proceeds	565 000	-
Cash and cash equivalents of the investments disposed	(22 911)	-
Proceeds from the sale of investment, net of cash	**542 089**	-

	Consolidated 2012 R'000	Company 2012 R'000
44 Cash generated from / (used in) operations		
Profit before income tax including discontinued operations after tax	759 727	72 895
Adjustments for:		
Profit on sale of investments - net	(34 279)	(13 250)
Finance income	(123 203)	(36 723)
Finance costs	479 286	67 415
Other gains / (losses) - net	(506 627)	4 517
Dividend income	(305 296)	(182 623)
Depreciation and amortisation	105 720	1 102
Impairment of investments, loans, assets and goodwill	353 498	(14 387)
Profit on sale of property, plant and equipment	(2 047)	(2 047)
Loss on dilution of associate	99	-
Deemed gain on disposal of Kagiso Exhibitions and Events	(2 443)	-
Disposal of property, plant and equipment	2 250	1 776
Share-based payment expense	(39 176)	1 352
Derecognition of Escrow provision	(25 900)	(25 900)
Reversal of loan impairments	18 297	-
Gain on bargain purchase	(102 337)	
Bad debts	337	-
Profit from discontinued operations	(306 145)	-
Straight line of operating leases	217	-
Changes in working capital:		
(Increase) / decrease in trade and other receivables	(74 825)	463
Increase in inventories	(3 251)	-
(Decrease) / increase in trade and other payables	(4 694)	3 590
(Decrease) / increase in provisions	(18 513)	3 494
Increase in loans and receivables	(1 382)	(3 345)
	174 497	**(119 787)**

45 Related party information

Subsidiaries

Details of income from and investments in subsidiary companies are disclosed in note 8, 35 and Annexure A respectively. Details on amounts due from / (to) subsidiaries are disclosed in Annexure F

Associated companies, joint ventures and partnerships

Details of income from and investments in associated companies, joint ventures and partnerships are disclosed in note 9 and 35 and Annexures B, C, D and E respectively. Details on amounts due from / (to) associated companies, joint ventures and partnerships are disclosed are disclosed in Annexure G.

Key management personnel

Information on directors are disclosed on page 1 and information on directors' emoluments are disclosed in note 50.

Shareholders

Details on the shareholders are disclosed on Annexure H.

During the financial year Kagiso Tiso Holdings Proprietary Limited (RF) made a corporate social investment ("CSI") payment to Kagiso Charitable Trust and Tiso Foundation Charitable Trust to the value of R 1 125 000 to each trust.

46 Comparative figures

No comparative figures have been presented as these are the first consolidated financial statements of the Group and Company.

	Consolidated 2012 R'000	Company 2012 R'000

47 Business combinations

Investment in Juta and Company Limited, Juta Investments Proprietary Limited and Imfundo Investments Proprietary Limited, collectively the Juta Group

During the current financial year, the Group acquired 100% of the shares in the Juta Group for a total purchase price of R300 million. The purchase consideration was settled in cash from the Group cash reserves.

On 29 May 2012, the acquisition date for financial reporting and consolidation purposes, the Group obtained control over the Juta Group. On this day all the conditions precedent to the transaction were fulfilled and the purchase price allocation and fair values of the assets and liabilities of the Juta Group were determined.

Juta is the largest local publisher of student textbooks in various academic fields and has a wide range of accredited training programmes and publications for adult learners. With this acquisition, the Group benefits to be the leading provider of information solutions to the justice and legal market in Southern Africa.

The revenue, operating profit as well as the profit after tax for the one month period to 30 June 2012, are included in the consolidated results. If the acquisition had occurred on 1 July 2011, the contribution to the Group's revenue would have been approximately R317.8 million and the contribution to the profits would have been a net profit after tax of approximately R27,8 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional amortisation that would have been charged assuming a fair value adjustment to intangible assets had been applied from 1 July 2011, together with the consequential tax effects.

	Consolidated 2012 R'000	Company 2012 R'000
Purchase consideration	300 000	-
Fair value of net identifiable assets acquired (see below)	(299 814)	-
Goodwill	**186**	-

Details of the net assets acquired are as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Property, plant and equipment	79 175	-
Intangible assets	192 313	-
Other assets	291	-
Deferred income tax assets	8 059	-
Inventories	43 994	-
Trade and other receivables	72 876	-
Current income tax assets	17	-
Cash and cash equivalents	78 711	-
Deferred income tax liabilities	(57 327)	-
Provisions, trade and other payables	(111 271)	-
Current income tax liability	(7 054)	-
Kagiso Media's share of the fair value of net assets acquired	**299 814**	-

	Consolidated 2012 R'000	Company 2012 R'000
Total purchase consideration	300 000	-
Cash and cash equivalents in the business acquired	(78 711)	-
Cash outflow on acquisition of Juta Group	**221 289**	-

The goodwill is attributable to the future benefits of the Group's diversification into information services related thereto. There are substantial synergies with other existing business units within the Group.

Investment in Tivvit Solutions Proprietary Limited

On 1 November 2011, Knowledge Factory Proprietary Limited, previously known as Kagiso EProps Proprietary Limited, a 65% owned subsidiary of the Group, acquired 65% of the voting rights of Tivvit Solutions Proprietary Limited for a purchase consideration of R6,3 million. The purchase price allocation and fair values of the assets and liabilities of Tivvit Solutions Proprietary Limited were determined at this date and the purchase consideration was settled in cash.

Tivvit Solutions Proprietary Limited is principally involved in the property industry, with its main business being the provision of internet services and website design. This acquisition will contribute largely to Knowledge Factory's operational strategy of being the leading provider of internet property products and services in the property markets.

The revenue, operating profit as well as the profit after tax for the eight-month period to 30 June 2012, are included in the consolidated results.

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	Consolidated 2012 R'000	Company 2012 R'000

47 Business combinations *(continued)*

Investment in Tivvit Solutions Proprietary Limited *(continued)*

If the acquisition had occurred on 1 July 2011, the contribution to the Group's revenue would have been approximately R 7.8 million and the contribution to the profits would have been a net profit after tax of approximately R461 000. 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 been applied from 1 July 2011, together with the consequential tax effects.

	Consolidated 2012 R'000	Company 2012 R'000
Purchase consideration	6 321	-
Fair value of net identifiable assets acquired (see below)	(2 540)	-
Goodwill	**3 781**	

Details of the net assets acquired are as follows:

	Consolidated 2012 R'000	Company 2012 R'000
Property, plant and equipment	53	-
Intangible assets	6 168	-
Other assets	3	-
Trade and other receivables	544	-
Bank overdrafts	(13)	-
Loan from shareholders	(5)	-
Deferred income tax liabilities	(1 517)	-
Provisions, trade and other payables	(1 000)	-
Net assets acquired	4 233	-
Non-controlling interest share of net assets acquired (40%)	(1 693)	
Kagiso Media's share of the fair value of net assets acquired	**2 540**	**-**

	Consolidated 2012 R'000	Company 2012 R'000
Total purchase consideration	6 321	-
Cash and cash equivalents in the business acquired	13	-
Cash outflow on acquisition of Juta Group	**6 334**	**-**

The goodwill is attributable to the future benefits of the Group's diversification into information and other services related thereto.

Restructuring of Kagiso Exhibitions and Events Proprietary Limited and Mobil Alliance and Media Technology Proprietary Limited

On 1 April 2012, Kagiso Exhibitions and Events Proprietary Limited ("KEE") purchased the remaining shares in Mobil Alliance Media and Technology Proprietary Limited ("Mobil"), thereby increasing its shareholding from 50% to 100%. In return, Kagiso Media Limited sold 50% of its shares in KEE to Costas Constantinou, the previous joint venture partner in Mobil. This resulted in KEE becoming a joint venture business between Kagiso Media Limited and Costas Constantinou and the dissolution of Mobil as a joint venture business. As at year end, KEE is in the process of changing its name to Kagiso Vantage Proprietary Limited.

As a result of the above transaction, a deemed gain on disposal of R 2 443 000 was recognised in the statement of comprehensive income.

Formation of Kagiso Tiso Holdings Proprietary Limited (RF)

On 1 July 2011, Kagiso Tiso Holdings Proprietary Ltd (RF) ("KTH") was formed by the shareholders of Kagiso Trust Investments Proprietary Limited ("KTI"). Following the formation of KTH, KTI sold all its assets and liabilities to KTH in exchange for shares in KTH. The shares held by KTI in KTH were then declared as a dividend in specie to the KTI shareholders.

KTI's assets and liabilities are ultimately controlled by the same parties both before and after the transaction. IFRS 3 specifically states that a combination of entities or businesses under common control is excluded from the scope of IFRS 3. There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. In developing a policy for common control transaction, KTH considered the guidance issued by other standard setting bodies which use a similar conceptual framework to develop accounting standards. KTH has elected to use the predecessor accounting method, which is based on equivalent US GAAP and UK GAAP guidance for common control transactions. Predecessor accounting does not require the acquirer to restate assets and liabilities to their fair values. The acquirer, i.e. KTH incorporated the predecessor carrying values. No new goodwill arises in applying the predecessor accounting method.

The IFRS 3 scope exemption for transactions between entities under common control does not apply to the separate financial statements of an entity that acquires an investment in a subsidiary from another entity that is under common control therefore, the general guidance in IAS 27 requires that investments in subsidiaries are accounted for either at cost or in accordance with IAS 39. KTH has elected to recognise the assets and liabilities of KTI at transaction value in its separate financial statements.

	Consolidated 2012 R'000	Company 2012 R'000

47 Business combinations *(continued)*

Formation of Kagiso Tiso Holdings Proprietary Limited (RF) *(continued)*

Tiso Group Proprietary Limited Ltd ("Tiso Group") sold all of its assets and liabilities to KTH in exchange for shares in KTH. The KTH shares held by Tiso Group were declared as a dividend in specie to its shareholders. Guidance is provided in IFRS 3 to determine the acquiring entity in a merger transaction. Based on this guidance, KTH is the acquirer of the Tiso Group business. KTH recognised the Tiso Group assets and liabilities at fair value, and recognised the issued share capital at the fair value of the issued shares. Any difference between the fair value of the KTH shares issued and the fair value of the Tiso Group assets and liabilities has been recognised as a bargain purchase gain in profit or loss for the period.

Based on the above information, KTH acquired 100% of the share capital of Tiso Group for R2 958 550 403. The bargain purchase gain of R 117 109 701 arising from the acquisition is attributable to the change in fair values of the assets and liabilities of Tiso Group when compared to its transaction values. None of the bargain purchase gain recognised was deemed taxable for income tax purposes.

The following table summarises the consideration paid for Tiso Group's assets and liabilities, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration at 1 July 2011

Equity instruments at fair value (400,000 shares)	2 960 297 557	-
IFRS 2 reserve	121 781 216	-
Total consideration transferred	**3 102 078 773**	-

Recognised amounts of identifiable assets acquired and liabilities assumed

Investments in subsidiaries and associates	4 417 092 000	-
Loans to / (from) Group companies - net	94 741 951	-
Cash and cash equivalents	71 228 187	-
Financial guarantees	(77 603 893)	-
Financial liabilities	(271 108 000)	-
Current tax receivable	5 671 280	-
Total identifiable net assets	4 239 989 505	-
Non-controlling interest	(1 020 801 031)	-
Bargain purchase	(117 109 701)	-
Total	**3 102 078 773**	-

Acquisition-related costs have been charged to administrative expenses in the statement of comprehensive income for the year ended 30 June 2012.

The fair value of the 400,000 ordinary shares issued as part of the consideration paid for Tiso Group's assets and liabilities (R2,960,297,557) was based on the fair value of the underlying assets and liabilities of Tiso Group as at 30 June 2011.

Non-controlling interest has been calculated based on its fair value as at 1 July 2011. The non-controlling interest relates solely to Morning Tide Investments 168 Proprietary Limited ("Morning Tide") and Business Ventures Investments No 884 Proprietary Limited ("BVI 884"). The fair value has been calculated taking into account the minority interest and the listed market price of Morning Tide and BVI 884 respective investments in Exxaro Resources Limited and AECI Limited.

The bargain purchase is disclosed within the other gains / (losses) line item on the face of the statement of comprehensive income. The bargain purchase arose as a result of an increase in the fair values of some of the asset and liabilities of Tiso Group above its transaction price.

The revenue and profit was included in the statement of comprehensive income for the year ended 30 June 2012 contributed by subsidiaries and associates acquired from Tiso Group.

	Consolidated 2012 R'000	Company 2012 R'000

48. Financial instruments by category

Financial instruments on the statement of financial position include investments, investment in money market funds, loans receivable, trade receivables, cash, trade payables, short-term loans, long-term loans and derivative instruments. Details of the nature, extent and terms of these instruments are explained in the notes to the relevant items.

The accounting policy for financial instruments was applied to the following statement of financial position line items.

Consolidation

Financial assets	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held to maturity R'000	Held-for-trading R'000	Carrying value R'000
30 June 2012						
Investments	-	6 435 783	1 683 240	474 412	-	8 593 435
Loans and receivables	105 459	-	-	-	-	105 459
Amounts due from Group companies	487 700	-	-	-	-	487 700
Trade and other receivables	357 173	-	-	-	-	357 173
Cash and cash equivalents	1 119 233	-	-	-	-	1 119 233
	2 079 565	**6 435 783**	**1 683 240**	**474 412**	**-**	**10 673 000**

Financial liabilities	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Carrying value R'000
30 June 2012			
Borrowings	3 737 273	27	3 737 300
Deferred income	33 330	-	33 330
Operating lease liability	7 292	-	7 292
Amounts due to Group companies	8 100	-	8 100
Share-based payment liabilities	43 176	-	43 176
Trade and other payables	363 959	-	363 959
Bank overdraft	1 144	-	1 144
Provisions	110 390	-	110 390
	4 304 664	**27**	**4 304 691**

Company

Financial assets	Loans and receivables R'000	Available-for-sale R'000	Held to maturity R'000	Carrying value R'000
30 June 2012				
Investments	-	610 181	61 467	671 648
Loans and receivables	44 395	-	-	44 395
Amounts due from Group companies	826 458	-	-	826 458
Trade and other receivables	4 066	-	-	4 066
Cash and cash equivalents	401 809	-	-	401 809
	1 276 728	**610 181**	**61 467**	**1 948 376**

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	Consolidated 2012 R'000	Company 2012 R'000

48 Financial instruments by category *(continued)*

Company

Financial liabilities	Liabilities at amortised cost R'000	Fair value through profit and R'000	Carrying value R'000
30 June 2012			
Borrowings	418 626	-	418 626
Financial guarantee contracts	-	167 970	167 970
Operating lease liability	365	-	365
Amounts due to Group companies	398 274	-	398 274
Share-based payment liabilities	13 977	-	13 977
Trade and other payables	16 659	-	16 659
Bank overdraft	1	-	1
Provisions	1 275	-	1 275
	849 177	**167 970**	**1 017 147**

49 Commitments

Operating lease 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. Lease expenditure is charged to the statement of comprehensive income.

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

	Consolidated	Company
Not later than one year	38 874	5 578
Later than one year and less than five years	59 671	21 342
Later than five years	47 314	-
Total future cash flow	**145 859**	**26 920**

Capital expenditure contracted for at the end of the reporting period but not yet incurred and which have been approved by the board of directors are as follows:

	Consolidated	Company
Property, plant and equipment	36 301	6 564
Intangible assets	11 178	-
	47 479	**6 564**

There are 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.

Tiso Property No 2 Proprietary Limited

In accordance with a shareholders' agreement, Tiso Property No 2 Proprietary Limited ("Tiso Property") has committed R 50 million of capital towards Eris Property Fund Proprietary Limited ("Eris"). At the reporting date, Tiso Property has paid R 29 033 455 towards Eris.

50 Directors emoluments

	Emoluments R'000	Performance related payments R'000	Share based payments R'000	Pension and other contributions R'000	Total R'000
Group					
Executive directors					
For services as directors	**33 761**	**8 520**	**12 900**	**1 698**	**56 879**
Non-executive directors					
For services as directors	**4 513**	-	-	-	**4 513**
Company					
Executive directors					
For services as directors	18 161	4 250	-	1 335	23 746
Non-executive directors					
For services as directors	2 960	-	-	-	2 960

Annexure A - Company schedule of subsidiaries

The Company's investments in subsidiaries are summarised below:

Name of Company	Year end	Issued capital R	Shareholding held %	Investment value R'000
Alleay Properties 46 Proprietary Limited	30 June	100	100.00%	58 425
Business Venture Investments No 884 Proprietary Limited	30 June	1 000	100.00%	244 000
Clidet 903 Proprietary Limited	30 June	1	100.00%	40 506
Cardona Investments 428 Proprietary Limited (RF)***	30 June	-	0.00%	92 777
Fasus Investments Proprietary Limited	30 June	100	100.00%	5 223
Four Arrows 39 Proprietary Limited	30 June	100	100.00%	547 000
Friedcorp 559 Proprietary Limited (RF)**	30 June	100	100.00%	-
Firefly Investments 165 Proprietary Limited	31 March	100	52.00%	-
Emerald Panther Investments 43 Proprietary Limited	31 March	100	54.00%	-
Jadeport Investments Proprietary Limited	30 June	100	100.00%	172 125
Kagiso Asset Management Proprietary Limited	30 June	3 599 149	50.10%	41 925
Kagiso Financial Services Limited	30 June	10 000 000	100.00%	167 000
Kagiso Media Limited*	30 June	135 791 854	51.17%	1 169 000
Kagiso Platinum Ventures Proprietary Limited	30 June	100	100.00%	387 900
Kagiso Property Holdings Proprietary Limited	30 June	398	100.00%	16 000
Kagiso Risk Solutions Proprietary Limited**	30 June	11 001 410	100.00%	-
Kagiso Sizanani Capital Limited	30 June	3 300 300	100.00%	3 300
Kagiso Strategic Investments III Proprietary Limited	30 June	100	100.00%	1 167 923
Kagiso Trust Enterprises Proprietary Limited	30 June	1 000	100.00%	29 000
Kagiso Ventures Proprietary Limited	30 June	1	100.00%	168 000
KTH West Africa Cooperatief U.A.	31 December	1 454 390	99.00%	1 867
Main Street 336 Proprietary Limited	30 June	500	71.64%	65 000
Morning Tide Investments 168 Proprietary Limited	30 June	28 543 847	82.05%	702 000
Off the Shelf Investments 109 Proprietary Limited	30 June	41 565 715	100.00%	934 000
Off the Shelf Investments 168 Proprietary Limited	30 June	100	100.00%	73 000
Tiso Capital Partners No 2 Proprietary Limited	30 June	1	100.00%	678
Tiso Electrical Proprietary Limited	30 June	100	100.00%	556 798
Tiso Industries Proprietary Limited	30 June	40 000	100.00%	286 876
Tiso INL Investments 1 Proprietary Limited	31 March	100	100.00%	305 000
Tiso Management Company Proprietary Limited**	30 June	100	100.00%	-
Tiso Power Services Proprietary Limited	30 June	1	100.00%	10 857
Tiso Projects No 1 Proprietary Limited	30 June	1	100.00%	15 000
Tiso Property No 2 Proprietary Limited	30 June	1	100.00%	75 462
Tiso Property Proprietary Limited	30 June	100	100.00%	162 300
Tiso Repair Services Proprietary Limited	30 June	100	100.00%	39 311
Tiso Resources Proprietary Limited	30 June	100	100.00%	2 100
Tiso Telecom Proprietary Limited	30 June	95 093 779	100.00%	33 750
Xanthe Investment Holdings Proprietary Limited	30 June	5 000 000	100.00%	41 000
				7 593 704

* - Listed Company
** - Less than R 1 000
*** - The company has provided a guarantee on behalf of Cardona Investments 428 Proprietary Limited. Refer to note 26 for details

All subsidiaries listed above are incorporated in South Africa, with exception of KTH West Africa Cooperatief U.A. which is incorporated in the Netherlands.

A complete register of subsidiaries is available for inspection at the registered office of the Company.

Kagiso Asset Management Proprietary Limited

During the financial year the company disposed of 19.2% of its investment in Kagiso Asset Management Proprietary Limited to management. The Company's investment changed from 69.3% to 50.1%.

Off the Shelf Investments 109 Proprietary Limited

During the financial year Off the Shelf Investments 109 Proprietary Limited repurchased the shares issued to The Metropolitan Empowerment Trust. The repurchase of the shares resulted in the Company's investment in Off the Shelf Investments 109 Proprietary Limited increasing from 75.00% to 100.00%

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Annexure B - Company schedule of associates, joint ventures and partnerships

The Company's investments in associates, joint ventures and partnerships are summarised below:

Name of Company	Year-end	Issued capital R	Shareholding held %	Investment value R'000
Associates				
Metropolitan Retirement Administrators Proprietary Limited	30 June	125	20.00%	6 000
Newmillen 122 Investments Proprietary Limited	30 June	1 000	40.00%	736
RTG Fleet Services Proprietary Limited	30 June	100	20.00%	-
				6 736
Joint Ventures				
KA Investment Partners Trust	30 June	-	50.00%	65 851
Kagiso Strategic Investments Proprietary Limited	30 June	1 000	43.35%	352 674
Kagiso Strategic Investments II Proprietary Limited	30 June	1 000	43.35%	24 000
				442 525
Partnerships				
Kagiso Private Equity Fund 1	30 June	-	36.20%	4 831
The Calibre Private Equity Trust	31 October	-	25.00%	5 000
				9 831
Total associates, joint ventures and partnerships				**459 092**

All associates, joint ventures and partnerships listed above are incorporated in South Africa.

RTG Fleet Services Proprietary Limited
The investment in RTG Fleet Management Services Proprietary Limited was written of during the financial year

Annexure C - Group schedule of associates

The Group's investments in associates are summarised below:

	Abland Manapa Developments Proprietary Limited R'000	Abland Manapa Investments Proprietary Limited R'000	Actom Investment Holdings Proprietary Limited R'000	Action Repair Services Proprietary Limited R'000	AEL Holdco Limited* R'000	Africa Cellular Towers Limited** R'000
Effective interest	50.00%	50.00%	18.62%	28.14%	0.00%	25.10%
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Associates acquired through business combinations	30 200	10 800	362 420	58 491	277 418	18 680
Associates acquired through common control transaction	-	-	13 416	-	-	-
Share of net attributable profit of associates	-	-	40 992	3 629	-	-
Dividends received from associates	-	-	-	(2 532)	-	-
Equity-accounted movements on reserves	-	-	6 826	-	-	-
Dilutionary effects	-	-	89	-	-	-
Additional investment made in associate	-	-	68 984	-	-	-
Amortisation of intangibles included in purchase price	-	-	(22 545)	(7 068)	-	-
Disposal of associates	-	-	-	-	(277 418)	-
Impairment of associates	-	-	-	(32 605)	-	(18 680)
Classified as held-for-sale	(30 200)	(10 800)	-	-	-	-
Deferred gain on sale	-	-	-	-	-	-
Elimination of transactions with associates	-	-	-	-	-	-
Carrying value at the end of the period	-	-	470 182	19 918	-	-
As at 30 June 2012						
Capital	-	-	422 275	18 818	-	-
Equity-accounted results	-	-	47 907	1 097	-	-
Carrying value at the end of the period	-	-	470 182	19 915	-	-
Directors valuation	-	-	609 834	19 915	-	-
Year end	29 February	29 February	31 March	31-Mar	31 December	29 February
The summarised financial position of the associates is as follows						
Assets	-	-	10 501 259	126 590	-	-
Liabilities	-	-	5 722 010	13 050	-	-
Revenue	-	-	5 319 985	119 106	-	-
Profit for the year	-	-	187 511	13 716	-	-

* - The associate was disposed of during the period
** - The associate is currently undergoing liquidation proceedings and have been impaired fully

Annexure C - Group schedule of associates

The Group's investments in associates are summarised below:

	Battery Technologies Proprietary Limited R'000	Bell Equipment Sales SA Proprietary Limited R'000	Central Media Group Proprietary Limited[1] R'000	Coffey Projects (Africa) Proprietary Limited R'000	Erie Property Group Proprietary Limited R'000	Erie Property Developments Proprietary Limited R'000
Effective interest	25.10%	22.50%	24.94%	26.83%	15.00%	26.67%
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Associates acquired through business combinations	-	-	-	-	87 193	-
Associates acquired through common control transaction	21 648	17 797	6 417	19 037	-	-
Share of net attributable profit of associates	2 428	20 533	3 434	-	10 851	-
Dividends received from associates	-	-	(4 329)	-	-	-
Equity-accounted movements on reserves	(3 803)	94	-	-	202	-
Dilutionary effects	-	-	-	-	-	-
Additional investment made in associate	-	-	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-	-	-
Disposal of associates	-	-	-	-	-	-
Impairment of associates	(18 754)	-	-	(16 283)	-	-
Classified as held-for-sale	-	-	-	-	-	-
Deferred gain on sale	-	-	-	-	-	-
Elimination of transactions with associates	-	-	-	-	-	-
Carrying value at the end of the period	**1 519**	**38 424**	**5 522**	**2 754**	**98 246**	**-**
As at 30 June 2012						
Capital	2 894	17 797	6 417	2 754	87 193	-
Equity-accounted results	(1 375)	20 627	(895)		11 053	-
Carrying value at the end of the period	**1 519**	**38 424**	**5 522**	**2 754**	**98 246**	**-**
Directors valuation	1 519	97 010	5 522	2 754	107 291	-
Year end	30 June	31 December	31 March	30 June	30 June	30 June
The summarised financial position of the associates is as follows:						
Assets	175 771	815 157	31 543	-	688 046 000	-
Liabilities	54 282	702 144	14 659	-	364 450 000	-
Revenue	537 086	2 512 463	85 416	-	274 837 000	-
Profit for the year	8 827	70 317	13 770	-	72 660 000	-

[1] - The associate is a Kagiso Media Limited associate

Annexure C - Group schedule of associates

The Group's investments in associates are summarised below:

	Idwala Industrial Holdings Proprietary Limited R'000	Imvelo Consortium Proprietary Limited R'000	Johnson Controls Facilities Management Proprietary Limited R'000	Kagiso Property Developments Proprietary Limited R'000	Lupo Bakery Proprietary Limited R'000	Mahlane Radio Communications Proprietary Limited[1] R'000
Effective Interest	30.50%	20.00%	40.00%	30.00%	30.00%	20.00%
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Associates acquired through business combinations	834 531	-	-	-	-	-
Associates acquired through common control transaction	-	-	4 842	4 796	1 080	18 757
Share of net attributable profit of associates	34 405	-	-	-	(116)	(215)
Dividends received from associates	-	-	-	-	-	-
Equity-accounted movements on reserves	2 181	-	-	-	(964)	-
Dilutionary effects	-	-	-	-	-	-
Add'tional investment made in associate	-	-	-	-	-	2 527
Amortisation of intangibles included in purchase price	(10 527)	-	-	-	-	-
Disposal of associates	-	-	-	-	-	-
Impairment of associates	(255 952)	-	-	-	-	-
Classified as held-for-sale	-	-	-	-	-	-
Deferred gain on sale	(35 904)	-	-	-	-	-
Elimination of transactions with associates	(622)	-	-	-	-	-
Carrying value at the end of the period	**668 072**	-	**4 842**	**4 796**	-	**21 069**
As at 30 June 2012						
Costs	567 450	-	4 842	4 796	1 080	21 284
Equity accounted results	-	-	-	-	(1 080)	(215)
Carrying value at the end of the period	**567 450**	-	**4 842**	**4 796**	-	**21 069**
Directors valuation	568 211	-	5 865	5 430	7 516	21 069
Year end	31 December	30 June	30 June	30 June	30 June	29 February
The summarised financial position of the associates is as follow:						
Assets	1 743 158	-	-	-	25 901 675	52 827
Liabilities	1 829 640	-	-	-	21 871 137	76 414
Revenue	621 357	-	-	-	58 854 000	96 263
Profit for the year	55 332	-	-	-	3 229 000	(1 075)

[1] - The associate is a Kagiso Media Limited associate

Annexure C - Group schedule of associates

The Group's investments in associates are summarised below:

	Metropolitan Retirement Administrators Proprietary Limited R'000	Moyeng Energy Proprietary Limited R'000	Newmillen 122 Investments Proprietary Limited R'000	NM Rothschilds & Sons South Africa Proprietary Limited* R'000	Q-Line Holdings Limited* R'000	SATI Container Services Proprietary Limited R'000
Effective interest	25.00%	20.00%	40.00%	0.00%	0.00%	25.10%
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Associates acquired through business combinations	-	3 975	736	-	2 048	-
Associates acquired through common control transaction	-	-	-	22 110	-	17 242
Share of net attributable profit of associates	1 450	(1 616)	(17)	9 363	7 767	3 302
Dividends received from associates	-	-	-	-	-	(5 455)
Equity-accounted movements on reserves	-	-	-	-	(26)	-
Dilutionary effects	-	-	-	-	-	-
Additional investment made in associate	-	2 000	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-	-	-
Disposal of associates	-	-	-	(31 473)	(9 789)	-
Impairment of associates	-	-	-	-	-	-
Classified as held-for-sale	-	-	-	-	-	-
Deferred gain on sale	-	-	-	-	-	-
Elimination of transactions with associates	-	-	-	-	-	-
Carrying value at the end of the period	1 450	4 359	719	-	-	15 089
As at 30 June 2012						
Capital	-	5 975	736	-	-	17 242
Equity-accounted results	1 450	(1 616)	(17)	-	-	(2 153)
Carrying value at the end of the period	1 450	4 359	719	-	-	15 089
Directors valuation	7 635	5 051	719	-	-	18 800
Year end	30 June	31 December	30 June	31 March	30 June	31 December
The summarised financial position of the associates is as follow:						
Assets	72 741	6 886	674	-	-	59 254
Liabilities	35 629	411	40	-	-	59 254
Revenue	136 096	-	-	-	-	60 054
Profit for the year	7 248	(2 030)	(42)	-	-	14 534

* - The associate was disposed of during the period

Kagiso Tiso Holdings Proprietary Limited (RF)
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Annexure C - Group schedule of associates

The Group's investments in associates are summarised below:

	Sea Harvest Holdings Proprietary Limited R'000	Shanike Investments No. 42 Proprietary Limited[1] R'000	Tamela Holdings Proprietary Limited R'000	The Resolve Group Proprietary Limited R'000	Thebe Convergant Technology Holdings Proprietary Limited[1] R'000	Total R'000
Effective interest	25.88%	24.90%	10.00%	29.10%	22.60%	
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Associates acquired through business combinations	-	-	-	-	-	1 636 492
Associates acquired through common control transaction	5 440	62 500	5 248	9 371	16 788	246 497
Share of net attributable profit of associates	4 711	9 920	244	537	9 057	161 601
Dividends received from associates		(6 225)	-	(1 670)	(5 647)	(38 858)
Equity-accounted movements on reserves	2 676	-	7 996	-	-	15 182
Dilutionary effects	-	-	-	-	-	89
Additional investment made in associate	-	-	-	-	-	73 511
Amortisation of intangibles included in purchase price	-	-	-	-	-	(40 120)
Disposal of associates	-	-	-	-	-	(318 630)
Impairment of associates	-	-	-	-	-	(343 274)
Classified as held for sale	-	-	-	-	-	(41 000)
Deferred gain on sale	-	-	-	-	-	(35 964)
Elimination of transactions with associates	-	-	-	-	-	(622)
Carrying value at the end of the period	**12 827**	**66 195**	**13 488**	**8 238**	**20 198**	**1 377 904**
As at 30 June 2012						
Capital	5 440	62 500	5 248	9 371	16 788	
Equity accounted results	7 387	3 695	8 240	(1 133)	3 410	
Carrying value at the end of the period	**12 827**	**66 195**	**13 488**	**8 238**	**20 198**	
Directors valuation	143 366	66 195	13 600	8 903	20 198	
Year end	30 September	31 March	29 February	29 February	31 March	
The summarised financial position of the associates is as follows:						
Assets	913 404	34 856	105 319	72 094	31 645	
Liabilities	678 716	27 660	33 732	52 313	25 105	
Revenue	966 370	98 430	5 392	114 610	89 338	
Profit for the year	15 165	20 209	36 235	6 221	18 342	

[1] - The associate is a Kagiso Media Limited associate

Annexure D - Group schedule of joint ventures

The Group's investments in joint ventures are summarised below:

	Cohell 488 Proprietary Limited R'000	Infrastructure Finance Corporation Limited R'000	KA Investment Partners Trust R'000	Kagiso Strategic Investments Proprietary Limited R'000	Kagiso Strategic Investments II Proprietary Limited R'000	Total R'000
Effective interest	51.02%	43.06%	50.00%	49.95%	49.95%	
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Joint ventures acquired through common control transaction	-	193 016	33 718	212 396	(3 653)	435 477
Share of net attributable profit of joint ventures	-	4 528	(139)	48 048	4 325	56 762
Distributions received from joint ventures	-	(4 396)	(5 989)	-	-	(10 385)
Equity-accounted movements on reserves	-	(10 215)	-	(2 077)	-	(12 292)
Contributions made	-	-	1 851	-	-	1 851
Impairment of joint ventures	-	-	-	-	(14 805)	(14 805)
Carrying value at the end of the period	-	**182 933**	**29 441**	**258 367**	**(14 133)**	**456 608**
As at 30 June 2012						
Capital	-	193 016	35 569	212 396	(3 653)	437 328
Equity-accounted results	-	(10 083)	(6 128)	45 971	(10 480)	19 280
Carrying value at the end of the period	-	**182 933**	**29 441**	**258 367**	**(14 133)**	**456 608**
Directors valuation	-	235 089	190 407	311 977	9 865	
Year end	30 June	30 June	30 June	30 June	30 June	
The summarised financial position of the joint ventures is as follows:						
Assets	27 866	2 427 318	52 087	153 131	25 353 846	
Liabilities	19 952	1 994 085	149	13 587	35 657 684	
Revenue	-	-	-	13 794	-	
Profit for the year	(11 030)	(13 795)	(18 685)	9 516	3 255 523	

All joint ventures are incorporated in South Africa.

Annexure E - Group schedule of partnerships

The Group's investments in partnerships are summarised below:

	Kagiso Ventures Private Equity Fund 1	The Calibre Private Equity Investors Partnership No. 10	The Calibre Private Equity Investors Partnership No. 11	The Calibre Private Equity Trust	XK Platinum Partnership	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Effective interest	51.90%	50.10%	25.10%	25.00%	13.00%	
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Partnerships acquired through common control transaction	(3 553)	4 872	446	5 000	212 470	219 235
Share of net attributable profit of partnerships	4 114	282	3 440	1 473	31 050	40 359
Distributions received from partnerships	-	-	(3 056)	-	(25 928)	(28 984)
Carrying value at the end of the period	**561**	**5 154**	**820**	**6 473**	**217 592**	**230 600**
As at 30 June 2012						
Capital	(3 553)	4 872	446	5 000	212 470	219 235
Equity-accounted results	4 114	282	374	1 473	5 122	11 365
Carrying value at the end of the period	**561**	**5 154**	**820**	**6 473**	**217 592**	**230 600**
Directors valuation	561	6 611	15 530	6 473	231 168	
Year end	30 June	30 June	30 June	30 June	31 December	
The summarised financial position of the partnerships is as follow:						
Assets	22 616	27 241	12 122	1 654	1 040 816	
Liabilities	15 061	14 538	8 557	74	117 436	
Revenue	-	126 023	7 450	2 575	870 243	
Profit for the year	11 415	559	(528)	16 762	154 372	

All partnerships are incorporated in South Africa. The percentage of ownership shows the effective interest in the underlying investments.

The Calibre Private Equity Investors Partnership No. 10 holds the investment in Valve Proprietary Limited

The Calibre Private Equity Investors Partnership No. 11 holds the investment in Brollink Proprietary Limited

XK Platinum Partnership holds the investment in Motatolo Joint Venture.

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Annexure F - Company schedule of amounts due from / (to) group companies

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
Associates					
Metropolitan Retirement Administrators Proprietary Limited	7 000	-	-	-	7 000
	7 000	-	-	-	**7 000**
Joint ventures					
KA Investment Partners Trust	-	118	-	-	118
Kagiso Strategic Investments Proprietary Limited	-	144	-	-	144
Kagiso Strategic Investments II Proprietary Limited	-	8 664	-	(8 100)	564
	-	**8 926**	-	**(8 100)**	**826**
Partnerships					
Kagiso Ventures Private Equity Fund 1	-	1	-	-	1
	-	**1**	-	-	1
Subsidiaries					
Alizay Properties 45 Proprietary Limited	-	13 679	-	-	13 679
Business Venture Investments No 884 Proprietary Limited	-	502	-	-	502
Clidet 901 Proprietary Limited	-	21 494	-	-	21 494
Emerald Panther Investments 43 Proprietary Limited	-	14	-	-	14
Fasus Investments Proprietary Limited	-	6 778	-	-	6 778
Firefly Investments 156 Proprietary Limited	-	3	-	-	3
Friedcorp 559 Proprietary Limited	-	1	-	-	1
Kagiso Financial Services Limited	-	-	-	(32 870)	(32 870)
Kagiso Platinum Ventures Proprietary Limited	-	40 748	-	-	40 748
Kagiso Risk Solutions Proprietary Limited	-	265	-	-	265
Kagiso Sizanani Capital Limited	-	45	-	(283 650)	(283 605)
Kagiso Strategic Investments III Proprietary Limited	-	402 591	-	-	402 591
Kagiso Trust Enterprises Proprietary Limited	-	4	-	-	4
Kagiso Ventures Proprietary Limited	-	4 543	-	(10 031)	(5 488)
Off the Shelf Investments 109 Proprietary Limited	-	-	-	(522)	(522)
Off the Shelf Investments 168 Proprietary Limited	-	35 896	-	-	35 896
Tiso Electrical Proprietary Limited	-	4 659	-	-	4 659
Tiso Management Company Proprietary Limited	-	10 218	-	-	10 218
Tiso Power Services Proprietary Limited	-	944	-	-	944
Tiso Property No 2 Proprietary Limited	-	61 971	-	-	61 971
Tiso Property Proprietary Limited	-	3 426	-	-	3 426
Tiso Repair Services Proprietary Limited	-	5 608	-	-	5 608
Tiso Resources Proprietary Limited	-	3 901	-	-	3 901
Xanthe Investment Holdings Proprietary Limited	-	-	-	(56 683)	(56 683)
	-	**617 369**	-	**(383 764)**	**233 605**
Indirect subsidiaries					
Kagiso Strategic Investments III Finance Proprietary Limited	-	173 034	-	(313)	172 721
Kagiso Ventures Investment Holdings Proprietary Limited	-	14 379	-	(6 097)	8 282
Off the Shelf Investments 177 Proprietary Limited	-	3 854	-	-	3 854
Kagiso Power Services III Proprietary Limited	-	1 248	-	-	1 248
Kagiso Broadcasting Proprietary Limited	-	376	-	-	376
Off the Shelf Investments 108 Proprietary Limited	-	271	-		271
	-	**193 162**	-	**(6 410)**	**186 752**
Net indebtedness due from / (to) group companies	**7 000**	**819 458**	-	**(398 274)**	**428 184**

The amounts due from and to group companies bears interest at a rate of 0% and have no fixed terms of repayment.

pwc

Annexure G - Group schedule of amounts due from / (to) Group companies

	Non-current asset R'000	Current asset R'000	Non current liability R'000	Current liability R'000	Total R'000
Associates					
Actom Investment Holdings Proprietary Limited	341 128	-	-	-	341 128
Bell Equipment Sales SA Proprietary Limited	67 395	-	-	-	67 395
Eris Property Group Proprietary Limited	21 161	-	-	-	21 161
Idwala Industrial Holdings Proprietary Limited	17 506	-	-	-	17 506
Lupo Bakery Proprietary Limited	-	669	-	-	669
Metropolitan Retirement Administrators Proprietary Limited	7 000	-	-	-	7 000
Sea Harvest Holdings Proprietary Limited	17 082	-	-	-	17 082
Tamela Holdings Proprietary Limited	6 750	-	-	-	6 750
	478 022	**669**	-	-	**478 691**
Joint ventures					
KA Investment Partners Trust	-	118	-	-	118
Kagiso Strategic Investments Proprietary Limited	-	144	-	-	144
Kagiso Strategic Investments II Proprietary Limited	-	8 664	-	(8 100)	564
	-	**8 926**	-	**(8 100)**	**826**
Partnerships					
Kagiso Ventures Private Equity Fund 1	-	83	-	-	83
	-	**83**	-	-	**83**
Net indebtedness due from /(to) Group companies	**478 022**	**9 678**	-	**(8 100)**	**479 600**

Actom Investment Holdings Proprietary Limited

The A-Equity loans attract interest at the prime interest rate plus 200 basis points compounded monthly. Subject to an agreement by 65% of the lenders the interest rate may be decreased or increased to any rate so long as the total interest over the life of the loans does not exceed the prime interest rate plus 200 basis points. To ensure that interest on the A-Equity loans meets the rate of the prime interest rate plus 200 basis points over the life of the loans, the lenders agreed that for the year to 31 March 2012 the A-Equity loans outstanding at the beginning of the year would attract interest at prime plus 600 basis points. The B-Equity loans attracted interest at the prime interest rate plus 200 basis points.

The loans have no fixed terms of repayment and can only be paid once obligations on the senior debt facilities have been met. The loans are secured with the B-Equity loans ranking ahead of the A-Equity loans with respect to capital and interest repayments.

Bell Equipment Sales SA Proprietary Limited

The loan bears interest at the prime rate plus 700 basis points. At each financial year end Bell Equipment Sales SA Proprietary Limited will assess its cash requirements and any excess cash will be utilised towards the repayment of the loan.

Eris Property Group Proprietary Limited

The loan to Eris Property Group Proprietary Limited is unsecured, bears interest at the prime rate plus 200 basis points and has no fixed terms of repayment.

Idwala Industrial Holdings Proprietary Limited

The loan bears no interest and has no fixed terms of repayment. The fair value of the loan has been calculated by discounting the face value of the loan over a period of seven years at a market related interest rate. This loan is subordinated in favour of other debt in Idwala Industrial Holdings Proprietary Limited in terms of the shareholders and funding agreements.

Sea Harvest Holdings Proprietary Limited

The loan bears no interest and has no fixed terms of repayment.

Tamela Holdings Proprietary Limited

The above is an equity loan granted bearing no interest, is unsecured and repayable as follows:

- The equity loans granted by Fasus Investments Proprietary Limited ("Fasus") and Nedbank Limited ("Nedbank") will be repaid before any other equity loans and is payable simultaneously and proportionately to the amounts owing to Fasus and Nedbank
- Prior to repayment of any other claims and declaration of any dividends or other distributions to the shareholders
- As and when determined by the Board of Tamela Group Proprietary Limited, provided the equity loans will be repaid in full before 1 August 2013 (being a period of 5 years), failing which the outstanding amount of the equity loan will bear interest at a rate equal to the prime rate plus 500 basis points.

All other loans due from / (to) associates, joint ventures and partnerships accrue interest at 0% and have no fixed terms of repayment.

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Kagiso Tiso Holdings Proprietary Limited (RF)
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Annexure H - Shareholders' information

Shareholder	Number of shares	Holding
Kagiso Charitable Trust	313 179	31.32%
Industrial Partnership Investments Proprietary Limited	250 541	25.05%
Tiso Investment Holdings Proprietary Limited	141 023	14.10%
Tiso Foundation Charitable Trust	75 212	7.52%
KTH Staff Participation Trust	68 831	6.88%
Investec Bank Limited	46 247	4.62%
Rand Merchant Bank	32 153	3.22%
The Standard Bank of South Africa Limited	23 182	2.32%
Tiso Share Trust	21 740	2.17%
Kagiso Trust Investments Share Scheme 2000	9 179	0.92%
Liberty Group Limited	8 974	0.90%
Other	7 215	0.72%
Staff	2 520	0.25%
	1 000 000	

Kagiso Tiso Holdings Proprietary Limited
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Annual Consolidated Financial Statements
for the year ended 30 June 2013

CONTENTS

The reports and statements set out below comprise the annual consolidated financial statements presented to the shareholders:

*Does not form part of the annual consolidated financial statements

These annual consolidated financial statements for the year ended 30 June 2013 were internally prepared under the supervision of the Chief Financial Officer.

These annual consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act No.71 of 2008.

CORPORATE INFORMATION

Directors

Non-executive directors
NL Sowazi (Chairman)
LN Angel
DKT Adomakoh
JW Dreyer
MV Kruger
V Mufamadi
ZC Nevhutalu
B Ngonyama
S Pather
KB Schoeman

Executive directors
V Nkonyeni (Chief Executive Officer)
JB Hinson (Chief Investment Officer)
FF Gillion (Chief Financial Officer)

Alternative directors
PJ Makosholo

Company secretary, public officer and registered office
S Mayet (Company secretary)
FF Gillion (Public officer)
Kagiso Tiso House,
100 West Street
Wierda Valley
Sandton
2196
(PO Box 55276 Northlands 2116)

Auditors
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill
2157

Commercial bankers
The Standard Bank of South Africa Limited
Corporate and investment banking
30 Baker Street
Rosebank
Johannesburg
2196

Attorneys
Cliffe Dekker Hofmeyr Incorporated
1 Protea Place
Sandton
2196

Webber Wentzel
10, 16 & 18 Fricker Road
Illovo Boulevard
2196

General
Tax reference number 9241/0351/88
VAT number 4290258377

Publish date
18 October 2013

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the maintenance of adequate accounting records and the preparation of the annual consolidated financial statements.

The annual consolidated financial statements are prepared, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act No.71 of 2008, on the going concern basis and incorporate full and responsible disclosure. The annual consolidated financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The annual consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Frencel Gillion CA(SA).

The directors are satisfied that the information contained in the annual consolidated financial statements fairly presents the results of operations for the period then ended and the financial position of the group at the reporting date.

The directors are also responsible for the group's system of internal financial controls. The system was developed to provide reasonable, but not absolute assurance regarding the reliability of the annual consolidated financial statements, the safeguarding of assets, and to prevent and detect misrepresentation and losses.

To the best of their knowledge, the board of directors confirm that they have every reason to believe that the group has adequate resources in place to continue as a going concern in the future. The annual consolidated financial statements have accordingly been prepared on this basis.

The annual consolidated financial statements were audited by the company's independent auditor, PricewaterhouseCoopers Incorporated, to whom unrestricted access were given to all financial records and related information. The auditor's report is presented on page 11.

The annual consolidated financial statements set out on pages 5 - 120 were approved by the board of directors and were signed on its behalf by:

NL Sowazi
Chairman

FF Gillion
Chief Financial Officer

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(e) of the Companies Act No.71 of 2008, as amended (Companies Act), I, Safeera Mayet, in my capacity as company secretary, confirm that, to the best of my knowledge and belief, for the year ended 30 June 2013, has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a private company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

S Mayet
Company secretary

22 October 2013
Sandton

DIRECTORS' REPORT

The directors have pleasure in presenting their report of the company and the group for the year ended 30 June 2013.

1. Nature of the business

Kagiso Tiso Holdings Proprietary Limited ("KTH") is a majority black-owned and managed investment holding Company with investments in a number of strategic sectors of the South African economy including financial services, media, power, industrials, construction and resources. KTH was formed as a result of the merger between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited on 1 July 2011.

2. Investment activities

The intrinsic value of KTH increased by a respectable 13% to R9.4bn (before applicable holding company discounts). This growth was driven by strong underlying performances in the listed component of our portfolio. The following key activities were undertaken.

Acquisitions

Kagiso Media Limited

KTH submitted an expression of interest to the board of Kagiso Media Limited to acquire the remaining 49% of the equity in Kagiso Media. The company subsequently issued a cautionary announcement and KTH commenced with a due diligence investigation. The Kagiso Media board has approved the transaction and the shareholders are expected to vote on 7 November 2013.

Adcock Ingram Holdings Limited

KTH has an effective 9.75% interest in Adcock through its holding in Blue Falcon Proprietary Limited. During the year under review, Adcock received expressions of interest from interested parties to acquire Adcock. KTH would remain invested in the business as a result of various lock-ins in the structure. Negotiations ensued to ensure that KTH would obtain favourable terms as a result of any proposed transaction.

Moyeng Energy Proprietary Limited

KTH completed its proposed investment in Moyeng – the renewable wind farm project on the West Coast. We will be investing a total of circa R100m in this project of which 65% will be funded by the DBSA.

Eris Property Group Proprietary Limited

During the reporting period KTH acquired an additional stake of 6.1% in Eris Property Group Proprietary Limited.

Disposals

During the year under review, the following investments were disposed of to raise capital for future acquisitions:

- Investec Limited
- Abland Manapa Investments Proprietary Limited
- Abland Manapa Developments Proprietary Limited
- UHC Communications Proprietary Limited
- Resolve Group Proprietary Limited
- First Rand Empowerment Trust (FRET)
- Multotec Holdings Proprietary Limited
- Degussa Africa Holdings Proprietary Limited

KTH also notified Bell Equipment Sales South Africa (BESSA) Proprietary Limited of its intention to exercise its put option against Bell Equipment Ltd.

3. Operating and financial review

The year under review saw the disposal of KTH's investments in FRET, Investec, Multotec, Degussa, Abland, O-Line and UHC realizing group gross cash proceeds in excess of R1,1bn. KTH also made a follow-on investment in the Eris Property Group to increase its effective stake to 21%. During the period, KTH raised two new bonds KSB 007 (R250m) and KSB 008 (R600m) respectively. KSB 008 was raised through an auction process and was 100% oversubscribed, which is testimony to the significant appetite for KTH debt. KTH also renewed its Moody's credit rating of Baa2.za during the period under review. The funds raised through the bond programme were used to retire the Investec Preference shares which were due for redemption (R250m), to redeem the Depfin preference shares R273m (which became redeemable due to changes in legislation) and to bolster cash resources for future investments. KTH posted group profit from continuing operations of R603m compared to R218,1m for the prior year, an increase of 177%. The increased profitability was driven by good operating performances from Kagiso Media Limited ("KML") and Kagiso Asset Management Proprietary Limited ("KAM") , the impact of KTH's fair value assets and a significantly lower tax charge for the year under review. Basic income attributable to KTH shareholders R677m compares to R42m in the prior year. Net profit was impacted in the prior year by a R455m deferred income tax charge as a result of a change in KTH accounting policy for deferred tax as well as impairment charges of R350m. Attributable profit is above KTH group budget for the period mainly due to a reversal of an impairment charge relating to Idwala Industrial Holdings Proprietary Limited, the recycling of fair value gains on FRET to profit and loss following the disposal of the KTH participation in FRET and the lower tax charge compared to the prior year. Group dividend income was 18% ahead of dividend income for the prior year mainly due to a special dividend of R55m declared by MMI. Major contributors to dividend income are MMI Holdings Limited (R201m), Emira Property Fund

DIRECTORS' REPORT

3. Operating and financial review perating and financial review (continued)

(R47m) and Morning Tide Investments (Exxaro) (R25m). Other gains and losses are dominated by fair value adjustments in respect of financial instruments for the reporting period. The period under review saw pleasing fair value gains from MMI Holdings Limited (R460m), Emira Property Fund (R93m) and AECI Limited (R121m) however this was partly offset by fair value losses relating to Exxaro Resources Limited (R752m) and Aveng Limited (R56m). Income from associates remained flat on the prior year.

	GROUP		COMPANY	
				Restated
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
The group and company results are summarised as follows:				
Financial position				
Total assets	15 175 168	14 938 984	12 158 838	10 962 390
Total equity	9 705 329	9 182 960	10 948 654	9 821 812
Total shareholders' equity	7 399 683	6 753 117	10 948 654	9 821 812
Non-current liabilities - borrowings	3 787 082	2 586 588	165 039	586 596
Current liabilities - borrowings	29 596	1 150 712	-	-
Total borrowings	3 816 678	3 737 300	165 039	586 596
Intrinsic value*	8 342 100	7 394 400	-	-
* Based on independent valuation				
Operating results				
Revenue	1 470 865	1 068 133	5 402	4 660
Operating profit	123 227	274 297	(145 805)	(73 088)
Other gains\ (losses) - net	232 026	506 622	1 272 332	902 123
Net impairments(losses)/recoupments	116 678	(350 498)	(35 001)	(14 682)
Finance cost	(388 001)	(429 286)	(72 865)	(67 415)
Income tax expense	(237 676)	(495 183)	(83 832)	(22 354)
Profit attributable to the owners of the parent	677 087	41 493	1 326 747	957 182

4. Share Capital

Ordinary shares

Authorised share capital

KTH is authorised to issue 1 000 000 ordinary shares of no par value.

Issued share capital

1 000 000 ordinary share were issued at a total issue consideration of R7 396 376 000 on 1 July 2011. During the financial year the Company repurchased and cancelled 1 840 shares from Tiso Share Trust and issued 1 840 shares to Industrial Partnerships Limited.

Preference shares

KTH issued 2 711 cumulative redeemable preference shares to Friedcorp 559 Proprietary Limited, a subsidiary of the company on 1 July 2011. During the financial year the Company redeemed the cumulative redeemable preference shares in full and the cumulative redeemable preference shares were cancelled.

Full details of all preference shares issued by subsidiaries of KTH are available for inspection at the company's registered address.

5. Dividends

Dividend policy

In terms of the KTH Memorandum of Incorporation, the Board shall declare and pay a dividend of not less than 30% of the consolidated after tax profit of the company (excluding unrealised gains and losses) for the respective financial year, subject to solvency and liquidity requirements.

Dividend declaration

Dividend number 1 of 8 000 cents per share was declared in respect of the interim period ended 31 December 2012. The dividend was paid on Friday, 5 April 2013 to shareholders recorded in the register of the company as at that date. The dividend was declared and paid to shareholders by the board of directors after taking into account the solvency and liquidity requirements of the company.

DIRECTORS' REPORT

6. Shareholders

The major shareholders of the company at 30 June 2013 were:

Kagiso Charitable Trust	31.318%
Industrial Partnerships Proprietary Limited (Remgro Limited)	32.289%
Tiso Investment Holdings Proprietary Limited	14.102%
Tiso Foundation Charitable Trust	7.521%
KTH Staff Participation Trust	6.883%
Kagiso Trust Strategic Investments Proprietary Limited	6.716%

During the financial year Industrial Partnerships Limited (Remgro Limited) and Kagiso Trust Strategic Investments Proprietary Limited (Kagiso Charitable Trust) acquired 137 675 shares from the following exiting shareholders:

Investec Bank Limited
Rand Merchant Bank
The Standard Bank of South Arica Limited
Liberty Group Limited
Tiso Share Trust
Darrell West
The West Family Trust

Particulars of the shareholders are disclosed in Annexure H.

7. Share schemes

KTH currently operates a management and staff share incentive scheme whereby 6.883% of the KTH share capital was acquired by the KTH Staff Participation Trust for the benefit of staff. The purchase price of the shares was funded by a consortium of banks supported by a guarantee from KTH for the "A" preference share funding. The awards were made by the Board on the recommendation of the Remuneration Committee and awards vest in three tranches commencing three years from 1 July 2011.

8. Directors

The names of the directors in office at the date of this report appear on the corporate information page.

Director's interests

No director has any interest in any of the contracts entered into with the company or its group companies.

Directors' remuneration

Full details of all amounts paid to the executive and non-executive directors are disclosed in note 53 to the consolidated financial statements.

Key management changes

No changes occurred in key management positions for the financial year.

9. Borrowing limitations

There are no limitations on borrowings in terms of the Memorandum of Incorporation of the company. The company's borrowing limits are informed by its finance policies and its debt covenants. In terms of its debt covenants, KTH can raise debt up to a maximum of R 2,1 billion for the financial year ending 30 June 2013.

10. Special resolutions

All special resolutions taken during the financial period are available for inspection at the company's registered office.

11. Company secretary

The company secretary is S Mayet and the details of the registered office and postal address appear on the corporate information page.

12. Auditors

PricewaterhouseCoopers Incorporated will continue in office in accordance with section 90(6) of the Companies Act No.71 of 2008.

13. Going concern

The company and group financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors assess the group's future financial performance and financial position on an on-going basis and have no reason to believe that the group will not be a going concern in the year ahead.

DIRECTORS' REPORT

14. Material events after reporting date

Kagiso Media Limited

Subsequent to the reporting date the company, made an announcement of its firm intention to purchase the remaining shares in Kagiso Media Limited ("KML") that it does not already own. KTH currently owns 51.1% of KML. Through this transaction KTH is offering minority shareholders a cum dividend cash consideration of R28.50 per share, which represents a 34.5% premium to the 30 day volume weighted average price prior to KML's cautionary announcement on 10 June 2013. Shareholders of KML will be voting on the transaction at a special general meeting to be held within 60 days of this announcement. The deal will be subject to regulatory approvals.

15. Subsidiaries, associates, joint ventures and partnerships

Particulars of the subsidiary companies, associated companies and other investments are disclosed in Annexures A - E.

AUDIT AND RISK COMMITEE REPORT

This report by the Audit and Risk Committee (”the committee”), as appointed by the Board in respect of the period under review and the requirements of the Companies Act (No. 71 of 2008), as amended (”Companies Act”) describes how the committee has discharged its statutory duties in terms of the Companies Act and its additional duties assigned to it by the Board in respect of the financial year ended 30 June 2013.

Committee members and attendance at meetings

The committee initially comprised one member nominated by each of the three significant shareholders of the Company, namely Tiso Investment Holdings Proprietary Limited (Nkululeko Sowazi), The Kagiso Charitable Trust (Paballo Makosholo) and the Industrial Partnership Investments Limited (Jan Dreyer), for so long as the relevant party remains a shareholder of the Company and has nominated a member to the Committee. Thereafter members are elected at the annual general meeting of the Company and up to three additional members can be elected provided that each of these members shall be a non-executive director of the company.

The committee is currently chaired by Ms Babalwa Ngonyama who is a Chartered Accountant and an independent Board member. All the committee members are suitably skilled and experienced. In terms of the committee’s charter, at least two meetings should be held annually.

During the year under review the committee met three times.

The Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and representatives of the external auditors attend the committee meetings by invitation.

Role and responsibilities

The committee’s role and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board.

The committee is satisfied that it has fulfilled all of its duties during the financial period under review, as further detailed below.

Kagiso Tiso Holdings Proprietary Limited's ("KTH") JSE listed operating subsidiary, Kagiso Media Limited ("KML"), has its own Audit and Risk Committee which comprises three non-executive directors and consequently fulfils its responsibilities independent of the KTH committee. KTH’s representative on the board of KML, attends the meetings of the KML Audit and Risk Committee, as an invitee.

External audit

In the conduct of its duties, the committee performed the following statutory duties:

- The Audit and Risk Committee evaluated the independence, effectiveness and performance of the external auditors and obtained assurance from the auditors that adequate accounting records were maintained and appropriate accounting principles are in place and were consistently applied.
- Determined the fees to be paid to the external auditor and their terms of engagement;
- Ensured that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors;
- Determined the nature and extent of any non-audit services that the external auditor provided to the Company and its wholly owned subsidiaries.
- Ensured that the scope of the external audit had no limitations imposed by management and that there was no impairment on its independence.

The group’s external auditor is PricewaterhouseCoopers Incorporated, represented by Raj Dhanlall.

The committee is satisfied that the Company’s external auditor, PricewaterhouseCoopers Incorporated, is independent of the Company and is thereby able to conduct their audit functions without any influence from the Company.

Internal financial control and accounting systems

The committee is satisfied that KTH has effective financial policies and procedures in place, has invested in appropriate accounting systems and is therefore satisfied that the internal controls are effective to provide the basis for the preparation of reliable financial statements.

Financial statements and going concern

The committee has reviewed the separate and consolidated financial statements of the Company and is satisfied that they comply with International Financial Reporting Standards and the Companies Act, and that the accounting policies used are appropriate.

The committee has also reviewed a documented assessment prepared by management of the going concern premise of the Company before recommending to the Board that the Company will be a going concern in the foreseeable future.

Confidential meetings

Audit and risk committee agendas provides for confidential meetings between the committee members and external auditors without the involvement of management. The external auditors have direct access to the audit committee chairperson.

AUDIT AND RISK COMMITEE REPORT

Finance function

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

Governance of risk

The committee is responsible for overseeing the governance of the risk management function within the group excluding Kagiso Media Limited. This incorporates operations, financial reporting, fraud, internal controls, IT governance and compliance risks among others. The risk management process and the governance thereof, as well as the necessary disclosure with regard thereto, is one of the key responsibilities assigned to the committee by the Board. In this regard the committee has evaluated reports on the effectiveness of risk management conducted by management with assistance from KPMG and is therefore satisfied that the risk management process is effective.

Recommendation of the Annual Financial Statements for approval by the Board

The committee has reviewed the Annual Financial Statements, read together with the report of the External Auditors, and has recommended it for approval by the Board.

B Ngonyama
Chairperson of the Audit and Risk Committee
Sandton
22 October 2013

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAGISO TISO HOLDINGS LIMITED PROPRIETARY LIMITED

We have audited the financial statements of Kagiso Tiso Holdings Proprietary Limited set out on pages 5 to ##AnnexH which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated and separate 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 about 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 control 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 qualified audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Kagiso Tiso Holdings Proprietary Limited as at 30 June 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 30 June 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Raj Dhanlall
Registered Auditor
Sunninghill
Date: 28 October 2013

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STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
	Notes	**2013 R'000**	2012 R'000	**2013 R'000**	Restated 2012 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	158 664	164 150	7 549	11 035
Intangible assets	6	707 025	723 920	5 247	-
Goodwill	7	1 153 810	1 139 735	-	-
Investment in subsidiaries	8	-	-	9 556 642	8 497 944
Investment in associates, joint ventures and partnerships	9	2 254 331	2 065 112	306 345	461 494
Available for sale financial assets: equity	10	864 458	1 381 770	87 132	610 181
Financial assets at fair value through profit and loss	12	6 426 103	6 523 652	-	-
Held-to-maturity financial assets	13	439 498	454 069	29 305	61 477
Loans and receivables	15	2 606	3 824	-	-
Amounts due from group companies	16	509 674	478 022	7 000	7 000
Deferred income tax	17	64 056	52 311	-	-
Total non-current assets		**12 580 226**	12 986 565	**9 999 220**	9 649 130
Current assets					
Financial assets at fair value through profit and loss	12	-	213 601	-	-
Held-to-maturity financial assets	13	27 290	20 343	-	-
Properties under development	14	6 916	6 916	-	-
Loans and receivables	15	111 997	101 635	-	-
Amounts due from group companies	16	12 884	9 678	861 350	859 946
Inventories	18	29 164	54 315	-	-
Current income tax receivable		17 952	18 525	1 503	1 868
Trade and other receivables	19	370 690	367 173	12 741	8 637
Derivative financial instruments	20	800	-	-	-
Film and television content	21	2 384	-	-	-
Cash and cash equivalents	22	1 899 831	1 119 233	1 284 024	401 809
Total current assets		**2 479 906**	1 911 419	**2 159 618**	1 272 261
Assets classified as held-for-sale	23	115 036	41 000	-	41 000
Total assets		**15 175 168**	14 938 984	**12 158 838**	10 962 390
EQUITY AND LIABILITIES					
Equity					
Share capital	24	7 396 376	7 396 376	7 396 376	7 396 376
Treasury shares	25	(548 521)	(685 117)	-	-
Other reserves/(deficits)	26	368 835	(1 886 006)	62 424	1 468 254
Retained earnings		182 994	1 927 864	3 489 854	957 182
Total shareholders' equity		**7 399 683**	6 753 117	**10 948 654**	9 821 812
Non-controlling interests	27	2 305 646	2 429 843	-	-
Total equity		**9 705 329**	9 182 960	**10 948 654**	9 821 812
Liabilities					
Non-current liabilities					
Borrowings	28	3 787 082	2 586 588	137 007	218 365
Deferred income	29	-	33 330	-	-
Operating lease liability		2 790	7 292	537	366
Deferred income tax	17	1 152 157	1 365 174	365	122 755
Amounts due to group companies		-	-	849 900	89 900
Share-based payment liabilities	30	80 392	43 176	48 576	13 977
Derivative financial instruments	20	596	-	-	-
Total non-current liabilities		**5 023 017**	4 035 560	**1 036 386**	445 363
Current liabilities					
Borrowings	28	29 596	1 150 712	28 032	368 231
Trade and other payables	31	208 131	363 959	4 723	17 336
Provisions	32	147 198	110 390	2 112	1 275
Amounts due to group companies	16	22 844	8 100	138 932	308 373
Current income tax liabilities		25 621	86 159	-	-
Bank overdraft	22	48	1 144	-	1
Total current liabilities		**433 438**	1 720 464	**173 799**	695 215
Liabilities of assets classified as held-for-sale	23	**13 384**	-	**-**	-
Total liabilities		**5 469 839**	5 756 024	**1 210 184**	1 140 578
TOTAL EQUITY AND LIABILITIES		**15 175 168**	14 938 984	**12 158 838**	10 962 390

The accounting policies and notes on pages 17 to 100 are an integral part of these annual consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

		GROUP		COMPANY	
	Notes	**2013 R'000**	2012 R'000	**2013 R'000**	Restated 2012 R'000
Continuing operations					
Revenue	33	1 470 865	1 068 133	5 402	4 660
Costs of sales	34	(794 794)	(506 879)	-	-
Depreciation and amortisation	35	(115 151)	(105 720)	(4 459)	(3 101)
Other operating expenses - net		(437 693)	(181 237)	(146 748)	(74 647)
Operating profit/(loss)	36	**123 227**	274 297	**(145 805)**	(73 088)
Dividend income	37	351 722	297 514	347 300	148 848
Other gains/(losses) - net	38	232 026	506 622	1 272 332	902 123
Profit/(loss) on sale of investments - net	39	653	24 279	(353)	13 250
Net impairments(losses)/recoupments	40	116 678	(350 498)	(35 001)	(14 682)
Finance income	41	142 756	131 685	44 970	70 498
Finance costs	42	(388 001)	(429 286)	(72 865)	(67 415)
Profit before taxation		**579 060**	454 613	**1 410 578**	979 535
Income tax expense	43	(237 676)	(495 183)	(83 832)	(22 354)
Profit/(loss) after taxation		**341 384**	(40 570)	**1 326 747**	957 182
Share of after-tax profit of associates, joint ventures and partnerships	9	261 958	258 721	-	-
Profit for the period from continued operations		**603 342**	218 151	**1 326 747**	957 182
Discontinued operations					
(Loss)/profit from discontinued operations	45	(15 996)	304 114	-	-
Profit for the year		**587 346**	522 265	**1 326 747**	957 182
Other comprehensive income/(losses):					
Fair value adjustments on available-for-sale financial assets	44	40 961	512 227	14 712	295 779
Share of other comprehensive income of associated companies		14 452	8 787	-	-
Cash flow hedges		-	699	-	-
Currency translation differences		-	1 097	-	-
Recycling of gains on available-for-sale financial assets		(233 002)	(9 975)	(233 002)	-
Tax relating to items of other comprehensive income/(losses)	17	169 597	(246 851)	107 690	(108 055)
Total other comprehensive income/(loss)		**(7 993)**	265 983	**(110 600)**	187 723
Total comprehensive income		**579 353**	788 248	**1 216 147**	1 144 905
Profit attributable to:					
- Owners of the parent		677 087	41 493	1 326 747	957 182
- Non-controlling interests		(89 741)	480 772	-	-
		587 346	522 265	**1 326 747**	957 182
Total comprehensive income attributable to:					
- Owners of the parent		636 037	283 883	1 216 147	1 144 905
- Non-controlling interests		(56 683)	504 366	-	-
		579 353	788 248	**1 216 147**	1 144 905

The accounting policies and notes on pages 17 to 100 are an integral part of these annual consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent									Consolidated	
	Ordinary share capital R'000	Treasury shares R'000	IFRS 3 reserve R'000	Common control (deficit) R'000	Share-based payment deficit R'000	Available-for-sale reserves R'000	Other reserves R'000	Retained earnings R'000	Share-holders' equity R'000	Non-controlling interest R'000	Total R'000
GROUP											
Balance at 1 July 2011	-	-	-	-	-	-	-	-	-	-	**-**
Issue of shares	7 396 376	-	-	-	-	-	-	-	7 396 376	-	**7 396 376**
Treasury shares issued	-	(685 117)	-	-	-	-	-	-	(685 117)	-	**(685 117)**
Common control transaction	-	-	-	(2 874 738)	-	119 191	305 351	1 886 371	(563 825)	1 529 625	**965 800**
Business combination transaction	-	-	193 016	-	-	-	-	-	193 016	1 020 801	**1 213 817**
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	7 266	**7 266**
Total comprehensive income	-	-	-	-	-	231 808	10 583	41 493	283 883	504 366	**788 249**
Profit for the year	-	-	-	-	-	-	-	41 493	41 493	480 772	**522 265**
Other comprehensive income for the year	-	-	-	-	-	231 808	10 583	-	242 391	23 594	**265 984**
Change in interest	-	-	-	-	-	-	134 178		134 178	(219 523)	**(85 345)**
IFRS 2 share-based payments	-	-	-	-	(5 394)	-	-	-	(5 394)		**(5 394)**
Ordinary dividends	-	-	-	-	-	-	-	-	-	(412 692)	**(412 692)**
Balance at 1 July 2012	**7 396 376**	**(685 117)**	**193 016**	**(2 874 738)**	**(5 394)**	**350 999**	**450 112**	**1 927 864**	**6 753 117**	**2 429 843**	**9 182 960**
Issue of shares	12 328	-	-	-	-	-	-	-	12 328	-	**12 328**
Treasury shares bought back	(12 328)	136 596	-	-	-	-	-	9 062	133 330	-	**133 330**
Transfers	-	-	(193 016)	2 874 738	-	83 741	(460 268)	(2 335 058)	(29 863)	29 862	**-**
Total comprehensive income	-	-	-	-	-	(55 793)	14 742	677 087	636 037	(56 683)	**579 353**
Profit for the year	-	-	-	-	-	-	-	677 087	677 087	(89 741)	**587 346**
Other comprehensive income for the year	-	-	-	-	-	(55 793)	14 742	-	(41 051)	33 058	**(7 993)**
Change in interest	-	-	-	-	-	-	-	(5 533)	(5 533)	(3 802)	**(9 334)**
IFRS 2 share-based payments	-	-	-	-	(9 305)	-	-	-	(9 305)	-	**(9 305)**
Distributions paid to beneficiaries	-	-	-	-	-	-	-	(15 935)	(15 935)	-	**(15 935)**
Ordinary dividends paid	-	-	-	-	-	-	-	(74 494)	(74 494)	(93 575)	**(168 069)**
Balance at 30 June 2013	**7 396 376**	**(548 521)**	**-**	**-**	**(14 699)**	**378 947**	**4 586**	**182 993**	**7 399 683**	**2 305 646**	**9 705 329**
Notes	24	25	26	26	26	26	26			27	

The accounting policies and notes on pages 17 to 100 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN EQUITY

COMPANY

	Ordinary share capital R'000	Available-for-sale reserves R'000	Other reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 1 July 2011	-	-	-	-	**-**
Issue of shares	7 396 376	-	-	-	**7 396 376**
Common control transaction	-	-	1 096 048	-	**1 096 048**
Business combination transaction	-	-	189 877	-	**189 877**
Total comprehensive income - Restated	-	187 723	-	957 182	**1 144 905**
Profit for the year as previously reported	-	-	-	50 542	**50 542**
Other comprehensive income as previously reported	-	187 723	-	-	**187 723**
Impact of change in accounting policy	-	-	-	906 640	**906 640**
IFRS 2 share-based payments	-	-	(5 394)	-	**(5 394)**
Balance at 1 July 2012 - Restated	7 396 376	187 723	1 280 531	957 182	**9 821 812**
Balance at 1 July 2012 as previously reported	7 396 376	187 723	1 280 531	50 542	**8 915 172**
Impact of change in accounting policy	-	-	-	906 640	**906 640**
Issue of shares	12 328	-	-	-	**12 328**
Shares bought back	(12 328)	-	-	-	**(12 328)**
Total comprehensive income	-	(110 600)	-	1 326 747	**1 216 147**
Profit for the year	-	-	-	1 326 747	**1 326 747**
Other comprehensive income for the year	-	(110 600)	-	-	**(110 600)**
Transfers	-	-	(1 285 925)	1 285 925	**-**
IFRS 2 share-based payments	-	-	(9 305)	-	**(9 305)**
Ordinary dividends paid	-	-	-	(80 000)	**(80 000)**
Balance at 30 June 2013	**7 396 376**	**77 123**	**(14 699)**	**3 489 854**	**10 948 654**
Notes	24	26	26		

The accounting policies and notes on pages 17 to 100 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS

	Notes	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	46	271 638	174 497	(120 982)	(119 787)
Finance income received		90 685	90 944	42 142	21 355
Dividends received		357 970	390 862	344 300	180 065
Finance costs paid		(198 217)	(218 149)	(71 481)	(52 604)
Income tax paid		(351 161)	(179 417)	(98 167)	(1 934)
Dividends paid to non-controlling interests	27	(93 575)	(127 509)	-	-
Dividends paid		(74 494)	-	(80 000)	-
Net cash generated from/(used in) operating activities		**2 846**	131 228	**15 812**	27 095
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(34 410)	(37 433)	(1 011)	(8 526)
Proceeds on sale of property, plant and equipment	5	1 066	561	197	-
Acquisition of intangible assets	6	(31 833)	(3 930)	(5 347)	-
Proceeds on sale of intangible assets	6	347	39	-	-
Acquisition of subsidiaries and associates	9	(102 877)	(224 284)	-	-
Proceeds on sale of subsidiaries, associates and joint ventures		45 941	684 172	40 647	14 821
Payment of contingent consideration		-	(11 000)	-	-
Distributions received from associates	9	67 743	16 201	-	-
Return/(contribution) of capital from joint ventures	9	74 773	-	74 773	-
Distributions received from joint ventures and partnerships		72 498	24 500	6 230	-
Movement in group company loans		-	(89 645)	568 005	-
Acquisition of financial assets		(23 111)	(20 483)	(8 065)	712
Proceeds on sale of financial assets		782 213	475 480	545 826	-
Movement in loans and receivables		-	3 616	-	-
Net cash generated from investing activities		**852 349**	817 794	**1 221 255**	7 007
Cash flows from financing activities					
Issue of ordinary shares	24	12 328	-	12 328	-
Proceeds on issue of preference shares	28	73 600	745 974	-	-
Purchase of treasury shares	25	-	(483 376)	-	-
Proceeds of treasury shares	25	145 658	-	-	-
Treasury shares bought back	25	(12 328)	-	(12 328)	-
Redemption of preference shares	28	(500 047)	(524 389)	(288 142)	-
Proceeds from borrowings	28	791 033	157 990	8 291	-
Repayment of borrowings	28	(401 886)	(468 952)	(75 000)	(58 088)
Settlement of financial guarantee contract	28	-	(15 000)	-	(15 000)
Distribution to beneficiaries		(33 793)	-	-	-
Return of members interest		(132 983)	(16 407)	-	-
Purchase of shares from non-controlling interest		(9 200)	-	-	-
Net cash used in financing activities		**(67 619)**	(606 613)	**(354 850)**	(73 088)
Net movement in cash and cash equivalents		787 576	342 409	882 216	(38 986)
Cash and cash equivalents at the beginning of the year		-	-	-	-
Net cash, cash equivalents and bank overdraft beginning of year		1 118 089	-	401 808	-
Cash, cash equivalents and bank overdrafts acquired business combination and common control transaction		-	752 769	-	440 794
Exchange gains on cash and cash equivalents		36	-	-	-
Cash, cash equivalents and bank overdrafts included in assets-held-for-sale		(5 918)	22 911	-	-
Cash, cash equivalents and bank overdrafts at the end of the year	22	**1 899 783**	1 118 089	**1 284 024**	401 808

The accounting policies and notes on pages 17 to 100 are an integral part of these annual consolidated financial statements.

ACCOUNTING POLICIES

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act 71 of 2008, as amended.

These annual consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) held at fair value through profit or loss, and IFRS 5 disposal Groups.

The preparation of these annual consolidated financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the consolidated financial statements.

The annual consolidated financial statements are presented in South African Rand and all amounts, unless otherwise indicated, are stated in thousands.

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 note 4.

1.2 Basis of consolidation

Consolidation - subsidiary companies

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 one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated/derecognised from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. 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 excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless the cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

ACCOUNTING POLICIES

1.2 Basis of consolidation (continued)

1.2.1 Consolidation - subsidiary companies (continued)

Special purpose entities are entities created to accomplish a narrow and well-defined objective such as holding of specific investments or housing staff incentive schemes. These entities take different legal forms. A special purpose entity is consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group effectively has control over the entity.

Changes in ownership interests in subsidiaries without change of control

The group applies a policy of treating transactions with non-controlling interests 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 are recorded in equity, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary. When the group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

Investment in associates and jointly controlled entities

Associates, including partnerships, are entities over which the group generally has between 20% and 50% of the voting rights or over which the group has significant influence, but which it does not control. A jointly controlled entity is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. Under this method the group's share of post acquisition profit and losses of associates and jointly controlled entities is recognised in profit and loss 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. The group's investment in associates includes goodwill (net of accumulated impairment losses) and notional intangibles (net of accumulated amortisation) identified on acquisition.

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 is reclassified to profit and loss where appropriate.

Unrealised gains on transactions between the group and its associated companies are eliminated to the extent of the group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

When the group’s share of losses in an associated company 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 associated Company.

Certain associated and joint venture companies have year-ends that differ from that of the company. In such circumstances the results of listed and certain unlisted companies are accounted for from the latest published information and management accounts as at year-end, respectively. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the group and its subsidiaries to the extent that it is material and appropriate for the specific industry in which the associate operates.

Separate financial statements

In the company’s separate financial statements, investments in subsidiaries, associated companies, joint ventures and partnerships are designated at fair value through profit or loss. Investments in subsidiaries, associated companies, joint ventures and partnerships are managed and evaluated on a fair value basis, in accordance with the investment strategy of the Company.

ACCOUNTING POLICIES

1.3 Financial instruments

Financial instruments disclosed in the annual consolidated financial statements include cash and cash equivalents, investments, derivative instruments, receivables and short-term loans, trade and other payables and borrowings. Financial instruments are initially recognised at fair value when the group becomes party to the contractual terms of the instruments. All purchases and sales of financial instruments are recognised at the trade date. The transaction costs relating to the acquisition of financial instruments held at fair value through profit or loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

1.3.1 Financial assets

The group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available for sale.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

Held-to-maturity financial instruments

Instruments with fixed maturity that the group has the intent and ability to hold to maturity are classified as held-to-maturity financial instruments and are carried at amortised cost using the effective interest rate method.

These financial assets are initially measured at fair value plus direct transaction costs. At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale financial instruments

Other long-term financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised through other comprehensive income in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in the statement of comprehensive income.

Financial instruments at fair value through profit and loss

These instruments, consisting of financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for-trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in profit or loss in the statement of comprehensive income in the period in which they arise within 'other gains/(losses) - net'. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of dividend income when the group's right to receive payment is established.

1.3.2 Financial liabilities

Other payables and borrowings

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

Preference shares

Preference shares which carry a mandatory redemption, or are redeemable at the option of the shareholder in respect of which dividend payments are not discretionary, in both cases, are classified as financial liabilities. Where the dividend payments in both cases are discretionary, the preference shares are classified as compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are recognised in profit or loss as finance costs on an amortised cost basis using the effective interest rate method. The liability component of a compound financial instrument is initially recognised as the present value of future cash flows. The equity component is equal to the proceeds less the liability component.

Derivatives and hedging activities

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives are classified as financial assets at fair value through profit or loss. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

ACCOUNTING POLICIES

1.3 Financial instruments (continued)

1.3.2 Financial liabilities

Debt securities

Debt securities which carry a mandatory coupon, or are redeemable at specific dates at the option of the holder are recognised initially at fair value, net of transaction costs incurred. Debt securities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Interest paid on these debt securities is charged to profit or loss at the effective interest rate method.

1.3.3 Derecognition of financial instruments

Financial assets (or portions thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in other comprehensive income, is included in the statement of comprehensive income.

Financial liabilities (or portions thereof) are derecognised when the group's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, is included in the statement of comprehensive income.

1.3.4 Offsetting of financial instruments

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

1.3.5 Loans to and from group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables and carried at amortised cost.

1.3.6 Loans to directors, managers and employees

These financial assets are classified as loans and receivables.

1.3.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate 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. Trade and other receivables are classified as loans and receivables.

1.3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included in current liabilities on the statement of financial position.

1.4 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Land is not depreciated. Depreciation is calculated on a straight-line method to write off the cost of the assets over their expected useful lives. Major leasehold improvements are amortised over the shorter of their respective lease periods or estimated useful life. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The carrying values of property, plant and equipment are reviewed periodically to assess whether the net recoverable amount has declined below the carrying amount. In the event of such impairment, the carrying amount is reduced and the reduction is charged as an expense in the profit or loss. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains or losses on disposals are determined by comparing the proceeds with the assets carrying amounts. These are included in the profit or loss in the related period.

ACCOUNTING POLICIES

1.4 Property, plant and equipment (continued)

The estimated useful lives of property, plant and equipment have been assessed as follows:

Item	Average useful life
Computer equipment	2 - 9 years
Freehold land and buildings	30 years
Furniture and fittings	1 - 15 years
Leasehold improvements	2 - 12 years
Motor vehicles	3 - 10 years
Office equipment	1 - 15 years
Plant and equipment	2 - 10 years

1.5 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, or associate, or jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in the interest in investments in associates or jointly controlled entities, if positive.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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. The group allocates goodwill to each subsidiary, associate, and/or joint venture at acquisition of interest.

Profit at acquisition is recognised in profit or loss in the period in which it arises.

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 and thirty 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 and five years.

Broadcast licence

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

Transmitter split facility

The transmitter split facility is initially recorded at acquisition cost. This asset has a definite useful life and is carried at cost less accumulated amortisation and accumulated 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 thirty years.

ACCOUNTING POLICIES

1.5 Intangible assets (continued)

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 definite useful life and are carried at cost less accumulated amortisation and, if required, accumulated impairment. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives.

The useful lives were determined as follows:

Item	Average useful life
Trademarks, titles and copyright	2 - 30 years
Development expenditure	2 - 30 years
Transmitter split facility	30 years
Customer relationships	2 - 30
Systems and software	1 - 8 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; or there is no active market for these assets.

Research and development costs

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to have future benefits. Other development costs are recognised as an expense when 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.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- 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.
- There is an ability to use or sell the product.
- It can be demonstrated how the product will generate probable future economic benefits.
- Technical, financial and other resources to complete the development and to use or sell the product are available.
- 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 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.

1.6 Impairment of assets

Impairment – subsidiaries and associated companies

An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use. The carrying amounts of subsidiaries and associated companies are reviewed if there is objective evidence of impairment and written down where necessary.

Property, plant and equipment

Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written-off amounts are accounted for in the statement of comprehensive income.

ACCOUNTING POLICIES

1.6 Impairment of assets (continued)

Financial instruments carried at amortised cost

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a held-to-maturity investment or 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 decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the statement of comprehensive income.

Assets classified as available for sale

The Group assesses at each reporting date, whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment losses on the financial asset previously recognised in profit or loss is removed from other comprehensive income, and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not subsequently reversed through the statement of comprehensive income – such reversals are accounted for in other comprehensive income.

1.7 Leased assets

Assets leased in terms of finance leases, where the Group assumes substantially all the risks and rewards of ownership, are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum finance lease payments. Leased assets are depreciated over the shorter of the lease period or the period over which the particular asset category is otherwise depreciated. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the capital balance outstanding. The finance charges are accounted for in profit or loss over the term of the lease using the effective interest rate method.

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 profit or loss on a straight-line basis over the period of the lease.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This asset is not discounted.

1.8 Derivative financial instruments

Derivative financial instruments, which comprise put and call options, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value through the statement of comprehensive income.

1.9 Inventories

Inventory is stated at the lower of cost or net realisable value. For the Broadcasting and Content segments, the cost of inventory is determined by means of the first-in first-out basis. For the Information segment, the cost of inventory is determined by means of the weighted-average 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.

ACCOUNTING POLICIES

1.10 Current and deferred income tax

The tax expense on the profit or loss for the year comprises current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred income tax and deferred capital gains tax are provided for on a comprehensive basis, 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. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is also not recognised on the initial recognition of goodwill, nor is it recognised on investments in subsidiaries and joint ventures where the Group controls the timing of the reversal of temporary differences and it is possible that these differences will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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 tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of each asset or liability, and is not discounted.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Dividend withholding tax

Secondary tax on companies (STC) was calculated at 10% up to 31 March 2012, thereafter it was discontinued.

A new dividends withholding tax was introduced, effective from 1 April 2012, at a maximum local dividend rate of 15% (2012: 15%).

1.11 Properties under development and inventory

Properties under development and inventory are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished properties, publications and work in progress comprises design costs, raw materials, direct labour, other direct costs, amounts paid to printers, editors and authors and related production overheads. It excludes borrowing costs as well as administrative overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.12 Film and television content

Completed originated programmes and programmes in production are held at cost. Cost includes all direct costs, production overheads and a proportion of other attributable overheads.

Completed originated programmes have a finite useful life and are carried at cost less accumulated amortisation and impairment (if required). Amortisation is calculated using the straight-line method to allocate the cost of these assets over their expected useful life of between two to ten years.

ACCOUNTING POLICIES

1.13 Non-current assets (or disposal Groups) held-for-sale

Non-current assets (or disposal Groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition and management is committed to the sale subject only to terms that are usual and customary.

Immediately before classification as held-for-sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal Group) is brought up-to-date in accordance with the applicable standard. Then, on initial classification as held-for-sale, non-current assets (other than investment properties, deferred tax assets, financial assets and inventories) are measured in accordance with IFRS 5, that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

1.14 Share capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of new shares are accounted for in equity as a deduction from the proceeds. Mandatory redeemable preference shares are classified as borrowings.

Shares in the Company held by Group companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the Group's equity.

1.15 Preference shares

Preference shares issued by the Group are recorded at the net proceeds received, which is the fair value less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is allocated to preference share capital and any excess is allocated to preference share premium, including the costs that were incurred with the share issue.

Preference shares, which are mandatorily redeemable on a specific date or which are redeemable at the option of the holder, are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as finance costs.

1.16 Provisions, contingencies and other liabilities

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expected expenditure required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within twelve months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. Bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The Company has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

ACCOUNTING POLICIES

1.17 Employee benefits (continued)

Share-based compensation - Company

The Group operates various cash-settled and equity-settled share based compensation plans. Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction. When goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity are measured directly at the fair value of the goods or services received, provided that the fair value can be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement. Changes in fair value are recognised in profit or loss for the period.

Share-based compensation – subsidiary

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the Company accounts for those services as they are rendered by the counterparty during the vesting period, or on a straight line basis over the vesting period.

If the share-based payments vest immediately, the services received are recognised in full. For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

Kagiso Media Limited 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 3 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 reporting 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. 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.

ACCOUNTING POLICIES

1.18 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 reporting 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 other services – upon delivery of the service
- Entrance fees from events – upon the accrual thereof
- Royalty income – upon the accrual thereof
- Barter revenue – upon the accrual thereof
- Sale of online advertisements – upon delivery of the service
- Sale of data sets – upon delivery of the data
- Sale of data maintenance services – upon delivery of the service

Revenue from the trade exchange contracts are recognised upon delivery of the service.

Finance income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Finance income on impaired loans is recognised using the original effective interest rate.

Deferral of revenue

Revenue received in advance is deferred and only recognised when:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Revenue from the licensing of films and television programming are recorded when the content is available for telecast by the licensee and when certain other conditions are met.

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.

Change in classification of income

There has been a change in the classification of income from events and production of advertisements. This was previously classified as Other Income; however in the current financial year this has been included as revenue, as this is considered to form part of the ordinary course of the group's activities.

The effect of the above is included below:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Increase in revenue	18 913	11 168		
Decrease in other income	(18 913)	(11 168)		
Net impact on profit for the year	**-**	-	**-**	-

ACCOUNTING POLICIES

1.19 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 Group's and 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. 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 profit or loss and disclosed separately in the notes to the consolidated financial statements.

1.20 Dividend distributions

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 shareholders.

1.21 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

1.22 Current/Non-current distinction

Items are classified as current when it is expected to be realised, traded, consumed or settled within twelve months after the reporting date, or the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date.

1.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms. Subsequently the Company's liabilities under such guarantees are measured at the higher of - the amount in terms of IAS 37 and the initial amount less cumulative amortisation.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

1.24 Change in accounting policy

During the year, the Company changed its basis for recognising investments in subsidiaries, associated companies, joint ventures and partnerships in its separate financial statements from cost less any impairments to being at fair value through profit and loss. These investments are managed and evaluated on a fair value basis, in accordance with the investment strategy of the Company.

The Company believes that the change in policy provides more reliable and more relevant information.

In accordance with IAS 8 (Accounting policies, Changes in accounting estimates and Errors) the change has been made retrospectively and comparatives have been restated accordingly.

ACCOUNTING POLICIES

2. New and amended accounting standards and interpretations

International Financial Reporting Standards and amendments effective for the first time for 30 June 2013 year-end:

Amendment to IAS 12,'Income taxes' on deferred tax
(effective date – financial periods commencing on/after 1 January 2012)
Currently IAS 12, 'Income taxes', requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes- recovery of revalued non-depreciable assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.

Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI
(effective date – financial periods commencing on/after 1 July 2012)
The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

International Financial Reporting Standards and amendments issued but not effective for 30 June 2013 year-end:

IAS 19, 'Employee benefits'
(effective date – financial periods commencing on/after 1 January 2013)
The IASB has issued an amendment to IAS 19, 'Employee benefits', which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

IFRS 9 – 'Financial Instruments' (2009)
(effective date – financial periods commencing on/after 1 January 2013)
This 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.

IFRS 9 – 'Financial Instruments' (2010)
(effective date – financial periods commencing on/after 1 January 2013)
The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

Amendments to IFRS 9 – 'Financial Instruments' (2011)
(effective date – financial periods commencing on/after 1 January 2015)
The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

ACCOUNTING POLICIES

2. New and amended accounting standards and interpretations (continued)

IFRS 10 – 'Consolidated financial statements'

(effective date – financial periods commencing on/after 1 January 2013)
This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

IFRS 11 – 'Joint arrangements'

(effective date – financial periods commencing on/after 1 January 2013)
This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 – 'Disclosures of interests in other entities'

(effective date – financial periods commencing on/after 1 January 2013)
This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 – 'Fair value measurement'

(effective date – financial periods commencing on/after 1 January 2013)
This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011) – 'Separate financial statements'

(effective date – financial periods commencing on/after 1 January 2013)
This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011) – 'Associates and joint ventures'

(effective date – financial periods commencing on/after 1 January 2013)
This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Amendments to IAS 32 – 'Financial Instruments: Presentation'

(effective date – financial periods commencing on/after 1 January 2014)
The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities'

(effective date – financial periods commencing on/after 1 January 2013)
The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted − for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment. The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

ACCOUNTING POLICIES

2. New and amended accounting standards and interpretations (continued)

Improvements to IFRSs (Issued May 2012) was issued by the IASB as part the 'annual improvements process' resulting in the following amendments to standards issued, but not yet effective for 30 June 2013 year-ends:

Amendment to IAS 1, 'Presentation of financial statements'
(effective date – financial periods commencing on/after 1 January 2013)
The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.

Amendment to IAS 32, 'Financial instruments: Presentation'
(effective date – financial periods commencing on/after 1 January 2013)
The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management

Various financial risks have an impact on the Group's results comprising of market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Company and its subsidiary companies' risk management programmes, of which key aspects are explained below, acknowledge the unpredictability of financial markets and are aimed to minimise any negative effect thereof. Derivative instruments are used to hedge against certain financial risk exposures.

Risk management is carried out under policies approved by the board of directors of the Company and of relevant subsidiaries. The Company's executive committee identifies, evaluates and hedges financial risks in co-operation with the Group's operating units.

3.1 Market risk

Price risk

Exposure to price risk is due to investments in listed and unlisted shares which are classified as "Available-for-sale financial assets" and investments in money market funds. Investments in cash and cash equivalents consist mainly of interest-bearing liquid investments with a low risk.

The Group is exposed to equity securities price risk because of investments held by the Group that are publicly traded and are listed on the Johannesburg Stock Exchange.

Foreign exchange risk

The Group is exposed to foreign exchange translation risk through an investment in foreign cash by its foreign subsidiary KTH Africa Coöperatief A.U. The Board of Directors monitors the exposure on foreign cash on a regular basis and the risk is limited through the diversification in foreign currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Interest rate risk

Due to significant cash investments, movements in market interest rates influence income. The Company has outsourced its treasury function to Andisa Capital Proprietary Limited. Interest rate risk is managed by the service provider by using approved counterparties that offer the best rates in accordance with the company's treasury policy.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Company and its subsidiary companies are also exposed to interest rate risk due to long-term debt. The interest rate profile of the liabilities is disclosed in note 28.

The Group's sensitivity to market risk

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Management used a different percentage change 1% (2012:2%) on the interest rate sensitivity analysis based on the current market view on the change of the prime rate over the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 Market risk (continued)

The Group's sensitivity to market risk (continued)

The following table illustrates the sensitivity of the Group's profit and other comprehensive income to market risk if markets change with the following percentages:

GROUP

	2013 Change	2013 Profit or loss R'000	2013 Equity R'000	2012 Change	2012 Profit or loss R'000	2012 Equity R'000
Interest rates	1.00%	38 314	-	2.00%	37 373	-
Foreign exchange	R 1	10 045	-	R 1	5 494	-
Equity prices	10.00%	297 451	-	10.00%	102 619	-
		345 810	**-**		145 486	-

COMPANY

	2013 Change	2013 Profit or loss R'000	2013 Equity R'000	2012 Change	2012 Profit or loss R'000	2012 Equity R'000
Interest rates	1.00%	500	-	2.00%	2 597	-
Foreign exchange	R 1	-	-	R 1	-	-
Equity prices	10.00%	-	-	10.00%	-	-
		500	**-**		2 597	-

The above was calculated with reference to the carrying value of financial instruments at year-end.

* - This represents a R1 weakening in the rand against the following currencies: Euro, British pound, US dollar and other.

3.2 Credit risk

The Group's exposure to credit risk is the fair value of loans, loans to associated companies and joint ventures, trade receivables, derivative instruments and cash and cash equivalents as indicated above, as well as financial guarantee contracts.

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Loans to associated companies and joint ventures

Management continuously assesses the credit risk of loans to associated companies and joint ventures through its representation on the respective boards. Loans to associated companies and joint ventures are within their mandated terms.

Cash and cash equivalents

Cash and cash equivalents are only held by approved institutions with an acceptable credit-worthiness. The treasury policy sets the limit for each financial institution.

3.3 Liquidity risk

The Group has substantial cash balances at their disposal and substantial long-term debt due to investments made that are funded. The Group ensures that adequate credit facilities are available to maintain flexibility in the funding of transactions.

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.3 Liquidity risk (continued)

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

GROUP

	Carrying value R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2013				
Financial liabilities				
Borrowings	3 816 678	29 596	3 787 082	-
Operating lease liability	2 790	-	2 790	-
Amounts due to group companies	22 844	22 844	-	-
Trade and other payables	208 131	208 131	-	-
Bank overdraft	48	48	-	-
	4 050 491	**260 619**	**3 789 872**	**-**

	Carrying value R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2012				
Financial liabilities				
Borrowings	3 737 300	1 150 712	2 586 588	-
Operating lease liability	7 292	-	7 292	-
Amounts due to group companies	8 100	8 100	-	-
Trade and other payables	363 959	363 959	-	-
Bank overdraft	1 144	1 144	-	-
	4 117 795	1 523 915	2 593 880	-

Available liquid resources are:

	Carrying value R'000
30 June 2013	
Financial Assets	
Committed facilities	125
Trade and other receivables	370 690
Cash and cash equivalents	1 899 831
	2 270 645

	Carrying value R'000
30 June 2012	
Financial Assets	
Committed facilities	125
Trade and other receivables	367 173
Cash and cash equivalents	1 119 233
	1 486 531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.3 Liquidity risk (continued)

COMPANY

	Carrying value R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2013				
Financial liabilities				
Borrowings	165 039	-	165 039	-
Operating lease liability	537	-	537	-
Amounts due to group companies	988 832	138 932	849 900	-
Trade and other payables	4 723	4 723	-	-
	1 159 132	**143 655**	**1 015 477**	**-**

	Carrying value R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2012				
Financial liabilities				
Borrowings	586 596	368 231	218 365	-
Operating lease liability	366	-	366	-
Amounts due to group companies	398 273	308 373	89 900	-
Trade and other payables	17 336	17 336	-	-
Bank overdraft	1	1	-	-
	1 002 571	693 940	308 631	-

Available liquid resources are:

	Carrying value R'000
30 June 2013	
Financial Assets	
Committed facilities	125
Trade and other receivables	12 741
Cash and cash equivalents	1 284 024
	1 296 890

	Carrying value R'000
30 June 2012	
Financial Assets	
Committed facilities	125
Trade and other receivables	8 637
Cash and cash equivalents	401 809
	410 571

3.4 Capital management

The Group manages its shareholders' equity, i.e. its stated capital, reserves and treasury shares, as capital. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders in the form of dividends and capital appreciation.

Consistent with other investment holding companies in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non- current borrowings) less cash and cash equivalents. The total capital is calculated as equity as shown in the statement of financial position plus net debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.4 Capital management (continued)

The gearing ratio at 30 June 2013 is as follow:

	GROUP		COMPANY	
				Restated
	2013 R'000	**2012 R'000**	**2013 R'000**	**2012 R'000**
Total borrowings	3 816 678	3 737 300	193 071	586 596
Cash, cash equivalents and bank overdraft	(1 899 783)	(1 118 089)	(1 284 024)	(401 808)
Net debt	**1 916 895**	**2 619 211**	**(1 090 953)**	**184 788**
Total equity	9 705 329	9 182 960	10 948 654	9 821 812
Total capital	**11 622 224**	**11 802 171**	**9 857 701**	**10 006 600**
Gearing ratio	**16.49%**	22.19%	**-11.07%**	1.85%

3.5 Fair value estimation

Financial instruments that are measured at fair value in the statement of financial position, are disclosed by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices),and
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (as for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, EBIT and EBITDA multiples, net asset value, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Any derivatives embedded in financial instruments are separated from the host contract when their economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. Gains and losses are reported in profit or loss in the statement of comprehensive income.

The following table illustrates the fair values of financial assets that are measured at fair value, by hierarchy level:

GROUP

	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
30 June 2013				
Available-for-sale financial assets	104 910	577 779	181 769	864 458
Derivative financial assets	-	800	-	800
Assets at fair value through profit and loss	2 973 767	-	3 452 336	6 426 103
	3 078 677	**577 779**	**3 634 105**	**7 290 561**

	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	**Total R'000**
30 June 2012				
Available-for-sale financial assets	85 182	1 188 138	108 450	1 381 770
Assets at fair value through profit and loss	2 716 876	-	4 020 377	6 737 253
	2 802 058	1 188 138	4 128 827	8 119 023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.5 Fair value estimation (continued)

COMPANY

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2013				
Available-for-sale financial assets	22	78 989	8 121	87 132
Subsidiaries	1 675 459	-	7 881 183	9 556 642
Associates, joint ventures and partnerships	-	-	306 345	306 345
	1 675 481	**78 989**	**8 195 649**	**9 950 119**

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Available-for-sale financial assets	22	610 102	57	610 181
Subsidiaries	1 333 528	-	7 164 416	8 497 944
Associates, joint ventures and partnerships	-	-	461 494	461 494
	1 333 550	610 102	7 625 967	9 569 619

The following table illustrates the fair value of financial liability by hierarchy level:

GROUP

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2013				
Derivative financial instruments	-	596	-	596
Interest rate swap	-	-	18 810	18 810
	-	596	18 810	19 406

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Interest rate swap	-	-	27 162	27 162
	-	-	27 162	27 162

COMPANY

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2013				
Financial guarantee contracts	-	-	113 191	113 191
	-	-	113 191	113 191

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2012				
Financial guarantee contracts	-	-	167 969	167 969
	-	-	167 969	167 969

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.5 Fair value estimation (continued)

Reconciliation of carrying value of level 3 assets:

GROUP

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2013			
Balances at the beginning of the period	4 020 377	108 450	4 128 827
Additions	-	8 064	8 064
Disposals	(5 644)		(5 644)
Derecognitions recycled to profit and loss	-	(20 515)	(20 515)
Classified as assets held-for-sale	(43 157)	-	(43 157)
Fair value adjustment recognised in profit and loss	(519 240)	-	(519 240)
Fair value adjustment recognised in equity	-	85 770	85 770
	3 452 336	**181 769**	**3 634 105**

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2012			
Balances at the beginning of the period	-	-	-
Additions	3 675 660	101 892	3 777 552
Fair value adjustment recognised in profit and loss	344 717	-	344 717
Fair value adjustment recognised in equity	-	6 558	6 558
	4 020 377	**108 450**	**4 128 827**

COMPANY

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2013			
Balances at the beginning of the period	7 625 910	57	7 625 967
Additions	-	8 064	8 064
Fair value adjustment recognised in profit and loss	561 618	-	561 618
	8 187 528	**8 121**	**8 195 649**

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2012			
Balances at the beginning of the period	-	-	-
Additions	3 456 783	57	3 456 840
Fair value adjustment recognised in profit and loss	389 328	-	389 328
Fair value adjustment recognised in equity	3 779 799	-	3 779 799
	7 625 910	**57**	**7 625 967**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.5 Fair value estimation (continued)

Reconciliation of carrying value of level 3 liabilities:

GROUP

	Interest rate swap	Total
	R'000	R'000
30 June 2013		
Balances at the beginning of the period	27 162	27 162
Fair value adjustment recognised in profit and loss	(8 352)	(8 352)
	18 810	**18 810**

	Interest rate swap	Total
	R'000	R'000
30 June 2012		
Balances at the beginning of the period	-	-
Additions during the period	34 694	34 694
Fair value adjustment recognised in profit and loss	(7 532)	(7 532)
	27 162	27 162

COMPANY

	Financial guarantees	Total
	R'000	R'000
30 June 2013		
Balances at the beginning of the period	167 969	167 969
Amortisation recognised in profit and loss	(54 778)	(54 778)
	113 191	**113 191**

	Financial guarantees	Total
	R'000	R'000
30 June 2012		
Balances at the beginning of the period	-	-
Additions during the period	167 969	167 969
	167 969	167 969

The Company's maximum exposure to credit risk is equal to the value of the financial guarantee recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Critical accounting estimations and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates.

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.

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.

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.

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.

Production income

The Group measures production income for the content segment based on the percentage of completion. The percentage of completion is based on management's best estimate, taking into account historical trends, past experience and management forecasts.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Investments

The most critical judgement exercised relates to the classification of investments as associated companies rather than investments available-for-sale. There are some investments over which the company is believed to have significant influence although it has an interest of less than 20% in these companies. However, as the Group has board representation and is one of the major shareholders of these companies, its influence over their financial and operating policies is significant. Those investments are accordingly accounted for as associated companies using the equity method and not as financial instruments at fair value.

Deferred income taxation

A significant estimate relates to the Group's accounting policy in terms of which deferred taxation is provided for on all temporary differences between the carrying value and the tax base of investments. This tax is measured at the estimated tax consequences based on the manner in which the entity, at the reporting date, expects to recover the carrying value of the various investments. The carrying value of investments in associated companies is mainly recovered through dividends. As no taxable temporary differences exist, deferred taxation is provided at 0%. Deferred taxation is provided on temporary differences that arise on the revaluation of available-for-sale investments based on the future economic benefits the entity expects to realise from that asset, i.e. a combination of dividends and capital gains or losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Critical accounting estimations and judgements (continued)

Business combinations

Critical accounting estimates and assumptions were also made during the purchase price allocation process in accounting for acquisitions as business combinations in accordance with IFRS 3: Business Combinations. These estimates and assumptions relate to the determination of useful lives of assets, discount rates, growth rates and valuation of unlisted investments.

Fair value of associates, derivatives and other financial instruments (including share options)

The fair value of associates and financial instruments (including derivatives and embedded derivatives) that are not traded in active markets is determined by using valuation techniques or models. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The Group has used discounted cash flows, earnings multiples and net asset value valuation methods for various available-for-sale investments that were not traded in active markets.

Associates, partnerships and jointly controlled entities with different year-ends

Part of the equity-accounted earnings from some associates, partnerships and jointly controlled entities are based on reviewed financial information and the actual results may differ.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

5 Property, plant and equipment

GROUP	Computer equipment R'000	Freehold land and buildings R'000	Furniture and fittings R'000	Leasehold improvements R'000	Motor vehicles R'000	Office equipment R'000	Plant and equipment R'000	Total R'000
Carrying value at 1 July 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Additions	8 923	-	3 553	14 485	1 301	1 536	19 145	48 943
Business combinations/common control transaction	11 759	55 000	17 400	10 313	3 318	3 203	36 794	137 787
Disposals	(82)	-	(499)	(124)	(3)	(99)	-	(807)
Transfers	(56)	-	-	-	-	-	-	(56)
Depreciation	(4 729)	-	(2 064)	(3 007)	(771)	(928)	(10 218)	(21 717)
Carrying value at 30 June 2012	15 815	55 000	18 390	21 667	3 845	3 712	45 721	164 150
Cost	20 544	55 000	20 454	24 674	4 616	4 640	55 939	185 868
Accumulated depreciation	(4 729)	-	(2 064)	(3 007)	(771)	(928)	(10 218)	(21 717)
Additions	7 350	-	5 207	8 395	989	2 434	10 042	34 416
Business combinations/common control transaction	-	-	-	204	-	-	-	204
Disposals	(798)	-	(7 681)	-	(398)	-	(619)	(9 495)
Transfers	(1 405)	-	-	-	-	1 931	-	526
Depreciation	(7 224)	-	(2 837)	(5 472)	(592)	(2 301)	(12 711)	(31 136)
Carrying value at 30 June 2013	**13 739**	**55 000**	**13 079**	**24 794**	**3 844**	**5 776**	**42 433**	**158 664**
Cost	29 285	55 000	17 735	36 718	5 203	12 000	64 456	220 397
Accumulated depreciation	(15 547)	-	(4 656)	(11 923)	(1 358)	(6 225)	(22 023)	(61 732)

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NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

5 Property, plant and equipment (continued)

COMPANY	Computer equipment R'000	Freehold land and buildings R'000	Furniture and fittings R'000	Leasehold improvements R'000	Motor vehicles R'000	Office equipment R'000	Plant and equipment R'000	Total R'000
Carrying value at 1 July 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
Additions	2 640	-	739	7 389	-	743	-	11 511
Business combinations/common control transaction	356	-	1 210	-	260	799	-	2 625
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Depreciation	(731)	-	(483)	(1 367)	(86)	(435)	-	(3 101)
Carrying value at 30 June 2012	2 265	-	1 466	6 022	175	1 107	-	11 035
Cost	2 996	-	1 949	7 389	260	1 542	-	14 136
Accumulated depreciation	(731)	-	(483)	(1 367)	(86)	(435)	-	(3 101)
Additions	666	-	-	305	-	45	-	1 016
Disposals	-	-	(3)	-	(141)	-	-	(144)
Transfers	(1 405)	-	-	-	-	-	-	(1 405)
Depreciation	(486)	-	(468)	(1 508)	(34)	(456)	-	(2 953)
Carrying value at 30 June 2013	**1 040**	**-**	**995**	**4 819**	**-**	**696**	**-**	**7 549**
Cost	1 902	-	1 934	7 694	-	1 587	-	13 117
Accumulated depreciation	(862)	-	(939)	(2 875)	-	(891)	-	(5 568)

The Group leases various motor vehicles, office equipment, LED screens and production equipment, under non-cancellable finance lease agreements. The lease terms are between 36 and 60 months and ownership of the assets lies within the group. An independent valuation of the freehold land and buildings acquired as part of the acquisition of Juta and Company Limited was performed by independent valuers for the purpose of the purchase price allocation.

The valuation was determined by reference to recent market transactions on arm's length terms. The property comprises offices and a warehouse situated on Erf 1000, Hillstar Industrial Township, Welton and section No 5, in the Sunclare building situated at 21 Dreyer Street, Claremont.

NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

6 Intangible assets

GROUP	Trademarks, titles, copyright and intellectual property R'000	Development expenditure R'000	Broadcast licence R'000	Transmitter split facility R'000	Customer relationships R'000	Systems and software R'000	Total R'000
Carrying value at 1 July 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost	-	-	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-	-	-
Additions	-	1 360	-	-	-	2 570	3 930
Business combinations/common control transaction	297 239	3 166	92 959	36 331	305 678	28 470	763 843
Disposals	-	(28)	-	-	-	(11)	(39)
Transfers	-	-	-	-	-	56	56
Amortisation	(15 579)	-	(3 122)	(681)	(20 355)	(4 133)	(43 870)
Carrying value at 30 June 2012	**281 660**	**4 498**	**89 837**	**35 650**	**285 323**	**26 952**	**723 920**
Cost	297 239	4 498	92 959	36 331	305 678	31 085	767 790
Accumulated amortisation	(15 579)	-	(3 122)	(681)	(20 355)	(4 133)	(43 870)
Additions	8 805	5 038	-	-	-	15 287	29 130
Business combinations/common control transaction	245	-	-	-	3 335	-	3 580
Disposals	-	-	-	-	-	(333)	(333)
Transfers	-	(35)	-	-	-	1 426	1 391
Discontinued operations	-	-	-	-	-	(14)	(14)
Reclassified as held-for-sale	-	-	-	-	-	(7)	(7)
Amortisation	(16 960)	(504)	(2 966)	(636)	(22 840)	(6 737)	(50 643)
Carrying value at 30 June 2013	**273 750**	**8 997**	**86 871**	**35 014**	**265 818**	**36 575**	**707 025**
Cost	305 929	9 462	92 959	36 331	308 003	48 268	800 953
Accumulated amortisation	(32 179)	(465)	(6 088)	(1 317)	(42 185)	(11 694)	(93 928)

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NOTES TO THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

6 Intangible assets (continued)

COMPANY	Trademarks, titles, copyright and intellectual property R'000	Development expenditure R'000	Broadcast licence R'000	Transmitter split facility R'000	Customer relationships R'000	Systems and software R'000	Total R'000
Carrying value at 1 July 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cost	-	-	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Business combinations/common control transaction	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-	-
Carrying value at 30 June 2012	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-	-	-
Additions	-	-	-	-	-	5 347	5 347
Transfers	-	-	-	-	-	1 405	1 405
Amortisation	-	-	-	-	-	(1 506)	(1 506)
Carrying value at 30 June 2013	**-**	**-**	**-**	**-**	**-**	**5 247**	**5 247**
Cost	-	-	-	-	-	7 108	7 108
Accumulated amortisation	-	-	-	-	-	(1 861)	(1 861)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Goodwill

GROUP	R'000
Carrying value at 1 July 2011	**-**
Cost	-
Accumulated impairment	-
Business combinations/common control transaction	1 134 900
Contingent consideration	4 835
Carrying value at 30 June 2012	**1 139 735**
Cost	1 139 735
Accumulated impairment	-
Business combinations/common control transaction	19 724
Classified as held-for-sale	(5 649)
Carrying value at 30 June 2013	**1 153 810**
Cost	1 153 810
Accumulated impairment	-

Goodwill is tested annually for any possible impairment. The goodwill relates to the Group's investment in Kagiso Media Limited and other units.

8 Investment in subsidiaries

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	8 497 944	-
Subsidiaries acquired through common control transaction	-	-	-	540 935
Subsidiaries acquired through business combinations	-	-	-	3 165 633
Acquisition of subsidiaries	-	-	1	-
Fair value adjustment made on investment in subsidiaries	-	-	988 144	4 684 038
Financial guarantees granted	-	-	70 553	117 824
Disposal of subsidiaries	-	-	-	(10 486)
Carrying value at the end of the period	**-**	-	**9 556 642**	8 497 944

The directors' valuation of the unlisted shares is not less than their carrying amounts. Refer to Annexure A for detailed disclosure of the investments in subsidiaries. The investment in subsidiaries are designated at fair value through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investment in associates, joint ventures and partnerships

9.1 Associates

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Carrying value at the beginning of the period	1 377 904	-	11 541	-
Associates acquired through business combinations	-	1 691 740	-	736
Associates acquired through common control	-	241 249	-	-
Share of net attributable profit of associates	140 389	161 601	-	-
Dividends received from associates	(67 743)	(26 858)	-	-
Equity-accounted movements on reserves	4 233	15 182	-	-
Dilutionary effects	-	89	-	-
Additional investment made in associate	74 564	68 984	-	-
Amortisation of intangibles included in purchase price	(33 053)	(40 120)	-	-
Disposal of associates	(6 876)	(318 630)	-	-
Impairment of associates	181 131	(342 274)	-	-
Classified as assets held-for-sale	(42 202)	(41 000)	-	-
Deferred gain on sale	(33 330)	(35 964)	-	-
Elimination of transactions with associates	(858)	(622)	-	-
Loans repaid	(1 101)	-	-	-
Fair value adjustment made on associates	-	-	3 867	10 805
Carrying value at the end of the period	**1 593 058**	1 377 904	**15 408**	11 541
Directors' valuation of associates	**2 069 192**	1 736 057	**15 408**	11 541

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Associates include the following:				
Actom Investment Holdings Proprietary Limited	494 883	470 182	-	-
Acton Repair Services Proprietary Limited	18 863	19 915	-	-
Aurora Wind Power Proprietary Limited**	-	-	-	-
Battery Technologies Proprietary Limited	-	1 519	-	-
Bell Equipment Sales SA Proprietary Limited	-	38 424	-	-
Coffey Projects (Africa) Proprietary Limited	2 754	2 754	-	-
Eris Property Group Proprietary Limited	136 378	98 246	-	-
Eris Property Fund Proprietary Limited	2 129	-	-	-
Idwala Industrial Holdings Proprietary Limited	765 008	568 072	-	-
Imvelo Consortium Proprietary Limited**	-	-	-	-
Johnson Facilities Management Proprietary Limited	4 842	4 842	-	-
Kagiso Property Developments Proprietary Limited	-	4 796	-	-
Lupo Bakery Proprietary Limited**	1 989	-	-	-
Makana Radio Communications Proprietary Limited*	22 587	21 069	-	-
Metropolitan Retirement Administrators Proprietary Limited	3 327	1 450	14 802	10 908
Moyeng Energy Proprietary Limited	7 188	4 359	-	-
Newmillen 122 Investments Proprietary Limited	708	719	606	633
SATI Container Services Proprietary Limited	15 221	15 089	-	-
Sea Harvest Holdings Proprietary Limited	7 997	12 827	-	-
Central Media Group Proprietary Limited*	7 875	5 522	-	-
Rheboksfontein Wind Power Proprietary Limited**	-	-	-	-
Shanike Investments No. 42 Proprietary Limited*	68 955	66 195	-	-
Tamela Holdings Proprietary Limited	9 623	13 488	-	-
The Resolve Group Proprietary Limited***	-	8 238	-	-
Thebe Convergent Technology Holdings Proprietary Limited*	22 731	20 198	-	-
Total associates	**1 593 058**	1 377 904	15 408	11 541

All associates are incorporated in South Africa.
Refer to Annexure B and C for detailed disclosure on the investments in associates.
* Associates of Kagiso Media Limited
** Less than R 1 000
*** Disposed during the period

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investment in associates, joint ventures and partnerships (continued)
9.2 Joint ventures

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	456 608	-	437 265	-
Joint ventures acquired through common control transaction	-	435 477	-	109 304
Fair value adjustments on investments in joint ventures	-	-	(70 902)	327 435
Share of net attributable profit of joint ventures	80 611	56 762	-	-
Distributions received from joint ventures	(7 981)	(10 385)	(3 585)	-
Equity-accounted movements on reserves	10 219	(12 292)	-	-
Contributions made	3 314	1 851	3 314	2 968
Capital Repayment	(78 087)	-	(78 087)	(2 443)
Impairment of joint ventures	(8 838)	(14 805)	-	-
Carrying value at the end of the period	**455 846**	456 608	**288 005**	437 265
Directors' valuation of joint ventures	**512 089**	743 377	**288 005**	437 265

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Joint ventures include the following:				
Cshell 488 Proprietary Limited**	-	-	-	-
Infrastructure Finance Corporation Limited	171 472	182 933	-	-
KA Investment Partners Trust	26 457	29 441	37 833	26 080
Kagiso Strategic Investments Proprietary Limited	258 195	258 367	242 651	404 675
Kagiso Strategic Investments II Proprietary Limited	(277)	(14 133)	7 521	6 509
Total joint ventures	**455 846**	456 608	**288 005**	437 265

** Less than R 1000

Kagiso Strategic Investments Proprietary Limited

The Group jointly controls Kagiso Strategic Investments Proprietary Limited ("KSI") with Rand Merchant Bank. KSI investments include the following:

	GROUP	
Company	**2013 Holding**	**2012 Holding**
Bytes Technology Group South Africa Proprietary Limited	27.00%	27.00%
Degussa Africa Holdings Proprietary Limited	0.00%	11.72%
Waco Africa Proprietary Limited	25.10%	25.10%
Multotec Proprietary Limited	0.00%	20.00%

During the financial year KSI disposed of its investments in Degussa Africa Holdings Proprietary Limited and Multotec Proprietary Limited.

Kagiso Strategic Investments II Proprietary Limited

The Group jointly controls Kagiso Strategic Investments II Proprietary Limited ("KSI II") with Rand Merchant Bank. KSI II has a 32% investment in Acton Repair Services Proprietary Limited**.**

Refer to Annexure B and D for detailed disclosure of the investments in joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Investment in associates, joint ventures and partnerships (continued)

9.3 Partnerships

	GROUP		COMPANY	
	2013 R'000	2012 R'000	2013 R'000	Restated 2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	230 600	-	12 688	-
Partnerships acquired through common control transaction	-	219 235	-	(55)
Partnerships acquired through business combinations	-	-	-	-
(Impairments)/fair value adjustments	(1 614)	-	(7 111)	12 743
Share of net attributable profit of partnerships	40 958	40 359	-	-
Distributions received	(64 517)	(28 994)	(2 645)	-
Carrying value at the end of the period	**205 428**	230 600	**2 932**	12 688
Directors' valuation of partnerships	**489 985**	266 066	**2 932**	12 688

	GROUP		COMPANY	
	2013 R'000	2012 R'000	2013 R'000	Restated 2012 R'000
Partnerships include the following:				
Kagiso Ventures Private Equity Fund 1	(3 493)	561	(2 068)	7 688
The Calibre Private Equity Investors Partnership No. 10	3 643	5 154	-	-
The Calibre Private Equity Investors Partnership No. 11	3 631	820	-	-
The Calibre Private Equity Trust	6 500	6 473	5 000	5 000
XK Platinum Partnership	195 147	217 592	-	-
Total partnerships	**205 428**	**230 600**	**2 932**	12 688

Director's valuation of associates, joint ventures and partnerships are based on independent valuations.

The carrying amount as per the statement of financial position is made up as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	2013 R'000	Restated 2012 R'000
Associates	1 593 058	1 377 904	15 408	11 541
Joint Ventures	455 846	456 608	288 005	437 265
Partnerships	205 428	230 600	2 932	12 688
Total investment in associates, joint ventures and partnerships	**2 254 331**	2 065 112	**306 345**	461 494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Available-for-sale investments : equity instruments

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	1 381 770	-	610 181	-
Acquired through common control transaction	-	800 346	-	314 346
Fair value adjustments	20 447	509 365	14 712	295 778
Disposals during the period	(545 826)	-	(545 826)	-
Additions during the period	8 067	72 059	8 065	57
Carrying value at the end of the period	**864 458**	1 381 770	**87 132**	610 181

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Available-for-sale investments : equity instruments include the following:				
FirstRand Empowerment Trust	75 530	603 282	75 530	603 284
Kagiso Infrastructure Investments Proprietary Limited	8 121	57	8 121	56
Remgro Limited	22	22	22	22
Metropolitan Health Corporate Proprietary Limited	271 805	300 536	-	-
MMI Holdings Limited	104 888	85 160	-	-
Concep Development Proprietary Limited	1 768	1 768	-	-
Macsteel Services Centre SA Proprietary Limited	226 985	277 500	-	-
Venozz Proprietary Limited**	-	-	-	-
Inyanga Trading 76 Proprietary Limited	3 459	6 820	3 459	6 819
Mototolo Holdings Proprietary Limited**	-	-	-	-
Alstom S&E Africa Proprietary Limited	80 480	67 334	-	-
Alstom Power Services Proprietary Limited	91 399	39 291	-	-
Total available-for-sale investments : equity instruments	**864 458**	1 381 770	**87 132**	610 181

** Less than R 1 000

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Non-current assets	864 458	1 381 770	87 132	610 181
Current assets	-	-	-	-
	864 458	**1 381 770**	**87 132**	**610 181**

11 Hybrid financial instruments

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Available-for-sale investments : debt component				
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	-	-
Acquired through common control transaction	-	733 883	-	-
Converted to ordinary shares	-	(400 329)	-	-
Fair value adjustments	-	(12 554)	-	-
Derecognised on modification	-	(321 000)	-	-
	-	-	**-**	-
Held for trading financial instrument: embedded derivative component				
Carrying value at the beginning of the period	-	-	-	-
Acquired through common control transaction	-	905 886	-	-
Converted to ordinary shares	-	(737 442)	-	-
Fair value adjustments	-	133 141	-	-
Derecognised on modification	-	(301 585)	-	-
Carrying value at the end of the period	**-**	-	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Hybrid financial instruments (continued)

Hybrid financial instruments included the following:

- 53 000 000 variable rate cumulative redeemable convertible preference shares in MMI Holdings Ltd (A1)
- 12 700 000 variable rate cumulative redeemable convertible preference shares in MMI Holdings Ltd (A2)
- 34 381 139 variable rate cumulative redeemable convertible preference shares in MMI Holdings Ltd (A3)

During the previous reporting period, the investment into the hybrid financial instruments was restructured. Prior to the restructuring, details of the preference shares were as follows:

The preference shares in MMI Holdings Ltd ("MMI") were cumulative convertible redeemable preference shares with a variable rate. These preference shares were convertible into ordinary shares in MMI on a one for one basis from three years and one day after issue date and, if not converted, compulsorily redeemable on the fifth anniversary of the issue date. The MMI preference shares would become redeemable if there was an early redemption of the MMI "A" SPV Preference shares as a result of the occurrence of certain default events.

These preference shares were treated as hybrid instruments with a debt component and an option component. The debt component was accounted for as a financial asset with changes in fair values recognised directly in equity. The option component was accounted for as an embedded derivative (the embedded derivative was classified as a current asset or liability) with changes in fair values recognised directly in the statement of comprehensive income.

The preference dividend was payable semi-annually on the 31 March and 30 September of each year. The A3 MMI preference dividend was calculated with reference to certain performance measures.

During the reporting period the A1 & A2 preference shares were converted to ordinary shares in MMI. These ordinary shares are designated at initial recognition as financial assets at fair value through profit or loss. Refer to note 12 for further details on the ordinary shares.

The terms of the A3 preference shares were modified during the period from a variable rate dividend to a fixed rate of R1.32 per share. The terms as changed are substantially different, and thus the original A3 preference shares were derecognised and a new financial asset is recognised in respect of the modified A3 preference shares. The new financial asset is designated at initial recognition as a financial asset at fair value through profit or loss. Refer to note 12 for further details on the A3 MMI preference shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through profit and loss - designated

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	6 737 253	-	-	-
Acquired through common control transaction	-	838 048	-	-
Acquired through business combinations	-	3 928 530	-	-
Fair value adjustments	(31 341)	526 073	-	-
Classified as assets held-for-sale	(43 157)	-	-	-
Disposals during the period	(236 652)	-	-	-
Additions during the period	-	1 444 602	-	-
Carrying value at the end of the period	**6 426 103**	6 737 253	**-**	-

Financial assets at fair value through profit and loss include the following:

	GROUP		GROUP	
	% Holding	% Holding	**R'000**	R'000
Listed securities				
MMI Holdings Limited	7.10%	7.10%	1 650 773	1 338 646
Emira Property Fund	8.50%	8.35%	632 381	538 961
AECI Limited	2.74%	2.74%	401 781	279 843
Aveng Limited	0.00%	0.00%	3	3
Investec Limited	1.64%	1.64%	-	213 601
			2 684 937	2 371 054
Unlisted securities				
MMI Holdings Limited			794 119	646 105
Main Street 333 Proprietary Limited	9.71%	9.71%	2 198 437	2 951 402
Nozala Capital Management Proprietary	50.00%	50.00%	54 192	72 892
Nozala Holdings Proprietary Limited	15.00%	15.00%	56 876	48 508
Blue Falcon 69 Trading Proprietary Limited	62.75%	62.75%	348 713	270 620
Three Diamonds Trading 564 Proprietary Limited	0.00%	49.00%	-	30 850
Qakazana Investment Holdings Proprietary	36.00%	36.00%	288 829	345 822
			3 741 166	4 366 199
			6 426 103	6 737 253

Changes in the fair value of financial assets at fair value through profit and loss are recorded in other gains/(losses) - net in the statement of comprehensive income.

Fair value information
Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts. The fair value of all listed equity securities are based on their current bid prices in an active market.

MMI Holdings Limited
MMI Holdings Limited (“MMI”) is a South African based financial services group whose core businesses are long and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits.

Off the Shelf Investments 109 Proprietary Limited ("OTSI 109") and Off the Shelf Investments 108 Proprietary Limited (RF) ("OTSI 108") are special purpose vehicles (“SPV”) used to hold the Groups' investment in MMI.

The investment in MMI Limited comprises both MMI ordinary shares and A3 MMI preference shares. During the previous reporting period, the investment in MMI was restructured.

Of the MMI ordinary shares, 31 580 630 shares were acquired as part of the common control transaction. As part of the restructuring, 16 028 430 shares were declared as a dividend in specie and 6 758 841 shares were disposed of.

In the past, OTSI 108 issued SPV preference shares to fund the purchase of "A1", "A2" and "A3" MMI preference shares. Prior to the restructuring, the "A1"," A2" and "A3" MMI preference shares were accounted for as available-for-sale financial assets.

As part of the restructuring, during June 2012 the "A1" and "A2" MMI preference shares were converted to 53 000 000 and 12 700 000 MMI ordinary shares, respectively. The ordinary shares have been designated as financial assets held at fair value through profit or loss. In addition, during June 2012 the terms of the "A3" MMI preference shares were modified substantially, resulting in the derecognition of this available-for-sale financial asset, and a new financial asset recognised based on the amended terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through profit and loss (continued)

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
MMI Holdings Limited				
Reconciliation of carrying amount: ordinary shares				
Carrying value at the beginning of the period	1 338 646	-	-	-
Financial asset at fair value acquired through common control transaction	-	536 555	-	-
Fair value adjustments	312 127	60 378	-	-
Addition via conversion of preference shares	-	1 143 180	-	-
Dividend in specie	-	(283 863)	-	-
Disposal	-	(117 604)	-	-
Carrying value at the end of the period	**1 650 773**	1 338 646	**-**	**-**
Number of ordinary shares ('000)	**74 493**	74 493	**-**	**-**
Share price (cents)	**2 217**	1 797	**-**	**-**
Reconciliation of carrying amount: preference shares				
Carrying value at the beginning of the period	646 105	-	-	-
Recognised on modification of A3 MMI preference shares	-	646 105	-	-
Fair value adjustments	148 014	-		
Carrying value at the end of the period	**794 119**	**646 105**	**-**	**-**
Number of preference shares ('000)	**34 381**	34 381	-	-
Fair value per preference share (cents)	**2 310**	1 879	-	-
Total carrying amount: ordinary shares and preference shares	**2 444 892**	1 984 751	**-**	-

Emira Property Fund

Emira Property Fund ("Emira") is a portfolio created under the Emira Property Scheme in terms of the Collective Investment Schemes Control Act, Act. 45 of 2002. It has been listed in the Real Estate Investment Trusts sector on the JSE Limited since 28 November 2003. The Fund is managed by Strategic Real Estate Managers Proprietary Limited ("STREM"), which is approved by the Registrar of Collective Investment Schemes to manage the Fund.

In October 2006 Tiso Property Proprietary Limited ("Tiso Property") acquired 35 491 905 shares in Emira as part of Emira's goal to introduce long term empowerment. The purchase price was funded by Rand Merchant Bank ("RMB") through a senior debt facility and a mezzanine debt facility. The balance was funded by Tiso Property as an equity contribution.

Tiso Property subsequently acquired an additional 6 779 563 shares in Emira when Emira required capital funding bringing its total shareholding in Emira to 42 271 468 shares (8.35%). All the shares are held by Tiso Property, a wholly-owned subsidiary of the Group.

Tiso Property was subject to a lock-in period of five years, during which the shares could not be disposed of. Emira has further restricted Tiso Property to three years during which it can only dispose of the interest to another BEE party. The initial five year lock in has passed and Tiso Property are now in the first year of the subsequent three year lock-in.

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Number of ordinary shares	**42 271 468**	42 271 468		
Share price (cents)	**1 496**	1 275		

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through profit and loss (continued)

AECI Limited

AECI Limited ("AECI") is a speciality product and services group of companies with a focus on servicing the mining and manufacturing sectors. AECI operates in 23 countries in the chemical services, mining services, property and speciality fibres industries.

Originally, Business Venture Investments No 884 Proprietary Limited (RF) ("BVI 884"), Business Venture Investment Proprietary Limited No 851 ("BVI 851") and the Tiso AEL Development Trust ("AEL Trust"), together called the KTH Consortium, owned an effective 25.1% of the shareholding in AEL Holdings Limited ("AEL").

In 2011, AECI entered into a broad-based black economic empowerment ("B-BBEE") transaction with the KTH Consortium whereby AECI acquired the 25.1% not held by it in AEL and in exchange issued BVI 884 and the AEL Trust with 3 509 000 and 1 169 667 ordinary shares in AECI, respectively.

The transaction agreement includes certain BEE lock-in provisions in relation to the AECI shares:

- The shares cannot be encumbered without the consent of AECI;
- BVI 884 cannot dispose of the AECI shares or participate in a partial offer and;
- BVI 884 cannot dispose of the AECI shares other than to transfer them to a wholly owned subsidiary of the Group.

The lock-in period commenced on 18 January 2012 and ends on the exit date, 31 December 2015. The agreement also provides AECI with pre-emptive rights for a period of one year after the lock-in, whereby BVI 884 cannot dispose of more than 250 000 AECI shares, whether in one or more tranches, unless BVI 884 first offers to sell such shares to AECI. The contract also defines certain trigger events which would allow AECI to exercise a call option over the AECI shares.

All the shares are held by BVI 884, a wholly owned subsidiary of the Group.

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Number of ordinary shares	**3 509 000**	3 509 000		-
Share price (cents)	**11 450**	7 975		-

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

Aveng Limited and Qakazana Investment Holdings Proprietary Limited

The Aveng Group ("Aveng") is a multi-disciplinary construction and engineering Group, anchored in South Africa, with expertise in a number of market sectors: power, mining, infrastructure, commercial and industrial, oil and gas.

In 2004, Four Arrows 39 Proprietary Limited ("Four Arrows") invested in Aveng Africa and Trident Steel which are operating subsidiaries of Aveng. Qakazana Investment Holdings Proprietary Limited ("Qakazana") was established to facilitate the introduction of 25% BEE shareholding in both Aveng Africa and Trident Steel. Four Arrows acquired 36% of the issued share capital of Qakazana.

The Qakazana shareholders were granted a put option which required Aveng to purchase all the shares from the Qakazana shareholders. Aveng could settle the put option either in cash or by issuing shares in Aveng Limited or a combination of the two.

Four Arrows exercised the put option in November 2011 and, through the restructured transaction, flipped up its shareholding in Aveng Africa and Trident Steel into Aveng.

The Group currently holds 97 shares in Aveng through its subsidiary Four Arrows. The delivery of the remaining 9 659 820 shares has been deferred until 30 June 2014. The total holding of 9 659 917 shares amounts to a 2.41% holding in Aveng. The deferred shares are used to calculate the value of the investment in Qakazana.

All the shares are held by Four Arrows, a wholly-owned subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through profit and loss (continued)

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Number of ordinary shares	**97**	97		
Share price (cents)	**2 990**	3 580		

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

Investec Limited

Investec Limited ("Investec") is an international financial services and products Company, which operates in three principle markets (South Africa, the United Kingdom and Australia), providing services to a niche client base. The Company also operates in various other geographies on a smaller scale.

On 12 November 2003, Tiso INL Investments I Proprietary Limited ("Tiso INL") invested in Investec. Tiso INL purchased 14 million Investec shares at a cost of R 252 million. In terms of the transaction agreement, Tiso INL was obliged to pay to the Public Investment Corporation ("PIC") and Investec Bank (Mauritius) Limited ("IBM") a participation amount. Furthermore, Tiso INL was indebted to the PIC and IBM for the amounts specified in the respective PIC and IBM loan agreements.

With the conclusion of the stay-in agreement between Tiso INL and IBM on 12 August 2011, the amounts owed by Tiso INL to the PIC in respect of the loan agreement and the participation amount, and the amounts owed to IBM in terms of the loan agreement were settled. Accordingly, Tiso INL remained liable to pay to IBM the participation amount of R104.83 million, which the parties agreed would be settled with terms as set out in the stay-in agreement.

The terms of the stay-in agreement provide the following in respect of the 2 182 150 allocated Investec stay-in shares ("the shares"):

- The shares shall remain an asset of Tiso INL until IBM issues the demand notice;
- Until the demand notice is issued, Tiso INL shall be entitled to exercise all voting rights attached to the shares, and receive for its own benefit any and all distributions made by Investec;
- Tiso INL shall not be entitled to dispose of any of the shares;
- IBM shall be entitled, but not obliged, at any time after the stay-in period (the period commencing on the closing date (12 August 2011) and terminating on the third anniversary thereof), to issue a demand notice requiring Tiso INL to settle its obligation to pay the IBM participation amount by either transferring the ownership of the shares to IBM or selling the shares and paying over the net income to IBM. The method of settlement is determinable by IBM.

During the financial year Tiso INL disposed of, the 4 529 282 shares held on the market.

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Number of ordinary shares	**-**	4 529 282		
Share price (cents)	**-**	4 801		

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through profit and loss (continued)

Main Street 333 Proprietary Limited

In 2006, Morning Tide Investments 168 Proprietary Limited ("Morning Tide") participated in the black economic empowerment transaction of Exxaro Resources Limited ("Exxaro"). In terms of this transaction, a newly created Company, Main Street 333 Proprietary Limited ("Main Street 333") acquired the controlling shareholding of Exxaro. Morning Tide acquired a 9.71% interest in Main Street 333, with a consortium of other investors subscribing for the remaining 90.29%. The Company owns 82.05% of the issued share capital of Morning Tide.

The original purchase consideration was financed by Morning Tide through the issue of non-participating "C" preference shares to the value of R27 million and the issue of "A" and "B" redeemable preference shares to the value of R225 million to The Standard Bank of South Africa Limited and Nedbank Limited respectively. This resulted in Morning Tide being cash neutral until such time as Exxaro's indebtedness to Main Street 333 has been discharged.

Morning Tide's investment in the share capital of Main Street 333 is not yet accounted for as an investment in associate. The entire transaction is accounted for as an equity-linked derivative instrument. Upon settlement of the liabilities, the investment will become an associate. The equity-linked instrument has been classified as a derivative and fair value movements recognised through profit and loss.

Valuation assumptions

The investment was valued using the Monte Carlo technique. All of the dates of relevance in the life of the option, dividend declare date, dividend LDR dates, dividend payment dates, the effective date, the maturity date and debt roll up dates are arranged in order (some dates may play more than one role here). The price is made to evolve from the one date to the next date in that ladder.

The risk-free rate determined by a bootstrapped zero coupon perfect fit swap curve was obtained from the mark-to-market of bonds on the valuation date. A dividend yield of 3.49% was used.

At the maturity date, 28 November 2013, it is assumed that the asset is liquidated. The cash so released is used to service any remaining debt. The remainder is equity. The present value of this cash is then found. The financial asset is regarded as a Level 2 instrument, as per the fair value hierarchy.

Nozala Capital Management Proprietary Limited and Nozala Holdings Proprietary Limited

Nozala Capital Management Proprietary Limited and Nozala Holdings Proprietary Limited are shareholder companies of Nozala Investments Proprietary Limited ("Nozala"). Nozala is a broad-based women's investment Company that holds investments in various listed and unlisted companies. The Group has an effective interest of 15.80% in Nozala.

Valuation assumptions

Nozala performs its own valuations of the assets it holds. Various methodologies were applied by Nozala to value its investments including discounted cash flow and earnings multiples, depending on the investment type and available information.

Blue Falcon 69 Trading Proprietary Limited

Blue Falcon 69 Trading Proprietary Limited ("Blue Falcon") is a special purpose vehicle whose activities are restricted to owning "A" acquired ordinary shares in Adcock Ingram Holdings Limited ("AIH"). Blue Falcon was set up by Kagiso Strategic Investments III Proprietary Limited, Kurisani Youth Development, and Mookodi Pharma Trust. The investment in Blue Falcon is accounted for as an equity-linked derivative instrument. Fair value movements are recognised through profit or loss. The option to trade the shares would be exercised at the earliest possible date, which will be 10 years after inception of the agreement, being 1 April 2020.

Valuation assumptions

The equity-linked instruments were valued as an European call option using the Monte Carlo Simulation model. Volatility was measured as annualised standard deviation of the daily price changes in the underlying shares, being AIH, assuming a normally distributed return on the share price. This is normally calculated with reference to the historical volatility of the share over a period equal to the remaining option period prior to the valuation date. Due to insufficient historical information of AIH as its only been listed for 4.4 years, the volatility was based on 4 years of data.

The risk-free rate determined by a bootstrapped zero coupon perfect fit swap curve was obtained from the mark-to-market of bonds on the valuation date. A dividend yield of 2.89% (2012:2.81%) was used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 Financial assets at fair value through profit and loss (continued)

Three Diamonds Trading 564 Proprietary Limited

Three Diamonds Trading 564 Proprietary Limited ("Three Diamonds") is a special purpose vehicle formed by Kagiso Strategic Investments III Proprietary Limited and Imperial Holdings Limited to hold 80 million ordinary shares in MiX Telematics Limited ("MiX"). The effective interest in MiX held by Three Diamonds is 12.18%.

The investment in Three Diamonds is accounted for as an equity-linked derivative instrument. Fair value movements are recognised through profit or loss. The option to trade the shares would be exercised at the earliest possible date, which will be 3 years after the inception of the agreement, being 3 March 2013. The option was exercised on 9 May 2013 and the investment was classified as held-for-sale at reporting date as the criteria in terms of IFRS 5 – Non current assets classified as held-for-sale and discontinued operations were met.

Change in classification of investments

There has been a change in the classification of Blue Falcon 69 Trading Proprietary Limited and Three Diamonds Trading 564 Proprietary Limited. This was previously classified as Available-for-sale financial assets; however in the current financial year this has been included as financial assets held at fair value through profit and loss, as the movement in these investments are accounted through profit and loss.

The effect of the above is included below:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Decrease in available-for-sale financial assets	-	(301 470)	-	-
Increase in financial assets at fair value	-	301 470	-	-
	-	**-**	**-**	**-**

The total of the above financial assets at fair value through profit and loss are classified as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Non-current assets	6 426 103	6 523 652	-	-
Current assets	-	213 601	-	-
	6 426 103	**6 737 253**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 Held-to-maturity financial assets

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	474 412	-	61 477	-
Acquired through common control transaction	-	238 859	-	-
Held-to-maturity financial assets acquired through business				
Acquired through business combinations	-	171 545	-	23 908
Dividends accrued	12 331	8 524	2 829	2 558
Additions during the period	15 046	55 484	-	35 011
Impairments recognised during the period	(35 001)	-	(35 001)	-
Carrying value at the end of the period	**466 788**	474 412	**29 305**	61 477
Held-to-maturity financial assets include:				
Actom Investment Holdings Proprietary Limited	326 020	326 020	-	-
Eris Property Fund Proprietary Limited	51 207	30 777	-	-
Off The Shelf Investments 108 Proprietary Limited	-	-	10	10
Sea Harvest Holdings Proprietary Limited	89 561	82 614	-	-
Kagiso Ventures Investment Holdings Proprietary	-	35 001	-	35 001
Clidet 902 Proprietary Limited	-	-	29 295	26 466
	466 788	474 412	**29 305**	61 477

Eris Property Fund Proprietary Limited
Various classes of preference shares have been issued by Eris Property Fund Proprietary Limited. The dividend rate ranges between 10.923% to 12.347%. Dividends accrue on a daily basis and compounds semi-annually. Dividends will accumulate and will be settled from net rental income and /or realisation gains in terms of the provisions of the fund agreements.

Sea Harvest Holdings Proprietary Limited
The preference shares issued by Sea Harvest Holdings Proprietary Limited ("Sea Harvest") are cumulative redeemable preference shares and dividends are calculated at 95% of the prime lending rate. The preference dividends are redeemable at the option of Sea Harvest.

Clidet 902 Proprietary Limited
These preference shares accrue dividends on a daily basis and are compounded monthly in arrears at a rate of prime plus 500 basis points. The redemption date is the first business day after the fifth anniversary of the subscription date.

Kagiso Ventures Investment Holdings Proprietary Limited
During the previous financial period Kagiso Tiso Holdings Proprietary Limited acquired B preference shares in Kagiso Ventures Investment Holdings Proprietary Limited. These preference shares does not accrue any dividends.

Full details relating to the preference shares are available from the registered office of the Company.

The total of the above held-to-maturity financial assets are classified as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Non-current assets	439 498	454 069	29 305	61 477
Current assets	27 290	20 343	-	-
	466 788	474 412	**29 305**	61 477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 Properties under development

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Development work in progress	6 916	6 916	-	-

Development work in progress represents costs capitalised in respect of the following development projects:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Somerset West, Western Province	5 313	5 313	-	-
Land Shelly Beach, KwaZulu Natal	1 603	1 603	-	-
	6 916	**6 916**	**-**	**-**

15 Loans and receivables

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Bravopic 101 CC	2 658	3 824	**-**	-
Kagiso Charitable Trust	-	3 533	**-**	-
Kagiso Media Limited - Joint venture partners	9 127	-	**-**	-
Mobil Alliance	-	7 235	**-**	-
Alstom Power Services Proprietary Limited	50 000	50 000	**-**	-
Other receivables	52 818	40 867	**-**	-
	114 603	105 459	**-**	-

Terms attached to loans and receivables

The loan to Kagiso Charitable Trust (KCT) is with the Company and is secured by shares held by KCT in FirstRand Limited through the FirstRand Empowerment Trust. The loan has no fixed terms of repayment and bears interest at 500 basis points above the prime. The loan was repaid in full during the financial period.

The loan to Bravopic 101 CC relates to the sale by Kagiso Exhibitions and Events Proprietary Limited of its shares in Expo Solutions Proprietary Limited for the purchase price of R 7,3 million on 1 July 2010. The loan is payable in 16 instalments over a period of four years. The loan is interest-bearing at an interest rate of prime less 200 basis points.

The loans to the Kagiso Media Limited joint venture partners consist of the following:

- An interest-free loan of R3 300 000 (2012: R7 235 000) to the Kagiso Vantage joint venture partner, as well as an interest-bearing loan of R3 120 000 (2012: R nil). The loan bears interest at 6%.
- An interest-free loan of R2 707 000 (2012: R nil) to the Home Pictures 1 joint venture partner.

The remainder of the loans and receivables are interest-free and have no fixed terms of repayment.

In the prior year an amount of R 44 395 000 was included under loans and receivables for the Company. It was reclassified from loans and other receivables to amounts due from group companies in the current year as this reflects the correct classification. The prior year balances were restated to reflect the reclassification.

The total of the above loans and receivables are classified as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Non-current assets	2 606	3 824	-	-
Current assets	111 997	101 635	-	-
	114 603	105 459	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 Amounts due from/(to) group companies

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Non-current assets	509 674	478 022	7 000	7 000
Current assets	12 884	9 678	861 350	859 946
Non-current liabilities	-	-	(849 900)	(89 900)
Current liabilities	(22 844)	(8 100)	(138 932)	(308 373)
	499 714	479 600	**(120 483)**	468 673

Refer to Annexure F and G for detailed disclosure of amounts due from/(to) Group companies.

17 Deferred income tax

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Deferred income tax asset				
Deferred income tax assets to be recovered within 12 months	17 114	18 571	-	-
Deferred income tax assets to be recovered after more than 12 months	46 942	33 740	-	-
	64 056	52 311	**-**	-
Deferred income tax liability				
Deferred income tax liabilities to be recovered within 12 12 months	(25 849)	4 527	-	-
Deferred income tax liabilities to be recovered after more than 12 months	(1 126 308)	(1 369 701)	(365)	(122 755)
	(1 152 157)	(1 365 174)	**(365)**	(122 755)
Deferred income tax liability (net)	**(1 088 101)**	(1 312 863)	**(365)**	(122 755)
The gross movement on the net deferred income tax account is as follows:				
Carrying value at the beginning of the period	(1 312 863)	-	(122 755)	-
Acquired through common control transaction	-	(238 774)	-	1 037
Acquired through business combinations	-	(446 394)	-	-
Tax losses	(70)	(7)	-	-
Originating temporary differences charged to the of comprehensive income	46 796	(332 584)	14 700	(15 737)
Originating temporary differences charged to other comprehensive income	169 597	(246 851)	107 690	(108 055)
Originating temporary differences charged to the of comprehensive income - discontinued operations	7 989	-	-	-
Acquisition of subsidiaries	451	(50 695)	-	-
Deemed gain on disposal	-	2 442	-	-
Carrying value at the end of the period	**(1 088 101)**	(1 312 863)	**(365)**	(122 755)

Deferred income tax assets are recognised for assessed tax losses to the extent that future taxable profits are probable.

Temporary differences associated with associates, joint ventures and partnerships

Deferred tax on subsidiaries, associates, joint ventures and partnerships are provided at 0% as it is expected that the carrying value of these investments will be recovered by the receipt of dividends from these investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 Deferred income tax (continued)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Deferred income tax assets				
Property, plant and equipment	(4 119)	(4 802)	-	-
Intangible assets	(5 278)	7	-	-
Inventories	6 275	3 917	-	-
Investments	11 802	14 113	-	-
Prepayments	(723)	(404)	-	-
Doubtful debt provisions	(80)	1 221	-	-
Provisions	36 188	13 767	-	-
Deferred revenue	3 478	1 909	-	-
Straight-lining of leases	1 100	554	-	-
Assessed loss recognised	15 413	20 202	-	-
Other temporary differences	-	1 827	-	-
	64 056	52 311	**-**	-
Deferred income tax liabilities				
Property, plant and equipment	(5 839)	(5 743)	-	-
Intangible assets	(106 326)	(197 791)	-	-
Investments	(1 045 695)	(1 166 356)	(365)	(122 755)
Prepayments	(176)	(568)	-	-
Doubtful debt provisions	666	(21)	-	-
Provisions	2 786	5 066	-	-
Deferred revenue	565	50	-	-
Straight-lining of leases	610	71	-	-
Other temporary differences	1 252	118	-	-
	(1 152 157)	(1 365 174)	**(365)**	(122 755)
Net deferred income tax liabilities	**(1 088 101)**	(1 312 863)	**(365)**	(122 755)

18 Inventories

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Work in progress	4 781	7 156	-	-
Finished goods	39 631	64 483	-	-
Production supplies	228	350	-	-
	44 640	71 989	-	-
Inventories (write-downs)	(15 476)	(17 674)	-	-
	29 164	54 315	**-**	-

An impairment charge of R 15 476 000 (2012: R 17 674 000) was recognised against the inventories to write these down to net realisable value. The cost of inventories recognised as an expense and included in raw materials and consumables amounted to R 124 081 000 (2012: R 119 923 000).

19 Trade and other receivables

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Trade receivables	287 741	268 770	1 625	2 751
Less: provision for impairment of receivables	(8 944)	(10 543)	-	-
Trade receivables - net	278 797	258 227	1 625	2 751
Prepayments	10 804	13 156	716	665
Operating lease asset	769	651	710	651
Dividends receivable	17 449	36 704	3 000	-
Other receivables	62 871	58 435	6 691	4 571
	370 690	367 173	**12 741**	8 637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 Trade and other receivables (continued)

At 30 June 2013, trade receivables of R 36 842 000 (2012: R33 738 000) 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:

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Past due by 1 to 30 days	9 062	6 520	-	-
Past due by 31 to 60 days	4 986	3 106	-	-
Past due by 61 to 90 days	4 056	3 128	-	-
Past due by more than 90 days	18 738	20 984	-	-
	36 842	33 738	**-**	-

At 30 June 2013, trade receivables of R 8 944 000 (2012: R10 543 000) were impaired and fully provided for as a result of financial difficulties encountered by the various individual customers. It was assessed that a portion of these receivables is expected to be recovered. The ageing of these receivables is as follows:

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Past due by 1 to 30 days	1 002	206	-	-
Past due by 31 to 60 days	21	431	-	-
Past due by 61 to 90 days	621	816	-	-
Past due by more than 90 days	7 300	9 090	-	-
	8 944	10 543	**-**	**-**

The trade receivables that are neither past due nor impaired are considered to have a low risk of default.

The carrying value of the financial assets above is considered to be a reasonable approximation of the fair value.

Reconciliation of the provision for impairment of receivables

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Carrying value at the beginning of the period	10 543	-	-	-
Acquired from common control transaction	-	2 771	-	-
Acquired from business combinations	-	2 183	-	-
Provision for impairment of receivables	6 148	7 561	-	-
Receivables written off during the year as uncollectible	(6 465)	(1 067)	-	-
Unused amounts reversed	(1 282)	(905)	-	-
Carrying value at the end of the period	**8 944**	10 543	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Derivative financial instruments

GROUP	2013		2012	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
Current portion				
Shareholders' assets	800	-	-	-
Non-current portion				
Shareholders' liabilities	-	596	-	-
	800	**596**	**-**	**-**

The derivative instruments above are carried at fair value. The fair value of these derivative financial instruments have been determined based on discounted cash flow calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by senior management and the board of directors.

The derivative financial asset above consists of a call option granted by the non-controlling shareholders of Tivvit Solutions Proprietary Limited ("Tivvit") to Knowledge Factory Proprietary Limited to purchase the remaining shares in Tivvit based on specified terms and conditions. The fair value of the option as at 30 June 2013 is R800 000 (2012: R nil).

The derivative financial liability consists of a put option whereby the non-controlling shareholders in Kaufman Levin Associates ("KLA") can put its stake to the group based on specified terms and conditions. The fair value of the option as at 30 June 2013 is R596 000 (2012: R nil).

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

21 Film and television

GROUP	R'000
Carrying value at 1 July 2012	**-**
Cost	-
Accumulated amortisation	-
Additions	2 703
Amortisation	(319)
Carrying value at 30 June 2013	**2 384**
Cost	2 703
Accumulated amortisation	(319)

22 Cash and cash equivalents

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Cash and cash equivalents consist of:				
Cash on hand	372	351	2	3
Current bank balances	273 942	577 698	12 452	19 469
Short-term deposits	1 625 516	541 184	1 271 570	382 337
Bank overdraft	(48)	(1 144)	-	(1)
	1 899 783	1 118 089	**1 284 024**	401 808

The carrying amount of cash and cash equivalents is considered to be a reasonable of the fair value.
An amount of R3 566 352 (2012: R 3 505 351) has been pledged in terms of a lease guarantee for the premises to be occupied by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Assets classified as held-for-sale

Acceleration Media is a 50% owned joint venture company by Kagiso Media Investment Proprietary Limited, a wholly owned subsidiary of the group. During the year the group received an offer of R4,5 million to dispose of its interests in the business. The effective date of disposal is expected to be within the next financial year.

Juta and Company Limited is a wholly owned subsidiary of Kagiso Media Limited. During the year the group made the decision to dispose of the Juta Retail division. The effective date of disposal is expected to be within the next financial year.

The investments in Three Diamonds Trading 564 Proprietary Limited and Bell Equipment Sales SA Proprietary Limited are classified as a non-current asset held-for-sale as at 30 June 2013 as their carrying amounts are to be recovered principally through a sale transaction rather than through continuing use, and all the IFRS 5 requirements were met.

The assets and liabilities of these businesses were presented as held-for-sale.

The investment in Abland Manapa Investments Proprietary Limited and Abland Manapa Developments Proprietary Limited was disposed during the reporting period.

The major classes of assets and liabilities classified as held-for-sale at 30 June 2013 were as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Property, plant and equipment	2 932	-	-	-
Classified as assets held-for-sale	5 563	-	-	-
Impairment loss recognised on classification as held-for-sale	(2 631)	-	-	-
Intangible assets	7	-	-	-
Goodwill	2 550	-	-	-
Classified as assets held-for-sale	5 649	-	-	-
Impairment loss recognised on classification as held-for-sale	(3 099)	-	-	-
Deferred income tax assets	93	-	-	-
Investment in associates, joint ventures and partnerships	42 202	41 000	-	41 000
Financial assets at fair value through profit and loss	43 164	-	-	-
Inventories	13 015	-	-	-
Income tax asset	76	-	-	-
Trade and other receivables	5 086	-	-	-
Cash and cash equivalents	5 918	-	-	-
Assets classified as held-for-sale	**115 036**	41 000	-	41 000
Deferred income tax liabilities	7	-	-	-
Trade and other payables	13 377	-	-	-
Liabilities directly associated with assets classified as held-for-sale	**13 384**	-	-	-
Net assets directly associated with discontinued operations	**101 652**	41 000	-	41 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Share capital

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Authorised				
1 000 000 ordinary shares with no par value	1 000 000	1 000 000	1 000 000	1 000 000
Issued				
1 000 000 ordinary shares	7 396 376	7 396 376	7 396 376	7 396 376
Movement of ordinary shares for the period				
Total number of shares issued at the beginning of the period	1 000 000	-	1 000 000	-
Shares issued	1 840	1 000 000	1 840	1 000 000
Treasury shares bought back	(1 840)	-	(1 840)	-
	1 000 000	1 000 000	**1 000 000**	1 000 000

25 Treasury shares

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
KTH Staff Participation Trust	(482 300)	(482 300)	-	-
Kagiso Trust Investments Share Trust 2008	(60 616)	(60 616)	-	-
Tiso Share Trust	-	(136 596)	-	-
Kagiso Asset Management Employee Share Trust*	(5 605)	(5 605)	-	-
	(548 521)	**(685 117)**	**-**	**-**

* Treasury shares issued by a subsidiary of the Group.

These trusts are consolidated due to the shares being issued under control of the Trustees of the Trust, who are also directors of the Group.

During the reporting period the Tiso Share Trust disposed of its shares to other shareholders.

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Movement of treasury shares for the period				
Total number of shares issued at the beginning of the period	99 750	-	-	-
Shares issued	-	99 750	-	-
Shares sold/bought back	(21 400)		-	-
	78 350	99 750	**-**	**-**
Reconciliation of number of shares held				
Shares held by KTH Staff Participation Trust	68 831	68 831	-	-
Shares held by Kagiso Trust Investments Share Trust 2008	9 519	9 179	-	-
Shares held by Tiso Share Trust	-	21 740	-	-
	78 350	**99 750**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 Other reserves/(deficits)

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Analysis of reserves				
IFRS 3 reserve	-	193 016	-	189 877
Common control deficit	-	(2 874 738)	-	1 096 048
Share-based payment deficit	(14 699)	(5 394)	(14 699)	(5 394)
Available-for-sale reserve	378 947	350 999	77 123	187 723
Other reserves	4 586	450 112	-	-
	368 835	(1 886 006)	**62 424**	1 468 254

IFRS 3 reserve

When the Group acquired the assets of Tiso Group Proprietary Limited on 1 July 2011, the fair value of shares issued, calculated in accordance with IFRS, exceeded the issue value of the shares in accordance with the shareholders' agreement. This resulted in the difference being recorded in a reserve called the IFRS 3 reserve. During the reporting period the reserve was transferred to retained income.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Fair value of net identifiable assets acquired	-	3 151 566	-	3 148 427
Purchase consideration	-	(2 958 550)	-	(2 958 550)
	-	**193 016**	**-**	189 877

Common control deficit

The acquisition of the Kagiso Trust Investments Proprietary Limited assets was considered to be a business combination under common control. In accordance with the Group's accounting policy for common control business combinations, the predecessor method of accounting was applied. In accordance with the predecessor method, any difference between the consideration given (shares issued) and the aggregate book value of the assets and liabilities (as of the date of the transaction) is recognised in a separate reserve within equity called the common control deficit reserve. During the reporting period the reserve was transferred to retained income.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Book value of net identifiable assets acquired under common control	-	1 563 088	-	5 533 874
Purchase consideration	-	(4 437 826)	-	(4 437 826)
	-	(2 874 738)	**-**	1 096 048

Other reserves

Other reserves mainly consist of share of equity accounted reserves of associates recognised by the group.

Transfer of reserves

Realised reserves are transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 Non-controlling interests

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Analysis of non-controlling interests:				
Emerald Panther Investments 43 Proprietary Limited	15 031	(1 156)	-	-
Firefly Investments 166 Proprietary Limited	47 388	13 858	-	-
Kagiso Asset Management Proprietary Limited	3 106	(361)	-	-
Kagiso Media Limited	1 433 486	1 386 149	-	-
Kagiso Trust Enterprises Proprietary Limited	-	(6)	-	-
Kagiso Ventures Proprietary Limited	38 726	(845)	-	-
Mainstreet 336 Proprietary Limited	44 182	40 131	-	-
Morning Tide Investments 168 Proprietary Limited	721 992	991 750	-	-
Xanthe Investment Holdings Proprietary Limited	1 735	323	-	-
	2 305 646	2 429 843	**-**	-
Analysis of dividends paid to non-controlling interests:				
Off the Shelf Investments 109 Proprietary Limited	-	294 956	-	-
Kagiso Asset Management Proprietary Limited	12 080	8 796	-	-
Xanthe Investment Holdings Proprietary Limited	199	3 214	-	-
Kagiso Media Limited	81 296	90 748	-	-
Emerald Panther Investments 43 Proprietary Limited	-	6 346	-	-
Firefly Investments 166 Proprietary Limited	-	8 632	-	-
	93 575	412 692	**-**	-

28 Borrowings

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Interest-bearing loans	938 264	1 053 498	51 516	129 893
Preference shares	2 023 153	2 320 605	-	288 142
Debt securities	850 000	351 800	-	-
Finance lease liabilities	3 697	9 701	332	593
Short-term borrowings	1 564	1 696	-	-
Financial guarantees granted	-	-	113 191	167 969
	3 816 678	3 737 300	**165 039**	586 596
The total of the above borrowings are classified as follows:				
Non-current liabilities	3 787 082	2 586 588	137 007	218 365
Current liabilities	29 596	1 150 712	28 032	368 231
	3 816 678	3 737 300	**165 039**	586 596
Interest-bearing loans				
Deutsche Investitions-Und Entwicklungsgesellschaft MBH	51 516	129 892	51 516	129 893
Nedbank Limited	463 692	408 245	-	-
Rand Merchant Bank	323 831	347 140	-	-
Investec Limited	-	53 910	-	-
Alstom 5th Africa Power Projects Proprietary Limited	39 977	50 000	-	-
Alstom Africa Holdings Proprietary Limited	45 784	50 000	-	-
Non-controlling interest loans	13 464	14 311	-	-
Total interest-bearing loans	**938 264**	1 053 498	**51 516**	129 893

Deutsche Investitions-Und Entwicklungsgesellschaft MBH

Deutsche Investitions-Und Entwicklungsgesellschaft MBH ("DEG") provided the Company with two loan facilities (R 100 million and R 75 million). The loan facilities have the following terms:

The R 100m loan obtained is repayable in two equal instalments on 15 February 2012 and 15 August 2012. The Company shall pay interest at a nominal compounded semi-annual rate being JIBAR plus 740 basis points. This loan is unsecured. The loan was settled during the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

The R 75m loan obtained is repayable in six semi-annual equal instalments starting on 15 August 2012. The Company shall pay interest at a nominal compounded semi-annual rate being 6-month JIBAR plus 240 basis points. This loan is unsecured.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Capital outstanding	50 000	75 000	50 000	75 000
Accrued interest	1 516	2 421	1 516	2 471
	51 516	77 421	**51 516**	77 471

Nedbank Limited

Nedbank Limited provided loan funding to Kagiso Power Services III Proprietary Limited ("KPS III") and Tiso Electrical Proprietary Limited ("Tiso Electrical") at a rate of 3-months JIBAR plus 775 basis points. These funds were used to invest into Actom Investment Holdings Proprietary Limited ("Actom"). The loan funding is repayable on 30 March 2017. KPS III and Tiso Electrical have pledged the shares in Actom as security for the funding obtained.

Rand Merchant Bank

Rand Merchant Bank ("RMB") provided loan funding to Tiso Property Proprietary Limited ("Tiso Property") to acquire MMI Holdings Limited's rights in Emira Property Fund ("Emira"). Financing was raised by means of a senior loan and mezzanine loan.

The interest rate on the senior loans is JIBAR plus 172 basis points compounded monthly and the interest rate on the mezzanine loans are JIBAR plus 508 basis points compounded monthly. Both the senior and mezzanine loan funding is repayable on 16 September 2016.

Interest rate swap contracts were entered into by Tiso Property with RMB for the variable rate on the senior and mezzanine loans. The fixed rate payer is Tiso Property, while RMB is the floating rate payer. The notional principal amounts outstanding relating to interest rate swap contracts at 30 June 2013 was R 19 million (2012 – R 27 million). Tiso Property has pledged its units in Emira as security for the funding obtained.

Investec Limited

Investec Bank ("Investec") provided a project loan facility to the maximum principal amount of R230 million to Kagiso Platinum Ventures Proprietary Limited ("KPV") to be utilised on the Mototolo project. KPV pledged its mineral rights in Mototolo Holdings Proprietary Limited in favour of Investec.

The loan initially accrued interest at 250 basis points above 3-month JIBAR compounded quarterly in arrears. The day following the Financial Completion Date the interest rate reduces to 250 basis points above 3 month JIBAR compounded quarterly in arrears. The loan is repayable in 15 equal semi-annual instalments beginning 30 months after the first advance. The first advance being May 2006. The loan was settled in full during the reporting period.

Alstom 5th Africa Power Projects Proprietary Limited

The loan from Alstom 5th Africa Power Projects Proprietary Limited is interest free and subject to the terms of the loan advanced to Alstom Power Services Proprietary Limited.

Alstom Africa Holdings Proprietary Limited

The loan is interest free and is due and payable upon the disposal Emerald Panther Investments 43 Proprietary Limited of its investment in the 1000 "A" Class Ordinary shares in Alstom S&E Africa Proprietary Limited, whether forced or voluntarily.

Non-controlling interest loans

These loans were advanced by minority shareholders in Firefly Investments 166 Proprietary Limited and Emerald Panther Investments 43 Proprietary Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
The maturity of interest-bearing borrowings is as follow:				
Payable within 1 year or on demand	28 032	133 802	28 032	79 893
More than 1 year but not exceeding 2 years	23 484	50 000	23 484	50 000
More than 2 years but not exceeding 5 years	886 748	869 696	-	-
More than 5 years	-	-	-	-
	938 264	**1 053 498**	**51 516**	129 893

Preference shares

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Redeemable preference shares			-	
Friedcorp 559 Proprietary Limited	-	288 142	-	288 142
Off the Shelf Investments 127 Proprietary Limited	91 666	106 759	-	-
Off the Shelf Investments 108 Proprietary Limited	483 465	568 019	-	-
Venmac Investments Proprietary Limited	-	9 228	-	-
Morning Tide Investments 168 Proprietary Limited	284 693	286 358	-	-
Tiswala Holdings Proprietary Limited	486 360	398 655	-	-
Business Ventures Investments No 884 Proprietary Limited	56 607	61 622	-	-
Cardona Investments 428 Proprietary Limited	583 765	539 247	-	-
Tiso Property No 2 Proprietary Limited	36 597	-	-	-
Alizay Properties 46 Proprietary Limited	-	62 575	-	-
Total preference shares	**2 023 153**	2 320 605	**-**	288 142

Friedcorp 559 Proprietary Limited (RF)

The preference shares are issued to Depfin Investments Proprietary Limited. The preference shares accrue dividends at a rate of 91.30% of prime, compounded monthly in arrears. The accrued dividends are payable on 1 October each year. The preference shares are fully redeemable on 1 July 2016. The preference shares were redeemed during the reporting period.

Off the Shelf Investments 127 Proprietary Limited

The preference shares are issued to MMI Holdings Limited. The preference shares accrue dividends at a rate of 80.00% of prime, compounded monthly in arrears. The accrued dividends are payable on 31 December each year. The preference shares are fully redeemable on 8 September 2015 but the redemption can be extended by agreement between MMI Holdings Limited and Off the Shelf Investments 127 Proprietary Limited.

Off the Shelf Investments 108 Proprietary Limited (RF)

Two different classes of preference shares are issued by Off the Shelf Investments 108 Proprietary Limited (RF) namely "A3" preference shares and "G" preference shares.

The "A3" preference shares are issued to MMI Holdings Limited. The preference shares accrue dividends at a rate of 88.00% of prime, compounded monthly in arrears. The accrued dividends are payable on 30 September and 31 March each year. The preference shares are fully redeemable on 29 June 2017.

The "G" preference shares are issued to a consortium of funders made up of Depfin Investments Proprietary Limited, Rand Merchant Bank, Sanlam Capital Markets Limited and Sanpref Proprietary Limited. The preference shares accrue dividends at a rate of 83.00% of prime, compounded monthly in arrears. The accrued dividends are payable on the 2nd business day after the receipt of each MMI Holdings Limited dividend distribution in respect of the pledged MMI Holdings Limited ordinary shares. The preference shares are fully redeemable on 29 June 2017. Forty one million MMI Holdings Limited shares are pledged as security for the funding obtained.

The balance of the “A3” preference shares at 30 June 2013 was R 321 570 604. The balance of the “G” preference shares at 30 June 2013 was R 161 813 359.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

Venmac Investments Proprietary Limited

The preference shares are issued to Macsteel Services Centre SA Proprietary Limited. The preference shares accrue dividends at a rate of prime plus 200 basis points, compounded monthly in arrears. The preference shares are fully redeemable on 31 August 2016. The preference shares were redeemed during the reporting period.

Morning Tide Investments 168 Proprietary Limited

The preference shares are issued to Depfin Investments Proprietary Limited and The Standard Bank of South Africa Limited. The preference shares accrue dividends at 80% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 7 September 2016. Morning Tide Investments 168 Proprietary Limited has pledged its shares in Main Street 333 Proprietary Limited as security for the funding obtained.

Tiswala Holdings Proprietary Limited

The preference shares are issued to Main Street 642 Proprietary Limited. The preference shares accrue dividends at 22% per annum, compounded quarterly in arrears. The preference shares are fully redeemable on 15 December 2015. The shares in Idwala Industrial Holdings Proprietary Limited have been pledged as security for the funding obtained.

Business Ventures Investments No 884 Proprietary Limited

The preference shares are issued to Rand Merchant Bank. The preference shares accrue dividends at 82% of prime, compounded monthly in arrears. The accrued dividends are payable on the 5th business day after the receipt of each AECI Limited dividend distribution. The preference shares are fully redeemable on 31 December 2015. Business Ventures Investments No 884 Proprietary Limited has pledged its shares in AECI Limited as security for the funding obtained.

Cardona Investments 428 Proprietary Limited (RF)

Two different classes of preference shares are issued by Cardona Investments 428 Proprietary Limited (RF) namely, "A" preference shares and "B" preference shares.

The "A" preference shares are issued to Depfin Investments Proprietary Limited, Rand Merchant Bank and The Standard Bank of South Africa Limited. The preference shares accrue dividends at a rate of 100.65% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 22 July 2016.

The "B" preference shares are issued to Depfin Investments Proprietary Limited, Rand Merchant Bank and The Standard Bank of South Africa Limited. The preference shares accrue dividends at a rate of 124.30% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 22 July 2016.

Alizay Properties 46 Proprietary Limited

The preference shares are issued to Investec Bank Limited. The preference shares accrue dividends at 99% of prime, compounded monthly in arrears. The accrued dividends are payable on 11 June and 10 December each year. The preference shares are fully redeemable on 12 December 2015. Alizay Properties 46 Proprietary Limited has pledged its shares in O-Line Holdings Limited as security for the funding obtained.

The preference shares were redeemed in full during the reporting period.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
The maturity of preference shares is as follows:				
Payable within 1 year or on demand	-	368 729	-	288 142
More than 1 year but not exceeding 2 years	-	-	-	-
More than 2 years but not exceeding 5 years	2 023 153	1 951 876	-	-
More than 5 years	-	-	-	-
	2 023 153	2 320 605	**-**	288 142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

Debt securities

On 16 September 2004, Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC") established a domestic note and redeemable preference share programme for a total programme value of R 1 billion. The programme memorandum has been restated and the programme value is increased to R 2 billion.

Listed redeemable preference shares

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Authorised preference shares				
1 000 000 redeemable preference shares R1 each	**1 000 000**	1 000 000	**-**	**-**
Issued preference shares				
KSP003	-	79 630	-	-
KSP004	-	73 254	-	-
KSP005	-	104 774	-	-
Total issued preference shares	**-**	**257 658**	**-**	**-**

KSP003, for a nominal value of R 78 million is a floating yield redeemable preference share. The shares bear a dividend which is payable and repriced six monthly at 84.70% of prime on a NACS basis. The shares are listed on the Johannesburg Securities Exchange ("JSE"). These preference shares were redeemed during the reporting period.

KSP004, for a nominal value of R 72 million is a floating yield redeemable preference share. The shares bear a dividend which is payable and repriced six monthly at 84.70% of prime on a NACS basis. The shares are listed on the JSE. These preference shares were redeemed during the reporting period.

KSP005, for a nominal value of R 100 million is a floating yield redeemable preference share. The shares bear a dividend which is payable and repriced six monthly at 99.70% of prime on a NACS basis. The shares are redeemable on 1 July 2012 and are listed on the JSE. These preference shares were redeemed during the reporting period.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
The maturity of preference shares is as follows:				
Payable within 1 year or on demand	-	257 658	-	-
More than 1 year but not exceeding 2 years	-	-	-	-
More than 2 years but not exceeding 5 years	-	-	-	-
More than 5 years	-	-	-	-
	-	257 658	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Listed bonds				
Issued listed bonds				
KSB004	-	52 473	-	-
KSB005	-	41 669	-	-
KSB007	256 623	-	-	-
KSB008	608 081	-	-	-
Total listed bonds	**864 704**	**94 142**	**-**	**-**

KSB004, for a nominal value of R 50 million is a floating rate note. The instrument bears interest which is payable and repriced quarterly at a fixed yield of 12%. The instrument matured on 1 February 2013 and was settled.

KSB005, for a nominal value of R 40 million is a floating rate note. The instrument bears a coupon half-yearly on a determination date at a fixed margin of 270 basis points above a fixed coupon of Government Stock R201. The instrument matured on 28 February 2013 and was settled.

KSB007, for a nominal value of R 250 million is a floating rate note. The instrument bears a coupon half-yearly on a determination date at a fixed margin of 275 basis points above the 3-month JIBAR rate. The instrument matures on 31 August 2017.

KSB008, for a nominal value of R 600 million is a floating rate note. The instrument bears a coupon quarterly on a determination date at a fixed margin of 330 basis points above the 3-month JIBAR rate. The instrument matures on 1 November 2017.

Once KSC obtains the funds on the issued instruments from the market, it on lends it on a back-to-back arrangement with Kagiso Tiso Holdings Proprietary Limited ("KTH"). In terms of the back-to-back arrangement KTH is required to repay the funds on the same terms as the issued instruments. This includes scheduled interest and capital repayments.

KTH did not default on any of the obligations under the domestic note and redeemable preference share programme for the period under review.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
The maturity of preference shares is as follows:				
Payable within 1 year or on demand	-	94 142	-	-
More than 1 year but not exceeding 2 years	-	-	-	-
More than 2 years but not exceeding 5 years	864 704	-	-	-
More than 5 years	-	-	-	-
	864 704	94 142	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

Finance lease liabilities

The Group leases various motor vehicles, office equipment, LED screens and production equipment, under non-cancellable finance lease agreements. The lease terms are between 36 and 60 months and ownership of the assets lies within the Group.

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Finance lease liabilities - minimum payments				
Less than one year	1 919	7 080	189	264
Later than one year and less than five years	2 010	3 422	183	440
	3 930	10 502	373	704
Future finance expenses on finance lease payments	(232)	(801)	(40)	(112)
Present value of finance lease payments	**3 697**	9 701	**332**	593
The present value of finance lease liabilities are as follows:				
Less than one year	1 765	6 543	189	197
Later than one year and less than five years	1 932	3 158	143	395
	3 697	9 701	**332**	593
Assets subject to finance lease (net carrying amount)				
Computer equipment	-	708	-	-
Motor vehicles	776	216	-	-
Plant and equipment	6 643	18 427	-	-
Office equipment	468	671	468	634
	7 887	20 022	**468**	634

Financial guarantees granted

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Alizay Properties 46 Proprietary Limited	-	-	-	49 871
Tiso Telecom Proprietary Limited	-	-	-	-
Cardona Investments 428 Proprietary Limited (RF)	-	-	82 338	92 777
Tiso Electrical Proprietary Limited and Kagiso Power Services III Proprietary Limited	-	-	30 853	25 321
	-	**-**	**113 191**	167 969

As part of the merger between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited ("Tiso Group"), Kagiso Tiso Holdings Proprietary Limited ("KTH") acquired the liabilities of Tiso Group. This included the following two financial guarantees:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

Financial guarantee - Alizay Properties 46 Proprietary Limited

Alizay Properties 46 Proprietary Limited ("Alizay") acquired a 27.03% (66 202 450 shares) stake in O-Line Holdings Limited ("O-Line") which was funded primarily through the issue of preference shares to Investec Limited ("Investec") to the value of R 62 464 000, and a portion of the funding was settled in cash. Tiso Group entered into a contract with Investec whereby Tiso Group would become liable should Alizay be unable to redeem all the preference shares issued to Investec.

Alizay was to redeem the preference shares on scheduled redemption dates as per the contract. The preference shares would be redeemed using the dividends received on the O-Line ordinary shares. Dividends received by Alizay would be invested in a Call account until the scheduled redemption dates. The funding received from Investec accrued interest at 99% of prime.

Prior to the merger, Tiso Group would be liable for any preference shares which have not been redeemed through the dividends received from O-Line and through the sale of O-Line ordinary shares. Subsequent to the merger, this liability was transferred to KTH.

During the reporting period the preference share liability was settled and KTH was released from the guarantee in terms of the obligations owing to Investec.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	49 871	-
Acquired through business combinations	-	-	-	62 604
Amortisation for the period	-	-	-	(12 733)
Settlement of liability	-	-	(49 871)	-
Carrying value at the end of the period	**-**	**-**	**-**	49 871

Financial guarantee - Tiso Telecom Proprietary Limited

Tiso Telecom Proprietary Limited ("Tiso Telecom") acquired a 25.1% (92 733 300 shares) stake in Africa Cellular Towers Limited ("ACT"). This stake was funded through the issue of 80 000 "A" Preference shares and 1 "B" Preference shares to RMB Property Holdco 1 Proprietary Limited ("RMB") for a subscription price of R 80 000 000 and R 0.01, respectively. Tiso Group entered into a contract with RMB whereby Tiso Group would become liable should Tiso Telecom be unable to redeem all the preference shares issued to RMB.

Prior to the merger, Tiso Group was liable for any preference shares which have not been redeemed through the dividends received from ACT and through the sale of the ACT ordinary shares. Subsequent to the merger, this liability was transferred to KTH. The structure replicates a European call option whose strike price grows over the term of the option. While the debt accrues interest, dividends received on the underlying ACT shares are used to service the interest. In order to incorporate all the characteristics of the structure, a Monte Carlo Simulation Model was built that replicates these features.

The financial guarantee was valued as at 1 July 2010, the date on which the rate of the "A" preference shares was changed. The "A" preference shares have a final redemption date of 13 February 2014. The volatility of ACT was estimated at 67.38% using the equally weighted methodology. Since ACT listed on the Alt X in November 2006, only 3.6 years of historical data had been used in the estimated volatility.

The financial guarantee was valued at R 15 million at 1 July 2011, which was the amount that KTH would be required to pay RMB in respect of this guarantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

Financial guarantee - Tiso Telecom Proprietary Limited (continued)

During the previous reported period, this financial guarantee was called by RMB and KTH was required to pay R 15 million to RMB. There is no remaining financial guarantee to RMB as at 30 June 2013.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	-	-
Acquired through business combinations	-	-	-	15 000
Settlement of guarantee	-	-	-	(15 000)
Carrying value at the end of the period	**-**	-	**-**	**-**

The following guarantees were entered into by KTH:

Financial guarantee - Cardona Investments 428 Proprietary Limited (RF)

On 22 July 2011, Cardona Investments 428 Proprietary Limited (RF) concluded a Bridge Facility Agreement for the purpose of funding the capital contribution made by KTH staff to enable the KTH Staff Participation Trust ("KTH Staff Trust") to purchase shares in KTH. The funding of the capital contribution was provided by Nedbank Limited, FirstRand Bank Limited, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited. This funding comprises "A" preference shares and "B" preference shares, and required a guarantee in the event that the KTH Staff Trust was unable to meet the loan obligations. KTH provided the guarantee whereby it acts as a guarantor to the funding for the "A" preference shares only.

The structure replicates a European call option whose strike (i.e. the debt) grows over the term of the option. While the debt accrues interest, dividends received by the KTH Staff Trust on the underlying KTH shares are used to service the interest. In order to incorporate all of the characteristics of the structure, a Monte Carlo Simulation model was built replicating these features. The maturity of the transaction is 5 years and 1 day from the date of issue, being 23 July 2016.

The volatility for KTH was estimated by calculating the volatility for the All Share Index. An equally-weighted volatility calculated over the historical period leading up to the valuation date of 30 June 2013 equal in duration to the time to maturity was applied in valuing the financial guarantee. An expected dividend forecast was used to determine the forecasted dividend yield.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	92 777	-
Amortisation for the period	-	-	(10 439)	-
Fair value of financial guarantee at initial recognition	-	-	-	92 777
Carrying value at the end of the period	**-**	**-**	**82 338**	92 777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Borrowings (continued)

Financial guarantee - Tiso Electrical Proprietary Limited ("Tiso Electrical") and Kagiso Power Services III Proprietary Limited

On 29 March 2012, Tiso Electrical Proprietary Limited ("Tiso Electrical") and Kagiso Power Services III Proprietary Limited ("KPS III") entered into an agreement with Nedbank Limited ("Nedbank") for term facilities amounting to R199,697,972 for Tiso Electrical and R195,408,718 for KPS III (collectively referred to as "the debt") in order to finance additional investments in Actom Investment Holdings Proprietary Limited ("Actom"). The contractual rate offered by Nedbank on the debt is JIBAR plus 300 basis points, nominal annual compounded quarterly.

KTH provided a limited guarantee on the debt and pledged its 18.62% equity holding in Actom against any likely default by Tiso Electrical and KPS III. In addition to the limited guarantee, KTH provides an unlimited undertaking which covers that portion of the debt over the limited guarantee amount. The maturity of the transaction is five years from the date of issue, being 29 March 2017.

The fair value of the guarantee is defined as the present value of:

G = Min (Max (D - A - R430 million, 0) , R120 million)

Where:

A = value of the Actom shares on maturity
D = value of the outstanding debt on maturity
R430 million = the guarantee only activates if D - A > R430 million
R120 million = the guarantee cannot exceed R120 million

As the payoff structure represents an option-type payoff, a Monte Carlo simulation was utilised as an appropriate valuation technique.

The volatility of Actom was estimated by calculating the volatility of the Electrical & Electrical Equipment Index (J273) on the JSE. An equally-weighted volatility (24.49%) calculated over the historical period leading up to the valuation date equal in duration to the time to maturity was applied in valuing the financial guarantee.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	25 322	-
Amortisation for the period	-	-	5 531	-
Fair value of financial guarantee at initial recognition	-	-	-	25 322
Carrying value at the end of the period	**-**	-	**30 853**	25 322

29 Deferred income

The part disposal of the investment in Idwala Industrial Holdings Proprietary Limited in December 2008 by Tiswala Investments Proprietary Limited ("Tiswala") resulted in the investment in associate showing a negative balance. This balance was recognised as deferred income and will be recognised in future periods as the associate makes profits. During the 2009 financial period, Tiswala started to recognise the movement in results from the associate against this balance. At the reporting date the associate's results for the period exceeded the opening balance of the deferred income and the balance was derecognised.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Reconciliation of carrying amount				
Carrying	33 330	-	-	-
Financial asset at fair value acquired through business combinations	-	69 294	-	-
Deferred gain on sale recognised during the year	(33 330)	(35 964)	-	-
	-	**33 330**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Share-based payment liabilities

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Kagiso Asset Management Employee Share Trust	31 295	29 199	-	-
The Kagiso Trust Investments Share Scheme 2008	2 480	1 406	2 480	1 406
The KTH Staff Participation Trust	46 096	12 571	46 096	12 571
The Kagiso Media Limited Share Option Scheme	522	-	-	-
	80 392	43 176	**48 576**	**13 977**

Kagiso Asset Management Employee Share Trust
On 12 October 2005 Kagiso Asset Management Proprietary Limited ("KAM") established the Kagiso Asset Management Employee Share Trust ("the trust") which purchased 19% of the issued share capital of KAM. The trust was initially funded by an interest-bearing loan from a co-shareholder. Units in the trust were then allocated to employees. This initial allocation effectively represented 16.5% of the issued shares and a corresponding loan account.

The share scheme is considered to be cash-settled in accordance with IFRS 2 Share-based payments.

In terms of the trust deed, the trust is financed by its own resources and by loans made to the trust by KAM and Kagiso Tiso Holdings Proprietary Limited. There are certain provisions relating to requirements to sell units back to the trust on leaving the employment of KAM prior to certain dates set out in participation notices issued to beneficiaries.

Summary of the movements in the share scheme are as follows:
Authorised units
The trust purchased 5 636 shares in KAM from an existing shareholder for a gross consideration of R 191 per share and 800 units from an existing beneficiary for a gross consideration of R 251.24 per unit in the previous reporting period.

Allocated units
3 600 units (2012:4 000 units) were allocated to beneficiaries during the current year.

There were no other movements in the share scheme in the current period.

Description of the share scheme:
The share scheme can be described as being made up of "A", "B" and "C" units.

"A" Units
The units originally issued ("A units") effectively represent the value of shares in KAM plus a corresponding portion of the debt of the trust.

These "A units" had conditions attached which set out a timetable for determining the proportion of the value of the units that the employee will receive if they leave KAM's employment. All dates in this timetable have now passed, so there are now no conditions applying to the sale of these units. As at 30 June 2013, the "A" units' corresponding portion of the debt in the trust has been repaid.

"B" Units
The units issued in August 2008 ("B units") effectively each represent the value of a share in KAM but offset by an amount, which in one case is equal to a portion of the trust's debt plus a "notional loan" amount, and in all other cases is equal to a portion of the trust's debt. These offsets increase by the relevant interest rate and are reduced by dividends received by the trust. The effect of this is that the units have a zero value at issue, but will increase by the increase in the share price and any dividends received, less the accrual of interest on the loan and/or the "notional loan", less any payments of dividends to beneficiaries.

These "B units" have conditions attached, which set out a timetable for determining the proportion of the value of the units that the employee will receive if they leave KAM's employment. All dates in this timetable have now passed, so there are now no conditions applying to the sale of these units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Share based payment liabilities (continued)

"C" Units

The units issued in August 2011 ("C units") effectively each represent the value of a share in KAM but offset by an amount which is equal to a portion of the trust's debt. These offsets increase by the relevant interest rate and are reduced by dividends received by the trust. The effect of this is that the units have a zero value at issue, but will increase by the increase in the share price and any dividends received, less the accrual of interest on the loan, less any payments of dividends to beneficiaries.

These "C units" have conditions attached, which set out a timetable for determining the proportion of the value of the units that the employee will receive if they leave KAM's employment. The timetable that is still applicable is as follows:

- Should the employee leave prior to 31 December 2013, upon sale of the units he will be entitled to receive 0% of the unit value.
- Should the employee leave between 31 December 2013 and 31 December 2014, upon sale of the units he will be entitled to 40% of the unit value.
- Should the employee leave between 31 December 2014 and 31 December 2015, upon sale of the units he will be entitled to 50% of the unit value.
- Should the employee leave any time after 31 December 2015, upon sale of the units he will be entitled to 100% of the unit value.

"D" Units

The units issued in September 2012 ("D units"), effectively each represent the value of a share in KAM but offset by an amount which is equal to a portion of the trust's debt plus a "notional loan" amount. These offsets increase by the relevant interest rate and are reduced by dividends received by the trust. The effect of this is that the units have a zero value at issue, but will increase by the increase in the share price and any dividends received, less the accrual of interest on the loan and/or the "notional loan", less any payments of dividends to beneficiaries.

These "D units" have conditions attached, which set out a timetable for determining the proportion of the value of the units that the employee will receive if they leave KAM's employment. The timetable that is still applicable is as follows:

- Should the employee leave prior to 31 December 2014, upon sale of the units he will be entitled to receive 0% of the unit value.
- Should the employee leave between 31 December 2014 and 31 December 2015, upon sale of the units he will be entitled to 40% of the unit value.
- Should the employee leave between 31 December 2015 and 31 December 2016, upon sale of the units he will be entitled to 50% of the unit value.
- Should the employee leave any time after 31 December 2016, upon sale of the units he will be entitled to 100% of the unit value.

Description of the share scheme:

Summary of movements in the share purchase scheme are as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Authorised units				
Opening balance	85 136	79 500	-	-
Created due to share purchases	-	5 636	-	-
Closing balance	**85 136**	85 136	**-**	-
Allocated as follows:				
"A" units	53 400	53 400	-	-
"B" units	23 400	23 400	-	-
"C" units	4 000	4 000	-	-
"D" units	3 600	-	-	-
Unallocated	736	4 336	-	-
	85 136	85 136	**-**	-
Share-based payment liability				
The fair value of the liability at year-end is as follows:				
Opening balance	29 199	9 918	-	-
Fair value movement	2 096	19 281	-	-
Closing balance	**31 295**	29 199	**-**	-

The fair value of the services provided was determined using the Monte Carlo simulation model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Share based payment liabilities (continued)

The Kagiso Trust Investments Share Scheme 2008

In April 2010, the Kagiso Trust Investments Share Scheme 2008 ("the Scheme") was established for qualifying employees of the Group. The Scheme holds shares in the issued ordinary share capital of the Company.

Shares are offered to qualifying employees at aggregate fair-value of each cash generating unit in the Group as determined by the most recent approved valuation of the Group. The share price of each share is then calculated by dividing the aggregate value by the number of ordinary shares in issue by the Company.

On the expiry of the 5 years from the date of the offer, the beneficiary is entitled to sell any portion of their scheme shares to the Scheme at market value.

The Scheme is considered to be a share appreciation scheme that is cash-settled in accordance with IFRS 2 share-based payments.

During the current financial year, the valuation was performed by KPMG Incorporated and the value determined is based on internal assumptions about various assets.

The shares of the beneficial owners are held by the Trust as a Nominee.

Summary of movements in the share purchase scheme are as follows:

	GROUP		COMPANY	
	2013	2012	**2013**	2012
Number of shares				
Existing issues	-	2 422	-	2 422
Exercised	-	(1 477)	-	(1 477)
Granted	7 702	7 702	7 702	7 702
Shares forfeited, not issued	(4 995)	(4 909)	(4 995)	(4 909)
	2 707	3 738	**2 707**	3 738
	R'000	R'000	**R'000**	R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	1 406	-	1 406	-
Liability acquired through common control transaction	-	8 515	-	8 515
Paid out to participants	(255)	(1 284)	(255)	(1 284)
Charge to statement of comprehensive income	1 328	(5 825)	1 328	(5 825)
Carrying value at the end of the period	**2 480**	1 406	**2 480**	1 406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Share based payment liabilities (continued)

The KTH Staff Participation Trust

The KTH Staff Participation Trust ("KTH Staff Trust") was formed in order to facilitate an incentive scheme for the employees of Kagiso Tiso Holdings Proprietary Limited ("KTH") as well as employees of two of KTH's shareholders, Tiso Foundation Charitable Trust and Kagiso Charitable Trust. The employees of these entities can earn units in the KTH Staff Trust which will vest after five years of service, commencing on 1 July 2011. On 1 July 2011, each recipient was required to pay an amount of R0.01 per trust unit allocated to them. Once the trust units have vested, recipients will by virtue of obtaining trust units become beneficiaries of the KTH Staff Trust. The holders of these trust units can, at any chosen time thereafter, redeem their trust units for shares in KTH. The KTH Staff Trust currently holds an equivalent number of shares in KTH as there are units in the KTH Staff Trust. These shares were acquired by the KTH Staff Trust using a capital contribution received from Cardona Investments 428 Proprietary Limited (RF) ("Cardona"). During the reporting period, Cardona obtained funding for this capital contribution to enable the KTH Staff Trust to purchase the initial KTH shares. The funding of this capital contribution was provided by A and B preference shares issued by Cardona to Nedbank Limited, FirstRand Bank Limited, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited. Refer to note 25 for further details on the treasury shares held by KTH Staff Trust.

The trust units represent the option to acquire shares in KTH. Should the recipient's employment be terminated, the units will return to the KTH Staff Trust as unallocated units in exchange for either shares in KTH, the original payment of R0.01, or 50% of the payment, dependant on whether the person is considered a Good Leaver, a Bad Leaver or an Aggravated Bad Leaver. All returned units will form part of the KTH Staff Trust's unallocated units & will remain restricted.

The requirements of IFRS 2 apply, as this is a transaction in which KTH is receiving services in exchange for a transfer of its own equity instruments, in spite of the fact that this transfer is made by a shareholder of KTH, i.e. the KTH Staff Trust, and not KTH itself. A cash-settled share-based payment transaction is one in which an entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price or value of equity instruments of the entity. The awards issued by KTH shall be treated as cash-settled liabilities, on the basis that payment is mandatory on cessation of employment based on whether the person is considered a Good Leaver, a Bad Leaver or an Aggravated Bad Leaver.

In the above arrangement, the KTH Staff Trust is acting as an agent on behalf of KTH. The KTH Staff Trust is consolidated into the Group. The cash-settled share-based payment liability is recognised in the consolidated financial statements of KTH.

The strike price of the options are equal to the outstanding loan balances of the A and B preference shares at the expiry date of 22 July 2016, which is expected to be R 801 458 026.

The vesting schedule of the option is tabulated below:

Vesting period	%Vesting	Cumulative % Vested	Vesting Date
Year 1	0.00%	0.00%	01 July 2012
Year 2	0.00%	0.00%	01 July 2013
Year 3	33.33%	33.33%	01 July 2014
Year 4	33.33%	66.66%	01 July 2015
Year 5	33.34%	100.00%	22 July 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Share based payment liabilities (continued)

Movements in the number of allocated trust units are tabulated below:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Movement of number of units				
Outstanding at the beginning of the period	48 506	-	48 506	
Granted to Kagiso Charitable Trust employees	268	6 493	268	6 493
Granted to Tiso Foundation Charitable Trust employees	292	1 429	292	1 429
Granted to KTH employees on 1 July 2011	-	44 480	-	44 480
Forfeited by KTH employees terminating during the year	(7 439)	(4 156)	(7 439)	(4 156)
Granted to new KTH employees during the year	4 263	260	4 263	260
Outstanding at the end of the period	**45 890**	48 506	**45 890**	48 506

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Number of units				
Granted to Kagiso Charitable Trust employees	6 761	6 493	6 761	6 493
Granted to Tiso Foundation Charitable Trust employees	1 721	1 429	1 721	1 429
Granted to KTH employees	37 408	40 584	37 408	40 584
Unallocated units	16 429	13 813	16 429	13 813
Balance of units allocated	**62 319**	62 319	**62 319**	62 319

The fair value of all trust units as at 30 June 2013 is R 119 283 562 (2012: R 46 869 631), determined by applying the Black-Scholes model. The fair value of each trust unit as at 30 June 2013 is R 1 733 (2012: R681).

The following significant inputs into the Black-Scholes model were as follows:

Dividend yield	0.00%
Volatility	15.77%
Share price	8 341.98
Exercise date	22 July, 2016
Discounting factor	8.25%

The full value of the trust units allocated by KTH Staff Trust to employees of Tiso Foundation Charitable Trust and Kagiso Charitable Trust are debited to equity during the current reporting period, as KTH has no control over the employment services which those beneficiaries provide.

As at 30 June 2013, R 14 699 237(2012: R 5 394 389) has been debited to equity to account for the trust units allocated to employees of Tiso Foundation Charitable Trust and Kagiso Charitable Trust, respectively.

The trust units allocated to KTH employees will be accounted for over the vesting period, during which the services are provided to KTH. As at 30 June 2013, R 46 097 092 (2012: R12 571 719) has been recognised as a liability to account for the trust units allocated to KTH employees.

31 Trade and other payables

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Trade payables	53 097	30 840	2 840	778
Other payables	68 712	120 879	12	10 060
Other accrued expenses	31 997	25 936	1 830	6 498
Amounts owing to equity holders of Kagiso Media Limited	501	20 521	-	-
Loan from trust beneficiaries - Tiso Share Trust	-	136 591	-	-
VAT	17 136	-	41	-
Deferred income	36 687	29 192	-	-
	208 131	363 959	**4 723**	17 336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Provisions

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Leave pay provision	16 677	19 064	2 112	1 275
Bonus provision	83 482	55 762	-	-
Royalty provision	46 590	32 487	-	-
Other	450	3 077	-	-
	147 198	110 390	**2 112**	1 275

GROUP

	Leave pay R'000	Bonus R'000	Royalty R'000	Other R'000	Total R'000
Balance at 1 July 2011	-	-	-	-	-
Acquired through common control	57 866	25 438	19 555	3 077	105 936
Charged to statement of comprehensive	(38 802)	30 324	12 932	-	4 454
Balance at 30 June 2012	19 064	55 762	32 487	3 077	110 390
Balance at 1 July 2012	19 064	55 762	32 487	3 078	110 390
Charged to statement of comprehensive	(1 009)	42 339	14 103	(838)	54 595
Utilised during the year	(1 378)	(14 619)	-	(1 790)	(17 787)
Balance at 30 June 2013	16 677	83 482	46 590	450	147 198

COMPANY

	Leave pay R'000	Bonus R'000	Royalty R'000	Other R'000	Total R'000
Balance at 1 July 2011	-	-	-	-	-
Charged to statement of comprehensive	1 275	-	-	-	1 275
Balance at 30 June 2012	1 275	-	-	-	1 275
Balance at 1 July 2012	1 275	-	-	-	1 275
Charged to statement of comprehensive	837	-	-	-	837
Balance at 30 June 2013	2 112	-	-	-	2 112

33 Revenue

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Revenue is derived from the following:				
Advertising	652 813	580 425	-	-
Production income	244 777	211 777	-	-
Contract service revenue	105 187	51 136	-	-
Subscriptions to published works	227 040	42 812	-	-
Electronic and online products	38 057	36 431	-	-
Intellectual property revenue	24 953	23 263	-	-
Entrance fees, commissions, sponsorships and other	23 228	16 328	-	-
Web income	9 465	4 727	-	-
Training	10 426	1 213	-	-
Management fees	134 919	100 021	5 402	4 660
	1 470 865	1 068 133	**5 402**	4 660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Cost of sales

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Cost of sales is derived from the following:				
Raw material and consumables	(236 270)	(119 923)	-	-
Commission and levies	(171 016)	(150 841)	-	-
Employee costs	(387 508)	(236 115)	-	-
	(794 794)	(506 879)	**-**	-

35 Depreciation and amortisation

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Amortisation of intangibles				
Trademarks, titles, copyright and intellectual property	(16 960)	(15 579)	-	-
Development expenditure	(504)	-		
Broadcast licence	(2 966)	(3 122)	-	-
Transmitter split facility	(636)	(681)	-	-
Customer relationships	(22 840)	(20 355)	-	-
Systems and software	(6 737)	(4 133)	(1 506)	-
Film and television content	(319)			
	(50 962)	(43 870)	**(1 506)**	**-**
Depreciation				
Computer equipment	(7 224)	(4 729)	(486)	(731)
Furniture and fittings	(2 837)	(2 064)	(468)	(483)
Leasehold improvements	(5 472)	(3 007)	(1 508)	(1 367)
Motor vehicles	(592)	(771)	(34)	(86)
Office equipment	(2 301)	(928)	(456)	(435)
Plant and equipment	(12 711)	(10 218)	-	-
	(31 136)	(21 717)	**(2 953)**	(3 101)
Amortisation of intangibles included in associate carrying amounts	(33 053)	(40 133)	-	-
	(115 151)	(105 720)	**(4 459)**	(3 101)

36 Operating profit/(loss)

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Operating profit/(loss) is stated after taking the account:				
Expenses				
Auditors' remuneration - current	(9 392)	(15 073)	(1 567)	(2 209)
Auditors' remuneration - prior year	(4 027)	-	(2 955)	(2 463)
Marketing and Programming	(34 184)	(34 105)	(1 395)	(321)
Total employment costs	(495 151)	(339 115)	(61 974)	(60 217)
Directors' emoluments	(57 627)	(60 464)	(19 629)	(26 706)
Employee costs	(437 524)	(278 651)	(42 345)	(33 511)
Legal Fees	(16 604)	(19 516)	(16 206)	(9 409)
Rental Expenses	(22 253)	(85 725)	(122)	-
Other Expenses	(27 516)	(72 659)	(13 586)	(653)
Inventory write-down	(15 476)	(17 674)	-	-
Professional fees	(39 054)	(41 601)	(9 695)	(16 373)
Loss on sale of property, plant and equipment	(51)	(2 250)	-	(1 270)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Dividend income

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Subsidiaries				
Kagiso Strategic Investments III Proprietary Limited	-	-	18 000	8 401
Kagiso Trust Enterprises Proprietary Limited	-	-	3 000	8 600
Kagiso Asset Management Proprietary Limited	-	-	13 026	10 931
Tiso Electrical Proprietary Limited	-	-	-	23 315
Kagiso Media Limited	-	-	64 967	67 656
Four Arrows 39 Proprietary Limited	-	-	5 796	-
Off the shelf investments 109 Proprietary Limited	-	-	65 129	-
Kagiso Ventures Proprietary Limited	-	-	1 518	-
Tiso INL Investments I Proprietary Limited	-	-	175 368	3 836
	-	**-**	**346 804**	122 739
Available-for-sale financial instruments				
Kagiso Infrastructure Investments Proprietary Limited	-	120	-	120
Metropolitan Health Corporate Proprietary Limited	20 061	20 847	-	-
MMI Holdings Limited	8 752	5 062	-	-
Macsteel Services Centre SA Proprietary Limited	11 250	11 250	-	-
Alstom S&E Africa Proprietary Limited	-	14 000	-	-
Alstom Power Services Proprietary Limited	24 378	18 083	-	-
FirstRand Empowerment Trust	496	-	496	-
	64 938	**69 362**	**496**	**120**
Financial assets at fair value through profit and loss				
MMI Holdings Limited	193 141	115 367	-	-
Emira Property Fund	47 581	22 746	-	-
AECI Limited	9 229	6 307	-	-
Qakazana Investment Holdings Proprietary Limited	5 796	-	-	-
Investec Limited	5 480	18 945	-	-
Main Street 333 Proprietary Limited	25 557	40 940	-	-
Nozala Capital Management Proprietary Limited	-	429	-	-
Nozala Holdings Proprietary Limited	-	450	-	-
Blue Falcon 69 Trading Proprietary Limited	-	2 968	-	-
	286 784	**208 152**	**-**	**-**
Other financial instruments				
RTG Fleet Services Proprietary Limited	-	20 000	-	20 000
KA Investment Partners Trust	-	-	-	5 990
	-	**20 000**	**-**	**25 990**
	351 722	**297 514**	**347 300**	148 848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 Other gains and losses

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	Restated 2012 R'000
Financial assets at fair value through profit and loss - designated				
MMI Holdings Limited	460 141	232 424	-	-
Emira Property Fund	93 420	(64 024)	-	-
Main Street 333 Proprietary Limited	(752 965)	339 328	-	-
AECI Limited	121 938	2 724	-	-
Investec Limited	17 407	(12 752)	-	-
Nozala Capital Management Proprietary Limited	(18 700)	21 354	-	-
Nozala Holdings Proprietary Limited	8 368	7 038	-	-
Africa Cellular Towers Limited	-	-	-	(17 250)
Aveng Limited	(56 994)	-	-	-
Blue Falcon 69 Trading Proprietary Limited	83 736	(45 686)	-	-
Three Diamonds Trading 564 Proprietary Limited	12 307	22 683	-	-
	(31 341)	503 089	**-**	(17 250)
Financial assets at fair value through profit and designated				
Investment in subsidiaries	-	-	1 058 698	904 239
Investment in associates, joint ventures and partnerships	-	-	(74 146)	2 400
	-	-	**984 552**	906 639
Available-for-sale investments: equity instruments				
FirstRand Empowerment Trust	233 002	-	233 002	-
	233 002	-	**233 002**	-
Financial guarantees granted	-	-	54 778	-
Other	30 364	3 533	-	12 734
	232 026	506 622	**1 272 332**	902 123

39 Profit/(loss) on sale of investments - net

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
MMI Holdings Limited	-	(1 143)	-	-
NM Rothschilds & Sons (South Africa) Proprietary Limited	-	(7 983)	-	-
O-Line Holdings Limited	-	15 379	-	-
Investec Limited	525	(15 934)	-	-
Alstom Electrical SA Proprietary Limited	-	15 000	-	-
Alstom SA Proprietary	-	5 002	-	-
AEL Holdco Limited	-	(927)	-	-
Emerald Panther Investments 43 Proprietary Limited	-	4 227	-	-
Firefly Investments 166 Proprietary Limited	-	10 658	-	-
Kagiso Asset Management Proprietary Limited	-	-	-	13 250
One Gospel Proprietary Limited	480	-	-	-
Abland Manapa Developments and Abland Manapa Proprietary Limited	(353)	-	(353)	-
	653	24 279	**(353)**	13 250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Net impairments(losses)/recoupments

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Associates				
Acton Repair Services Proprietary Limited	1 257	(32 605)	-	-
Battery Technologies Proprietary Limited	(401)	(18 754)	-	-
Bytes Technology Group	-	-	-	-
Coffey Projects (Africa) Proprietary Limited	-	(16 283)	-	-
Idwala Industrial Holdings Proprietary Limited	188 747	(255 952)	-	-
Kagiso Infrastructure Empowerment Fund	-	-	-	-
Resolve Group Proprietary Limited	(3 677)	-	-	-
Kagiso Property Developments Proprietary Limited	(4 796)	-	-	-
	181 131	(323 594)	**-**	**-**
Joint ventures				
Calibre Private Equity Investors Partnership No. 10	(1 614)	-	**-**	-
Kagiso Strategic Investments II Proprietary Limited	-	(29 863)	**-**	-
Infrastructure Finance Corporation Limited	(21 505)	-	**-**	-
	(23 118)	(29 863)	**-**	-
Other (impairments) / reversals including loans	(41 335)	2 959	(35 001)	(14 682)
	116 678	(350 498)	**(35 001)**	(14 682)

41 Finance income

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Interest income from banks	60 325	60 068	36 702	21 560
Interest income from Group companies	66 132	56 569	2 121	15 340
Preference share dividends received	14 944	8 482	6 146	33 598
Other interest income received	1 356	6 566	-	-
	142 756	131 685	**44 970**	70 498

42 Finance costs

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Interest paid on loans	(158 550)	(126 966)	(62 324)	(28 441)
Dividends on preference shares	(224 351)	(295 375)	(10 477)	(38 938)
Other interest paid	(5 100)	(6 945)	(65)	(36)
	(388 001)	(429 286)	**(72 865)**	(67 415)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43 Income tax expense

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Major components of the tax expense				
Current income tax				
Current income tax on profits for the year	(281 561)	(150 307)	(96 636)	(66)
Adjustments in respect of prior years	(2 704)	-	(1 895)	(6 550)
Secondary tax on	(207)	(12 292)	-	-
	(284 472)	(162 599)	**(98 531)**	**(6 616)**
Deferred income tax				
Origination and reversal of temporary differences	50 658	-	14 700	(15 738)
Adjustment in respect of prior years	(3 862)	(332 584)	-	-
	46 796	(332 584)	**14 700**	**(15 738)**
Total tax expense	**(237 676)**	(495 183)	**(83 832)**	(22 354)
Reconciliation between accounting profit and tax expense				
Profit before income tax	579 060	454 613	1 410 578	979 535
Tax at the applicable tax rate of 28%	162 137	127 292	394 962	274 270
Tax effect of adjustments on taxable income				
Expenses not deductible for tax purposes	185 793	220 521	41 980	54 236
Income not subject to tax	(176 333)	(234 331)	(385 864)	(320 917)
Future capital gain payable	32 878	332 584	-	14 699
Capital gains tax	32 754	22 616	32 754	66
Secondary tax on companies	207	12 292	-	-
Tax losses recognised	240	14 209	-	-
	237 676	495 183	**83 832**	22 354

44 Fair value adjustments on available-for-sale financial assets

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Designated through other comprehensive income/(loss)				
Alstom Power Services Proprietary Limited	52 109	11 226	-	-
Alstom S&E Africa Proprietary Limited	33 661	(4 668)	-	-
FirstRand Empowerment Trust	18 072	290 460	18 072	290 460
Inyanga Trading 76 Proprietary Limited	(3 360)	5 318	(3 360)	5 318
Macsteel Services Centre SA Proprietary Limited	(50 515)	75 500	-	-
Metropolitan Health Corporate Proprietary Limited	(28 735)	149 776	-	-
MMI Holdings Limited	19 729	4 779	-	-
Other	-	(20 164)	-	-
	40 961	512 227	**14 712**	295 778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 (Loss)/profit from discontinued

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
The results of the discontinued operations for the year are presented below:				
Profit and loss				
Revenue	96 175	11 578		
Other income	713	24 719	-	-
Net profit on sale of joint venture	-	338 827	-	-
Raw materials and consumables	(62 185)	(3 502)	-	-
Commission and levies	(1 151)	(43)	-	-
Employee costs	(15 998)	(6 137)	-	-
Marketing and programming expenses	(1 094)	(366)	-	-
Professional and consulting fees	(127)	(63)	-	-
Rental and management fees	(4 615)	(757)	-	-
Depreciation	(1 556)	(211)	-	-
Amortisation	(14)	(32)	-	-
Other expenses	(11 771)	(3 744)	-	-
Operating (loss)/profit	**(1 623)**	360 269	-	-
Finance	315	259	-	-
(Loss)/profit before income tax	**(1 308)**	360 528	-	-
Income tax expense	4 960	(56 414)	-	-
Profit after tax from discontinued operations	**3 652**	304 114	-	-
Pre-tax loss recognised on the remeasurement of assets of disposal group	(19 648)	-	-	-
(Loss)/profit for the year	**(15 996)**	304 114	**-**	-

The net cash flows incurred by the discontinued operations				
Operating cash flow	(11 729)	1 491	-	-
Investing cash flow	(424)	(176)	-	-
	(12 153)	1 315	**-**	-

There were no discontinued operations that have been sold in the current year. Acceleration Media Proprietary Limited ("Acceleration Media") and the retail division of Juta and Company Limited ("Juta") have been classified as assets held-for-sale and a discontinued operation. Acceleration Media forms part of the New Media business segment and Juta forms part of the Information and Other business segment. Board approval has been obtained to dispose of the businesses and the criteria in terms of IFRS 5 – Non-current assets classified as held-for-sale and discontinued operations have been met.

The comparative period includes the sale of LexisNexis Proprietary Limited ("LexisNexis"), a 50% owned joint venture company of Kagiso Media Limited and an overseas partner, Reed Elsevier Plc, which was concluded on 15 December 2011.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 (Loss)/profit from discontinued operations (continued)

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Property, plant and equipment	-	6 883	-	-
Intangible assets	-	164 105	-	-
Goodwill	-	8 166	-	-
Deferred income tax assets	-	10 796	-	-
Inventories	-	9 729	-	-
Trade and other receivables	-	65 520	-	-
Cash and cash equivalents	-	22 911	-	-
Deferred income tax liabilities	-	(59)	-	-
Provisions, trade and other payables	-	(58 795)	-	-
Current income tax liability	-	(2 952)	-	-
Total value of assets and liabilities disposed	**-**	226 304	**-**	-
Sale proceeds	-	565 000	-	-
Less: Total value of assets and liabilities disposed	-	(226 304)	-	-
Less: Capital gains tax arising from disposal	-	(57 050)	-	-
Less: Cost incurred on disposal	-	(2 032)	-	-
Plus: Dividend received	-	24 500	-	-
Profit on disposal in Group's account	**-**	304 114	**-**	-
Proceeds	-	565 000	-	-
Cash and cash equivalents of the investments disposed	-	(22 911)	-	-
Proceeds from the sale of investment, net of cash	**-**	542 089	**-**	-

46 Cash generated from/(used in) operations

	GROUP 2013 R'000	GROUP 2012 R'000	COMPANY 2013 R'000	COMPANY 2012 R'000
Profit before income tax including discontinued operations	563 064	758 727	1 410 578	979 535
Adjustments for:				
Profit on sale of investments - net	(653)	(24 279)	353	(13 250)
Finance income	(142 756)	(131 685)	(44 970)	(70 498)
Finance costs	388 001	429 286	72 865	67 415
Other gains / (losses) - net	(232 026)	(506 622)	(1 272 332)	(902 123)
Dividend income	(351 722)	(297 514)	(347 300)	(148 848)
Depreciation and amortisation	115 151	105 720	4 459	3 102
Impairment of investments, loans, assets and goodwill	(116 678)	350 498	35 001	(14 387)
Profit on sale of property, plant and equipment	(73)	(2 047)	(73)	(2 047)
Loss on dilution of associate	-	89	-	-
Deemed gain on disposal of Kagiso Exhibitions and	-	(2 443)	-	-
Disposal of property, plant and equipment	51	2 250	-	1 270
Share-based payment expense	25 548	(39 176)	25 548	1 352
Derecognition of Escrow provision	-	(25 900)	-	(25 900)
Reversal of loan impairments	(12 666)	18 297	(2 675)	-
Gain on bargain purchase	-	(102 337)	-	-
Bad debts	-	237	-	-
Profit from discontinued operations	-	(306 146)	-	-
Straight line of operating leases	-	217	-	-
Transaction costs incurred on business combination	4 212	-	-	-
Discontinued operations	11 945	-	-	-
Loan waiver	(3 608)	-	-	-
Share-based payment accrual movement	2 096	-	-	-
Operating lease accrual movement	(112)	-	-	-
Other	1 670	-	263	-
Changes in working capital:				
(Increase)/decrease in trade and other receivables	(31 780)	(24 825)	(1 104)	463
Increase in inventories	12 136	(3 261)	-	-
(Decrease)/increase in trade and other payables	2 651	(4 694)	(2 433)	3 990
(Decrease)/increase in provisions	42 325	(18 513)	837	3 484
Increase in loans and receivables	(5 139)	(1 382)	-	(3 345)
	271 638	174 497	**(120 982)**	(119 787)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

47 Related party information

Subsidiaries

Details of income from and investments in subsidiary companies are disclosed in note 8, 35 and Annexure A respectively. Details on amounts due from / (to) subsidiaries are disclosed in Annexure F.

Associated companies, joint ventures and partnerships

Details of income from and investments in associated companies, joint ventures and partnerships are disclosed in note 9 and 37 and Annexures B, C, D and E respectively. Details on amounts due from / (to) associated companies, joint ventures and partnerships are disclosed are disclosed in Annexure G.

Key management personnel

Information on directors is disclosed on page 1 and information on directors' emoluments is disclosed in note 47.

Shareholders

Details on the shareholders are disclosed on Annexure H.

48 Business combinations

Investment in Kaufman Levin Associates Proprietary Limited ("KLA")

During the current financial year, the group acquired an economic interest of 90% and an effective interest of 97,5% in KLA for a total purchase price of R27 million. The purchase consideration was settled in cash from the group cash reserves.

On 5 September 2012, the acquisition date for financial reporting and consolidation purposes, the group obtained control over KLA. On this day all the conditions precedent to the transaction were fulfilled and the purchase price allocation and fair values of the assets and liabilities of KLA were determined. The purchase price allocation has been finalised.

KLA is a market research company located in Johannesburg that provides qualitative and quantitative initiatives on behalf of leading local and international clients. With this acquisition, the group benefits through the further diversification into information and other services attached thereto.

Revenue of R33,3 million, operating profit of R3,3 million as well as profit after tax of R2,4 million for the 10-month period until 30 June 2013, are reflected in the segmental analysis under "Information and Other". If the acquisition had occurred on 1 July 2012, the contribution to the group's revenue would have been approximately R40 million and the contribution to profits would have been a net profit after tax of approximately R2,4 million. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional amortisation that would have been charged assuming a fair value adjustment to intangible assets had applied from 1 July 2012, together with the consequential tax effects.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Purchase consideration	27 025	-	-	-
Fair value of net identifiable assets acquired (see below)	(7 301)	-	-	-
Goodwill	**19 724**	-	**-**	-
Details of the net assets acquired are as follows:				
Property, plant and equipment	824	-	-	-
Intangible assets	3 580	-	-	-
Loans to shareholders	13	-	-	-
Deferred income tax assets	451	-	-	-
Trade and other receivables	5 088	-	-	-
Current income tax assets	431	-	-	-
Cash and cash equivalents	2 925	-	-	-
Borrowings	(84)	-	-	-
Short-term borrowings	(25)	-	-	-
Provisions, trade and other payables	(5 714)	-	-	-
Net assets acquired	**7 489**	**-**	**-**	**-**
Non-controlling interest share of net assets acquired	**(188)**	**-**	-	**-**
Kagiso Media's share of the fair value of net assets acquired	**7 301**	**-**	**-**	**-**
Total purchase consideration	27 025	-	-	-
Cash and cash equivalents in the business acquired	(2 925)	-	-	-
Cash outflow on acquisition of KLA	**24 100**	**-**	**-**	**-**

The goodwill is attributable to the future benefits of the group's diversification into information services attached thereto. There are substantial synergies with other existing business units within the group, particularly with Knowledge Factory.

A put option liability has been recognised on acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Business combinations (continued)

Acquisition of additional interest in Gloo Digital Design Proprietary Limited ("Gloo")

On 30 November 2012, the group acquired an additional 10% of the issued shares in Gloo for a purchase consideration of R9,2 million. The group now holds 60,1% of the equity share capital of Gloo.

The carrying amount of the non-controlling interests in Gloo on the date of acquisition was R7,1 million. The group derecognised non-controlling interests of R1,4 million and recognised a decrease in equity attributable to owners of the parent of R7,8 million. The effect of changes in the ownership interest in Gloo on the equity attributable to owners of the parent during the year is summarised as follows:

	GROUP	
	2013 R'000	2012 R'000
Carrying amount of non-controlling interests acquired	1 421	-
Consideration paid to non-controlling interests	-9 200	-
Excess of consideration paid recognised in parent's equity	**-7 779**	-

Acquisition of additional interest in Knowledge Factory Proprietary Limited ("Knowledge Factory")

On 12 July 2012, the group acquired an additional 5% of the issued shares in Knowledge Factory for negligible consideration. The group now holds 70% of the equity share capital of Knowledge Factory.

The carrying amount of the non-controlling interests in Knowledge Factory on the date of acquisition was R4,2 million. The group derecognised non-controlling interests of R0,6 million and recognised an increase in equity attributable to owners of the parent of R0,6 million. The effect of changes in the ownership interest in Knowledge Factory on the equity attributable of owners of the parent during the year is summarised as follows:

	GROUP	
	2013 R'000	2012 R'000
Carrying amount of non-controlling interest acquired	**601**	**-**
Consideration paid to non-controlling interests	-	**-**
Increase in parent's equity	601	**-**

Disposal of One Gospel Proprietary Limited ("One Gospel")

On 30 November 2012, Urban Brew Studios Proprietary Limited, a subsidiary of Kagiso Media Limited, disposed of its 100% interest in One Gospel for a total consideration of R480 000.

Details of the net assets disposed and group profit recognised are as follows:

	GROUP	
	2013 R'000	2012 R'000
Carrying value at date of disposal	**-**	**-**
Group profit on disposal	480	**-**
Proceeds on disposal of investment	**480**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Business combinations

Investment in Juta and Company Limited, Juta Investments Proprietary Limited and Imfundo Investments Proprietary Limited, collectively the Juta Group

During the previous financial year, the Group acquired 100% of the shares in the Juta Group for a total purchase price of R300 million. The purchase consideration was settled in cash from the Group cash reserves.

On 29 May 2012, the acquisition date for financial reporting and consolidation purposes, the Group obtained control over the Juta Group. On this day all the conditions precedent to the transaction were fulfilled and the purchase price allocation and fair values of the assets and liabilities of the Juta Group were determined.

Juta is the largest local publisher of student textbooks in various academic fields and has a wide range of accredited training programmes and publications for adult learners. With this acquisition, the Group benefits to be the leading provider of information solutions to the justice and legal market in Southern Africa.

The revenue, operating profit as well as the profit after tax for the one-month period to 30 June 2012, was included in the consolidated results. If the acquisition had occurred on 1 July 2011, the contribution to the Group's revenue would have been approximately R317,8 million and the contribution to the profits would have been a net profit after tax of approximately R27,8 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional amortisation that would have been charged assuming a fair value adjustment to intangible assets had been applied from 1 July 2011, together with the consequential tax effects.

The goodwill is attributable to the future benefits of the group's diversification into information services attached thereto. There are substantial synergies with other existing business units within the group, particularly with Knowledge Factory and the digital business.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Purchase consideration	-	300 000	-	-
Fair value of net identifiable assets acquired (see below)	-	(299 814)	-	-
Goodwill	**-**	186	**-**	-
Details of the net assets acquired are as follows:				
Property, plant and equipment	-	79 175	-	-
Intangible assets	-	192 313	-	-
Other assets	-	291	-	-
Deferred income tax assets	-	8 059	-	-
Inventories	-	43 994	-	-
Trade and other receivables	-	72 826	-	-
Current income tax assets	-	17	-	-
Cash and cash equivalents	-	78 711	-	-
Deferred income tax liabilities	-	(57 237)	-	-
Provisions, trade and other payables	-	(111 271)	-	-
Current income tax liability	-	(7 064)	-	-
Fair value of net assets acquired	**-**	**299 814**	**-**	**-**
Total purchase consideration	-	300 000	-	-
Cash and cash equivalents in the business acquired	-	(78 711)	-	-
Cash outflow on acquisition of Juta Group	**-**	**221 289**	**-**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Business combinations (continued)

Investment in Tivvit Solutions Proprietary Limited

On 1 November 2011, Knowledge Factory Proprietary Limited, previously known as Kagiso EProps Proprietary Limited, a 65% owned subsidiary of the Group (currently 70%), acquired 60% of the voting rights of Tivvit Solutions Proprietary Limited for a purchase consideration of R6,3 million. The purchase price allocation and fair values of the assets and liabilities of Tivvit Solutions Proprietary Limited were determined at this date and the purchase consideration was settled in cash.

Tivvit Solutions Proprietary Limited is principally involved in the property industry, with its main business being the provision of internet services and website design. This acquisition will contribute largely to Knowledge Factory's operational strategy of being the leading provider of internet property products and services in the property markets.

The revenue, operating profit as well as the profit after tax for the eight-month period to 30 June 2012, are included in the consolidated results.

If the acquisition had occurred on 1 July 2011, the contribution to the Group's revenue would have been approximately R 7.8 million and the contribution to the profits would have been a net profit after tax of approximately R461 000. 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 been applied from 1 July 2011, together with the consequential tax effects.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Purchase consideration	-	6 321	-	-
Fair value of net identifiable assets acquired (see below)	-	(2 540)	-	-
Goodwill	**-**	**3 781**	**-**	**-**
Details of the net assets acquired are as follows:				
Property, plant and equipment	-	53	-	-
Intangible assets	-	6 168	-	-
Other assets	-	3	-	-
Trade and other receivables	-	544	-	-
Bank overdrafts	-	(13)	-	-
Loan from shareholders	-	(5)	-	-
Deferred income tax liabilities	-	(1 517)	-	-
Provisions, trade and other payables	-	(1 000)	-	-
Net assets acquired	-	4 233	-	-
Non-controlling interest share of net assets acquired (40%)	-	(1 693)		
Fair value of net assets acquired	**-**	**2 540**	**-**	**-**
Total purchase consideration	-	6 321		-
Cash and cash equivalents in the business acquired	-	13		-
Cash outflow on acquisition of Tivvit Solutions	**-**	**6 334**	**-**	**-**

The goodwill is attributable to the future benefits of the Group's diversification into information and other services related thereto.

Restructuring of Kagiso Exhibitions and Events Proprietary Limited and Mobil Alliance and Media Technology Proprietary Limited.

On 1 April 2012, Kagiso Exhibitions and Events Proprietary Limited ("KEE") purchased the remaining shares in Mobil Alliance Media and Technology Proprietary Limited ("Mobil"), thereby increasing its shareholding from 50% to 100%. In return, Kagiso Media Limited sold 50% of its shares in KEE to Costas Constantinou, the previous joint venture partner in Mobil. This resulted in KEE becoming a joint venture business between Kagiso Media Limited and Costas Constantinou and the dissolution of Mobil as a joint venture business. As at year end, KEE is in the process of changing its name to Kagiso Vantage Proprietary Limited.

As a result of the above transaction, a deemed gain on disposal of R 2 443 000 was recognised in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Business combinations (continued)

Formation of Kagiso Tiso Holdings Proprietary Limited

On 1 July 2011, Kagiso Tiso Holdings Proprietary Limited ("KTH") was formed by the shareholders of Kagiso Trust Investments Proprietary Limited ("KTI"). Following the formation of KTH, KTI sold all its assets and liabilities to KTH in exchange for shares in KTH. The shares held by KTI in KTH were then declared as a dividend in specie to the KTI shareholders.

KTI's assets and liabilities are ultimately controlled by the same parties both before and after the transaction. IFRS 3 specifically states that a combination of entities or businesses under common control is excluded from the scope of IFRS 3. There is currently no guidance in IFRS on the accounting treatment for combinations among entities under common control. In developing a policy for common control transaction, KTH considered the guidance issued by other standard setting bodies which use a similar conceptual framework to develop accounting standards. KTH has elected to use the predecessor accounting method, which is based on equivalent US GAAP and UK GAAP guidance for common control transactions. Predecessor accounting does not require the acquirer to restate assets and liabilities to their fair values. The acquirer, i.e. KTH, incorporated the predecessor carrying values. No new goodwill arises in applying the predecessor accounting method.

The IFRS 3 scope exemption for transactions between entities under common control does not apply to the separate financial statements of an entity that acquires an investment in a subsidiary from another entity that is under common control therefore, the general guidance in IAS 27 requires that investments in subsidiaries are accounted for either at cost or in accordance with IAS 39. KTH has elected to recognise the assets and liabilities of KTI at transaction value in its separate financial statements.

Tiso Group Proprietary Limited Ltd ("Tiso Group") sold all of its assets and liabilities to KTH in exchange for shares in KTH. The KTH shares held by Tiso Group were declared as a dividend in specie to its shareholders. Guidance is provided in IFRS 3 to determine the acquiring entity in a merger transaction. Based on this guidance, KTH is the acquirer of the Tiso Group business. KTH recognised the Tiso Group assets and liabilities at fair value, and recognised the issued share capital at the fair value of the issued shares. Any difference between the fair value of the KTH shares issued and the fair value of the Tiso Group assets and liabilities has been recognised as a bargain purchase gain in profit or loss for the period.

Based on the above information, KTH acquired 100% of the share capital of Tiso Group for R2 958 550 400. The bargain purchase gain of R 117 109 701 arising from the acquisition is attributable to the change in fair values of the assets and liabilities of Tiso Group when compared to its transaction values. None of the bargain purchase gain recognised was deemed taxable for income tax purposes.

The following table summarises the consideration paid for Tiso Group's assets and liabilities, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Consideration at 1 July 2011				
Equity instruments at fair value (400,000 shares)	-	2 980 298	-	-
IFRS 2 reserve	-	121 781	-	-
Total consideration transferred	**-**	3 102 079	**-**	-
Recognised amounts of identifiable assets acquired and liabilities assumed				
Investments in subsidiaries and associates	-	4 417 092	-	-
Loans to / (from) Group companies - net	-	94 742	-	-
Cash and cash equivalents	-	71 228	-	-
Financial guarantees	-	(77 604)	-	-
Financial liabilities	-	(271 100)	-	-
Current tax receivable	-	5 631	-	-
Total identifiable net assets	-	4 239 990	-	-
Non-controlling interest	-	(1 020 801)	-	-
Bargain purchase	-	(117 110)	-	-
Total	**-**	3 102 079	**-**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Business combinations (continued)

Acquisition-related costs have been charged to administrative expenses in the statement of comprehensive income for the year ended 30 June 2012.

The fair value of the 400,000 ordinary shares issued as part of the consideration paid for Tiso Group's assets and liabilities (R2,980,297,557) was based on the fair value of the underlying assets and liabilities of Tiso Group as at 30 June 2011.

Non-controlling interest has been calculated based on its fair value as at 1 July 2011. The non-controlling interest relates solely to Morning Tide Investments 168 Proprietary Limited ("Morning Tide") and Business Ventures Investments No 884 Proprietary Limited ("BVI 884"). The fair value has been calculated taking into account the minority interest and the listed market price of Morning Tide and BVI 884 respective investments in Exxaro Resources Limited and AECI Limited.

The revenue and profit was included in the statement of comprehensive Income for the year ended 30 June 2012 contributed by subsidiaries and associates acquired from Tiso Group.

The bargain purchase is disclosed within the other gains/(losses) line item on the face of the statement of comprehensive Income. The bargain purchase arose as a result of an increase in the fair values of some of the asset and liabilities of Tiso Group above its transaction price.

49 Financial instruments by category

Financial instruments on the statement of financial position include investments, loans receivable, trade receivables, cash and cash equivalents, trade payables, short-term loans, long-term loans and derivative instruments. Details of the nature, extent and terms of these instruments are explained in the notes to the relevant items.

The accounting policy for financial instruments was applied to the following statement of financial position line items.

GROUP

	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held to maturity R'000	Held-for-trading R'000	Carrying value R'000
30 June 2013						
Financial assets						
Investments	-	6 426 103	864 458	466 788	-	7 757 349
Derivative financial asset	-	800	-	-	-	800
Loans and receivables	114 603	-	-	-	-	114 603
Amounts due from group companies	522 558	-	-	-	-	522 558
Trade and other receivables	370 690	-	-	-	-	370 690
Cash and cash equivalents	1 899 831	-	-	-	-	1 899 831
	2 907 681	**6 426 903**	**864 458**	**466 788**	**-**	**10 665 830**

	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held to maturity R'000	Held-for-trading R'000	Carrying value R'000
30 June 2012						
Financial assets						
Investments	-	6 737 253	1 381 770	474 412	-	8 593 435
Loans and receivables	105 459	-	-	-	-	105 459
Amounts due from group companies	487 700	-	-	-	-	487 700
Trade and other receivables	367 173	-	-	-	-	367 173
Cash and cash equivalents	1 119 233	-	-	-	-	1 119 233
	2 079 565	6 737 253	1 381 770	474 412	-	10 673 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 Financial instruments by category (continued)

COMPANY

	Fair value through profit and loss - designated R'000	Loans and receivables R'000	Available-for-sale R'000	Held to maturity R'000	Carrying value R'000
Financial assets					
30 June 2013					
Investments	9 862 987	-	87 132	29 305	9 979 424
Loans and receivables	-	-	-	-	-
Amounts due from group companies	-	868 350	-	-	868 350
Trade and other receivables	-	12 741	-	-	12 741
Cash and cash equivalents	-	1 284 024	-	-	1 284 024
	9 862 987	**2 165 115**	**87 132**	**29 305**	**12 144 538**

	Fair value through profit and loss - designated R'000	Loans and receivables R'000	Available-for-sale R'000	Held to maturity R'000	Carrying value R'000
Financial assets					
30 June 2012					
Investments	8 959 438	-	610 181	61 477	9 631 096
Loans and receivables	-	-	-	-	-
Amounts due from group companies	-	866 946	-	-	866 946
Trade and other receivables	-	8 637	-	-	8 637
Cash and cash equivalents	-	401 809	-	-	401 809
	8 959 438	1 277 392	610 181	61 477	10 908 488

Financial instruments by category - Liabilities

GROUP

	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Carrying value R'000
30 June 2013			
Financial liabilities			
Borrowings	3 797 868	18 810	3 816 678
Operating lease liability	2 790	-	2 790
Amounts due to group companies	22 844	-	22 844
Derivative financial instrument	596		
Trade and other payables	208 131	-	208 131
Bank overdraft	48	-	48
Provisions	147 198	-	147 198
	4 179 475	**18 810**	**4 197 689**

	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Carrying value R'000
30 June 2012			
Financial liabilities			
Borrowings	3 710 138	27 162	3 737 300
Operating lease liability	7 292	-	7 292
Amounts due to group companies	8 100	-	8 100
Trade and other payables	363 959	-	363 959
Bank overdraft	1 144	-	1 144
Provisions	110 390	-	110 390
	4 201 023	27 162	4 228 185

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49 Financial instruments by category (continued)

COMPANY

	Liabilities at amortised cost	Fair value through profit and loss	Carrying value
	R'000	R'000	R'000
30 June 2013			
Financial liabilities			
Borrowings	51 848	113 191	165 039
Operating lease liability	537	-	537
Amounts due to group companies	988 832	-	988 832
Trade and other payables	4 723	-	4 723
Provisions	2 112	-	2 112
	1 048 053	**113 191**	**1 161 243**

	Liabilities at amortised cost	Fair value through profit and loss	Carrying value
	R'000	R'000	R'000
30 June 2012			
Financial liabilities			
Borrowings	418 627	167 969	586 596
Operating lease liability	366	-	366
Amounts due to group companies	398 273	-	398 273
Trade and other payables	17 336	-	17 336
Bank overdraft	1	-	1
Provisions	1 275	-	1 275
	835 877	167 969	1 003 846

50 Contingent liabilities

Music usage levy

In terms of the amendments to the Copyright Act 98 of 1978, a royalty is payable by broadcasters for the use of musical content. As at year-end, the effective date of the amendment and rate on which the royalties will be based remain uncertain, and as such the contingent liability is not currently quantifiable. The group has made a provision of R46 590 000 (2012: R32 487 000) based on management's best estimates of the potential future cash outflow.

Put option

There is a put option between Acceleration Media Proprietary Limited ("Acceleration Media") and Lagardere Active Radio International Societe Anonyme ("LARI") that should Kagiso Media Investments Proprietary Limited ("KMI") be sold or moved out of the Kagiso Tiso Holdings Proprietary Limited stable, then LARI may put its 50% stake in Acceleration Media to KMI at a market-related price at that time. Acceleration Media has been classified as a business held-for-sale in the current year.

51 Events after the reporting date

Subsequent to the reporting date the company, made an announcement of its Firm Intention to purchase the remaining shares in Kagiso Media Limited ("KML") that it does not already own. KTH currently owns 51.1% of KML. Through this transaction KTH is offering minority shareholders a cum dividend cash consideration of R28.50 per share, which represents a 34.5% premium to the 30 day VWAP prior to KML's cautionary announcement on 10 June 2013. Shareholders of KML will be voting on the transaction at a special general meeting to be held within 60 days of this announcement. The deal will be subject to regulatory approvals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52 Commitments

Operating lease 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. Lease expenditure is charged to the statement of comprehensive income.

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

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Not later than one year	46 072	28 874	6 019	5 578
Later than one year and less than five years	137 976	69 671	15 309	21 342
Later than five years	44 031	47 314	-	-
Total future cash flow	**228 079**	145 859	**21 328**	26 920

Capital expenditure contracted for at the end of the reporting period but not yet incurred and which have been approved by the board of directors are as follows:

	GROUP		COMPANY	
	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Property, plant and equipment	33 301	36 301	-	6 564
Intangible assets	11 783	11 178	-	-
	45 084	47 479	**-**	6 564

There are 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.

Tiso Property No 2 Proprietary Limited

In accordance with a shareholders' agreement, Tiso Property No 2 Proprietary Limited ("Tiso Property") has committed R 50 million of capital towards Eris Property Fund Proprietary Limited ("Eris"). At the reporting date, Tiso Property has paid R 43 445 170 (2012 - R 28 399 522) towards Eris.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

53 Directors emoluments

GROUP

	Emoluments R'000	Performance related payments R'000	Other Allowances R'000	Pension and other contributions R'000	Total R'000
30 June 2013					
Executive directors					
For services as directors	34 502	14 472	385	2 396	51 755
Non-executive directors					
For services as directors	5 872	-	-	-	5 872
	40 374	**14 472**	**385**	**2 396**	**57 627**

	Emoluments R'000	Performance related payments R'000	Other Allowances R'000	Pension and other contributions R'000	Total R'000
30 June 2012					
Executive directors					
For services as directors	33 761	21 420	-	1 698	56 879
Non-executive directors					
For services as directors	4 513	-	-	-	4 513
	38 274	21 420	-	1 698	61 392

COMPANY

	Emoluments R'000	Performance related payments R'000	Other Allowances R'000	Pension and other contributions R'000	Total R'000
30 June 2013					
Executive directors					
For services as directors	6 552	8 732	-	1 318	16 601
Non-executive directors					
For services as directors	3 028	-	-	-	3 028
	9 579	**8 732**	**-**	**1 318**	**19 629**

	Emoluments R'000	Performance related payments R'000	Other Allowances R'000	Pension and other contributions R'000	Total R'000
30 June 2012					
Executive directors					
For services as directors	18 161	4 250	-	1 335	23 746
Non-executive directors					
For services as directors	2 960	-	-	-	2 960
	21 121	4 250	-	1 335	26 706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

54 Change in accounting policy

During the year, the Company changed its basis for recognising investments in subsidiaries, associated companies, joint ventures and partnerships in its separate financial statements from cost less any impairments to being at fair value through profit and loss. These investments are managed and evaluated on a fair value basis, in accordance with the investment strategy of the Company.

The company have not presented a third statement of financial position as the company only started operating on the 1 July 2011.

The tables below show the impact of the change in accounting policy:

COMPANY	**2013 R'000**	2012 R'000
Statement of comprehensive income		
Profit for the year before change in accounting policy	-	50 542
Increase in other gains/(losses) - net	-	906 639
Profit after change in accounting policy	**-**	957 181

	2013 R'000	2012 R'000
Statement of financial position		
Investment in subsidiaries before change in accounting policy	-	7 593 704
Fair value adjustment made on investment in	-	904 239
Balance after change in accounting policy	**-**	8 497 943
Investment in associates, joint ventures and partnerships before change in accounting	**-**	459 094
Fair value adjustment made on investments in associates, joint ventures and partnerships	**-**	2 400
Balance after change in accounting policy	**-**	461 494
Total increase in total assets after change in accounting policy	**-**	906 639

	2013 R'000	2012 R'000
Statement in changes in equity		
Retained earnings before change in accounting policy	-	50 542
Impact of change in accounting policy	-	906 639
Retained earnings after change in accounting policy	-	957 181

55 Going concern

The company and group financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors assess the group's future financial performance and financial position on an on-going basis and have no reason to believe that the group will not be a going concern in the year ahead.

ANNEXURE A – COMPANY SCHEDULE OF SUBSIDIARIES

The Company's investments in subsidiaries are summarised below:

Name of Company	Investment value 2013 R'000	Shareholding held 2013 %	Investment value 2012 R'000	Shareholding held 2012 %
Alizay Properties 46 (Pty) Limited	166	100.00%	12 036	100.00%
Business Ventures Investments No 884 (Pty) Limited	361 283	100.00%	234 403	100.00%
Business Ventures Investments No 1734 (Pty) Limited	-	100.00%	-	0.00%
Cardona Investments 428 (Pty) Limited (RF)	-	100.00%	-	100.00%
Clidet No 901 (Pty) Limited	73 293	100.00%	93 933	100.00%
Fasus Investments (Pty) Ltd	21 464	100.00%	24 874	100.00%
Four Arrows 39 Investments (Pty) Limited	287 934	100.00%	345 165	100.00%
Friedcorp 559 (Pty) Limited	-	100.00%	-	100.00%
Firefly Investments (Pty) Limited	-	52.00%	-	52.00%
Emerald Panther Investments (Pty) Limited	-	54.00%	-	54.00%
Iridescent Investments (Pty) Limited	-	100.00%	-	0.00%
Jadeport Investments (Pty) Limited	119 990	100.00%	47 424	100.00%
Kagiso Asset Management (Pty) Limited	98 781	50.10%	75 973	50.10%
Kagiso Financial Services (Pty) Limited	179 734	100.00%	199 874	100.00%
Kagiso Media Limited*	1 675 459	51.07%	1 333 528	51.12%
Kagiso Platinum Ventures (Pty) Limited	499 954	100.00%	334 639	100.00%
Kagiso Property Holdings (Pty) Limited	27 660	100.00%	14 019	100.00%
Kagiso Risk Solutions (Pty) Limited	-	0.00%	-	0.00%
Kagiso Sizanani Capital Limited (RF)	-	100.00%	-	100.00%
Kagiso Strategic Investment III (Pty) Limited	1 152 090	100.00%	1 082 091	100.00%
Kagiso Trust Enterprises (Pty) Limited	31 722	100.00%	27 179	100.00%
Kagiso Ventures (Pty) Limited	330 688	100.00%	357 281	100.00%
KTH Africa Coöperatief U.A.	-	100.00%	-	0.00%
KTH Media Holdings (Pty) Limited*	-	100.00%	-	0.00%
Main Street 336 (Pty) Limited	144 421	71.64%	144 421	71.64%
Morning Tide Investments 168 (Pty)	1 106 880	82.05%	1 441 847	82.05%
Off The Shelf Investments 109 (Pty) Limited	1 933 540	100.00%	1 403 721	100.00%
Off The Shelf Investments 168 (Pty) Limited	115 065	100.00%	85 078	100.00%
Tiso Capital Partners No 2 (Pty) Limited	1 367	100.00%	1 405	100.00%
Tiso Electrical (Pty) Limited	423 880	100.00%	445 081	100.00%
Tiso Industries (Pty) Limited	241 975	100.00%	121 112	100.00%
Tiso INL Investments I (Pty) Limited	6 644	100.00%	230 916	100.00%
Tiso Management Company (Pty) Limited	35 438	100.00%	35 438	100.00%
Tiso Power Services (Pty) Limited	33 056	100.00%	27 393	100.00%
Tiso Projects No 1 (Pty) Limited	18 558	100.00%	9 938	100.00%
Tiso Property (Pty) Limited	265 217	100.00%	147 849	100.00%
Tiso Property No 2 (Pty) Limited (RF)	330 950	100.00%	190 049	100.00%
Tiso Repair Services (Pty) Limited	11 585	100.00%	7 841	100.00%
Tiso Resources (Pty) Limited	14 020	100.00%	556	100.00%
Tiso Telecom (Pty) Limited	-	100.00%	-	100.00%
Xanthe Investment Holdings (Pty) Limited	13 829	100.00%	22 880	100.00%
	9 556 642		**8 497 944**	

* Listed Company
** Less than R 1 000
*** The company has provided a guarantee on behalf of Cardona Investments 428 Proprietary Limited.

All subsidiaries listed above are incorporated in South Africa, with exception of KTH West Africa Cooperatief U.A. which is incorporated in the Netherlands.

All the subsidiaries listed above year end are 30 June except Firefly Investments 166 Proprietary Limited, Emerald Panther Investments 43 Proprietary Limited and Tiso INL Investments Proprietary Limited whose year end are 31 March and KTH West Africa Cooperatief U.A. whose year end is 31 December.

A complete register of subsidiaries is available for inspection at the registered office of the Company.

ANNEXURE B – COMPANY SCHEDULE OF ASSOCIATES, JOINT VENTURES AND PARTNERSHIPS

The Company's investments in associates, joint ventures and partnerships are summarised below:

Name of Company	Investment value 2013 R'000	Shareholding held 2013 %	Investment value 2012 R'000	Shareholding held 2012 %
Associates				
Metropolitan Retirement Administrators (Pty) Limited	14 802	20.00%	10 908	20.00%
Newmillen 122 Investments (Pty) Limited	606	40.00%	633	40.00%
	15 408		**11 541**	
Joint Ventures				
KA Investment Partners Trust	37 833	50.00%	26 080	50.00%
Kagiso Strategic Investments (Pty) Limited	242 651	43.35%	404 675	43.35%
Kagiso Strategic Investments II (Pty) Limited	7 521	43.35%	6 509	43.35%
	288 005		**437 265**	
Partnerships				
Kagiso Ventures Private Equity Fund 1	-2 068	36.20%	7 688	36.20%
The Calibre Private Equity Trust	5 000	25.00%	5 000	25.00%
	2 932		**12 688**	
Total associates, joint ventures and partnerships	**306 345**		**461 494**	

All associates, joint ventures and partnerships listed above are incorporated in South Africa.

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

The Group's investments in associates are summarised below:

	Abland Manapa Developments Proprietary Limited	Abland Manapa Investments Proprietary Limited	Actom Investment Holdings Proprietary Limited	Acton Repair Services Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	0.00%	0.00%	18.62%	28.14%
Year end	28 February	28 February	31 March	31 March
Period ended 30 June 2013				
Carrying value at the beginning of the period	-	-	470 182	19 915
Share of net attributable profit of associates	-	-	51 867	3 318
Dividends received from associates	-	-	-	(5 627)
Equity-accounted movements on reserves	-	-	(4 621)	-
Dilutionary effects	-	-	-	-
Additional investment made in associate	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	(22 545)	(7 068)
Disposal of associates	-	-	-	-
(Impairment)/reversals	-	-	-	8 325
Classified as held-for-sale	-	-	-	-
Deferred gain on sale	-	-	-	-
Loan repayments	-	-	-	-
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	**-**	**-**	**494 883**	**18 863**
As at 30 June 2013				
Capital	-	-	399 819	20 075
Equity-accounted results	-	-	92 859	(1 212)
Equity-accounted reserves	-	-	2 205	-
Carrying value at the end of the period	**-**	**-**	**494 883**	**18 863**

	Abland Manapa Developments Proprietary Limited	Abland Manapa Investments Proprietary Limited	Actom Investment Holdings Proprietary Limited	Acton Repair Services Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	50.00%	50.00%	18.62%	28.14%
Period ended 30 June 2012				
Carrying value at the beginning of the period	-	-	-	-
Associates acquired through business combinations	30 200	10 800	362 420	58 491
Associates acquired through common control	-	-	13 416	-
Share of net attributable profit of associates	-	-	40 992	3 629
Dividends received from associates	-	-	-	(2 532)
Equity-accounted movements on reserves	-	-	6 826	-
Dilutionary effects	-	-	89	-
Additional investment made in associate	-	-	68 984	-
Amortisation of intangibles included in purchase price	-	-	(22 545)	(7 068)
Acquisition of associates	-	-	-	-
Disposal of associates	-	-	-	-
Impairment of associates	-	-	-	(32 605)
Classified as held-for-sale	(30 200)	(10 800)	-	-
Deferred gain on sale	-	-	-	-
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	**-**	**-**	**470 182**	**19 915**
As at 30 June 2012				
Capital	-	-	422 364	18 818
Equity-accounted results	-	-	40 992	1 097
Equity-accounted reserves	-	-	6 826	-
Carrying value at the end of the period	**-**	**-**	**470 182**	**19 915**

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

The Group's investments in associates are summarised below: (continued)

	AEL Holdco Limited	Africa Cellular Towers Limited	Battery Technologies Proprietary Limited	Bell Equipment Sales SA Proprietary Limited	Central Media Group Proprietary Limited
	R'000	R'000	R'000	R'000	R'000
Effective interest	0.00%	25.10%	25.10%	22.50%	24.94%
Year end	31 December	28 February	30 June	31 December	31 March
Period ended 30 June 2013					
Carrying value at the beginning of the period	-	-	1 519	38 424	5 522
Share of net attributable profit of associates	-	-	(1 118)	3 550	4 451
Dividends received from associates	-	-	-	-	(2 098)
Equity-accounted movements on reserves	-	-	-	228	-
Dilutionary effects	-	-	-	-	-
Additional investment made in associate	-	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-	-
Disposal of associates	-	-	-	-	-
Impairment of associates	-	-	(401)	-	-
Classified as held-for-sale	-	-	-	(42 202)	-
Deferred gain on sale	-	-	-	-	-
Loan repayments	-	-	-	-	-
Elimination of transactions with associates	-	-	-	-	-
Carrying value at the end of the period	**-**	**-**	**-**	**-**	**7 875**
As at 30 June 2013					
Capital	-	-	2 493	-	6 417
Equity-accounted results	-	-	1 310	-	1 458
Equity-accounted reserves	-	-	(3 803)	-	-
Carrying value at the end of the period	**-**	**-**	**-**	**-**	**7 875**

	AEL Holdco Limited	Africa Cellular Towers Limited	Battery Technologies Proprietary Limited	Bell Equipment Sales SA Proprietary Limited	Central Media Group Proprietary Limited
	R'000	R'000	R'000	R'000	R'000
Effective interest	0.00%	25.10%	25.10%	22.50%	24.94%
Period ended 30 June 2012					
Carrying value at the beginning of the period	-	-	-	-	-
Associates acquired through business combinations	277 418	18 680	-	-	-
Associates acquired through common control	-	-	21 648	17 797	6 417
Share of net attributable profit of associates	-	-	2 428	20 533	3 434
Dividends received from associates	-	-	-	-	(4 329)
Equity-accounted movements on reserves	-	-	(3 803)	94	-
Dilutionary effects	-	-	-	-	-
Additional investment made in associate	-	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-	-
Acquisition of associates	-	-	-	-	-
Disposal of associates	(277 418)	-	-	-	-
Impairment of associates	-	(18 680)	(18 754)	-	-
Classified as held-for-sale	-	-	-	-	-
Deferred gain on sale	-	-	-	-	-
Elimination of transactions with associates	-	-	-	-	-
Carrying value at the end of the period	-	-	1 519	38 424	5 522
As at 30 June 2012					
Capital	-	-	2 894	17 797	6 417
Equity-accounted results	-	-	2 428	20 533	(895)
Equity-accounted reserves	-		(3 803)	94	-
Carrying value at the end of the period	-	-	1 519	38 424	5 522

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

The Group's investments in associates are summarised below: (continued)

	Coffey Projects (Africa) Proprietary Limited	Eris Property Group Proprietary Limited	Eris Property Fund Proprietary Limited	Idwala Industrial Holdings Proprietary Limited	Imvelo Consortium Proprietary Limited
	R'000	R'000	R'000	R'000	R'000
Effective interest	26.83%	21.10%	26.67%	30.50%	20.00%
Year end	30 June	30 June	30 June	31 December	30 June
Period ended 30 June 2013					
Carrying value at the beginning of the period	2 754	98 246	-	568 072	-
Share of net attributable profit of associates	-	6 541	2 129	44 479	-
Dividends received from associates	-	(40 281)	-	-	-
Equity-accounted movements on reserves	-	(693)	-	8 407	-
Dilutionary effects	-	-	-	-	-
Additional investment made in associate	-	72 565	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	(10 507)	-
Disposal of associates	-	-	-	-	-
(Impairment)/reversals	-	-	-	188 747	-
Classified as held-for-sale	-	-	-	-	-
Deferred gain on sale	-	-	-	(33 330)	-
Loan repayments	-	-	-	-	-
Elimination of transactions with associates	-	-	-	(860)	-
Carrying value at the end of the period	**2 754**	**136 378**	**2 129**	**765 008**	**-**
As at 30 June 2013					
Capital	2 754	159 758	-	746 312	-
Equity-accounted results	-	(22 889)	2 129	18 696	-
Equity-accounted reserves	-	(491)	-	-	-
Carrying value at the end of the period	**2 754**	**136 378**	**2 129**	**765 008**	**-**

	Coffey Projects (Africa) Proprietary Limited	Eris Property Group Proprietary Limited	Eris Property Fund Proprietary Limited	Idwala Industrial Holdings Proprietary Limited	Imvelo Consortium Proprietary Limited
	R'000	R'000	R'000	R'000	R'000
Effective interest	26.83%	15.00%	26.67%	30.50%	20.00%
Period ended 30 June 2012					
Carrying value at the beginning of the period	-	-	-	-	-
Associates acquired through business combinations	-	87 193	-	834 531	-
Associates acquired through common control	19 037	-	-	-	-
Share of net attributable profit of associates	-	10 851	-	34 405	-
Dividends received from associates	-	-	-	-	-
Equity-accounted movements on reserves	-	202	-	2 181	-
Dilutionary effects	-	-	-	-	-
Additional investment made in associate	-	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	(10 507)	-
Acquisition of associates	-	-	-	-	-
Disposal of associates	-	-	-	-	-
Impairment of associates	(16 283)	-	-	(255 952)	-
Classified as held-for-sale	-	-	-	-	-
Deferred gain on sale	-	-	-	(35 964)	-
Elimination of transactions with associates	-	-	-	(622)	-
Carrying value at the end of the period	2 754	98 246	-	568 072	-
As at 30 June 2012					
Capital	2 754	87 193	-	568 072	-
Equity-accounted results	-	10 851	-	-	-
Equity-accounted reserves	-	202	-	-	-
Carrying value at the end of the period	2 754	98 246	-	568 072	-

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

The Group's investments in associates are summarised below: (continued)

	Johnson Controls Facilities Management Proprietary Limited	Kagiso Property Developments Proprietary Limited	Lupo Bakery Proprietary Limited	Makana Radio Communications Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	40.00%	30.00%	30.00%	30.00%
Year end	30 June	30 June	30 June	31 December
Period ended 30 June 2013				
Carrying value at the beginning of the period	4 842	4 796	-	21 069
Share of net attributable profit of associates	-	-	1 989	3 360
Dividends received from associates	-	-	-	(741)
Equity-accounted movements on reserves	-	-	-	-
Dilutionary effects	-	-	-	-
Additional investment made in associate	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-
Disposal of associates	-	-	-	-
Impairment of associates	-	(4 796)	-	-
Classified as held-for-sale	-	-	-	-
Deferred gain on sale	-	-	-	-
Loan repayments	-	-	-	(1 101)
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	**4 842**	**-**	**1 989**	**22 587**
As at 30 June 2013				
Capital	4 842	-	1 080	20 183
Equity-accounted results	-	-	1 873	2 404
Equity-accounted reserves	-	-	(964)	-
Carrying value at the end of the period	**4 842**	**-**	**1 989**	**22 587**

	Johnson Controls Facilities Management Proprietary Limited	Kagiso Property Developments Proprietary Limited	Lupo Bakery Proprietary Limited	Makana Radio Communications Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	40.00%	30.00%	30.00%	30.00%
Period ended 30 June 2012				
Carrying value at the beginning of the period	-	-	-	-
Associates acquired through business combinations	-	-	-	-
Associates acquired through common control	4 842	4 796	1 080	18 757
Share of net attributable profit of associates	-	-	(116)	(215)
Dividends received from associates	-	-	-	-
Equity-accounted movements on reserves	-	-	(964)	-
Dilutionary effects	-	-	-	-
Additional investment made in associate	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-
Acquisition of associates	-	-	-	2 527
Disposal of associates	-	-	-	-
Impairment of associates	-	-	-	-
Classified as held-for-sale	-	-	-	-
Deferred gain on sale	-	-	-	-
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	4 842	4 796	-	21 069
As at 30 June 2012				
Capital	4 842	4 796	1 080	21 284
Equity-accounted results	-	-	(116)	(215)
Equity-accounted reserves	-	-	(964)	-
Carrying value at the end of the period	4 842	4 796	-	21 069

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

The Group's investments in associates are summarised below: (continued)

	Metropolitan Retirement Administrators Proprietary Limited	Moyeng Energy Proprietary Limited	Newmillen 122 Investments Proprietary Limited	NM Rothschilds & Sons South Africa Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	25.00%	20.00%	40.00%	0.00%
Year end	30 June	31 December	30 June	31 March
Period ended 30 June 2013				
Carrying value at the beginning of the period	1 450	4 359	719	-
Share of net attributable profit of associates	1 877	829	(11)	-
Dividends received from associates	-	-	-	-
Equity-accounted movements on reserves	-	-	-	-
Dilutionary effects	-	-	-	-
Additional investment made in associate	-	2 000	-	-
Amortisation of intangibles included in purchase price	-	-	-	-
Disposal of associates	-	-	-	-
Impairment of associates	-	-	-	-
Classified as held-for-sale	-	-	-	-
Deferred gain on sale	-	-	-	-
Loan repayments	-	-	-	-
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	**3 327**	**7 188**	**708**	**-**
As at 30 June 2013				
Capital	-	7 975	736	-
Equity-accounted results	3 327	(787)	(28)	-
Equity-accounted reserves	-	-	-	-
Carrying value at the end of the period	**3 327**	**7 188**	**708**	**-**

	Metropolitan Retirement Administrators Proprietary Limited	Moyeng Energy Proprietary Limited	Newmillen 122 Investments Proprietary Limited	NM Rothschilds & Sons South Africa Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	25.00%	20.00%	40.00%	0.00%
Period ended 30 June 2012				
Carrying value at the beginning of the period	**-**	**-**	**-**	**-**
Associates acquired through business combinations	-	3 975	736	-
Associates acquired through common control	-	-	-	22 118
Share of net attributable profit of associates	1 450	(1 616)	(17)	9 305
Dividends received from associates	-	-	-	-
Equity-accounted movements on reserves	-	-	-	-
Dilutionary effects	-	-	-	-
Additional investment made in associate	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-
Acquisition of associates	-	2 000	-	-
Disposal of associates	-	-	-	(31 423)
Impairment of associates	-	-	-	-
Classified as held-for-sale	-	-	-	-
Deferred gain on sale	-	-	-	-
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	1 450	4 359	719	-
As at 30 June 2012				
Capital	-	5 975	736	-
Equity-accounted results	1 450	(1 616)	(17)	-
Equity-accounted reserves	-	-	-	-
Carrying value at the end of the period	1 450	4 359	719	-

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

The Group's investments in associates are summarised below:(continued)

	O-Line Holdings Limited	SATI Container Proprietary Limited	Sea Harvest Holdings Proprietary Limited	Shanike Investments No.42 Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	0.00%	25.10%	25.88%	24.90%
Year end		30 June	30 September	31 March
Period ended 30 June 2013				
Carrying value at the beginning of the period	-	15 089	12 827	66 195
Share of net attributable profit of associates	-	132	(4 221)	12 720
Dividends received from associates	-	-	-	(9 960)
Equity-accounted movements on reserves	-	-	(609)	-
Dilutionary effects	-	-	-	-
Additional investment made in associate	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-
Disposal of associates	-	-	-	-
Impairment of associates	-	-	-	-
Classified as held-for-sale	-	-	-	-
Deferred gain on sale	-	-	-	-
Loan repayments	-	-	-	-
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	**-**	**15 221**	**7 997**	**68 955**
As at 30 June 2013				
Capital	-	17 242	5 440	62 500
Equity-accounted results	-	(2 021)	490	6 455
Equity-accounted reserves	-	-	2 067	-
Carrying value at the end of the period	**-**	**15 221**	**7 997**	**68 955**

	O-Line Holdings Limited	SATI Container Proprietary Limited	Sea Harvest Holdings Proprietary Limited	Shanike Investments No.42 Proprietary Limited
	R'000	R'000	R'000	R'000
Effective interest	0.00%	25.10%	25.88%	24.90%
Period ended 30 June 2012				
Carrying value at the beginning of the period	-	-	-	-
Associates acquired through business combinations	2 048	-	-	-
Associates acquired through common control	-	17 242	5 440	62 500
Share of net attributable profit of associates	7 767	3 302	4 711	9 920
Dividends received from associates	-	(5 455)	-	(6 225)
Equity-accounted movements on reserves	(26)	-	2 676	-
Dilutionary effects	-	-	-	-
Additional investment made in associate	-	-	-	-
Amortisation of intangibles included in purchase price	-	-	-	-
Acquisition of associates	-	-	-	-
Disposal of associates	(9 789)	-	-	-
Impairment of associates	-	-	-	-
Classified as held-for-sale	-	-	-	-
Deferred gain on sale	-	-	-	-
Elimination of transactions with associates	-	-	-	-
Carrying value at the end of the period	-	15 089	12 827	66 195
As at 30 June 2012				
Capital	-	17 242	5 440	62 500
Equity-accounted results	-	(2 153)	4 711	3 695
Equity-accounted reserves	-	-	2 676	-
Carrying value at the end of the period	-	15 089	12 827	66 195

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

The Group's investments in associates are summarised below: (continued)

	Tamela Holdings Proprietary Limited	The Resolve Group Proprietary Limited	Thebe Convergent Technology Holdings Proprietary Limited	Total
	R'000	R'000	R'000	R'000
Effective interest	10.00%	29.10%	22.60%	
Year end	28 February	28 February	31 March	
Period ended 30 June 2013				
Carrying value at the beginning of the period	13 488	8 238	20 198	**1377 904**
Share of net attributable profit of associates	(3 865)	2 314	11 569	**140 389**
Dividends received from associates	-	-	(9 037)	**(67 743)**
Equity-accounted movements on reserves	-	-	-	**4 233**
Dilutionary effects	-	-	-	**-**
Additional investment made in associate	-	-	-	**74 564**
Amortisation of intangibles included in purchase price	-	-	-	**(33 053)**
Disposal of associates	-	(6 876)	-	**(6 876)**
Impairment of associates	-	(3 676)	-	**181 131**
Classified as held-for-sale	-	-	-	**(42 202)**
Deferred gain on sale	-	-	-	**(33 330)**
Loan repayments	-	-	-	**(1 101)**
Elimination of transactions with associates	-	-	-	**(858)**
Carrying value at the end of the period	**9 623**	**-**	**22 730**	**1 593 058**
As at 30 June 2013				
Capital	5 248	-	16 788	-
Equity-accounted results	(3 621)	-	5 942	-
Equity-accounted reserves	7 996	-	-	
Carrying value at the end of the period	**9 623**	**-**	**22 730**	**-**

	Tamela Holdings Proprietary Limited	The Resolve Group Proprietary Limited	Thebe Convergent Technology Holdings Proprietary Limited	Total
	R'000	R'000	R'000	R'000
Effective interest	10.00%	29.10%	22.60%	0.00%
Period ended 30 June 2012				
Carrying value at the beginning of the period	**-**	**-**	**-**	**-**
Associates acquired through business combinations	5 248	-	-	1691 740
Associates acquired through common control	-	9 371	16 788	241 249
Share of net attributable profit of associates	244	1 537	9 057	161 601
Dividends received from associates	-	(2 670)	(5 647)	(26 858)
Equity-accounted movements on reserves	7 996	-	-	15 182
Dilutionary effects	-	-	-	89
Additional investment made in associate	-	-	-	68 984
Amortisation of intangibles included in purchase price	-	-	-	(40 120)
Acquisition of associates	-	-	-	4 527
Disposal of associates	-	-	-	(318 630)
Impairment of associates	-	-	-	(342 274)
Classified as held-for-sale	-	-	-	(41 000)
Deferred gain on sale	-	-	-	(35 964)
Elimination of transactions with associates	-	-	-	(622)
Carrying value at the end of the period	13 488	8 238	20 198	1377 904
As at 30 June 2012				
Capital	5 248	9 371	16 788	-
Equity-accounted results	244	(1 133)	3 410	-
Equity-accounted reserves	7 996	-	-	-
Carrying value at the end of the period	13 488	8 238	20 198	-

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

Name of Company	Assets R'000	Liabilities R'000	Revenue R'000	Profit for the year R'000
Period ended 30 June 2013				
Actom Investment Holdings (Pty) Limited	11 189 626	6 740 906	7 617 083	279 987
Acton Repair Services (Pty) Limited	126 062	17 469	130 470	14 953
Battery Technologies (Pty) Limited	206 680	130 364	301 181	(6 327)
Central Media Group (Pty) Limited	44 179	16 046	92 122	17 849
Eris Property Group (Pty) Limited	598 566	379 463	445 376	79 874
Eris Property Fund (Pty) Limited	662 576	652 778	64 370	(1 198)
Idwala Industrial Holdings (Pty) Limited	2 007 924	2 025 485	1 407 273	117 563
Imvelo Consortium (Pty) Limited	209 688	227 521	275 328	(17 833)
Lupo Bakery (Pty) Limited	32 458	26 927	85 915	3 628
Makana Radio Communications (Pty) Limited	77 099	84 676	123 740	16 782
Metropolitan Retirement Administrators (Pty) Limited	87 984	41 483	155 831	9 388
Moyeng Energy (Pty) Limited	6 523	3 095	-	(15 838)
Newmillen 122 Investments (Pty) Limited	699	93	-	(27)
SATI Container (Pty) Limited	53 411	9 649	70 548	4 565
Sea Harvest Holdings (Pty) Limited	879 635	670 525	1 028 537	(21 641)
Shanike Investments No.42 (Pty) Limited	78 309	33 892	190 909	51 212
Tamela Holdings (Pty) Limited	4 357	80	5 373	4 169

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

Name of Company	Assets R'000	Liabilities R'000	Revenue R'000	Profit for the year R'000
Period ended 30 June 2012				
Actom Investment Holdings (Pty) Limited	10 901 259	6 722 010	5 319 985	187 511
Acton Repair Services (Pty) Limited	126 690	13 050	119 106	13 716
Battery Technologies (Pty) Limited	175 771	94 282	337 086	8 827
Bell Equipment Sales SA (Pty) Limited	815 167	702 144	2 512 463	70 317
Central Media Group (Pty) Limited	31 543	14 659	85 416	13 770
Eris Property Group (Pty) Limited	688 046	364 650	274 837	72 660
Idwala Industrial Holdings (Pty) Limited	1 743 158	1 829 640	621 357	55 332
Lupo Bakery (Pty) Limited	25 901	21 871	58 854	3 228
Makana Radio Communications (Pty) Limited	52 827	76 414	96 260	(1 075)
Metropolitan Retirement Administrators (Pty) Limited	72 741	35 629	136 096	7 248
Moyeng Energy (Pty) Limited	6 886	401	-	(2 836)
Newmillen 122 Investments (Pty) Limited	674	40	-	(42)
SATI Container (Pty) Limited	59 254	59 254	60 054	14 534
Sea Harvest Holdings (Pty) Limited	913 404	678 716	966 370	15 185
Shanike Investments No.42 (Pty) Limited	34 866	27 660	98 430	20 209
Tamela Holdings (Pty) Limited	100 319	33 702	5 382	36 235
The Resolve Group (Pty) Limited	72 094	32 313	114 610	6 221
Thebe Convergent Technology Holdings (Pty) Limited	31 645	25 105	89 338	18 342

ANNEXURE C - GROUP SCHEDULE OF ASSOCIATES

Name of Company	Investment value 2013 R'000	Directors' valuation 2013 R'000	Investment value 2012 R'000	Directors' valuation 2012 R'000
Period ended 30 June 2013				
Actom Investment Holdings Proprietary Limited	494 883	584 296	470 182	609 834
Acton Repair Services Proprietary Limited	18 863	18 863	19 915	19 915
Battery Technologies Proprietary Limited	-	-	1 519	1 519
Bell Equipment Sales SA Proprietary Limited	-	-	38 424	97 010
Central Media Group Proprietary Limited1	7 875	7 875	5 522	5 522
Coffey Projects (Africa) Proprietary Limited	2 754	4 699	2 754	2 754
Eris Property Group Proprietary Limited	136 378	233 288	98 246	107 291
Idwala Industrial Holdings Proprietary Limited	765 008	764 879	568 072	568 211
Johnson Controls Facilities Management Proprietary	4 842	7 515	4 842	5 865
Kagiso Property Developments Proprietary Limited		-	4 796	5 400
Lupo Bakery Proprietary Limited	1 989	11 523	-	7 516
Makana Radio Communications Proprietary Limited	22 587	22 587	21 069	21 069
Metropolitan Retirement Administrators Proprietary	3 327	14 802	1 450	7 635
Moyeng Energy Proprietary Limited	7 188	7 051	4 359	5 051
Newmillen 122 Investments Proprietary Limited	708	708	719	719
SATI Container Proprietary Limited	15 221	23 605	15 089	18 800
Sea Harvest Holdings Proprietary Limited	7 997	166 729	12 827	143 368
Shanike Investments No.42 Proprietary Limited1	68 955	68 954	66 195	66 195
Tamela Holdings Proprietary Limited	9 623	15 045	13 488	13 800
The Resolve Group Proprietary Limited		-	8 238	8 900
Thebe Convergent Technology Holdings Proprietary	22 730	22 731	20 198	20 198
Total	1 593 057	2 069 192	1 377 904	1 736 572

ANNEXURE D - GROUP SCHEDULE OF JOINT VENTURES

The Group's investments in joint ventures are summarised below:

	Cshell 488 Proprietary Limited	Infrastructure Finance Corporation Limited	KA Investment Partners Trust	Kagiso Strategic Investments Proprietary Limited	Kagiso Strategic Investments II Proprietary Limited	Total
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Effective interest	51.00%	43.96%	50.00%	49.95%	49.95%	
Year end	30 Jun	30 Jun	30 Jun	30 Jun	30 Jun	
Period ended 30 June 2013						
Carrying value at the beginning of the period	-	182 933	29 441	258 367	(14 133)	456 608
Share of net attributable profit	-	5 032	601	73 788	1 190	80 611
Distributions received	-	(4 396)	(3 585)	-	-	(7 981)
Equity-accounted movements on reserves	-	9 408	-	811	-	10 219
Contributions made	-	-	-	3 315	-	3 315
Capital repayment	-	-	-	(78 087)	-	(78 087)
(Impairments recognised)/reversed	-	(21 505)	-	-	12 666	(8 839)
Carrying value at the end of the period	**-**	**171 472**	**26 457**	**258 194**	**(277)**	**455 846**
As at 30 June 2013						
Capital	-	193 016	35 569	137 624	(3 653)	**362 556**
Equity-accounted results	-	768	(9 112)	121 836	5 515	**119 007**
Equity-accounted reserves	-	(807)	-	(1 266)	-	**(2 073)**
Impairment	-	(21 505)	-	-	(2 139)	**(23 644)**
Carrying value at the end of the period	**-**	**171 472**	**26 457**	**258 194**	**(277)**	**455 846**
Directors' valuation	14 000	177 971	33 682	286 436	-	

The summarised information of the joint ventures is as follow:

Assets	-	2 399 453	61 676	595 526	31 790
Liabilities	-	1 985 510	196	7 627	33 706
Revenue	-	-	-		
Profit for the year	-	(33 081)	1 202	155 481	3 616

ANNEXURE D - GROUP SCHEDULE OF JOINT VENTURES

The Group's investments in joint ventures are summarised below: (continued)

	Cshell 488 Proprietary Limited	Infrastructure Finance Corporation Limited	KA Investment Partners Trust	Kagiso Strategic Investments Proprietary Limited	Kagiso Strategic Investments II Proprietary Limited	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Effective interest	51.00%	43.96%	50.00%	49.95%	49.95%	
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Acquired through common control transaction	-	193 016	33 718	212 396	(3 653)	435 477
Share of net attributable profit	-	4 528	(139)	48 048	4 325	56 762
Distributions received	-	(4 396)	(5 989)	-	-	(10 385)
Equity-accounted movements on reserves	-	(10 215)	-	(2 077)	-	(12 292)
Contributions made	-	-	1 851	-	-	1 851
Impairments recognised	-	-	-	-	(14 805)	(14 805)
Carrying value at the end of the period	**-**	182 933	29 441	258 367	(14 133)	456 608
As at 30 June 2012						
Capital	-	193 016	35 569	212 396	(3 653)	437 328
Equity-accounted results	-	132	(6 128)	48 048	4 325	46 377
Equity-accounted reserves	-	(10 215)	-	(2 077)	-	(12 292)
Impairments recognised	-	-	-	-	(14 805)	(14 805)
Carrying value at the end of the period	**-**	182 933	29 441	258 367	(14 133)	456 608
Directors' valuation	-	205 089	190 407	311 977	9 866	

The summarised information of the joint ventures is as follow:

Assets	27 866	2 427 318	52 087	153 131	25 354
Liabilities	19 952	1 994 089	149	13 587	35 658
Revenue	-	-	-	13 794	-
Profit/(loss) for the year	(11 038)	(13 795)	(18 685)	9 516	3 256

All joint ventures are incorporated in South Africa.

ANNEXURE E - GROUP SCHEDULE OF PARTNERSHIPS

The Group's investments in partnerships are summarised below:

	Kagiso Ventures Private Equity Fund	The Calibre Private Equity Investors Partnership No. 10	The Calibre Private Equity Investors Partnership No. 11	The Calibre Private Equity Trust	XK Platinum Partnership	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Effective interest	51.90%	50.10%	25.10%	25.00%	13.00%	
Year	30 June	30 June	30 June	30 June	31 December	
Period ended 30 June 2013						
Carrying value at the beginning of the period	561	5 154	820	6 473	217 592	230 600
Share of net attributable profit	109	103	3 238	27	37 481	40 958
Distributions received	(4 163)	-	(427)	-	(59 926)	(64 516)
Impairments recognised	-	(1 614)	-	-	-	(1 614)
Carrying value at the end of the period	**(3 493)**	**3 643**	**3 631**	**6 500**	**195 147**	**205 428**
As at 30 June 2013						
Capital	(3 553)	4 872	446	5 000	212 470	219 235
Equity-accounted results	60	385	3 185	1 500	(17 323)	(12 193)
Impairments	-	(1 614)	-	-	-	(1 614)
Carrying value at the end of the period	**(3 493)**	**3 643**	**3 631**	**6 500**	**195 147**	**205 428**
Directors' valuation	-	3 643	8 264	6 500	471 578	

The summarised financial information of the partnerships is as

	Kagiso Ventures Private Equity Fund	The Calibre Private Equity Investors Partnership No. 10	The Calibre Private Equity Investors Partnership No. 11	The Calibre Private Equity Trust	XK Platinum Partnership
Assets	-	37 411	14 641	1 720	1 073 921
Liabilities	-	24 798	8 632	8 703	132 573
Revenue	-	134 394	91 725	2 023	1 020 008
Profit/(loss) for the year	-	204	6 445	(78)	222 212

ANNEXURE E - GROUP SCHEDULE OF PARTNERSHIPS

The Group's investments in partnerships are summarised below: (continued)

	Kagiso Ventures Private Equity Fund 1	The Calibre Private Equity Investors Partnership No. 10	The Calibre Private Equity Investors Partnership No. 11	The Calibre Private Equity Trust	XK Platinum Partnership	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Effective interest	51.90%	50.10%	25.10%	25.00%	13.00%	
Period ended 30 June 2012						
Carrying value at the beginning of the period	-	-	-	-	-	-
Acquired through common control transaction	(3 553)	4 872	446	5 000	212 470	219 235
Share of net attributable profit	4 114	282	3 440	1 473	31 050	40 359
Distributions received	-	-	(3 066)	-	(25 928)	(28 994)
Carrying value at the end of the period	561	5 154	820	6 473	217 592	230 600
As at 30 June 2012						
Capital	(3 553)	4 872	446	5 000	212 470	219 235
Equity-accounted results	4 114	282	374	1 473	5 122	11 365
Carrying value at the end of the period	561	5 154	820	6 473	217 592	230 600
Directors' valuation	561	6 611	15 530	6 473	231 168	

The summarised financial information of the partnerships is as

	Kagiso Ventures Private Equity Fund 1	The Calibre Private Equity Investors Partnership No. 10	The Calibre Private Equity Investors Partnership No. 11	The Calibre Private Equity Trust	XK Platinum Partnership
Assets	22 016	27 241	12 122	1 864	1 040 816
Liabilities	15 061	14 638	8 557	74	112 436
Revenue	-	126 823	7 450	2 575	870 243
Profit for the year	11 415	559	(928)	16 762	154 372

ANNEXURE F - COMPANY SCHEDULE OF AMOUNTS DUE FROM/(TO) GROUP COMPANIES

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
Period ended 30 June 2013					
Metropolitan Retirement Administrators (Pty) Limited	7 000	-	-	-	7 000
KA Investment Partners Trust	-	164	-	-	164
Kagiso Strategic Investments (Pty) Limited	-	49	-	-	49
Kagiso Strategic Investments II (Pty) Limited	-	8 379	-	(8 099)	280
Kagiso Ventures Private Equity Fund 1	-	-	-	-	-
Alizay Properties 46 (Pty) Limited	-	1 939	-	(7 722)	(5 783)
Business Venture Investments No 884 (Pty) Limited	-	687	-	-	687
Cardona Investments 428 (Pty) Limited	-	469	-	-	469
Clidet 901 (Pty) Limited	-	21 400	-	-	21 400
Clidet 902 (Pty) Limited	-	93	-	-	93
Emerald Panther Investments 43 (Pty) Limited	-	378	-	-	378
Educated Risk Investments 71 (Pty) Limited	-	3	-	-	3
Fasus Investments (Pty) Limited	-	6 781	-	-	6 781
Firefly Investments 166 (Pty) Limited	-	1 538	-	-	1 538
Four Arrows 39 (Pty) Limited	-	4	-	-	4
Jadeport Investments (Pty) Limited	-	25	-	-	25
Kagiso Asset Management (Pty) Limited	-	382	-	-	382
Kagiso Financial Services (Pty) Limited	-	10 290	-	-	10 290
Kagiso Platinum Ventures (Pty) Limited	-	12 787	-	-	12 787
Kagiso Power Services (Pty) Limited	-	152	-	-	152
Kagiso Risk Solutions (Pty) Limited	-	265	-	-	265
Kagiso Sizanani Capital Limited	-	6 143	(849 900)	(14 704)	(858 461)
Kagiso Strategic Investments III (Pty) Limited	-	401 090	-	-	401 090
Kagiso Trust Enterprises (Pty) Limited	-	4	-	-	4
Kagiso Ventures Limited	-	35 581	-	-	35 581
Kagiso Ventures Trust	-	5	-	-	5
Main Street 336 (Pty) Limited	-	-	-	(246)	(246)
Newmillen Investments 122 (Pty) Limited	-	8	-	-	8
Morning Tide Investments 168 (Pty) Limited	-	116	-	-	116
Off the Shelf Investments 109 (Pty) Limited	-	-	-	(441)	(441)
Off the Shelf Investments 168 (Pty) Limited	-	36 052	-	-	36 052
Tiso Capital Partners No 2 (Pty) Limited	-	7	-	-	7
Tiso Electrical (Pty) Limited	-	4 658	-	-	4 658
Tiso INL Investments I (Pty) Limited	-	47	-	(49 780)	(49 733)
Tiso Management Company (Pty) Limited	-	10 237	-	-	10 237
Tiso Power Services (Pty) Limited	-	39	-	-	39
Tiso Projects No 1 (Pty) Limited	-	1 201	-	-	1 201
Tiso Property No 2 (Pty) Limited	-	56 423	-	-	56 423
Tiso Property (Pty) Limited	-	11 612	-	-	11 612
Tiso Repair Services (Pty) Limited	-	5 000	-	-	5 000
Tiso Resources (Pty) Limited	-	5 922	-	-	5 922
Tiso Telecom (Pty) Limited	-	4	-	-	4
Tiswala Holdings (Pty) Limited	-	4	-	-	4
Tiswala Investments (Pty) Limited	-	482	-	-	482
Xanthe Investment Holdings (Pty) Limited	-	-	-	(57 444)	(57 444)
Kagiso Strategic Investments III Finance (Pty) Limited	-	171 699	-	-	171 699
Kagiso Ventures Investment Holdings (Pty) Limited	-	14 869	-	-	14 869
Kagiso Ventures Investment Holdings Trust	-	-	-	(73)	(73)
KTH 2008 Employees Share Trust	-	29 763	-	-	29 763
KTH Staff Participation Trust	-	64	-	-	64
Off the Shelf Investments 127 (Pty) Limited	-	2 695	-	-	2 695
Kagiso Charitable Trust	-	587	-	-	587
Kagiso Power Services III (Pty) Limited	-	1 250	-	-	1 250
Off the Shelf Investments 108 (Pty) Limited	-	-	-	(423)	(423)
Net indebtedness due from/(to) group companies	**7 000**	**861 350**	**(849 900)**	**(138 932)**	**(120 482)**

ANNEXURE F - COMPANY SCHEDULE OF AMOUNTS DUE FROM/(TO) GROUP COMPANIES

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
Period ended 30 June 2012					
Metropolitan Retirement Administrators (Pty) Limited	7 000	-	-	-	7 000
KA Investment Partners Trust	-	118	-	-	118
Kagiso Strategic Investments (Pty) Limited	-	143	-	-	143
Kagiso Strategic Investments Finance	-	5 420	-	-	5 420
Kagiso Strategic Investments II (Pty) Limited	-	8 664	-	(8 099)	565
Kagiso Ventures Private Equity Fund 1	-	1	-	-	1
Alizay Properties 46 (Pty) Limited	-	13 679	-	-	13 679
Blue Falcon 69 Trading (Pty) Ltd	-	79	-	-	79
Business Venture Investments No 851 (Pty) Limited	-	502	-	-	502
Cardona Investments 428 (Pty) Limited	-	35	-	-	35
Clidet 901 (Pty) Limited	-	21 494	-	-	21 494
Clidet 902 (Pty) Limited	-	93	-	-	93
Emerald Panther Investments 43 (Pty) Limited	-	16	-	-	16
Fasus Investments (Pty) Limited	-	6 777	-	-	6 777
Firefly Investments 166 (Pty) Limited	-	3	-	-	3
Friedcorp 559 (Pty) Limited	-	1	-	-	1
Kagiso Asset Management (Pty) Limited	-	526	-	-	526
Kagiso Financial Services (Pty) Limited	-	-	-	(32 870)	(32 870)
Kagiso Platinum Ventures (Pty) Limited	-	40 748	-	-	40 748
Kagiso Power Services (Pty) Limited	-	152	-	-	152
Kagiso Risk Solutions (Pty) Limited	-	265	-	-	265
Kagiso Sizanani Capital Limited	-	45	(89 900)	(193 758)	(283 613)
Kagiso Strategic Investments III (Pty) Limited	-	402 591	-	-	402 591
Kagiso Trust Enterprises (Pty) Limited	-	4	-	-	4
Off the Shelf Investments 109 (Pty) Limited	-	-	-	(522)	(522)
Off the Shelf Investments 108 (Pty) Limited	-	261	-	-	261
Off the Shelf Investments 168 (Pty) Limited	-	35 895	-	-	35 895
Tiso Electrical (Pty) Limited	-	4 658	-	-	4 658
Tiso Management Company (Pty) Limited	-	10 218	-	-	10 218
Tiso Power Services (Pty) Limited	-	944	-	-	944
Tiso Property No 2 (Pty) Limited	-	61 971	-	-	61 971
Tiso Property (Pty) Limited	-	3 426	-	-	3 426
Tiso Repair Services (Pty) Limited	-	5 688	-	-	5 688
Tiso Resources (Pty) Limited	-	3 901	-	-	3 901
Xanthe Investment Holdings (Pty) Limited	-	-	-	(56 683)	(56 683)
Kagiso Strategic Investments III Finance (Pty) Limited	-	173 034	-	(313)	172 721
Kagiso Ventures Investment Holdings (Pty) Limited	-	14 379	-	-	14 379
Kagiso Ventures Investment Holdings Trust	-	-	-	(6 097)	(6 097)
Kagiso Ventures (Pty) Limited	-	4 540	-	(10 031)	(5 491)
Kagiso Ventures Trust	-	3	-	-	3
Kagiso Charitable Trust	-	4 120	-	-	4 120
Kagiso Employee Share Trust	-	3	-	-	3
KTI 2008 Employee Share Trust	-	30 447	-	-	30 447
Off the Shelf Investments 127 (Pty) Limited	-	3 854	-	-	3 854
Kagiso Power Services III (Pty) Limited	-	1 249	-	-	1 249
Net indebtedness due from/(to) group companies	**7 000**	**859 946**	**(89 900)**	**(308 373)**	**468 674**

ANNEXURE G - GROUP SCHEDULE OF AMOUNTS DUE FROM/(TO) GROUP COMPANIES

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
Period ended 30 June 2013					
Associates					
Actom Investment Holdings (Pty) Limited	387 257	-	-	-	387 257
Bell Equipment Sales SA (Pty) Limited	71 264	-	-	-	71 264
Eris Property Group (Pty) Limited	-	-	-	-	-
Idwala Industrial Holdings (Pty) Limited	20 320	-	-	-	20 320
Lupo Bakery (Pty) Limited	-	1 669	-	-	1 669
Metropolitan Retirement Administrators (Pty) Limited	7 000	-	-	-	7 000
Sea Harvest Holdings (Pty) Limited	17 082	-	-	-	17 082
Newmillen 122 Investments (Pty) Limited	-	8	-	-	8
Tamela Holdings (Pty) Limited	6 750	-	-	-	6 750
	509 674	**1 677**	**-**	**-**	**511 352**
Joint ventures					
KA Investment Partners Trust	-	164	-	-	164
Cshell (Pty) Limited	-	2 614	-	-	2 614
Kagiso Strategic Investments (Pty) Limited	-	50	-	-	50
Kagiso Strategic Investments II (Pty) Limited	-	8 379	-	(8 099)	280
	-	**11 206**	**-**	**(8 099)**	**3 107**
Partnerships					
Kagiso Ventures Private Equity Fund 1	-	-	-	(40)	(40)
	-	**-**	**-**	**(40)**	**(40)**
Net indebtedness due from /(to) Group	**509 674**	**12 884**	**-**	**(8 139)**	**514 419**

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
Period ended 30 June 2012					
Associates					
Actom Investment Holdings (Pty) Limited	341 128	-	-	-	341 128
Bell Equipment Sales SA (Pty) Limited	67 395	-	-	-	67 395
Eris Property Group (Pty) Limited	21 161	-	-	-	21 161
Idwala Industrial Holdings (Pty) Limited	17 506	-	-	-	17 506
Lupo Bakery (Pty) Limited	-	669	-	-	669
Metropolitan Retirement Administrators (Pty) Limited	7 000	-	-	-	7 000
Sea Harvest Holdings (Pty) Limited	17 082	-	-	-	17 082
Tamela Holdings (Pty) Limited	6 750	-	-	-	6 750
	478 022	**669**	**-**	**-**	**478 691**
Joint ventures					
KA Investment Partners Trust	-	118	-	-	118
Kagiso Strategic Investments (Pty) Limited	-	144	-	-	144
Kagiso Strategic Investments II (Pty) Limited	-	8 664	-	(8 100)	564
	-	**8 926**	**-**	**(8 100)**	**826**
Partnerships					
Kagiso Ventures Private Equity Fund 1	-	83	-	-	83
	-	**83**	**-**	**-**	**83**
Net indebtedness due from /(to) Group	**478 022**	**9 678**	**-**	**(8 100)**	**479 600**

ANNEXURE H - SHAREHOLDERS' INFORMATION

Shareholder	Number of shares 2013	% Holding 2013	Number of shares 2012	% Holding 2012
Kagiso Charitable Trust	313 179	31.32%	313 179	31.32%
Industrial Partnership Investments Limited	322 892	32.29%	250 541	25.05%
Tiso Investment Holdings (Pty) Limited	141 023	14.10%	141 023	14.10%
Tiso Foundation Charitable Trust	75 212	7.52%	75 212	7.52%
KTH Staff Participation Trust	68 831	6.88%	68 831	6.88%
Kagiso Trust Strategic Investments (Pty) Limited	67 164	6.72%	-	0.00%
Kagiso Trust Investments Share Scheme 2008	9 519	0.95%	9 179	0.92%
Staff	2 180	0.22%	2 520	0.25%
Investec Bank Limited	-	0.00%	46 247	4.62%
Rand Merchant Bank	-	0.00%	32 153	3.22%
The Standard Bank of South Arica Limited	-	0.00%	23 182	2.32%
Tiso Share Trust	-	0.00%	21 740	2.17%
Liberty Group Limited	-	0.00%	8 974	0.90%
Other	-	0.00%	7 219	0.72%
	1 000 000		1 000 000	

KAGISO TISO HOLDINGS

Kagiso Tiso Holdings Proprietary Limited
(Registration number 2011/000848/07)

Annual Consolidated Financial Statements
for the year ended 30 June 2014

CONTENTS

The reports and statements set out below comprise the annual consolidated financial statements presented to the shareholders:

*Does not form part of the annual consolidated financial statements

These annual consolidated financial statements for the year ended 30 June 2014 were internally prepared under the supervision of the Chief Financial Officer.

These annual consolidated financial statements have been audited in compliance with the applicable requirements of the Companies Act No.71 of 2008

CORPORATE INFORMATION

Directors

Non-executive directors
NI Sowazi (Chairman)
LN Angel (Resigned – 10 March 2014)
DKT Adomakoh
JW Dreyer (Resigned – 31 December 2013)
JJ du Toit (Appointed – 31 December 2013)
MV Kruger (Resigned – 03 April 2014)
V Mufamadi
PJ Makosholo
ZC Nevhutalu
B Ngonyama
S Pather
KB Schoeman
PJ Uys (Appointed – 31 December 2013)

Executive directors
V Nkonyeni (Chief Executive Officer)
JB Hanson (Chief Investment Officer)
FF Gillion (Chief Financial Officer)

Alternative directors
MM Ntsaba - (Appointed – 11 April 2014)

Company secretary
S Moyet – Resigned 31 July 2014
M Manjingolo - Appointed 1 August 2014

Public officer
FF Gillion

Registered office
Kagiso Tiso House
100 West Street
Wierda Valley
Sandton
2196
(PO Box 55276 Northlands 2116)

Auditors
PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill
2157

Commercial bankers
The Standard Bank of South Africa Limited
Corporate and Investment banking
30 Baker Street
Rosebank
Johannesburg
2196

Attorneys
Cliffe Dekker Hofmeyr Incorporated
1 Protea Place
Sandton
2196

Webber Wentzel
10, 16 & 18 Fricker Road
Illovo Boulevard
2196

General
Tax reference number 9741/035/1/89
VAT number 4290258377

Publish date
28 October 2014

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the maintenance of adequate accounting records and the preparation of the annual consolidated financial statements.

The annual consolidated financial statements are prepared, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act No.71 of 2008, on the going concern basis and incorporate full and responsible disclosure. The annual consolidated financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The annual consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Frencel Gillion CA (SA).

The directors are satisfied that the information contained in the annual consolidated financial statements fairly presents the results of operations for the period then ended and the financial position of the group at the reporting date.

The directors are also responsible for the group's system of internal financial controls. The system was developed to provide reasonable, but not absolute assurance regarding the reliability of the annual consolidated financial statements, the safeguarding of assets, and to prevent and detect misrepresentation and losses.

To the best of their knowledge, the board of directors confirm that they have every reason to believe that the group has adequate resources in place to continue as a going concern in the future. The annual consolidated financial statements have accordingly been prepared on this basis.

The annual consolidated financial statements were audited by the company's independent auditor, PricewaterhouseCoopers Incorporated, to whom unrestricted access were given to all financial records and related information. The auditor's report is presented on page 10.

The annual consolidated financial statements set out on pages 11 - 88 were approved by the board of directors and were signed on its behalf by:

NL Sowazi
Chairman

FF Gillion
Chief Financial Officer

CERTIFICATE BY THE COMPANY SECRETARY

In terms of section 88(e) of the Companies Act No.71 of 2008, as amended (Companies Act), I, Safeera Mayet, in my capacity as company secretary, confirm that, to the best of my knowledge and belief, for the year ended 30 June 2014, has filed with the Companies and Intellectual Property Commission all such returns and notices as are required of a private company in terms of the Companies Act and that all such returns and notices appear to be true, correct and up to date.

S Mayet
Company secretary

28 October 2014
Sandton

The directors have pleasure in presenting their report of the company and the group for the year ended 30 June 2014.

1. **Nature of the business**

Kagiso Tiso Holdings Proprietary Limited ("KTH") is a majority black-owned and managed investment holding Company with investments in a number of strategic sectors of the South African economy including financial services, media, power, industrials, construction and resources. KTH was formed as a result of the merger between Kagiso Trust Investments Proprietary Limited and Tiso Group Proprietary Limited on 1 July 2011.

2. **Investment activities**

The intrinsic value of KTH increased by 2% from R9.4bn to R9.6bn (before applicable holding company discounts). The following key activities were undertaken.

Acquisitions

Kagiso Media Limited

During the year under review KTH concluded a transaction whereby KTH acquired the remaining 49% of the equity of Kagiso Media Limited ("KML"). Subsequent to this acquisition KML was delisted from the Johannesburg Stock Exchange. The transaction allows KTH greater control over the strategic direction of an important pillar in the KTH investment portfolio.

Fidelity Bank Limited (Ghana)

During the period under review KTH concluded its first direct investment outside South Africa through the acquisition of a 15% stake in Fidelity Bank Limited (Ghana).

Disposals

During the year under review, the following investments were disposed of to raise capital for future acquisitions

- Bytes Technology Group South Africa Proprietary Limited
- Waco Africa Holdings Proprietary Limited
- Bell Equipment Sales SA Proprietary Limited
- Three Diamonds Trading 564 Proprietary Limited

3. **Operating and financial review**

The 2014 financial year saw the deployment of in excess of R900m in new investments in the form of the Kagiso Media ("KM") and Fidelity Bank transactions. KTH also continued with the rationalisation of its investment portfolio with the disposals of Bell Equipment, Mix Telematics, WACO and Bytes which generated net proceeds to KTH of circa R500m. KTH also restructured its management share incentive scheme during the year which resulted in the redemption of the Cardona preference shares (R600m) and the raising of debt at Cardona and KTH levels to fund the redemption. The shares previously held by the KTH Share Participation Trust are now held by KTH as Treasury Shares. KTH posted an attributable loss of R233m for the period under the review compared to an attributable profit (restated) of R415m for the corresponding period. The KTH financial results for the period were mainly effected by:

- Positive revenue growth of 17% driven by good performances from Kagiso Media and Kagiso Asset Management. The strong revenue growth contributed to an improvement in operating margins from 9% to 12% year on year.
- The KM buy-out transaction comprising the elimination of Non-controlling interest ("NCI") of R1,4 bn as well as a charge to equity of R521m being the difference between the purchase and the book value of the NCI at the time of the transaction. The KM transaction also included the raising of R1,2billion in term debt which impacted on the KTH gearing ratios.
- The impact of the adoption of revised and new accounting standards IFRS 10, IFRS 13 and IAS 28R. The most significant impact was that brought about by the expanded definition of significant influence in terms of IAS 28R, which resulted in the reclassification of investments in MMI, Methealth and Emira from financial assets to associates. The changes resulted in KTH's profit for 2013 being restated from R587m to R309m and for 2014 being R186m lower than before the reclassification.
- KTH posted fair values losses of R286m mainly due to fair value adjustments relating to its listed assets portfolio comprising Exxaro (R138m), Adcock (R177m) and Aveng (R65m) which was partly offset by an R109m fair value gain in respect of the MMI convertible preference shares.
- KTH accounted for impairments relating to associates Actom (R101m), Fidelity Bank (R67m) and Emira (R39m). The Actom impairment was partly due to valuation accounting pursuant to IFRS 13 informed by the KPMG independent valuation. The Fidelity Bank investment was valued at original transaction price and the impairment is as result of the devaluation of the Ghanian Cedi.

3. Operating and financial review (continued)

	GROUP 2014 R'000	GROUP Restated 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
The group and company results are summarised as follows:				
Financial position				
Total assets	13 773 085	14 661 884	21 296 968	12 129 080
Total equity	7 187 869	9 493 271	10 106 632	10 918 896
Total shareholders equity	6 305 291	7 235 288	10 106 632	10 918 896
Non-current liabilities - borrowings	4 669 876	3 783 032	237 260	137 007
Current liabilities - borrowings	272 714	45 770	25 840	28 032
Total borrowings	4 942 590	3 828 802	263 100	165 039
Intrinsic value*	6 538 500	8 342 100	-	-
* Based on independent valuation				
Operating results				
Revenue	1 582 607	1 357 614	14 905	5 402
Operating profit	183 706	177 345	(71 583)	(145 805)
Other gains/(losses) - net	(299 568)	(186 676)	(937 390)	1 272 332
Net impairments(losses)/recoupments	(274 357)	(36 248)	-	(35 001)
Finance cost	(435 210)	(389 031)	(72 873)	(72 865)
Income tax expense	(166 548)	10 328	-	(83 832)
Profit attributable to the owners of the parent	(232 785)	415 054	(699 166)	1 326 747

4. Share Capital

Ordinary shares

Authorised share capital

1 000 000 ordinary shares of no par value.

1 deferred ordinary share with a par value of R1.00

Issued share capital

1 000 000 ordinary share were issued at a total issue consideration of R7 396 376 000 on 1 July 2011.

1 deferred ordinary share was issued at a total issue consideration of R1.00 on 1 July 2011.

Full details of all preference shares issued by subsidiaries of KTH are available for inspection at the company's registered address.

5. Dividends

Dividend policy

In terms of the KTH Memorandum of Incorporation, the Board shall declare and pay a dividend of not less than 30% of the consolidated after tax profit of the company (excluding unrealised gains and losses) for the respective financial year, subject to solvency and liquidity requirements of the Companies Act.

Dividend declaration

Dividend number 2 of 7 000 cents per share was declared on 22 October 2013 in respect of the period ended 30 June 2013. The dividend was paid on 29 October 2013 to shareholders recorded in the register of the company as at that date. The dividend was declared and paid to shareholders by the board of directors after taking into account the solvency and liquidity requirements of the company.

Dividend number 3 of 6 000 cents per share was declared on 2 April 2014 in respect of the interim period ended 31 December 2013. The dividend was paid on 15 April 2014 to shareholders recorded in the register of the company as at that date. The dividend was declared and paid to shareholders by the board of directors after taking into account the solvency and liquidity requirements of the company.

6. Shareholders

The major shareholders of the company at 30 June 2014 were:

Kagiso Charitable Trust	31.318%
Industrial Partnerships Proprietary Limited (Remgro Limited)	32.289%
Tiso Investment Holdings Proprietary Limited	14.102%
Tiso Foundation Charitable Trust	7.521%
Cardona Investments 428 Proprietary Limited	6.883%
Kagiso Trust Strategic Investments Proprietary Limited	6.716%

7. Share schemes

KTH operated a management and staff share incentive scheme whereby 6.883% of the KTH share capital was acquired by the KTH Staff Participation Trust for the benefit of staff. During the current financial year the debt owed by Cardona Proprietary Limited ("Cardona") relating to the Trust was refinanced by Cardona and KTH. The Trust in turn distributed the KTH shares to Cardona. KTH acquired all the ordinary shares in Cardona from the Trust. KTH introduced a new share appreciation rights (SARS) scheme in terms of which management and staff is offered SARS in terms of the rules of the new scheme. The 1st tranche of SARS issued to management and staff will vest in full on 30 June 2016.

8. Directors

The names of the directors in office at the date of this report appear on the corporate information page.

Directors' interests

No director has any interest in any of the contracts entered into with the company or its group companies.

Directors' remuneration

Full details of all amounts paid to the executive and non-executive directors are disclosed in note 44 to the consolidated financial statements.

Key management changes

No changes occurred in key management positions for the financial year.

9. Borrowing limitations

There are no limitations on borrowings in terms of the Memorandum of Incorporation of the company. The company's borrowing limits are informed by its finance policies and its debt covenants. In terms of its debt covenants, KTH has remaining debt capacity of approximately R1 billion as at 30 June 2014.

10. Special resolutions

All special resolutions taken during the financial period are available for inspection at the company's registered office.

11. Company secretary

The company secretary as at 30 June 2014 was S Mayet. She was replaced after year end by N Manjingolo, effective 1 August 2014, and the details of the registered office and postal address appear on the corporate information page.

12. Auditors

PricewaterhouseCoopers Incorporated will continue in office in accordance with section 90(6) of the Companies Act No 71 of 2008.

13. Going concern

The company and group financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors assess the group's future financial performance and financial position on an on-going basis and have no reason to believe that the group will not be a going concern in the year ahead.

14. Material events after reporting date

The Company declared a dividend in the amount of R60 million equating to an amount of R60 in respect of each ordinary share in the Company, to the holders of ordinary shares in the Company registered as such on 24 September 2014 and was paid on the 2 October 2014.

15. Subsidiaries, associates, joint ventures and partnerships

Particulars of the subsidiary companies, associated companies and other investments are disclosed in Annexures A - C

This report by the Audit and Risk Committee ("the committee"), as appointed by the Board in respect of the period under review and the requirements of the Companies Act (No. 71 of 2008), as amended ("Companies Act") describes how the committee has discharged its statutory duties in terms of the Companies Act and its additional duties assigned to it by the Board in respect of the financial year ended 30 June 2014.

Committee members and attendance at meetings

The committee is currently chaired by Ms Babalwa Ngonyama who is a Chartered Accountant and an independent Board member. The committee further comprises one member nominated by each of the three significant shareholders of the Company, namely Tiso Investment Holdings Proprietary Limited (Nkululeko Sowazi), The Kagiso Charitable Trust (Paballo Makosholo) and Ulwe Industrial Partnership Investments Limited (Jan du Toit), for so long as the relevant party remains a shareholder of the Company and has nominated a member to the Committee. Members are elected at the annual general meeting of the Company and up to three additional members can be elected provided that each of these members shall be a non-executive director of the company. During the period Jan Dreyer resigned from the committee and was replaced by Jan du Toit.

All the committee members are suitably skilled and experienced. In terms of the committee's charter, at least two meetings should be held annually.

During the year under review the committee met three times.

The Chief Executive Officer, Chief Financial Officer, Chief Investment Officer and representatives of the external auditors attend the committee meetings by invitation.

Role and responsibilities

The committee's role and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board.

The committee is satisfied that it has fulfilled all of its duties during the financial period under review, as further detailed below.

Kagiso Tiso Holdings Proprietary Limited's ("KTH") operating subsidiary, Kagiso Media Proprietary Limited ("KM"), has its own Audit and Risk Committee which comprises three non-executive directors and consequently fulfils its responsibilities independent of the KTH committee. KTH has two representatives on the KM audit and risk committee including the Chairperson, Francoi Gillion.

External audit

In the conduct of its duties, the committee performed the following statutory duties:

- The Audit and Risk Committee evaluated the independence, effectiveness and performance of the external auditors and obtained assurance from the auditors that adequate accounting records were maintained and appropriate accounting principles are in place and were consistently applied
- Determined the fees to be paid to the external auditor and their terms of engagement;
- Ensured that the appointment of the external auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors;
- Determined the nature and extent of any non-audit services that the external auditor provided to the Company and its wholly owned subsidiaries.
- Ensured that the scope of the external audit had no limitations imposed by management and that there was no impairment on its independence.

The group's external auditor is PricewaterhouseCoopers Incorporated, represented by Raj Dhanlall.

The committee is satisfied that the Company's external auditor, PricewaterhouseCoopers Incorporated, is independent of the Company and is thereby able to conduct their audit functions without any influence from the Company.

Internal financial control and accounting systems

The committee is satisfied that KTH has effective financial policies and procedures in place, has invested in appropriate accounting systems and is therefore satisfied that the internal controls are effective to provide the basis for the preparation of reliable financial statements.

Financial statements and going concern

The committee has reviewed the separate and consolidated financial statements of the Company and is satisfied that they comply with International Financial Reporting Standards and the requirements of the Companies Act, and that the accounting policies used are appropriate.

The committee has also reviewed a documented assessment prepared by management of the going concern premise of the Company before recommending to the Board that the Company will be a going concern in the foreseeable future.

Confidential meetings

Audit and risk committee agendas provides for confidential meetings between the committee members and external auditors without the involvement of management. The external auditors have direct access to the Audit and risk committee chairperson.

Finance function

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

Governance of risk

The committee is responsible for overseeing the governance of the risk management function within the group excluding Kagiso Media. This incorporates operations, financial reporting, fraud, internal controls, IT governance and compliance risks among others. The risk management process and the governance thereof, as well as the necessary disclosure with regard thereto, is one of the key responsibilities assigned to the committee by the Board. In this regard the committee has evaluated reports on the effectiveness of risk management conducted by management with assistance from KPMG and is therefore satisfied that the risk management process is effective.

Recommendation of the Annual Financial Statements for approval by the Board

The committee has reviewed the Annual Financial Statements, read together with the report of the External Auditors, and has recommended it for approval by the Board.

B Ngonyama
Chairperson of the Audit and Risk Committee
Sandton
28 October 2014

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KAGISO TISO HOLDINGS PROPRIETARY LIMITED

We have audited the consolidated and separate financial statements of Kagiso Tiso Holdings Proprietary Limited set out on pages 11 to 88, which comprise the statements of financial position as at 30 June 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 control 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Kagiso Tiso Holdings Proprietary Limited as at 30 June 2014, 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 the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit and Risk Committee Report and the Certificate by the Company Secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Raj Dhanlall
Registered Auditor
Sunninghill
30 October 2014

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T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.co.za

	Notes	GROUP 2014 R'000	Restated 2013 R'000	Restated 2012 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	139 504	155 127	159 403
Intangible assets	6	644 323	706 404	722 893
Goodwill	7	1 117 337	1 133 661	1 113 937
Investment in associates, joint ventures and partnerships	9	4 323 157	4 481 757	4 385 047
Available for sale financial assets	10	345 621	487 765	975 559
Financial assets at fair value through profit and loss	11	3 956 585	4 142 949	4 659 559
Held-to-maturity financial assets	12	457 503	469 961	474 412
Loans and receivables	13	1 984	2 606	3 824
Amounts due from group companies	14	506 492	509 674	478 922
Deferred income tax	15	35 696	61 048	32 726
Total non-current assets		**11 528 203**	12 150 954	13 005 382
Current assets				
Financial assets at fair value through profit and loss	11	92 969	-	213 601
Loans and receivables	13	83 841	102 916	94 400
Derivative financial instruments		-	800	-
Amounts due from group companies	14	10 520	12 884	9 678
Inventories		25 201	29 165	54 315
Current income tax receivable		21 232	17 671	14 312
Trade and other receivables	16	359 658	355 673	349 612
Film and television content		6 168	-	-
Properties under development		6 916	6 916	6 916
Cash and cash equivalents	17	976 509	1 879 795	1 095 091
Total current assets		**1 583 013**	2 405 318	1 837 925
Assets of disposal group classified as held-for-sale	18	661 868	105 612	41 000
Total Assets		**13 773 085**	14 661 884	14 884 307
EQUITY AND LIABILITIES				
Equity				
Share capital	19	7 396 376	7 396 376	7 396 376
Treasury shares	20	(542 916)	(546 521)	(685 117)
Other reserves/(deficits)	21	521 531	512 456	(1 812 983)
Retained (loss)/earnings		(1 069 700)	(125 023)	1 955 766
Total shareholders' equity		**6 305 291**	7 237 288	6 854 041
Non-controlling interests	22	884 578	2 257 983	2 398 618
Total equity		**7 187 869**	9 495 271	9 252 659
Liabilities				
Non-current liabilities				
Borrowings	23	4 669 876	3 783 032	2 558 512
Deferred income		-	-	33 330
Derivative financial instruments		5 796	596	-
Operating lease liability		1 987	2 790	7 292
Deferred income tax	15	790 917	872 759	1 287 350
Share-based payment liabilities	24	43 825	80 392	43 176
Total non-current liabilities		**5 512 402**	4 739 570	3 929 660
Current liabilities				
Borrowings	23	272 714	45 770	1 148 598
Trade and other payables	25	242 973	199 881	348 204
Provisions	26	191 405	147 198	110 390
Amounts due to group companies	14	41	8 340	8 100
Current income tax liabilities		9 550	25 046	65 552
Bank overdraft	17	49	48	1 144
Total current liabilities		**716 731**	425 084	1 701 988
Liabilities of disposal group classified as held-for-sale	18	356 084	3 960	-
Total liabilities		**6 585 216**	5 168 613	5 631 648
TOTAL EQUITY AND LIABILITIES		**13 773 085**	14 661 884	14 884 307

The accounting policies and notes on pages 17 to 84 are an integral part of these annual financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	COMPANY 2014 R'000	2013 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	5 954	7 549
Intangible assets	6	4 564	5 247
Investment in subsidiaries	8	9 204 093	9 556 642
Investment in associates, joint ventures and partnerships	9	153 348	306 345
Available for sale financial assets	10	109 022	87 132
Financial assets at fair value through profit and loss	11	65 000	-
Held-to-maturity financial assets	12	32 596	29 305
Amounts due from group companies	14	7 000	7 000
Total non-current assets		**9 581 577**	9 999 220
Current assets			
Financial assets at fair value through profit and loss	11	62 371	-
Amounts due from group companies	14	614 386	831 592
Current income tax receivable		1 503	1 503
Trade and other receivables	16	13 377	12 741
Cash and cash equivalents	17	557 762	1 284 024
Total current assets		**1 249 400**	2 129 860
Assets of disposal group classified as held-for-sale	18	466 000	-
Total Assets		**11 296 968**	12 129 080
EQUITY AND LIABILITIES			
Equity			
Share capital	19	7 396 376	7 396 376
Other reserves	21	63 014	32 666
Retained earnings		2 647 242	3 489 854
Total equity		**10 106 632**	10 918 896
Liabilities			
Non-current liabilities			
Borrowings	23	133 154	137 007
Operating lease liability		91	537
Deferred income tax	15	9 225	365
Amounts due to group companies	14	849 900	849 900
Share-based payment liabilities	24	1 743	48 576
Total non-current liabilities		**994 113**	1 036 385
Current liabilities			
Borrowings	23	25 840	28 032
Trade and other payables	25	5 117	4 723
Provisions	26	27 718	2 112
Amounts due to group companies	14	127 548	138 932
Total current liabilities		**186 222**	173 799
Total liabilities		**1 190 336**	1 210 184
TOTAL EQUITY AND LIABILITIES		**11 296 968**	12 129 080

The accounting policies and notes on pages 17 to 94 are an integral part of these annual financial statements.

	Notes	GROUP 2014 R'000	GROUP Restated 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Continuing operations					
Revenue	27	1 582 607	1 357 614	14 905	5 402
Costs of sales	28	(755 769)	(696 450)	-	-
Depreciation and amortisation	30	(113 305)	(105 183)	4 434	(4 459)
Other operating expenses - net		(529 826)	(433 856)	(90 922)	(146 748)
Operating profit/(loss)	29	183 706	122 345	(71 583)	(145 805)
Dividend income	31	64 735	87 186	335 413	347 300
Other gains/(losses) - net	32	(299 568)	(186 676)	(937 390)	1 272 332
Profit/(loss) on sale of investments - net	33	-	653	-	(353)
Net impairments/(losses)/recoupments	34	(274 357)	(36 748)	-	(35 001)
Finance income	35	191 080	197 917	47 267	44 970
Finance costs	36	(435 210)	(389 041)	(72 873)	(72 865)
(Loss)/profit before taxation		(569 614)	(208 853)	(699 166)	1 410 578
Income tax expense	37	(166 548)	10 328	-	(83 832)
(Loss)/profit after taxation		(736 162)	(198 525)	(699 166)	1 326 747
Share of after-tax profit of associates, joint ventures and partnerships	5	604 217	524 580	-	-
(Loss)/profit for the period from continued operations		(131 944)	326 055	(699 166)	1 326 747
Discontinued operations					
Loss from discontinued operations	39	(15 951)	(17 036)	-	-
(Loss)/profit for the year		(147 895)	309 019	(699 166)	1 326 747
Other comprehensive income/(losses):					
Items that may be subsequently reclassified to profit or loss					
Fair value adjustments on available-for-sale financial assets	38	(139 275)	49 967	24 760	14 712
Share of other comprehensive income of associated companies		35 301	27 319	-	-
Cash flow hedges		(5 296)	-	-	-
Recycling of gains on available-for-sale financial assets		(1 004)	(233 002)	(1 004)	(233 002)
Tax relating to items of other comprehensive income/(losses)	15	21 317	144 102	(9 225)	107 690
Total other comprehensive (loss)/income		(88 957)	(11 614)	14 530	(110 600)
Total comprehensive (loss)/profit		(236 852)	297 405	(684 636)	1 216 147
(Loss)/profit attributable to:					
- Owners of the parent		(232 785)	415 064	(699 166)	1 326 747
- Non-controlling interests		84 890	(106 045)	-	-
		(147 895)	309 019	(699 166)	1 326 747
Total comprehensive (loss)/income attributable to:					
- Owners of the parent		(290 065)	370 526	(684 636)	1 216 147
- Non-controlling interests		53 213	(73 120)	-	-
		(236 852)	297 405	(684 636)	1 216 147

The accounting policies and notes on pages 17 to 84 are an integral part of these annual financial statements.

	Attributable to owners of the parent									Consolidated	
	Ordinary share capital	Treasury shares	IFRS 3 reserve	Common control (deficit)	Share-based payment deficit	Available-for-sale reserves	Other reserves	Retained earnings	Share-holders' equity	Non-controlling interest	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP											
Balance at 1 July 2012 Restated	7 396 376	(685 117)	193 016	(2 874 738)	(5 394)	225 062	649 070	1 955 766	6 854 041	2 398 618	9 252 659
Balance previously reported	7 396 376	(685 117)	193 016	(2 874 738)	(5 394)	350 999	450 112	1 927 864	6 753 118	2 429 843	9 182 961
Change in accounting policies						(125 937)	198 958	27 902	100 923	(31 225)	69 698
Issue of shares	12 328	-	-	-	-	-	-	-	12 328	-	12 328
Treasury shares issued	(12 328)	136 596	-	-	-	-	-	9 062	133 330	-	133 330
Transfers	-	-	(193 016)	2 874 738	-	83 741	(386 181)	(2 409 145)	(29 863)	29 863	-
Total comprehensive income	-	-	-	-	-	(72 148)	27 609	415 064	370 525	(73 120)	297 405
Profit for the year previously reported	-	-	-	-	-	-	-	677 087	677 087	(89 741)	587 346
Other comprehensive income previously reported	-	-	-	-	-	(55 793)	14 742	-	(41 051)	33 058	(7 993)
Change in accounting policies	-	-	-	-	-	(16 355)	12 867	(262 023)	(265 511)	(16 437)	(281 948)
Change in interest	-	-	-	-	-	-	-	(5 533)	(5 533)	(3 802)	(9 335)
IFRS 2 share-based payments	-	-	-	-	(9 305)	-	-	-	(9 305)	-	(9 305)
Distributions paid to beneficiaries	-	-	-	-	-	-	-	(15 935)	(15 935)	-	(15 935)
Ordinary dividends	-	-	-	-	-	-	-	(74 301)	(74 301)	(93 575)	(167 876)
Balance at 1 July 2013 Restated	7 396 376	(548 521)	-	-	(14 699)	236 655	290 498	(125 023)	7 235 288	2 257 984	9 493 271
Treasury shares issued transferred to non-controlling interest	-	5 605	-	-	-	-	-	-	5 605	(5 605)	-
Transfers	-	-	-	-	14 699	-	43 877	(58 576)	-	-	-
Total comprehensive income	-	-	-	-	-	(87 201)	29 921	(232 785)	(290 065)	53 213	(236 852)
Profit for the year	-	-	-	-	-	-	-	(232 785)	(232 785)	84 890	(147 895)
Other comprehensive income for the year	-	-	-	-	-	(87 201)	29 921	-	(57 280)	(31 677)	(88 957)
Change in interest	-	-	-	-	-	-	-	-	-	5 875	5 875
Transactions with non-controlling interests	-	-	-	-	-	-	-	(547 852)	(547 852)	(1 365 098)	(1 912 950)
Common control transaction	-	-	-	7 779	-	-	-	-	7 779	-	7 779
Modification of share based payment	-	-	-	-	-	-	-	13 216	13 216	13 164	26 380
Ordinary dividends paid	-	-	-	-	-	-	-	(118 690)	(118 690)	(76 954)	(195 644)
Balance at 30 June 2014	7 396 376	(542 916)	-	7 779	-	149 454	364 296	(1 069 700)	6 305 292	882 577	7 187 869
Notes	19	20	21	21	21	21	21			22	

The accounting policies and notes on pages 17 to 84 are an integral part of these annual financial statements.

STATEMENT OF CHANGES IN EQUITY

COMPANY

	Ordinary share capital	Available-for-sale reserves	Other reserves	Retained earnings	Total equity
	R'000	R'000	R'000	R'000	R'000
Balance at 1 July 2012 - Restated	**7 396 376**	**187 723**	**1 250 773**	**957 182**	**9 792 054**
Balance previously reported	7 396 376	187 723	1 280 531	957 182	9 821 812
Recognition of empowerment reserve	-	-	(29 758)	-	(29 758)
Issue of shares	12 328	-	-	-	12 328
Shares bought back	(12 328)	-	-	-	(12 328)
Total comprehensive income	-	(110 600)	-	1 326 747	1 216 147
Profit for the year	-	-	-	1 326 747	1 326 747
Other comprehensive loss for the year	-	(110 600)	-	-	(110 600)
Transfers	-	-	(1 285 925)	1 285 925	-
IFRS 2 share-based payments	-	-	(9 305)	-	(9 305)
Ordinary dividends	-	-	-	(80 000)	(80 000)
Balance at 1 July 2013 - Restated	**7 396 376**	**77 123**	**(44 457)**	**3 489 854**	**10 918 896**
Total comprehensive income	-	14 530	-	(699 166)	(684 636)
Profit for the year	-	-	-	(699 166)	(699 166)
Other comprehensive income for the year	-	14 530	-	-	14 530
Derecognition of IFRS 2 reserve	-	-	14 699	(14 699)	-
Repayment of empowerment reserve	-	-	1 119	-	1 119
Ordinary dividends paid	-	-	-	(128 747)	(128 747)
Balance at 30 June 2014	**7 396 376**	**91 653**	**(28 639)**	**2 647 242**	**10 106 632**
Notes	19	21	21		

The accounting policies and notes on pages 17 to 84 are an integral part of these annual financial statements.

STATEMENT OF CASH FLOWS

	Notes	GROUP 2014 R'000	GROUP Restated 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	40	307 762	259 539	(120 806)	(120 982)
Finance income received		90 800	144 652	44 543	42 142
Dividends received		107 525	88 435	338 053	344 300
Finance costs paid		(313 995)	(198 187)	(74 883)	(73 481)
Income tax paid		(197 039)	(338 899)	-	(96 167)
Dividends paid to non-controlling interests	22	(91 873)	(93 575)	-	-
Dividends paid		(121 052)	(74 494)	(130 000)	(80 000)
Net cash generated from/(used in) operating activities		**(217 872)**	(212 528)	**56 907**	15 812
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(39 979)	(33 588)	(1 701)	(1 011)
Proceeds on sale of property, plant and equipment	5	427	907	-	197
Acquisition of intangible assets	6	(28 374)	(28 805)	-	(5 347)
Proceeds on sale of intangible assets	6	2 593	348	-	-
Acquisition of subsidiaries and associates	9	(359 284)	(102 877)	(1 045 324)	-
Proceeds on sale of subsidiaries, associates and joint ventures		75 918	45 941	-	40 647
Distributions received from associates	9	138 971	281 951	360	-
Return/(contribution) of capital from joint ventures	9	-	69 191	-	74 773
Distributions received from joint ventures and partnerships		59 443	72 498	4 791	6 230
Movement in group company loans		-	-	220 346	568 005
Movement in loans from related parties		97 707	28 491	16 394	8 291
Proceeds from redemption of preference shares		11 862	-	-	-
Acquisition of financial assets		(90 000)	(23 211)	(60 000)	(8 065)
Proceeds on sale of financial assets		46 026	782 213	2 870	545 826
Movement in loans and receivables		(1 520)	-	-	-
Net cash (used in)/generated from investing		**(5 191)**	1 093 157	**(862 265)**	1 229 546
Cash flows from financing activities					
Issue of ordinary shares	19	-	12 328	-	12 328
Proceeds on issue of preference shares	23	-	73 600	-	-
Proceeds of treasury shares	20	-	145 656	-	-
Treasury shares bought back	20	-	(12 328)	-	(12 328)
Redemption of preference shares	23	(648 368)	(500 047)	-	(288 142)
Proceeds from borrowings	23	2 575 390	762 543	104 096	-
Repayment of borrowings	23	(717 774)	(401 142)	(25 000)	(75 000)
Distribution to beneficiaries		-	(33 793)	-	-
Return of members interest		-	(132 983)	-	-
Purchase of shares from non-controlling interest		(1 885 704)	(9 200)	-	-
Repayment of shareholder loans		963	-	-	-
Net cash (used in)/generated from financing activities		**(675 493)**	(95 364)	**79 096**	(363 142)
Net movement in cash and cash equivalents		(898 557)	785 265	(726 262)	882 216
Cash and cash equivalents at the beginning of the year		1 879 247	1 093 944	1 284 024	401 808
Cash, cash equivalents and bank overdrafts acquired					
Exchange gains on cash and cash equivalents		27	36	-	-
Cash, cash equivalents and bank overdrafts included in assets-held-for-sale		(4 257)	-	-	-
Cash, cash equivalents and bank overdrafts at the end of the year	17	**976 459**	1 879 247	**557 762**	1 284 024

The accounting policies and notes on pages 17 to 84 are an integral part of these annual consolidated financial statements.

1. **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these annual consolidated financial statements are set out below. The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial period:

IFRS 10 Consolidated Financial Statements (IFRS 10)
IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)
IFRS 13 Fair Value Measurement (IFRS 13)
IAS 27 Separate Financial Statements (2011 revised) (IAS 27R)
IAS 28 Investments in Associates and Joint Ventures (2011 revised) (IAS 28R).

IAS 28 resulted in the restatement of the group's previously reported financial results. Refer to note 48 for details of the restatements.

The adoption of IFRS 10 and IAS 27R did not have any effect on the group's previously reported financial results.

The adoption of IFRS 12 resulted in additional disclosure requirements. Whilst the standard requires prospective application, comparative disclosure has been provided.

IFRS 13 was adopted prospectively.

1.1 **Basis of preparation**

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act 71 of 2008, as amended.

These annual consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) held at fair value through profit or loss, and IFRS 5 disposal Groups.

The preparation of these annual consolidated financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates. Where appropriate, details of estimates are presented in the accompanying notes to the consolidated financial statements.

The annual consolidated financial statements are presented in South African Rand and all amounts, unless otherwise indicated, are stated in thousands.

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 note 4.

1.2 **Basis of consolidation**

Consolidation - subsidiary companies

Subsidiaries are all entities (including structured entities) controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when it has existing rights that give it the current ability to direct the relevant activities that significantly affect the entity's returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

1.2 Basis of consolidation (continued)

1.2.1 Consolidation - subsidiary companies (continued)

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. 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 excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless the cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

Special purpose entities are entities created to accomplish a narrow and well-defined objective such as holding of specific investments or housing staff incentive schemes. These entities take different legal forms. A special purpose entity is consolidated when the substance of the relationship between the group and the special purpose entity indicates that the group effectively has control over the entity.

Changes in ownership interests in subsidiaries without change of control

The group applies a policy of treating transactions with non-controlling interests 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 are recorded in equity, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary. When the group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

Investment in associates and jointly controlled entities

Associates, including partnerships, are entities over which the group generally has between 20% and 50% of the voting rights or over which the group has significant influence, but which it does not control. There are some investments over which the Group is believed to have significant influence although it has an interest of less than 20% in these companies. A feature of the majority of the Group's empowerment transactions is the fact that KTH is provided with at least one seat on the board of directors of the investee company. In addition, the terms and conditions of the empowerment transaction could be viewed as a material transaction between the entity and the investee. However, as the Group has board representation and is one of the major shareholders of these companies, its influence over their financial and operating policies is significant.

A jointly controlled entity is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in associates and jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. Under this method the group's share of post acquisition profit and losses of associates and jointly controlled entities is recognised in profit and loss 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. The group's investment in associates includes goodwill (net of accumulated impairment losses) and notional intangibles (net of accumulated amortisation) identified on acquisition

1.2 Basis of consolidation (continued)

Investment in associates and jointly controlled entities

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 is reclassified to profit and loss where appropriate.

Unrealised gains on transactions between the group and its associated companies are eliminated to the extent of the group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

When the group's share of losses in an associated company 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 associated Company.

Certain associated and joint venture companies have year-ends that differ from that of the company. In such circumstances the results of listed and certain unlisted companies are accounted for from the latest published information and management accounts as at year-end, respectively. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the group and its subsidiaries to the extent that it is material and appropriate for the specific industry in which the associate operates.

Separate financial statements

In the company's separate financial statements, investments in subsidiaries, associated companies, joint ventures and partnerships are designated at fair value through profit or loss. Investments in subsidiaries, associated companies, joint ventures and partnerships are managed and evaluated on a fair value basis, in accordance with the investment strategy of the Company.

1.3 Financial instruments

Financial instruments disclosed in the annual consolidated financial statements include cash and cash equivalents, investments, derivative instruments, receivables and short-term loans, trade and other payables and borrowings. Financial instruments are initially recognised at fair value when the group becomes party to the contractual terms of the instruments. All purchases and sales of financial instruments are recognised at the trade date. The transaction costs relating to the acquisition of financial instruments held at fair value through profit or loss are expensed. Subsequent to initial recognition, these instruments are measured as follows:

1.3.1 Financial assets

The group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available for sale.

Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. These instruments are carried at amortised cost using the effective interest rate method.

Held-to-maturity financial instruments

Instruments with fixed maturity that the group has the intent and ability to hold to maturity are classified as held-to-maturity financial instruments and are carried at amortised cost using the effective interest rate method.

These financial assets are initially measured at fair value plus direct transaction costs. At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment recognised to reflect irrecoverable amounts.

Available-for-sale financial instruments

Other long-term financial instruments are classified as available-for-sale and are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial instruments are recognised through other comprehensive income in the period in which they arise. When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in the statement of comprehensive income.

Financial instruments at fair value through profit and loss

These instruments, consisting of financial instruments held-for-trading and those designated at fair value through profit and loss at inception, are carried at fair value. Derivatives are also classified as held-for-trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these financial instruments are recognised in profit or loss in the statement of comprehensive income in the period in which they arise within 'other gains/(losses) - net'. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of dividend income when the group's right to receive payment is established.

1.3.2 Financial liabilities

Other payables and borrowings

Other payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method

Preference shares

Preference shares which carry a mandatory redemption, or are redeemable at the option of the shareholder in respect of which dividend payments are not discretionary, in both cases, are classified as financial liabilities. Where the dividend payments in both cases are discretionary, the preference shares are classified as compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are recognised in profit or loss as finance costs on an amortised cost basis using the effective interest rate method. The liability component of a compound financial instrument is initially recognised as the present value of future cash flows. The equity component is equal to the proceeds less the liability component.

Derivatives and hedging activities

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts, put and call options and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Derivatives are classified as financial assets at fair value through profit or loss. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise

Debt securities

Debt securities which carry a mandatory coupon, or are redeemable at specific dates at the option of the holder are recognised initially at fair value, net of transaction costs incurred. Debt securities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Interest paid on these debt securities is charged to profit or loss at the effective interest rate method.

1.3.3 Derecognition of financial instruments

Financial assets (or portions thereof) are derecognised when the Group realises the rights to the benefits specified in the contract, the rights expire or the group surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable, as well as any prior adjustments to reflect fair value that had been recognised in other-comprehensive income, is included in the statement of comprehensive income.

Financial liabilities (or portions thereof) are derecognised when the group's obligation specified in the contract is discharged or cancelled or has expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it, is included in the statement of comprehensive income.

1.3.4 Offsetting of financial instruments

Where a current legally enforceable right of set-off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

1.3.5 Loans to and from group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs. Loans to group companies are classified as loans and receivables and carried at amortised cost.

1.3.6 Loans to directors, managers and employees

These financial assets are classified as loans and receivables.

1.3.7 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate 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. Trade and other receivables are classified as loans and receivables.

1.3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included in current liabilities on the statement of financial position.

1.3 Financial instruments (continued)

1.3.9 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms. Subsequently the Company's liabilities under such guarantees are measured at the higher of the amount in terms of IAS 37 or the initial amount less cumulative amortisation.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

1.4 Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. Land is not depreciated. Depreciation is calculated on a straight-line method to write off the cost of the assets over their expected useful lives. Major leasehold improvements are amortised over the shorter of their respective lease periods or estimated useful life. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The carrying values of property, plant and equipment are reviewed periodically to assess whether the net recoverable amount has declined below the carrying amount. In the event of such impairment, the carrying amount is reduced and the reduction is charged as an expense in the profit or loss. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains or losses on disposals are determined by comparing the proceeds with the assets carrying amounts. These are included in the profit or loss in the related period.

The estimated useful lives of property, plant and equipment have been assessed as follows:

Item	Average useful life
Computer equipment	2 - 9 years
Freehold land and buildings	30 years
Furniture and fittings	1 - 15 years
Leasehold improvements	2 - 12 years
Motor vehicles	3 - 10 years
Office equipment	1 - 15 years
Plant and equipment	2 - 10 years

1.5 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, or associate, or jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in the interest in investments in associates or jointly controlled entities, if positive.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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. The group allocates goodwill to each subsidiary, associate, and/or joint venture at acquisition of interest.

Profit at acquisition is recognised in profit or loss in the period in which it arises.

1.5 Intangible assets (continued)

Other intangible assets

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

The useful lives were determined as follows:

Item	Average useful life
Trademarks, titles and copyright	2 - 30 years
Development expenditure	2 - 30 years
Transmitter split facility	30 years
Customer relationships	2 30
Systems and software	1 - 8 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; or there is no active market for these assets.

1.6 Impairment of assets

Impairment – subsidiaries and associated companies

An asset is impaired if its carrying amount is greater than its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use. The carrying amounts of subsidiaries and associated companies are reviewed if there is objective evidence of impairment and written down where necessary.

Property, plant and equipment

Where these assets are identified as being impaired, that is when the recoverable amount has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. Such written-off amounts are accounted for in the statement of comprehensive income.

Financial instruments carried at amortised cost

A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has occurred, 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a held-to maturity investment or 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 decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as improved credit rating, the previously recognised impairment loss is reversed and is recognised in the statement of comprehensive income.

Assets classified as available for sale

The Group assesses at each reporting date, whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and current fair value, less any impairment losses on the financial asset previously recognised in profit or loss is removed from other comprehensive income, and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not subsequently reversed through the statement of comprehensive income – such reversals are accounted for in other comprehensive income.

1.7 Current and deferred income tax

The tax expense on the profit or loss for the year comprises current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date. Tax expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred income tax and deferred capital gains tax are provided for on a comprehensive basis, 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. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is also not recognised on the initial recognition of goodwill, nor is it recognised on investments in subsidiaries and joint ventures where the Group controls the timing of the reversal of temporary differences and it is possible that these differences will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the 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 tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of each asset or liability, and is not discounted.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Dividend withholding tax

Dividends withholding tax was introduced, effective from 1 April 2012, at a maximum local dividend rate of 15% (2013: 15%).

1.8 Non-current assets (or disposal Groups) held-for-sale

Non-current assets (or disposal Groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition and management is committed to the sale subject only to terms that are usual and customary.

Immediately before classification as held-for-sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal Group) is brought up to-date in accordance with the applicable standard. Then, on initial classification as held-for-sale, non-current assets (other than investment properties, deferred tax assets, financial assets and inventories) are measured in accordance with IFRS 5, that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

1.9 Share capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of new shares are accounted for in equity as a deduction from the proceeds. Mandatory redeemable preference shares are classified as borrowings.

Shares in the Company held by Group companies are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued number of shares and taken into account in the calculation of the weighted average number of shares. The cost price of the shares is deducted from the Group's equity.

1.10 Preference shares

Preference shares issued by the Group are recorded at the net proceeds received, which is the fair value less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is allocated to preference share capital and any excess is allocated to preference share premium, including the costs that were incurred with the share issue.

Preference shares, which are mandatorily redeemable on a specific date or which are redeemable at the option of the holder, are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as finance costs.

1.11 Provisions, contingencies and other liabilities

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expected expenditure required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within twelve months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non accumulating absences, when the absence occurs. Bonus payments are recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The Company has no further payment obligations once the contributions have been paid.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.12 Employee benefits (continued)

Share-based compensation - Company

The Group operates various cash-settled and equity-settled share based compensation plans. Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction. When goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity are measured directly at the fair value of the goods or services received, provided that the fair value can be estimated reliably. If the fair value of the goods or services received cannot be estimated reliably, their value and the corresponding increase in equity indirectly, are measured by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement. Changes in fair value are recognised in profit or loss for the period.

1.13 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 reporting 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 other services – upon delivery of the service
- Entrance fees from events – upon the accrual thereof
- Royalty income – upon the accrual thereof
- Barter revenue – upon the accrual thereof
- Sale of online advertisements – upon delivery of the service
- Sale of data sets – upon delivery of the data
- Sale of data maintenance services – upon delivery of the service

Revenue from the trade exchange contracts are recognised upon delivery of the service.

Finance income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. Finance income on impaired loans is recognised using the original effective interest rate.

1.13 Revenue (continued)

Deferral of revenue

Revenue received in advance is deferred and only recognised when:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the group;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Revenue from the licensing of films and television programming are recorded when the content is available for telecast by the licensee and when certain other conditions are met.

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.

1.14 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 Group's and 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. 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 profit or loss and disclosed separately in the notes to the consolidated financial statements.

1.15 Dividend distributions

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 shareholders.

1.16 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

1.17 Current/Non-current distinction

Items are classified as current when it is expected to be realised, traded, consumed or settled within twelve months after the reporting date, or the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date.

2. New and amended accounting standards and interpretations

International Financial Reporting Standards and amendments effective for the first time for the 30 June 2014 year-end:

Amendment to IFRS 7 Financial Instruments: Disclosures – Asset and Liability offsetting

The IASB has published an amendment to IFRS 7, 'Financial Instruments: Disclosures', reflecting the joint requirements with the FASB to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10 – 'Consolidated financial statements'

This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

IFRS 11 – 'Joint arrangements'

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 – 'Disclosures of interests in other entities'

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 – 'Fair value measurement'

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011) – 'Separate financial statements'

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011) – 'Associates and joint ventures'

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

Amendment to the transition requirements in IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint Arrangements', and IFRS 12, 'Disclosure of interests in other entities'

The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10 is adopted – for example, 1 January 2013 for a calendar-year entity that adopts IFRS 10 in 2013. Entities adopting IFRS 10 should assess control at the date of initial application; the treatment of comparative figures depends on this assessment.

The amendment also requires certain comparative disclosures under IFRS 12 upon transition.

2. New and amended accounting standards and interpretations (continued)

International Financial Reporting Standards and amendments issued but not effective for the 30 June 2014 year-end. The impacts of these amendments have not yet been assessed:

IFRS 9 – Financial Instruments (2009)
(effective date – financial periods commencing on/after 1 January 2018)
This 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.

Amendments to IAS 32 – 'Financial Instruments: Presentation'
(effective date – financial periods commencing on/after 1 January 2014)
The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

IASB issues narrow-scope amendments to IAS 36, 'Impairment of assets'
(effective date – financial periods commencing on/after 1 January 2014)
These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

Amendments to IFRS 10, consolidated financial statements', IFRS 12 and IAS 27 for investment entities
(effective date – financial periods commencing on/after 1 January 2014)
The amendments proved an exemption from consolidating subsidiaries. Instead subsidiaries can be measured at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics.

Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make

Improvements to IFRSs (Issued May 2012) was issued by the IASB as part the 'annual improvements process' resulting in the following amendments to standards issued, and effective for the first time for the 30 June 2014 year-ends:

Amendment to IAS 1, 'Presentation of financial statements'
(effective date – financial periods commencing on/after 1 January 2013)
The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.

Amendment to IAS 32, 'Financial instruments: Presentation'
(effective date – financial periods commencing on/after 1 January 2013)
The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

Improvements to IFRSs (Issued May 2012) was issued by the IASB as part the 'annual improvements process' resulting in the following amendments to standards issued, but not yet effective for 30 June 2014 year-ends:

Amendment to IFRS 2, 'Share based payment'
(effective date – financial periods commencing on/after 1 July 2014)
The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to IFRS 13, 'Fair value measurement'
(effective date – financial periods commencing on/after 1 July 2014)
When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

3. Financial risk management and financial instruments

Risk management

Introduction

Various financial risks have an impact on the Group's results comprising of market risk (including price risk, interest rate risk and foreign exchange risk), credit risk and liquidity risk. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated annual financial statements.

Risk profile

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the board of directors of the Company and of relevant subsidiaries. The Company's executive committee identifies, evaluates and hedges financial risks in co-operation with the Group's operating units.

Categories of financial instruments - Group

	Loans and receivables	Fair value through profit and loss	Available-for-sale	Held to maturity	Held-for-trading	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
30 June 2014						
Financial assets						
Investments	-	4 049 554	345 621	457 503	-	4 852 678
Loans and receivables	85 825	-	-	-	-	85 825
Amounts due from group companies	517 012	-	-	-	-	517 012
Trade and other receivables	359 658	-	-	-	-	359 658
Cash and cash equivalents	976 508	-	-	-	-	976 508
	1 939 003	**4 049 554**	**345 621**	**457 503**	**-**	**6 791 681**

	Loans and receivables	Fair value through profit and loss	Available-for-sale	Held to maturity	Held-for-trading	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
30 June 2013						
Financial assets						
Investments	-	4 142 949	487 765	469 961	-	5 100 675
Derivative financial asset	-	800	-	-	-	800
Loans and receivables	105 522	-	-	-	-	105 522
Amounts due from group companies	522 558	-	-	-	-	522 558
Trade and other receivables	355 673	-	-	-	-	355 673
Cash and cash equivalents	1 879 295	-	-	-	-	1 879 295
	2 863 048	4 143 749	487 765	469 961	-	7 964 523

	Liabilities at amortised cost	Fair value through profit and loss	Carrying value
	R'000	R'000	R'000
30 June 2014			
Financial liabilities			
Borrowings	4 907 286	35 304	4 942 590
Amounts due to group companies	41	-	41
Derivative financial instrument	5 796	-	5 796
Trade and other payables	61 536	-	61 536
Bank overdraft	49	-	49
	4 974 708	**35 304**	**5 010 012**

3. **Financial risk management and financial instruments**
Categories of financial instruments - Group (continued)

	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Carrying value R'000
30 June 2013			
Financial liabilities			
Borrowings	3 809 992	18 810	3 828 802
Amounts due to group companies	8 140	-	8 140
Derivative financial instrument	596	-	596
Trade and other payables	44 302	-	44 302
Bank overdraft	48	-	48
	3 863 078	18 810	3 881 888

Categories of financial instruments - Company

	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held to maturity R'000	Held-for-trading R'000	Carrying value R'000
30 June 2014						
Financial assets						
Investments	-	9 684 812	109 022	32 586	-	9 826 421
Amounts due from group companies	621 386	-	-	-	-	621 386
Trade and other receivables	13 377	-	-	-	-	13 377
Cash and cash equivalents	557 762	-	-	-	-	557 762
	1 192 525	9 684 812	109 022	32 586	-	11 018 946

	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held to maturity R'000	Held-for-trading R'000	Carrying value R'000
30 June 2013						
Financial assets						
Investments	-	9 862 987	87 132	29 305	-	9 979 424
Amounts due from group companies	868 350	-	-	-	-	868 350
Trade and other receivables	12 741	-	-	-	-	12 741
Cash and cash equivalents	1 284 024	-	-	-	-	1 284 024
	2 165 115	9 862 987	87 132	29 305	-	12 144 538

	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Carrying value R'000
30 June 2014			
Financial liabilities			
Borrowings	131 544	27 450	158 994
Amounts due to group companies	977 448	-	977 448
Trade and other payables	5 117	-	5 117
	1 114 109	27 450	1 141 559

3. **Financial risk management and financial instruments**

Categories of financial instruments - Company

	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Carrying value R'000
30 June 2013			
Financial liabilities			
Borrowings	51 848	113 191	165 039
Amounts due to group companies	988 832	-	988 832
Trade and other payables	4 723	-	4 723
	1 045 403	113 191	1 158 594

Fair value estimation

Financial instruments that are measured at fair value in the statement of financial position, are disclosed by level of the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities,
Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices),and
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments,
- the fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves; and
- other techniques, these include the use of recent arm's length transactions, reference to other instruments that are substantially the same, EBIT and EBITDA multiples, net asset value, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Any derivatives embedded in financial instruments are separated from the host contract when their economic characteristics are not closely related to those of the host contract and the host contract is not carried at fair value. Gains and losses are reported in profit or loss in the statement of comprehensive income

The following table illustrates the fair values of financial assets that are measured at fair value, by hierarchy level for the Group:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2014				
Available-for-sale financial assets	109 023	1 768	234 830	345 621
Derivative financial assets	-	-	-	-
Assets at fair value through profit and loss	757 502	-	3 292 052	4 049 554
	866 525	**1 768**	**3 526 882**	**4 395 175**

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2013				
Available-for-sale financial assets	75 552	1 768	410 445	487 765
Derivative financial assets	800	-	-	800
Assets at fair value through profit and loss	690 612	-	3 452 337	4 142 949
	766 964	1 768	3 862 782	4 631 514

3. Financial risk management and financial instruments

The following table illustrates the fair value of financial liabilities by hierarchy level for the Group:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2014				
Derivative financial instruments	-	5 796	-	5 796
Interest rate swap	-	-	-	-
	-	5 796	-	5 796

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2013				
Derivative financial instruments	-	596	-	596
Interest rate swap	-	-	18 810	18 810
	-	596	18 810	19 406

The following table illustrates the fair values of financial assets that are measured at fair value, by hierarchy level for the Company:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2014				
Available-for-sale financial assets	109 022	-	-	109 022
Subsidiaries	3 176 741	-	6 027 351	9 204 092
Associates, joint ventures and partnerships	-	-	353 348	353 348
Assets at fair value through profit and loss	62 371	-	65 000	127 371
	3 348 134	-	6 445 699	9 793 833

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2013				
Available-for-sale financial assets	75 552	-	11 580	87 132
Subsidiaries	4 682 112	-	4 874 530	9 556 642
Associates, joint ventures and partnerships	-	-	306 345	306 345
Assets at fair value through profit and loss	-	-	-	-
	4 757 664	-	5 192 455	9 950 119

The following table illustrates the fair value of financial liabilities by hierarchy level for the Company:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2014				
Financial guarantee contracts	-	-	27 450	27 450
	-	-	27 450	27 450

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2013				
Financial guarantee contracts	-	-	113 191	113 191
	-	-	113 191	113 191

3. Financial risk management and financial instruments

Reconciliation of level 3 financial assets

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3) for the Group:

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2014			
Balances at the beginning of the period	3 452 337	410 445	3 862 782
Additions	6 644	-	6 644
Disposals	(2 219)	(2 870)	(5 089)
Fair value adjustment recognised in profit and loss	(164 710)	-	(164 710)
Fair value adjustment recognised in equity	-	(172 745)	(172 745)
	3 292 052	234 830	3 526 882

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2013			
Balances at the beginning of the period	4 014 734	390 998	4 405 732
Additions	-	8 065	8 065
Classified as assets held-for-sale	(43 157)	-	(43 157)
Fair value adjustment recognised in profit and loss	(519 240)	-	(519 240)
Fair value adjustment recognised in equity	-	11 382	11 382
	3 452 337	410 445	3 862 782

The table below sets out the reconciliation of financial assets that are measured at fair value based on inputs that are not based on observable market data (level 3) for the Company:

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2014			
Balances at the beginning of the period	5 180 875	11 580	5 192 455
Additions	2 821 275	-	2 821 275
Disposals	-	(2 870)	(2 870)
Derecognitions recycled to profit and loss	-	-	-
Classified as assets held-for-sale	-	-	-
Fair value adjustment recognised in profit and loss	(1 556 451)	-	(1 556 451)
Fair value adjustment recognised in equity	-	(8 710)	(8 710)
	6 445 699	-	6 445 699

	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2013			
Balances at the beginning of the period	7 034 306	6 675	7 041 181
Additions	-	8 065	8 065
Fair value adjustment recognised in profit and loss	(1 853 431)	-	(1 853 431)
Fair value adjustment recognised in equity	-	(3 160)	(3 160)
	5 180 875	11 580	5 192 455

3. Financial risk management and financial instruments

Reconciliation of level 3 liabilities

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3) for the Group:

30 June 2014	Interest rate swap R'000	Total R'000
Balances at the beginning of the period	18 810	18 810
Classified as assets held-for-sale	(18 810)	(18 810)
	-	-

30 June 2013	Interest rate swap R'000	Total R'000
Balances at the beginning of the period	27 162	27 162
Fair value adjustment recognised in profit and loss	(8 352)	(8 352)
	18 810	18 810

Reconciliation of level 3 liabilities

The table below sets out the reconciliation of financial liabilities that are measured at fair value based on inputs that are not based on observable market data (level 3) for the Company.

30 June 2014	Financial guarantee R'000	Total R'000
Balances at the beginning of the period	113 191	113 191
Derecognition of guarantee	(82 338)	(82 338)
Additions	17 000	17 000
Amortisation recognised in profit and loss	(10 284)	(10 284)
Fair value adjustment recognised in profit and loss	(10 119)	(10 119)
	27 450	27 450

30 June 2013	Financial guarantee R'000	Total R'000
Balances at the beginning of the period	118 099	118 099
Amortisation recognised in profit and loss	(20 723)	(20 723)
Fair value adjustment recognised in profit and loss	15 815	15 815
	113 191	113 191

3. Financial risk management and financial instruments

Credit risk

The Group's exposure to credit risk is the fair value of loans, loans to associated companies and joint ventures, trade receivables, derivative instruments and cash and cash equivalents as indicated above, as well as financial guarantee contracts.

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, including outstanding receivables and committed transactions. For banks and financial institutions such as Investec Limited, Nedbank Limited and The Standard Bank of South Africa Limited, only independently rated parties with a minimum rating of 'A' are accepted. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

Loans to associated companies and joint ventures

Management continuously assesses the credit risk of loans to associated companies and joint ventures through its representation on the respective boards. Loans to associated companies and joint ventures are within their mandated terms.

Cash and cash equivalents

Cash and cash equivalents are only held by approved institutions with an acceptable credit-worthiness. The treasury policy sets the limit for each financial institution.

Liquidity risk

Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due.

The Group's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has substantial cash balances at their disposal and substantial long-term debt due to investments made that are funded. The Group ensures that adequate credit facilities are available to maintain flexibility in the funding of transactions.

Cash flow forecasting is performed in the operating entities of the Group in and aggregated by Group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The following liquid resources are available for the Group:

	Carrying Value R'000
30 June 2014	
Financial assets	
Committed facilities	125 000
Trade and other receivables	359 658
Cash and cash equivalents	932 681
	1 417 339

	Carrying Value R'000
30 June 2013	
Financial assets	
Committed facilities	125 000
Trade and other receivables	355 673
Cash and cash equivalents	1 879 295
	2 359 967

3. Financial risk management and financial instruments

The following liquid resources are available for the Company:

	Carrying Value R'000
30 June 2014	
Financial assets	
Committed facilities	125 000
Trade and other receivables	13 377
Cash and cash equivalents	557 762
	696 139

	Carrying Value R'000
30 June 2013	
Financial assets	
Committed facilities	125 000
Trade and other receivables	12 741
Cash and cash equivalents	1 284 024
	1 421 765

The Group has the following contractual cash flows of financial liabilities:

	Carrying value R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2014					
Financial liabilities					
Borrowings	4 942 990	272 714	707 592	3 667 680	1 783 896
Operating lease liability	1 987	-	1 987	-	-
Trade and other payables	241 355	241 355	-	-	-
Amounts due to group companies	41	41	-	-	-
Bank overdraft	49	49	-	-	-
	5 186 022	**514 159**	**709 579**	**3 667 680**	**1 783 896**

	Carrying value R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June 2013					
Financial liabilities					
Borrowings	3 828 802	42 062	514 738	2 527 490	923 389
Operating lease liability	2 790	-	2 790	-	-
Trade and other payables	198 881	198 881	-	-	-
Amounts due to group companies	8 140	8 140	-	-	-
Bank overdraft	48	48	-	-	-
	4 038 661	249 131	517 528	2 527 490	923 389

3. Financial risk management and financial instruments

The Company has the following contractual cash flows of financial liabilities

	Carrying value R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June					
Financial liabilities					
Borrowings	158 904	25 840	-	11 236	177 404
Operating lease liability	91	-	91	-	-
Amounts due to group companies	977 448	127 548	-	849 900	-
Trade and other payables	5 117	5 117	-	-	-
	1 141 560	158 505	91	861 136	177 404

	Carrying value R'000	Less than 1 year R'000	Between 1 and 2 years R'000	Between 2 and 5 years R'000	More than 5 years R'000
30 June					
Financial liabilities					
Borrowings	165 039	26 676	25 840	31 185	82 338
Operating lease liability	537	-	537	-	-
Amounts due to group companies	988 832	138 932	-	-	849 900
Trade and other payables	4 723	4 723	-	-	-
	1 159 131	170 331	26 377	31 185	932 238

Market risk

Market risk is the risk that changes in market prices (price, foreign exchange and interest rate risk) will affect the Group' income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Due to significant cash investments, movements in market interest rates influence income. The Company has outsourced its treasury function to Andisa Capital Proprietary Limited. Interest rate risk is managed by the service provider by using approved counterparties that offer the best rates in accordance with the company's treasury policy.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Company and its subsidiary companies are also exposed to interest rate risk due to long-term debt.

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in the following market interest rates: JIBAR, money market rates and prime rate. Changes in market interest rates affect the interest income or expense of floating rate financial instruments. Changes in market interest rates only affect profit or loss in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as was used for 2013.

3. Financial risk management and financial instruments

Group

	2014			2013		
	Change	Upward change in interest rate R'000	Downward change in interest rate R'000	Change	Upward change in interest rate R'000	Downward change in interest rate R'000
Three month JIBAR	1.00%	15 547	15 547	1.00%	4 082	4 082
Money market	1.00%	1 583	1 583	1.00%	933	933
Prime	1.00%	14 881	14 881	1.00%	19 112	19 112

Company

	2014			2013		
	Change	Upward change in interest rate R'000	Downward change in interest rate R'000	Change	Upward change in interest rate R'000	Downward change in interest rate R'000
Three month JIBAR	1.00%	4 324	4 324	1.00%	-	-
Money market	1.00%	1 070	1 070	1.00%	335	335

Foreign exchange risk

The Group is exposed to foreign exchange translation risk through an investment in foreign cash by its foreign subsidiary KTH Africa Investments. The Board of Directors monitors the exposure on foreign cash on a regular basis and the risk is limited through the diversification in foreign currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 10% strengthening or weakening in the rand against all other currencies, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the US$ dollar. This analysis considers the impact of changes in foreign exchange rates on profit, excluding foreign exchange translation differences resulting from the translation of Group entities that have functional currencies different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as applied in 2013.

	2014			2013		
	Change	Upward change in interest rate R'000	Downward change in interest rate R'000	Change	Upward change in interest rate R'000	Downward change in interest rate R'000
US$:ZAR	10.00%	222	222	10.00%	-	-

3. Financial risk management and financial instruments

Price risk

Exposure to price risk is due to investments in listed and unlisted shares which are classified as "Available-for-sale financial assets" and investments in money market funds. Investments in cash and cash equivalents consist mainly of interest-bearing liquid investments with a low risk.

The Group is exposed to equity securities price risk because of investments held by the Group that are publicly traded and are listed on the Johannesburg Stock Exchange.

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 10% strengthening or weakening in the Johannesburg Stock Exchange. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

This analysis considers the impact of changes in the equity security price on the Johannesburg Stock Exchange on profit.

A change in the equity security price to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

Group

	2014			2013		
	Change	Upward change in interest rate R'000	Downward change in interest rate R'000	Change	Upward change in interest rate R'000	Downward change in interest rate R'000
Equity prices	10.00%	66 453	66 453	10.00%	69 061	69 061

Capital management

The Group manages its shareholders' equity, i.e. its stated capital, reserves and treasury shares, as capital. The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns to shareholders in the form of dividends and capital appreciation.

Consistent with other investment holding companies in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. The total capital is calculated as equity as shown in the statement of financial position plus net debt.

	GROUP		COMPANY	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Total borrowings	5 242 599	3 826 802	980 658	901 416
Cash, cash equivalents and bank overdraft	(976 460)	(1 879 247)	(557 762)	(1 284 024)
Net debt	4 266 130	1 949 555	422 896	(382 608)
Total shareholder equity	6 305 291	7 235 288	10 106 632	10 918 896
Total capital	10 571 421	9 184 843	10 529 528	10 536 288
Gearing ratio	40.36%	21.23%	4.02%	-3.63%

4. Critical accounting estimations and judgements

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and statement of comprehensive income. Although estimates are based on management's best knowledge and judgements of current facts as at reporting date, the actual outcome may differ from those estimates.

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.

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.

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.

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.

Production income

The Group measures production income for the content segment based on the percentage of completion. The percentage of completion is based on management's best estimate, taking into account historical trends, past experience and management forecasts.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Investments in associated companies

The most critical judgement exercised relates to the classification of investments as associated companies rather than investments available-for-sale. There are some investments over which the Group company is believed to have significant influence although it has an interest of less than 20% in these companies. A feature of the majority of the Group's empowerment transactions is the fact that KTH is provided with at least one seat on the board of directors of the investee company. In addition, the terms and conditions of the empowerment transaction could be viewed as a material transaction between the entity and the investee. However, as the Group has board representation and is one of the major shareholders of these companies, its influence over their financial and operating policies is significant. Those investments are accordingly accounted for as associated companies using the equity method and not as financial instruments at fair value.

Deferred income taxation

A significant estimate relates to the Group's accounting policy in terms of which deferred taxation is provided for on all temporary differences between the carrying value and the tax base of investments. This tax is measured at the estimated tax consequences based on the manner in which the entity, at the reporting date, expects to recover the carrying value of the various investments. The carrying value of investments in associated companies is mainly recovered through dividends. As no taxable temporary differences exist, deferred taxation is provided at 0%. Deferred taxation is provided on temporary differences that arise on the revaluation of available-for-sale investments based on the future economic benefits the entity expects to realise from that asset, i.e. a combination of dividends and capital gains or losses.

4. Critical accounting estimations and judgements (continued)

Business combinations

Critical accounting estimates and assumptions were also made during the purchase price allocation process in accounting for acquisitions as business combinations in accordance with IFRS 3: Business Combinations. These estimates and assumptions relate to the determination of useful lives of assets, discount rates, growth rates and valuation of unlisted investments.

Fair value of associates, derivatives and other financial instruments (including share options)

The fair value of associates and financial instruments (including derivatives and embedded derivatives) that are not traded in active markets is determined by using valuation techniques or models. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The Group has used discounted cash flows, earnings multiples and net asset value valuation methods for various available-for-sale investments that were not traded in active markets.

Associates, partnerships and jointly controlled entities with different year-ends

Part of the equity-accounted earnings from some associates, partnerships and jointly controlled entities are based on reviewed financial information and the actual results may differ.

Non-consolidation of entities in which the group holds more than 50%

The directors of the group made certain significant judgements whereby the following subsidiaries have not been consolidated even though the group holds more than 50% of the ordinary shares of these subsidiaries:

Blue Falcon 69 Proprietary Limited: The company ("Blue Falcon") has been set up with very specific defined set of activities that can be undertaken. Whilst the group owns the majority of the ordinary shares (62.97%) in Blue Falcon, control of the majority of the voting rights does not provide the Group with the power to control the key decisions taken by Blue Falcon. In addition, as it relates to disposal of the investment, any decisions around disposal of the Adcock Ingram Holdings Limited ("Adcock") shares is controlled by Adcock through its call option. Therefore, it has been concluded that Blue Falcon is not controlled by the group.

Tiso INL Investments 1 Proprietary Limited: 100% of the ordinary shares of the company ("Tiso INL") is held by the group, management has deemed the restrictions placed on the activities of Tiso INL to be so severe that it does not control the relevant activities (declaring dividends, financing its activities, and disposing of its investments) of Tiso INL. Therefore, it has been concluded that Tiso INL is not controlled by the group.

Kagiso Strategic Investments Proprietary Limited: A number of the relevant decisions of the company ("KSI") (including the appointment of the board of directors) require a super majority (80% of the total issued share capital of the company, excluding "A" preference shares). Since the group holds and effective 50.15% in KSI, and RMB the remaining shares, the group is considered to exert joint control with RMB over the relevant decisions of KSI. Therefore, KSI is accounted for as joint venture.

Kagiso Strategic Investments II Proprietary Limited: A number of the relevant decisions of the company ("KSI II") (including the appointment of the board of directors) require a super majority (80% of the total issued share capital of the company, excluding "A" preference shares). Since the group holds and effective 51.38% in KSI II, and RMB the remaining shares, the group is considered to exert joint control with RMB over the relevant decisions of KSI II. Therefore, KSI II is accounted for as joint venture.

Consolidation of entities in which the group holds less than 50%

The directors of the group made significant judgements whereby the following subsidiary is controlled by the group, even though the group holds less than 50% of the voting rights of this subsidiary:

Clidet 902 Proprietary Limited: The group has subscribed for preference shares in the company ("Clidet 902"). The preference share terms give right to the group to receive a 60% special dividend from remaining profits once the preference share has been redeemed in full. The group also held a right to convert the preference shares to ordinary shares on a one-for-one basis at any time prior to the redemption date. Therefore, it has been concluded that Clidet 902 is controlled by the group.

5 Property, plant and equipment

GROUP	Freehold land and buildings	Leasehold improvements	Plant and equipment	Other	Total
	R'000	R'000	R'000	R'000	R'000
Carrying value at 1 July 2012	**55 000**	**31 611**	**42 410**	**40 382**	**159 403**
Cost	55 000	27 961	48 878	53 245	185 084
Accumulated depreciation	-	(6 350)	(6 468)	(12 862)	(25 680)
Additions	-	8 395	10 038	15 160	33 593
Business combinations	-	204	-	619	823
Disposals	-	-	(618)	(434)	(1 052)
Classified as held-for-sale	-	-	-	(5 369)	(5 369)
Transfers	-	-	-	(1 405)	(1 405)
Depreciation	-	(5 416)	(11 705)	(13 745)	(30 866)
Carrying value at 30 June 2013	**55 000**	**24 794**	**40 125**	**35 208**	**155 127**
Cost	55 000	36 560	58 298	60 591	210 449
Accumulated depreciation	-	(11 765)	(18 173)	(25 383)	(55 321)
Additions	-	3 885	6 873	8 222	18 979
Disposals	-	(87)	(21)	(1 023)	(1 132)
Classified as held-for-sale	-	(1 247)	-	(2 084)	(3 331)
Transfers	-	9	(216)	(85)	(292)
Depreciation	-	(5 946)	(12 578)	(11 323)	(29 847)
Carrying value at 30 June 2014	**55 000**	**21 407**	**34 183**	**28 913**	**139 504**
Cost	55 000	38 504	65 094	58 047	216 645
Accumulated depreciation	-	(17 098)	(30 911)	(29 133)	(77 142)

COMPANY	Freehold land and buildings	Leasehold improvements	Plant and equipment	Other	Total
	R'000	R'000	R'000	R'000	R'000
Carrying value at 1 July 2012	-	**6 022**	-	**5 012**	**11 034**
Cost	-	7 389	-	10 806	18 194
Accumulated depreciation	-	(1 367)	-	(5 793)	(7 160)
Additions	-	305	-	711	1 016
Disposals	-	-	-	(144)	(144)
Transfers	-	-	-	(1 405)	(1 405)
Depreciation	-	(1 508)	-	(1 445)	(2 953)
Carrying value at 30 June 2013	-	**4 819**	-	**2 729**	**7 548**
Cost	-	7 694	-	9 302	16 996
Accumulated depreciation	-	(2 875)	-	(6 577)	(9 447)
Additions	-	394	-	1 307	1 701
Disposals	-	-	-	(220)	(220)
Transfers	-	(3)	-	(85)	(88)
Depreciation	-	(1 547)	-	(1 442)	(2 989)
Carrying value at 30 June 2014	-	**3 662**	-	**2 291**	**5 954**
Cost	-	8 085	-	9 351	17 435
Accumulated depreciation	-	(4 422)	-	(7 060)	(11 481)

The Group leases various motor vehicles, office equipment, LED screens and production equipment, under non-cancellable finance lease agreements. The lease terms are between 36 and 60 months and ownership of the assets lies within the group.

The valuation was determined by reference to recent market transactions on arm's length terms. The property comprises offices and a warehouse situated on Erf 1000, Hillstar Industrial Township, Welton and section No 5, in the Sunclare building situated at 21 Dreyer Street, Claremont.

6 Intangible assets

GROUP	Trademarks, titles, copyright and intellectual property	Broadcast licence	Customer relationships	Other	Total
	R'000	R'000	R'000	R'000	R'000
Carrying value at 1 July 2012	**281 660**	**89 837**	**285 323**	**66 073**	**722 893**
Cost	296 343	92 959	305 678	74 742	769 722
Accumulated amortisation	(14 683)	(3 122)	(20 355)	(8 669)	(46 829)
Additions	8 805	-	-	20 000	28 805
Business combinations	245	-	3 335	-	3 580
Disposals	-	-	-	(348)	(348)
Transfers	-	-	-	1 405	1 405
Amortisation	(16 960)	(2 966)	(22 840)	(7 166)	(49 932)
Carrying value at 30 June 2013	**273 750**	**86 871**	**265 818**	**79 965**	**706 404**
Cost	305 393	92 959	307 760	92 118	798 231
Accumulated amortisation	(31 643)	(6 088)	(41 942)	(12 154)	(91 827)
Additions	6 704	-	-	10 186	16 890
Disposals	(2 001)	-	(82)	(10 621)	(12 704)
Transfers	-	-	-	202	202
Impairment	-	-	-	(417)	(417)
Reclassified as held for-sale	(13 749)	-	(438)	(55)	(14 242)
Amortisation	(21 376)	(2 173)	(16 110)	(12 151)	(51 810)
Carrying value at 30 June 2014	**243 328**	**84 698**	**249 188**	**67 109**	**644 323**
Cost	296 347	92 959	307 240	90 944	787 490
Accumulated amortisation	(53 019)	(8 261)	(58 052)	(23 835)	(143 167)

COMPANY	Trademarks, titles, copyright and intellectual property	Broadcast licence	Customer relationships	Other	Total
	R'000	R'000	R'000	R'000	R'000
Carrying value at 1 July 2012	-	-	-	-	-
Cost	-	-	-	-	-
Accumulated amortisation	-	-	-	-	-
Additions	-	-	-	5 347	5 347
Transfers	-	-	-	1 405	1 405
Amortisation	-	-	-	(1 506)	(1 506)
Carrying value at 30 June 2013	-	-	-	**5 247**	**5 247**
Cost	-	-	-	7 108	7 108
Accumulated amortisation	-	-	-	(1 861)	(1 861)
Additions	-	-	-	2 179	2 179
Amortisation	-	-	-	(2 862)	(2 862)
Carrying value at 30 June 2014	-	-	-	**4 564**	**4 564**
Cost	-	-	-	9 286	9 286
Accumulated amortisation	-	-	-	(4 723)	(4 723)

7 Goodwill

GROUP	R'000
Carrying value at 1 July 2012	**1 113 937**
Cost	1 113 937
Accumulated impairment	-
Business combinations	19 724
Carrying value at 30 June 2013	**1 133 661**
Cost	1 140 311
Accumulated impairment	-
Business combinations	(6 651)
Classified as held-for-sale	(11 506)
Impairment	(4 818)
Carrying value at 30 June 2014	**1 117 337**
Cost	1 117 337
Accumulated impairment	-

Goodwill is tested annually for any possible impairment. The goodwill relates to the Group's investment in Kagiso Media Proprietary Limited and other units.

8 Investment in subsidiaries

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	9 556 642	8 497 944
Acquisition of subsidiaries	-	-	2 720 783	1
Fair value adjustment made on investment in subsidiaries	-	-	(1 059 891)	988 144
Financial guarantees granted	-	-	17 000	70 553
Financial guarantees derecognised	-	-	(82 338)	-
Derecognition of subsidiary	-	-	(272 644)	-
Disposal of subsidiaries	-	-	(1 675 459)	-
Carrying value at the end of the period	**-**	-	**9 204 093**	9 556 642

The directors' valuation of the unlisted shares is not less than their carrying amounts. Refer to Annexure A for detailed disclosure of the investments in subsidiaries. The investment in subsidiaries is designated at fair value through profit or loss.

9 Investment in associates, joint ventures and partnerships

	GROUP 2014 R'000	GROUP Restated 2013 R'000
Investment in associates	3 498 699	3 762 806
Investment in joint ventures	560 986	513 523
Investment in partnerships	263 472	205 428
Total investment in associates, joint ventures and partnerships	**4 323 157**	**4 481 757**
Share of results of associates after tax	396 571	398 853
Share of results of joint ventures after tax	129 762	82 828
Share of results of partnerships after tax	114 043	40 958
Total share of results of associates, joint ventures and partnerships	**640 376**	522 639
Share of results attributable to discontinued operations	(36 159)	1 950
	604 217	524 589
Share of reserves of associates after tax	36 406	17 100
Share of reserves of joint ventures after tax	(1 105)	10 219
Share of reserves of partnerships after tax	-	-
Total share of reserves of associates, joint ventures and partnerships	**35 301**	27 319

9 Investment in associates, joint ventures and partnerships

	COMPANY 2014 R'000	2013 R'000
Investment in associates	11 596	15 408
Investment in joint ventures	343 611	288 005
Investment in partnerships	(1 859)	2 932
Total investment in associates, joint ventures and partnerships	**353 348**	306 345
Fair value adjustment made on associates	(3 812)	3 867
Fair value adjustment made on joint ventures	55 467	(70 902)
Fair value adjustment made on partnerships	-	(7 111)
Total fair value adjustments on associates, joint ventures and partnerships	**51 655**	(74 146)

9.1 Investment in associates

Unless otherwise stated, the Group and Company's associates' are incorporated in South Africa.

The Group has the following effective interests in associates:

Associate	Principal activity	Year end	Effective % interest in issued ordinary share capital 2014	2013
Actom Investment Holdings Proprietary Limited	Manufacturing and servicing	March	18.62%	18.62%
Acton Repair Services Proprietary Limited**	Redesign and refurbishment	March	0.00%	28.14%
Aurora Wind Power (RF) Proprietary Limited	Renewable energy	February	20.00%	20.00%
Battery Technologies Proprietary Limited	Manufacturing	June	25.10%	25.10%
Bell Equipment Sales SA Proprietary Limited	Manufacturing and distribution	December	0.00%	22.50%
Central Media Group Proprietary Limited	Radio broadcasting	March	24.94%	24.94%
Coffey Projects (Africa) Proprietary Limited	Property development	June	26.83%	26.83%
Emira Property Fund**	Property management services	June	0.00%	8.50%
Eris Property Fund Proprietary Limited	Property development	June	26.67%	26.67%
Eris Property Group Proprietary Limited	Property management services	June	21.20%	21.20%
Fidelity Bank Ghana Limited***	Financial services	December	15.00%	0.00%
Idwala Industrial Holdings Proprietary Limited	Mining of limestone	December	30.50%	30.50%
Imvelo Consortium Proprietary Limited	Construction	June	20.00%	20.00%
Johnson Facilities Management Proprietary Limited	Facilities management	June	40.00%	40.00%
Kagiso Property Developments Proprietary Limited	Property development	June	30.00%	30.00%
Lupo Bakery Proprietary Limited	Bakery	June	30.00%	30.00%
Makana Radio Communications Proprietary Limited	Radio broadcasting	February	20.02%	20.02%
Metropolitan Health Corporate Proprietary Limited	Administration of medical schemes	June	17.63%	17.63%
Metropolitan Retirement Administrators Proprietary Limited*	Administration of retirement solutions	June	20.00%	20.00%
MMI Holdings Limited	Financial services	June	5.04%	5.04%
Moyeng Energy Proprietary Limited	Renewable energy	December	20.00%	20.00%
Newmillen 122 Investments Proprietary Limited*	Dormant	June	42.00%	42.00%
SATI Container Services Proprietary Limited	Repair of containers	December	25.10%	25.10%
Sea Harvest Holdings Proprietary Limited	Deep sea trawling of hake	December	27.93%	25.89%
Shanike Investments No. 42 Proprietary Limited	Radio broadcasting	March	24.90%	24.90%
Tamela Holdings Proprietary Limited	Investment company	February	10.00%	10.00%
Thebe Convergent Technology Holdings Proprietary Limited	Radio broadcasting	March	22.60%	22.60%

* Company associate
** Classified as assets-held-for-sale
*** Domiciled in Ghana

9.1 Investment in associates (continued)

	MMI Holdings R'000	Idwala Industrial Holdings R'000	Actom Investment Holdings R'000	Eris Property Group R'000
2014				
Carrying value at the beginning of the period	1 411 148	765 009	494 883	136 378
Amortisation of intangibles incl in purchase price	-	(10 507)	(18 458)	-
Dividends received	(105 368)	-	-	-
Elimination of transactions with associates	-	(7 120)	-	-
Equity-accounted movements on reserves	7 853	(85)	4 543	(326)
(Impairment)/reversals		6 645	(101 190)	(12 104)
Share of net attributable profit of associates	161 325	56 256	58 668	15 096
Carrying value at the end of the period	**1 474 958**	**815 198**	**438 446**	**139 044**
Directors' valuation	2 079 641	815 198	438 446	139 044
2013				
Carrying value at the beginning of the period	1 414 302	568 072	470 182	98 246
Additional investment made	-	-	-	72 565
Amortisation of intangibles incl in purchase price	-	(10 508)	(22 545)	-
Deferred gain on sale recognised during the year	-	(33 330)	-	-
Dividends received	(146 565)	-	-	(40 281)
Elimination of transactions with associates	-	(858)	-	-
Equity accounted movements on reserves	12 867	8 407	(4 621)	829
(Impairment)/reversals	-	189 747	-	-
Share of net attributable profit of associates	130 544	44 479	51 867	5 019
Carrying value at the end of the period	1 411 148	765 009	494 883	136 378
Directors' valuation	1 756 406	764 879	584 296	233 288

	Metropolitan Health Corporate R'000	Emira Property Fund R'000	Other R'000	Total R'000
2014				
Carrying value at the beginning of the period	126 220	632 381	196 787	3 762 806
Acquisition of associates	-	-	394 162	394 162
Additional investment made	-	-	(19 247)	(19 247)
Amortisation of intangibles incl in purchase price			-	(28 965)
Classified as held-for-sale	-	(579 411)	(19 572)	(598 983)
Dilutionary effects	-	-	(15 632)	(15 632)
Dividends received	(8 522)	(49 969)	(30 962)	(194 821)
Elimination of transactions with associates			-	(2 120)
Equity-accounted movements on reserves		-	24 421	36 406
Impairment of associates	-	(39 160)	(84 489)	(230 298)
Share of net attributable profit of associates	17 606	36 159	51 461	396 571
Loans repaid	-	-	(1 180)	(1 180)
Carrying value at the end of the period	**135 304**	**-**	**495 750**	**3 498 699**
Directors' valuation	288 113	621 391	673 866	5 055 699
2013				
Carrying value at the beginning of the period	130 654	720 592	241 405	3 643 453
Additional investment made	-	-	1 999	74 564
Amortisation of intangibles incl in purchase price	-	-	-	(33 053)
Capital repayment	-	-	(1 101)	(1 101)
Classified as held-for-sale	-	-	(42 202)	(42 202)
Deferred gain on sale recognised during the year	-	-	-	(33 330)
Disposal	-	-	(6 876)	(6 876)
Dividends received	(20 061)	(47 581)	(27 462)	(281 950)
Elimination of transactions with associates	-	-	-	(858)
Equity-accounted movements on reserves	-	-	(382)	17 100
Impairment of associates	-	(152 923)	(7 619)	28 205
Share of net attributable profit of associates	15 627	112 293	39 024	398 653
Carrying value at the end of the period	126 220	632 381	196 787	3 762 806
Directors' valuation	271 805	632 381	544 677	4 787 732

9.1 Investment in associates

Summarised financial information of associates

Set out below is the summarised financial information of significant associates to the Group. The summarised financial information is adjusted to reflect adjustments made by applying the equity method as required by IFRS 12.

	MMI Holdings Limited		Idwala Industrial Holdings Proprietary Limited		Actom Investment Holdings Proprietary Limited	
	2014	2013	**2014**	2013	**2014**	2013
	R'm	R'm	**R'm**	R'm	**R'm**	R'm
Statement of financial position						
Total assets	414 306	360 368	2 308	2 235	11 548	11 190
Non-current assets	381 271	334 477	1 572	1 483	8 329	8 411
Current assets	33 035	25 891	736	752	3 219	2 779
Total liabilities	389 092	336 504	2 019	2 139	6 273	6 483
Non-current liabilities	378 243	324 895	1 753	1 926	3 856	4 419
Current liabilities	10 849	11 609	266	213	2 417	2 064
Net assets	25 214	23 864	289	96	5 276	4 707
Summarised income statement						
Revenue	87 654	73 414	1 811	1 535	8 620	7 617
EBITDA	6 238	5 110	572	496	1 175	1 269
Profit before tax	5 758	4 455	260	242	433	383
Income tax expense	(2 458)	(1 804)	(76)	(98)	(117)	(103)
Profit after tax	3 300	2 651	184	144	316	280
Non-controlling interest	(103)	(64)	-	-	(1)	(1)
Attributable profit	3 197	2 587	184	144	318	279
% ownership interest held	5.05%	5.05%	30.50%	30.50%	18.62%	18.62%
Share of results after tax	161	131	56	44	59	51
Share of results of associate	161	131	56	44	59	51
Statement of comprehensive						
Other comprehensive income	156	255	2	27	24	(26)
% ownership interest held	5.05%	5.05%	30.50%	30.50%	18.62%	18.62%
Share of reserves of associates	8	13	1	8	5	(5)

	Eris Property Group Proprietary Limited		Emira Property Fund		Metropolitan Health Corporate Proprietary Limited	
	2014	2013	**2014**	2013	**2014**	2013
	R'000	R'000	**R'm**	R'm	**R'000**	R'000
Statement of financial position						
Total assets	802 928	598 566	11 639	10 115	650 792	471 921
Non-current assets	463 048	371 076	11 259	9 367	301 782	178 678
Current assets	339 880	227 490	380	748	349 010	293 243
Total liabilities	510 434	403 280	4 635	3 525	321 254	224 364
Non-current liabilities	239 860	206 128	7 618	1 441	72 061	20 600
Current liabilities	270 574	197 152	2 017	2 084	249 193	203 764
Net assets	292 494	195 286	7 004	6 590	329 538	247 557
Summarised income statement						
Revenue	349 355	445 376	1 476	1 342	1 464 999	1 355 900
EBITDA	125 841	110 707	879	766	207 405	175 246
Profit before tax	104 822	111 412	1 182	1 235	139 272	123 323
Income tax expense	(24 516)	(31 538)	15	201	(39 409)	(34 682)
Profit after tax	80 306	79 874	1 198	1 436	99 863	88 641
Non-controlling interest	(9 099)	(483)	(2)	6	-	-
Attributable profit	71 207	79 391	1 195	1 441	99 863	88 641
% ownership interest held	21.20%	21.20%	8.74%	8.50%	17.63%	17.63%
Share of results after tax	15 096	16 831	104	123	17 606	15 627
Change in interest effect	-	(11 812)	(2)	(10)	-	-
Held-for-sale adjustment	-	-	(66)	-	-	-
Share of results of associate	15 096	5 019	36	112	17 606	15 627
Statement of comprehensive						
Other comprehensive income	(1 537)	3 909	-	-	-	-
% ownership interest held	21.20%	21.20%	8.74%	8.50%	17.63%	17.63%
Share of reserves of associates	(326)	829	-	-	-	-

9.2 Investment in joint ventures

Unless otherwise stated, the Group and Company's joint ventures' are incorporated in South Africa

The Group has the following effective interests in joint ventures:

Joint venture	Principal activity	Year end	Effective % interest in issued ordinary share capital 2014	2013
Infrastructure Finance Corporation Limited	Providing of funding	June	43.96%	43.96%
KA Investment Partners Trust*	Investment holding	June	50.00%	50.00%
Kagiso Strategic Investments Proprietary Limited*	Investment holding	June	50.15%	50.15%
Kagiso Strategic Investments II Proprietary Limited*	Investment holding	June	51.38%	51.38%
Mediamark Proprietary Limited	Revenue from advertising	June	50.01%	50.01%
Home Pictures 1 Proprietary Limited	Provider of television services	June	100.00%	100.00%

* Company joint ventures

	Infrastructure Finance Corporation Limited R'000	Kagiso Strategic Investments Proprietary Limited R'000	Other R'000	Total R'000
2014				
Carrying value at the beginning of the period	171 472	258 194	83 857	513 523
Acquired through common control transaction	-	-	-	-
Classified as held-for-sale	-	-	(29 811)	(29 811)
Contributions made	-	-	844	844
Distributions received	(4 396)	-	(2 639)	(7 035)
Equity-accounted movements on reserves	(1 295)	190	-	(1 105)
Impairment of joint ventures	(27 039)	(19 757)	1 604	(45 192)
Share of net attributable profit of joint ventures	6 745	107 073	15 944	129 762
Carrying value at the end of the period	**145 487**	**345 700**	**69 799**	**560 986**
Directors' valuation	145 487	345 700	75 957	567 144
2013				
Carrying value at the beginning of the period	182 933	258 367	69 696	510 996
Capital repayment	-	(78 087)	-	(78 087)
Classified as held-for-sale	-	-	(4 500)	(4 500)
Contributions made	-	3 315	5 581	8 896
Distributions received	(4 396)	-	(3 585)	(7 981)
Equity-accounted movements on reserves	9 408	811	-	10 219
(Impairment)/reversal of joint ventures	(21 505)	-	12 667	(8 838)
Share of net attributable profit of joint ventures	5 032	73 789	3 998	82 819
Carrying value at the end of the period	171 472	258 194	83 857	513 523
Directors' valuation	177 971	286 436	105 359	569 766

9.2 Investment in joint ventures

Summarised financial information of joint ventures

Set out below is the summarised financial information of each joint venture. The summarised financial information is adjusted to reflect adjustments made when applying the equity method as required by IFRS 12.

	Infrastructure Finance Corporation Limited		Kagiso Strategic Investments Proprietary Limited	
	2014	2013	**2014**	2013
	R'000	R'000	**R'000**	R'000
Summarised statement of financial position				
Total assets	1 147 016	1 480 977	718 513	595 526
Non-current assets	693 878	1 277 694	41 076	555 149
Current assets	453 138	203 283	677 437	40 377
Total liabilities	726 331	1 063 539	5 478	7 625
Non-current liabilities	616 067	936 572	112	-
Current liabilities	110 264	126 967	5 366	7 625
Net assets	420 685	417 438	713 035	587 901
Summarised income statement				
Revenue	30 463	37 027	7 308	6 553
Operating expenses	(10 161)	(21 035)	9 910	(1 196)
EBITDA	20 302	15 992	16 218	5 357
Depreciation of property, plant and equipment	-	-	-	-
Amortisation of intangible assets	-	-	-	-
Operating profit	20 302	15 992	16 218	5 357
Finance income	-	-	1 753	1 499
Finance costs	-	-	(2 642)	(534)
Profit on sale of investments	-	-	110 472	75 698
Share of profits from associates	-		59 479	63 250
Profit before tax	20 302	15 992	185 280	145 270
Income tax expense	(4 959)	(4 546)	(1 779)	(6 504)
Profit after tax	15 343	11 446	183 501	138 766
Non-controlling interest	-	-	-	(12 308)
Attributable profit	15 343	11 446	183 501	126 458
% ownership interest held	43.96%	43.96%	58.35%	58.35%
Share of results after tax	6 745	5 032	107 073	73 788
Share of results of joint venture	6 745	5 032	107 073	73 788
Statement of comprehensive income				
Other comprehensive income	(9 541)	21 401	-	1 390
% ownership interest held	43.96%	43.96%	58.35%	58.35%
Share of reserves of joint venture	(4 194)	9 408	-	811

9.3 Investment in partnerships

Unless otherwise stated, the Group and Company's partnerships' are incorporated in South Africa.

The Group has the following effective interests in partnerships:

Partnership	Principal activity	Year end	Effective % interest in issued ordinary share capital 2014	2013
Kagiso Ventures Private Equity Fund 1*	Investment holding	June	57.00%	57.00%
The Calibre Private Equity Investors Partnership No. 10	Investment holding	June	50.10%	50.10%
The Calibre Private Equity Investors Partnership No. 11	Investment holding	June	25.10%	25.10%
The Calibre Private Equity Trust*	Investment holding	June	25.00%	25.00%
KK Platinum Partnership	Platinum mining	December	13.00%	13.00%

* Company partnership

9.3 Investment in partnerships (continued)

	XK Platinum Partnership R'000	Other R'000	Total R'000
2014			
Carrying value at the beginning of the period	195 148	10 280	205 428
Distributions received	(44 406)	(15 402)	(59 808)
Share of net attributable profit of partnerships	101 563	12 480	114 043
Impairment of partnerships	-	3 809	3 809
Carrying value at the end of the period	**252 305**	**11 167**	**263 472**
Directors' valuation	320 121	11 804	331 925
2013			
Carrying value at the beginning of the period	217 592	13 008	230 600
Distributions received	(59 925)	(4 591)	(64 516)
Share of net attributable profit of partnerships	37 481	3 477	40 958
Impairment of partnerships	-	(1 614)	(1 614)
Carrying value at the end of the period	195 148	10 281	205 428
Directors' valuation	471 578	18 407	489 985

Summarised financial information of partnerships

Set out below is the summarised financial information of each partnership. The summarised financial information is adjusted to reflect adjustments made when applying the equity method as required by IFRS 12.

	XK Platinum Partnership 2014 R'000	XK Platinum Partnership 2013 R'000
Summarised statement of financial position		
Total assets	**1 165 227**	1 118 763
Non-current assets	653 569	643 551
Current assets	511 658	475 212
Total liabilities	**154 127**	136 397
Non-current liabilities	27 482	24 444
Current liabilities	126 645	111 953
Net assets	**1 011 100**	982 366
Summarised income statement		
Revenue	1 187 992	985 035
EBITDA	387 359	292 632
Profit before tax	313 612	234 611
Income tax expense	-	-
Profit after tax	**313 612**	234 611
% ownership interest held	26%	26%
Share of results after tax	81 539	60 999
Adjustment made on royalty provision	20 024	(23 518)
Share of results of partnership	**101 563**	37 481
Statement of comprehensive income		
Other comprehensive income	-	-
% ownership interest held	26%	26%
Share of reserves of partnerships	-	-

10 Available-for-sale investments

	GROUP		COMPANY	
	2014 R'000	Restated 2013 R'000	2014 R'000	2013 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	487 765	975 559	87 132	610 181
Fair value adjustments	(139 275)	49 967	24 760	14 712
Disposals during the period	(2 870)	(545 826)	(2 870)	(545 826)
Additions during the period	-	8 065	-	8 065
Carrying value at the end of the period	**345 621**	487 765	**109 022**	87 132

	GROUP		COMPANY	
	2014 R'000	Restated 2013 R'000	2014 R'000	2013 R'000
Available-for-sale investments:				
FirstRand Empowerment Trust	109 000	75 530	109 000	75 530
Kagiso Infrastructure Investments Proprietary Limited	-	8 121	-	8 121
Remgro Limited	22	22	22	22
Concep Development Proprietary Limited	1 768	1 768	-	-
Macsteel Services Centre SA Proprietary Limited	145 472	226 985	-	-
Vereetz Proprietary Limited**	-	-	-	-
Inyanga Trading 76 Proprietary Limited	-	3 459	-	3 459
Alstom S&E Africa Proprietary Limited	51 534	80 480	-	-
Alstom Power Services Proprietary Limited	37 824	91 399	-	-
Total available-for-sale investments	**345 621**	487 765	**109 022**	87 132

** Less than R 1 000

11 Financial assets at fair value through profit and loss - designated

	GROUP		COMPANY	
	2014 R'000	Restated 2013 R'000	2014 R'000	2013 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	4 142 949	4 873 160	-	-
Fair value adjustments	(187 620)	(450 402)	60 727	-
Classified as assets held-for-sale	-	(43 157)	-	-
Disposals during the period	(2 419)	(236 652)	-	-
Additions during the period	96 644	-	66 644	-
Carrying value at the end of the period	**4 049 554**	4 142 949	**127 371**	-

Financial assets at fair value through profit and loss:

	GROUP		COMPANY	
	R'000	R'000	R'000	R'000
Listed securities				
AECI Limited	440 906	401 781	-	-
Aveng Limited	223 627	3	-	-
	664 533	401 783	-	-
Unlisted securities				
MMI Holdings Limited	903 282	794 119	-	-
Main Street 333 Proprietary Limited	2 060 271	2 198 437	-	-
Nozala Capital Management Proprietary	44 628	54 192	-	-
Nozala Holdings Proprietary Limited	49 356	56 876	-	-
Blue Falcon 69 Trading Proprietary Limited	169 516	348 713	-	-
Tiso TNL Investments 1 Proprietary Limited	65 000	-	65 000	-
Qalazana Investment Holdings Proprietary	-	288 829	-	-
Unit trust investment	92 969	-	62 371	-
	3 385 021	3 741 166	**127 371**	-
	4 049 554	4 142 949	**127 371**	-

11 Financial assets at fair value through profit and loss (continued)

Changes in the fair value of financial assets at fair value through profit and loss are recorded in other gains/(losses) - net in the statement of comprehensive income.

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts. The fair value of all listed equity securities are based on their current bid prices in an active market.

MMI Holdings Limited

MMI Holdings Limited ("MMI") is a South African based financial services group whose core businesses are long and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits.

Off the Shelf Investments 109 Proprietary Limited ("OTSI 109") and Off the Shelf Investments 108 Proprietary Limited (RF) ("OTSI 108") are special purpose vehicles ("SPV") used to hold the Groups' investment in MMI.

The investment in MMI Limited comprises of A3 MMI preference shares. The A3 preference shares are convertible, at the option of the holder, into ordinary shares on a one-for-one basis at any time before the compulsory redeemable date of 29 June 2017. Dividends are payable semi-annually in arrears on 31 March and 30 September each year at a rate of 132 cents per share.

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Reconciliation of carrying amount: preference shares				
Carrying value at the beginning of the period	794 119	646 105	-	-
Fair value adjustments	109 164	148 014		
Carrying value at the end of the period	**903 283**	**794 119**	-	-
Number of preference shares ('000)	**34 381**	34 381	-	-
Fair value per preference share (cents)	**2 627**	2 310	-	-

AECI Limited

AECI Limited ("AECI") is a speciality product and services group of companies with a focus on servicing the mining and manufacturing sectors. AECI operates in 23 countries in the chemical services, mining services, property and speciality fibres industries.

Originally, Business Venture Investments No 884 Proprietary Limited (RF) ("BVI 884") a wholly owned subsidiary of the Group, Business Venture Investment Proprietary Limited No 851 ("BVI 851") and the Tiso AEL Development Trust ("AEL Trust"), together called the KTH Consortium, owned an effective 25.1% of the shareholding in AEL Holdings Limited ("AEL").

In 2011, AECI entered into a broad-based black economic empowerment ("B-BBEE") transaction with the KTH Consortium whereby AECI acquired the 25.1% not held by it in AEL and in exchange issued BVI 884 and the AEL Trust with 3 509 000 and 1 169 667 ordinary shares in AECI, respectively.

The transaction agreement includes certain BEE lock-in provisions in relation to the AECI shares.

- The shares cannot be encumbered without the consent of AECI;
- BVI 884 cannot dispose of the AECI shares or participate in a partial offer and;
- BVI 884 cannot dispose of the AECI shares other than to transfer them to a wholly owned subsidiary of the Group.

The lock-in period commenced on 18 January 2012 and ends on the exit date, 31 December 2015. The agreement also provides AECI with pre-emptive rights for a period of one year after the lock-in, whereby BVI 884 cannot dispose of more than 250 000 AECI shares, whether in one or more tranches, unless BVI 884 first offers to sell such shares to AECI. The contract also defines certain trigger events which would allow AECI to exercise a call option over the AECI shares.

11 Financial assets at fair value through profit and loss (continued)

AECI Limited (continued)

	GROUP 2014	2013	COMPANY 2014	2013
Number of ordinary shares	**3 509 000**	3 509 000		-
Share price (cents)	**12 565**	11 450		-

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

Aveng Limited and Qakazana Investment Holdings Proprietary Limited

The Aveng Group ("Aveng") is a multi-disciplinary construction and engineering Group, anchored in South Africa, with expertise in a number of market sectors: power, mining, infrastructure, commercial and industrial, oil and gas.

In 2004, Four Arrows 39 Proprietary Limited ("Four Arrows") invested in Aveng Africa and Trident Steel which are operating subsidiaries of Aveng. Qakazana Investment Holdings Proprietary Limited ("Qakazana") was established to facilitate the introduction of 25% BEE shareholding in both Aveng Africa and Trident Steel. Four Arrows acquired 36% of the issued share capital of Qakazana.

The Qakazana shareholders were granted a put option which required Aveng to purchase all the shares from the Qakazana shareholders. Aveng could settle the put option either in cash or by issuing shares in Aveng Limited or a combination of the two.

Four Arrows exercised the put option in November 2011 and, through the restructured transaction, flipped up its shareholding in Aveng Africa and Trident Steel into Aveng.

The Group currently holds 9 659 917 shares (2.32%) in Aveng through its subsidiary Four Arrows after receiving the residual shares of 9 659 820 on 30 June 2014.

All the shares are held by Four Arrows, a wholly-owned subsidiary of the Group.

	GROUP 2014	2013	COMPANY 2014	2013
Number of ordinary shares	**9 659 917**	97		
Share price (cents)	**2 315**	2 990		

The financial asset is regarded as a Level 1 instrument, as per the fair value hierarchy.

Main Street 333 Proprietary Limited

In 2006, Morning Tide Investments 168 Proprietary Limited ("Morning Tide") participated in the black economic empowerment transaction of Exxaro Resources Limited ("Exxaro"). In terms of this transaction, a newly created Company, Main Street 333 Proprietary Limited ("Main Street 333") acquired the controlling shareholding of Exxaro. Morning Tide acquired a 9.71% interest in Main Street 333, with a consortium of other investors subscribing for the remaining 90.29%. The Company owns 82.05% of the issued share capital of Morning Tide.

The original purchase consideration was financed by Morning Tide through the issue of non-participating "C" preference shares to the value of R27 million and the issue of "A" and "B" redeemable preference shares to the value of R225 million to The Standard Bank of South Africa Limited and Nedbank Limited respectively. This resulted in Morning Tide being cash neutral until such time as Exxaro's indebtedness to Main Street 333 has been discharged.

Morning Tide's investment in the share capital of Main Street 333 is not yet accounted for as an investment in associate. The entire transaction is accounted for as an equity-linked derivative instrument. Upon settlement of the liabilities, the investment will become an associate. The equity-linked instrument has been classified as a derivative and fair value movements recognised through profit and loss.

11 Financial assets at fair value through profit and loss (continued)

Valuation assumptions

The investment was valued using the Monte Carlo technique. All of the dates of relevance in the life of the option, dividend declare date, dividend LDR dates, dividend payment dates, the effective date, the maturity date and debt roll up dates are arranged in order (some dates may play more than one role here). The price is made to evolve from the one date to the next date in that ladder.

The risk-free rate determined by a bootstrapped zero coupon perfect fit swap curve was obtained from the mark-to-market of bonds on the valuation date. A dividend yield of 3.69% (2013:3.49%) was used.

At the maturity date, 15 December 2016, it is assumed that the asset is liquidated. The cash so released is used to service any remaining debt. The remainder is equity. The present value of this cash is then found. The financial asset is regarded as a Level 2 instrument, as per the fair value hierarchy.

Nozala Capital Management Proprietary Limited and Nozala Holdings Proprietary Limited

Nozala Capital Management Proprietary Limited and Nozala Holdings Proprietary Limited are shareholder companies of Nozala Investments Proprietary Limited ("Nozala"). Nozala is a broad-based women's investment Company that holds investments in various listed and unlisted companies. The Group has an effective interest of 15.80% in Nozala.

Valuation assumptions

Nozala performs its own valuations of the assets it holds. Various methodologies were applied by Nozala to value its investments including discounted cash flow and earnings multiples, depending on the investment type and available information.

Blue Falcon 69 Trading Proprietary Limited

Blue Falcon 69 Trading Proprietary Limited ("Blue Falcon") is a special purpose vehicle whose activities are restricted to owning "A" acquired ordinary shares in Adcock Ingram Holdings Limited ("AIH"). Blue Falcon was set up by Kagiso Strategic Investments III Proprietary Limited, Kurisani Youth Development, and Mpho Pharma Trust. The investment in Blue Falcon is accounted for as an equity-linked derivative instrument. Fair value movements are recognised through profit or loss. The option to trade the shares would be exercised at the earliest possible date, which will be 10 years after inception of the agreement, being 1 April 2020.

Valuation assumptions

The equity-linked instruments were valued as an European call option using the Monte Carlo Simulation model. Volatility was measured as annualised standard deviation of the daily price changes in the underlying shares, being AIH, assuming a normally distributed return on the share price. This is normally calculated with reference to the historical volatility of the share over a period equal to the remaining option period prior to the valuation date.

The risk-free rate determined by a bootstrapped zero coupon perfect fit swap curve was obtained from the mark-to-market of bonds on the valuation date. A dividend yield of 1.61% (2013:2.89%) was used.

12 Held-to-maturity financial assets

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	469 961	474 412	29 305	61 477
Redemptions	(9 643)	-	-	-
Dividends accrued	14 346	15 505	3 282	2 829
Additions during the period	-	15 046	-	-
Accrued dividends paid	(17 161)	-	-	-
Impairments recognised during the period	-	(35 001)	-	(35 001)
Carrying value at the end of the period	**457 503**	469 961	**32 586**	29 305
Held-to-maturity financial assets include:				
Actom Investment Holdings Proprietary Limited	326 020	326 020	-	-
Eris Property Fund Proprietary Limited	57 387	51 207	-	-
Off The Shelf Investments 108 Proprietary Limited	-	-	10	10
Sea Harvest Holdings Proprietary Limited	74 097	97 735	-	-
Clidet 902 Proprietary Limited	-	-	32 576	29 295
	457 503	469 961	**32 586**	29 305

12 Held-to-maturity financial assets (continued)

Eris Property Fund Proprietary Limited
Various classes of preference shares have been issued by Eris Property Fund Proprietary Limited. The dividend rate ranges between 10.923% to 12.347%. Dividends accrue on a daily basis and compounds semi-annually. Dividends will accumulate and will be settled from net rental income and /or realisation gains in terms of the provisions of the fund agreements.

Sea Harvest Holdings Proprietary Limited
The preference shares issued by Sea Harvest Holdings Proprietary Limited ("Sea Harvest") are cumulative redeemable preference shares and dividends are calculated at 95% of the prime lending rate. The preference dividends are redeemable at the option of Sea Harvest.

Clidet 902 Proprietary Limited
These preference shares accrue dividends on a daily basis and are compounded monthly in arrears at a rate of prime plus 500 basis points. The redemption date is the first business day after the fifth anniversary of the subscription date.

Kagiso Ventures Investment Holdings Proprietary Limited
During the previous financial period Kagiso Tiso Holdings Proprietary Limited acquired 8 preference shares in Kagiso Ventures Investment Holdings Proprietary Limited. These preference shares do not accrue any dividends.

Full details relating to the preference shares are available from the registered office of the Company.

13 Loans and receivables

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Bravopic 101 CC	-	2 658	-	-
Alstom Power Services Proprietary Limited	50 000	50 000	-	-
Alstom S&E Africa Proprietary Limited	7 000	-	-	-
Other receivables	28 825	52 864	-	-
	85 825	105 522	-	-

14 Amounts due from/(to) group companies

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Non-current assets	506 492	509 674	7 000	7 000
Current assets	10 520	17 884	614 386	631 592
Non-current liabilities	-	-	(849 900)	(849 900)
Current liabilities	(41)	(8 140)	(127 548)	(138 932)
	516 970	514 418	**(356 062)**	(150 241)

Refer to Annexure B and C for detailed disclosure of amounts due from/(to) Group companies

15 Deferred income tax

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Deferred income tax asset				
To be recovered within 12 months	21 910	16 433	-	-
To be recovered after more than 12 months	13 788	44 615	-	-
	35 698	61 048	-	-
Deferred income tax liability				
To be recovered within 12 months	(53 523)	(25 849)	-	-
To be recovered after more than 12 months	(737 394)	(846 910)	(9 225)	(365)
	(790 917)	(872 759)	**(9 225)**	(365)
Deferred income tax liability (net)	**(755 219)**	(811 711)	**(9 225)**	(365)
The gross movement on the net deferred income tax account is as follows:				
Carrying value at the beginning of the period	(811 711)	(1 254 623)	(365)	(122 755)
Tax losses	(7 128)	370	-	-
Originating temporary differences charged to the of comprehensive income	10 641	289 625	365	14 700
Originating temporary differences charged to other comprehensive income	21 317	144 102	(9 225)	107 690
Originating temporary differences charged to the of comprehensive income - discontinued operations	(891)	8 364	-	-
Acquisition of subsidiaries	-	451	-	-
Derecognition of subsidiary	(9 997)	-	-	-
Classified as held-for sale	42 549	-	-	-
Carrying value at the end of the period	**(755 219)**	(811 711)	**(9 225)**	(365)

Deferred income tax assets are recognised for assessed tax losses to the extent that future taxable profits are probable.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Deferred income tax assets				
Investments	11 980	15 479	-	-
Provisions	17 752	36 044	-	-
Assessed loss recognised	8 185	12 884	-	-
Other temporary differences	(2 219)	(3 359)	-	-
	35 698	61 048	-	-
Deferred income tax liabilities				
Intangible assets	(165 516)	(106 325)	-	-
Investments	(636 944)	(766 290)	(9 225)	(365)
Provisions	20 982	2 786	-	-
Other temporary differences	(9 439)	(2 930)	-	-
	(790 917)	(872 759)	**(9 225)**	(365)
Net deferred income tax liabilities	**(755 219)**	(811 711)	**(9 225)**	(365)

Temporary differences associated with associates, joint ventures and partnerships

Deferred tax on subsidiaries, associates, joint ventures and partnerships are provided at 0% as it is expected that the carrying value of these investments will be recovered by the receipt of dividends from these investments.

16 Trade and other receivables

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Trade receivables	203 087	287 741	3 201	1 625
Less: provision for impairment of receivables	(5 250)	(8 944)	-	-
Trade receivables - net	197 837	278 797	3 201	1 625
Prepayments	11 743	10 804	744	716
Operating lease asset	720	769	633	710
Dividends receivable	26 337	17 419	-	3 000
Other receivables	123 021	47 854	8 799	6 691
	359 658	355 673	13 377	12 741

17 Cash and cash equivalents

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Cash and cash equivalents consist of:				
Cash on hand	5	372	2	2
Current bank balances	409 970	253 406	35 574	12 452
Short-term deposits	522 706	1 625 516	522 186	1 271 570
Bank overdraft	(49)	(48)	-	-
Restricted cash*	43 827	-	-	-
	976 459	1 879 747	557 762	1 284 024

The carrying amount of cash and cash equivalents is considered to be a reasonable of the fair value.

An amount of R3 637 398 (2013: R 3 566 352) has been pledged in terms of a lease guarantee for the premises to be occupied by the Group.

*Restricted cash relates to amounts held in a deposit account by Cardona Investments 428 Proprietary Limited which is not available for use by the Group due to tax warranties provided to the funders of the "A" and "B" Preference shares redeemed during the period under review.

18 Assets of disposal group classified as held-for-sale

During the current year, Gloo Digital Designs Proprietary Limited ("Gloo"), the Adult Learning division of Juta, Tivvit Solutions Proprietary Limited ("Tivvit"), the E-props division of Knowledge Factory Proprietary Limited ("Knowledge Factory"), Acton Repair Services Proprietary Limited and Tiso Property Proprietary Limited have been classified as discontinued operations in the current year.

The assets and liabilities of these businesses were presented as held-for-sale.

The comparative period include the assets and liabilities of Acceleration Media, Juta Retail and the investments in Three Diamonds Trading 564 Proprietary Limited and Bell Equipment Sales SA Proprietary Limited. All these investments were disposed of in the financial period under review.

18 Assets of disposal group classified as held-for-sale

The major classes of assets and liabilities classified as held-for-sale at 30 June 2014 were as follows:

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Assets				
Property, plant and equipment	2 994	2 739	-	-
Classified as assets held-for sale	2 994	5 370	-	-
Impairment loss recognised on classification as held-for sale	-	(2 631)	-	-
Intangible assets	12 784	-	-	-
Goodwill	11 506	-	-	-
Deferred income tax assets	4 085	-	-	-
Investment in associates, joint ventures and partnerships	596 170	46 702	266 000	-
Financial assets at fair value through profit and loss	-	43 157	-	-
Inventories	-	13 014	-	-
Income tax asset	10 941	-	-	-
Trade and other receivables	18 778	-	-	-
Cash and cash equivalents	4 610	-	-	-
Assets classified as held-for-sale	**661 868**	105 612	**266 000**	-
Liabilities				
Borrowings	300 216	-	-	-
Deferred income tax liabilities	46 634	-	-	-
Trade and other payables	9 234	3 960	-	-
Liabilities directly associated with assets classified as held-for-sale	**356 084**	3 960	-	-
Net assets directly associated with discontinued operations	**305 784**	101 652	**266 000**	-

The assets and liabilities classified as held-for sale at 30 June 2014 were in relation to:

	GROUP Assets R'000	GROUP Liabilities R'000	GROUP Net R'000
Tiso Property Proprietary Limited	589 749	(346 788)	242 961
Acton Repair Services Proprietary Limited	16 758	-	16 758
Other investments	55 361	(9 296)	46 065
	661 868	**(356 084)**	**305 784**

	COMPANY Assets R'000	COMPANY Liabilities R'000	COMPANY Net R'000
Tiso Property Proprietary Limited	266 000	-	266 000
	266 000	**-**	**266 000**

The assets and liabilities classified as held-for-sale at 30 June 2013 were in relation to:

	GROUP Assets R'000	GROUP Liabilities R'000	GROUP Net R'000
Three Diamonds Trading 564 Proprietary Limited	43 157	-	43 157
Bell Equipment Sales SA Proprietary Limited	42 202	-	42 202
Other investments	20 253	(3 960)	16 293
	105 612	(3 960)	101 652

19 Share capital

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Authorised				
1 000 000 ordinary shares with no par value	1 000	1 000	1 000	1 000
1 deferred ordinary share with par value of R1.00	-	-	-	-
Issued				
1 000 000 ordinary shares with no par value	7 396	7 396	7 396	7 396
Movement of ordinary shares for the period				
Total number of shares issued at the beginning of the period	1 000	1 000	1 000	1 000
Shares issued	-	2	-	2
Treasury shares bought back	-	(2)	-	(2)
	1 000	1 000	**1 000**	1 000

10 124 ordinary shares are issued to the Kagiso Trust Investments Share Trust 2008 and the participants of the employee scheme. The shares are deemed to be unissued for accounting purposes as all of the risks and rewards attached to the shares held by the Trust or participants, still remained with Kagiso Tiso Holdings Proprietary Limited ("KTH") as dividends are used to repay the loan advanced by KTH, and KTH bears all risks resulting from a drop in the value of the shares.

20 Treasury shares

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
KTH Staff Participation Trust	-	(482 300)	-	-
Cardona Investments 428 Proprietary Limited	(482 300)	-	-	-
Kagiso Trust Investments Share Trust 2008	(60 616)	(60 616)	-	-
Kagiso Asset Management Employee Share Trust*	-	(5 605)	-	-
	(542 916)	**(548 521)**	-	-

* Treasury shares issued by a subsidiary of the Group.

The treasury shares issued by Kagiso Asset Management Proprietary Limited to Kagiso Asset Management Employee Share Trust was transferred to non controlling interest during the period under review.

During the reporting period the KTH Staff Participation Trust distributed the shares in the Company to Cardona Investments 428 Proprietary Limited ("Cardona"). The Company owns 100% of the issued shares in Cardona and therefore the shares are under the control of the directors of the Group and classified as treasury shares.

	GROUP 2014	2013	COMPANY 2014	2013
Movement of treasury shares for the period				
Total number of shares issued at the beginning of the period	78 955	99 750	-	-
Shares sold/bought back	-	(20 795)	-	-
	78 955	78 955	-	-
Reconciliation of number of shares held				
Shares held by KTH Staff Participation Trust	-	68 831	-	-
Shares held by Cardona Investments 428 Proprietary Limited	68 831	-	-	-
Shares held by Kagiso Trust Investments Share Trust 2008	10 124	10 124	-	-
	78 955	**78 955**	-	-

21 Other reserves/(deficits)

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Analysis of reserves				
Share-based payment deficit	-	(14 699)	-	(14 699)
Revaluation reserve	7 779	-	-	-
Available-for-sale reserve	149 454	236 655	91 654	77 123
Other reserves	364 298	290 500	(28 639)	(29 758)
	521 531	512 456	**63 014**	32 666

Other reserves - Group

Other reserves mainly consist of share of equity accounted reserves of associates recognised by the group. This reserve may be subsequently reclassified to profit or loss when the associate is disposed.

Other reserves - Company

The company recognised an Empowerment reserve relating to the loan advanced by the company to the Kagiso Trust Investments Share Trust 2006 to acquire 10 174 shares in the company. Dividends paid by the company on the shares are used to repay the loan.

Transfer of reserves

Realised reserves are transferred to retained earnings.

Available-for-sale reserve

Available-for-sale reserve consist of the after tax effect of fair value adjustments made on available-for-sale financial assets. This reserve may be subsequently reclassified to profit or loss.

22 Non-controlling interests

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Analysis of non-controlling interests:				
Emerald Panther Investments 43 Proprietary Limited	2 587	14 983	-	-
Firefly Investments 166 Proprietary Limited	14 538	36 426	-	-
Kagiso Asset Management Proprietary Limited	7 291	3 306	-	-
Kagiso Media Limited	-	1 430 502	-	-
Kagiso Media Proprietary Limited	131 200	-	-	-
Kagiso Ventures Proprietary Limited	51 324	38 726	-	-
Main Street 336 Proprietary Limited	-	10 514	-	-
Morning Tide Investments 168 Proprietary Limited	675 019	721 992	-	-
Xanthe Investment Holdings Proprietary Limited	619	1 734	-	-
	882 578	2 257 983	-	-
Analysis of dividends paid to non-controlling				
Emerald Panther Investments 43 Proprietary Limited	(3 200)	-	-	-
Firefly Investments 166 Proprietary Limited	(11 681)	-	-	-
Kagiso Asset Management Proprietary Limited	(19 839)	(12 080)	-	-
Xanthe Investment Holdings Proprietary Limited	(3 929)	(199)	-	-
Kagiso Media Limited	(26 205)	(81 296)	-	-
Kagiso Media Proprietary Limited	(12 100)	-	-	-
	(76 954)	(93 575)	-	-
Analysis of profit/(loss) allocated to non-controlling interests:				
Emerald Panther Investments 43 Proprietary Limited	1 645	(4 458)	-	-
Firefly Investments 166 Proprietary Limited	20 713	5 181	-	-
Kagiso Asset Management Proprietary Limited	16 466	15 546	-	-
Kagiso Media Limited	64 247	133 161	-	-
Kagiso Media Proprietary Limited	21 297	-	-	-
Kagiso Ventures Proprietary Limited	12 515	10 005	-	-
Main Street 336 Proprietary Limited	2 168	2 660	-	-
Morning Tide Investments 168 Proprietary Limited	(45 974)	(269 758)	-	-
Xanthe Investment Holdings Proprietary Limited	2 813	1 618	-	-
	84 890	(106 045)	-	-

32 Non-controlling interests (continued)

Non-controlling interests have the following interests in direct subsidiaries:

Direct subsidiary	2014 Portion held	2014 Voting rights	2013 Portion held	2013 Voting rights
Emerald Panther Investments 43 Proprietary Limited	46.00%	46.00%	46.00%	46.00%
Firefly Investments 156 Proprietary Limited	48.00%	48.00%	48.00%	48.00%
Kagiso Asset Management Proprietary Limited	49.90%	49.90%	49.90%	49.90%
Kagiso Media Limited	0.00%	0.00%	48.93%	48.93%
Main Street 336 Proprietary Limited	0.00%	0.00%	28.36%	28.36%
Morning Tide Investments 168 Proprietary Limited	46.09%	46.09%	46.09%	46.09%

The place of business of all subsidiaries is South Africa.

Non-controlling interests have the following interests in indirect

Indirect subsidiary	2014 Portion held	2014 Voting rights	2013 Portion held	2013 Voting rights
Jacaranda FM Proprietary Limited	20.000%	20.000%	20.00%	20.00%
Knowledge Factory Proprietary Limited	30.000%	30.000%	30.00%	30.00%
Kaufman Levin Associates Proprietary Limited	10.010%	10.010%	10.01%	10.01%
Gloo Digital Designs Proprietary Limited	0.000%	0.000%	39.90%	39.90%
Urban Brew Studios Proprietary Limited	49.90%	49.90%	49.90%	49.90%
Kagiso Strategic Investment Trust	54.67%	54.670%	54.67%	54.67%
Kagiso Strategic Investments II Trust	46.47%	46.470%	46.47%	46.47%
Kagiso Sisonke Empowerment Trust	31.90%	31.900%	31.90%	31.90%
Blue Nightingale Trading 218 Proprietary Limited	49.97%	49.97%	49.97%	49.97%

All indirect subsidiaries place of business is in South Africa.

Disclosure of summarised financial information on subsidiaries with material non-controlling interests

Summarised statement of financial position

	Kagiso Asset Management Proprietary Limited		Morning Tide Investments 168 Proprietary Limited		Kagiso Media Limited	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
Current assets	77 660	37 234	16 255	12 642	-	812 630
Current liabilities	33 359	16 010	144	220	-	323 909
	44 301	21 224	**16 111**	12 422	-	488 642
Non current assets	11 796	8 398	2 060 271	2 198 437	-	987 083
Non-current liabilities	42 913	33 934	615 456	648 037	-	109 369
	(31 117)	(25 536)	**1 444 815**	1 550 400	-	877 714
Net assets	**13 184**	(4 312)	**1 460 926**	1 562 822	-	1 366 356

Summarised statement of comprehensive income

	Kagiso Asset Management Proprietary Limited		Morning Tide Investments 168 Proprietary Limited		Kagiso Media Limited	
	2014 R'000	2013 R'000	**2014 R'000**	2013 R'000	**2014 R'000**	2013 R'000
Revenue	204 880	121 103	72	22	-	1 222 695
Net profit	32 999	31 154	(101 897)	(608 096)	-	239 425
Total comprehensive income	**32 999**	31 154	**(101 897)**	(608 096)	-	239 425

22 Non-controlling interests (continued)

Summarised cash flows

	Kagiso Asset Management Proprietary Limited 2014 R	2013 R	Morning Tide Investments 168 Proprietary Limited 2014 R	2013 R	Kagiso Media Limited 2014 R	2013 R
Cash flows from operating	63 161	35 711	3 729	2 773	-	53 656
Cash flows from investing	(33 011)	(2 761)	(116)	116	-	(56 442)
Cash flows from financing	(42 214)	(25 256)	-	-	-	(14 479)

The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and based on the most recent audited financial statements.

The directors consider Kagiso Asset Management Proprietary Limited, Kagiso Media Limited and Morning Tide Investments 168 Proprietary Limited to be subsidiaries with material non-controlling interests based on contributions to revenue, greater than R 50 million, or net asset value, greater than R 500 million.

None of the other subsidiaries with non controlling interests were determined to be qualitatively material.

23 Borrowings

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Interest-bearing loans	2 447 607	839 041	130 758	51 516
Preference shares	1 492 365	2 023 153	-	-
Debt securities	866 076	864 704	-	-
Finance lease liabilities	2 808	4 219	786	332
Financial guarantees granted	-	-	27 450	113 191
Other borrowings	133 713	97 684	-	-
	4 942 590	3 828 802	**158 994**	165 039
The total of the above borrowings are classified as follows:				
Non-current liabilities	4 669 876	3 783 032	133 154	137 007
Current liabilities	272 714	45 770	25 840	28 032
	4 942 590	3 828 802	**158 994**	165 039
Interest-bearing loans				
Kagiso Tiso Holdings Proprietary Limited - Term loan	75 840	51 516	25 840	51 516
Cardona Investments 428 Proprietary Limited - Term facility	709 660	-	104 918	-
Actom Investment Holdings Proprietary Limited - Term facility	527 650	463 694	-	-
Emira Property Fund - Term loan	-	323 831	-	-
Kagiso Media Proprietary Limited - Term facility	1 161 916	-	-	-
Imvelo Consortium Proprietary Limited - Term facility	22 541	-	-	-
Total interest-bearing loans	**2 447 607**	839 041	**130 758**	51 516

Kagiso Tiso Holdings Proprietary Limited – Term loan

Deutsche Investitions-Und Entwicklungsgesellschaft MBH ("DEG") provided the Company with a R 75m loan. The loan is repayable in six semi-annual equal instalments starting on 15 August 2012. The Company shall pay interest at a nominal compounded semi annual rate being 6-month JIBAR plus 240 basis points. This loan is unsecured. Final repayment date is 15 February 2015.

Cardona Investments 428 Proprietary Limited - Term facility

During the period under review the Group refinanced the "A" and "B" preference share facilities issued by Cardona Investments 428 Proprietary Limited ("Cardona"). These facilities were replaced by a term loan provided by Nedbank Limited, FirstRand Bank Limited and The Standard Bank Limited of South Africa to:

- Cardona - R600m at a rate of 3 months JIBAR plus 380 basis points;
- Kagiso Tiso Holdings Proprietary Limited ("KTH") - R104m at a rate of 3-months JIBAR plus 380 basis points.

The borrower shall repay the facility outstanding in full in a single instalment on the final maturity date (5 (five) years being 29 May 2019.

23 Borrowings (continued)

Actom Investment Holdings Proprietary Limited - Term facility

Nedbank Limited provided loan funding to Kagiso Power Services III Proprietary Limited ("KPS III") and Tiso Electrical Proprietary Limited ("Tiso Electrical") at a rate of 3-months JIBAR plus 775 basis points. These funds were used to invest into Actom Investment Holdings Proprietary Limited ("Actom"). The loan funding is repayable on 29 March 2017. KPS III and Tiso Electrical have pledged the shares in Actom as security for the funding obtained.

Emira Property Fund - Term loan

Rand Merchant Bank ("RMB") provided loan funding to Tiso Property Proprietary Limited ("Tiso Property") to acquire MMI Holdings Limited's rights in Emira Property Fund ("Emira"). Financing was raised by means of a senior loan and mezzanine loan.

The interest rate on the senior loans are JIBAR plus 172 basis points compounded monthly and the interest rate on the mezzanine loans are JIBAR plus 508 basis points compounded monthly. Both the senior and mezzanine loan funding is repayable on 16 September 2016.

Interest rate swap contracts were entered into by Tiso Property with RMB for the variable rate on the senior and mezzanine loans. The fixed rate payer is Tiso Property, while RMB is the floating rate payer. The notional principal amounts outstanding relating to interest rate swap contracts at 30 June 2014 was R 9 million (2013 - R 19 million). Tiso Property has pledged its units in Emira as security for the funding obtained.

The Group decided to dispose of its subsidiary, Tiso Property during the financial period under review and in terms of IFRS 5 "Non-current assets held for sale and discontinued operations" the debt was classified accordingly. Refer to note 16 for details.

Kagiso Media Proprietary Limited - Term facility

Nedbank Limited provided two term facilities, A Term Facility (R700m) and B Term Facility (R500m), to Kagiso Media Proprietary Limited ("Kagiso Media"). These funds were used in the acquisition of the minority interest in Kagiso Media Limited

The A-Facility (R700m) was provided at a rate of 3-months JIBAR plus 355 basis points and is repayable in equal instalments over a period of 23 quarterly repayments of interest and principal. Final repayment date is 31 December 2019 being six years after the advance date. The facility is secured

The B-Facility (R500m) was provided at a rate of 3-months JIBAR plus 455 basis points and is repayable in equal instalments over a period of 23 quarterly repayments of interest. Final repayment date of the principal amount is 31 December 2019 being six years after the advance date. The facility is secured.

Imvelo Consortium Proprietary Limited - Term facility

Development Bank of South Africa provided loan funding to Tiso Projects No 1 Proprietary Limited ("Tiso Projects") at a rate of 6-months JIBAR plus 450 basis points. These funds were used to invest into Imvelo Consortium Proprietary Limited ("Imvelo"). The loan funding is repayable on 31 March 2029.

Preference shares

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Redeemable preference shares				
Off the Shelf Investments 127 Proprietary Limited	91 556	91 666	-	-
Off the Shelf Investments 108 Proprietary Limited	417 283	493 465	-	-
Morning Tide Investments 168 Proprietary Limited	277 877	284 693	-	-
Tiswala Holdings Proprietary Limited	615 609	486 360	-	-
Business Ventures Investments No 684 Proprietary Limited	49 345	56 607	-	-
Cardona Investments 428 Proprietary Limited	-	583 765	-	-
Tiso Property No 2 Proprietary Limited	40 715	36 597	-	-
Total preference shares	**1 492 385**	2 023 153	-	-

Off the Shelf Investments 127 Proprietary Limited

The preference shares are issued to MMI Holdings Limited. The preference shares accrue dividends at a rate of 80,00% of prime, compounded monthly in arrears. The accrued dividends are payable on 31 December each year. The preference shares are fully redeemable on 8 September 2015 but the redemption can be extended by agreement between MMI Holdings Limited and Off the Shelf Investments 127 Proprietary Limited.

23 Borrowings (continued)

Off the Shelf Investments 108 Proprietary Limited (RF)

Two different classes of preference shares are issued by Off the Shelf Investments 108 Proprietary Limited (RF) namely "A3" preference shares and "G" preference shares.

The "A3" preference shares are issued to MMI Holdings Limited. The preference shares accrue dividends at a rate of 88.00% of prime, compounded monthly in arrears. The accrued dividends are payable on 30 September and 31 March each year. The preference shares are fully redeemable on 29 June 2017.

The "G" preference shares are issued to a consortium of funders made up of Depfin Investments Proprietary Limited, Rand Merchant Bank, Sanlam Capital Markets Limited and Sanprof Proprietary Limited. The preference shares accrue dividends at a rate of 83.00% of prime, compounded monthly in arrears. The accrued dividends are payable on the 2nd business day after the receipt of each MMI Holdings Limited dividend distribution in respect of the pledged MMI Holdings Limited ordinary shares. The preference shares are fully redeemable on 29 June 2017. Forty one million MMI Holdings Limited shares are pledged as security for the funding obtained.

The Group redeemed the "G" preferences shares in full after the reporting date.

The balance of the "A3" preference shares at 30 June 2014 was R 321 920 640 (2013: R 321 570 604). The balance of the "G" preference shares at 30 June 2014 was R 95 362 347 (2013: R 161 813 359)

Morning Tide Investments 168 Proprietary Limited

The preference shares are issued to Depfin Investments Proprietary Limited and The Standard Bank of South Africa Limited. The preference shares accrue dividends at 89% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 7 September 2016. Morning Tide Investments 168 Proprietary Limited has pledged its shares in Main Street 333 Proprietary Limited as security for the funding obtained.

Idwala Holdings Proprietary Limited

The preference shares are issued to Main Street 642 Proprietary Limited. During the financial year under review, the preference share terms was amended. The dividend rate was changed from 22% per annum to 17% per annum, compounded quarterly in arrears. The redemption date was changed from 15 December 2015 to 15 December 2018. In addition Main Street 642 Proprietary Limited is entitled to a special dividend equal to 25% of the net disposal proceeds. The shares in Idwala Industrial Holdings Proprietary Limited have been pledged as security for the funding obtained.

Business Ventures Investments No 884 Proprietary Limited

The preference shares are issued to Rand Merchant Bank. The preference shares accrue dividends at 82% of prime, compounded monthly in arrears. The accrued dividends are payable on the 5th business day after the receipt of each AECI Limited dividend distribution. The preference shares are fully redeemable on 31 December 2015. Business Ventures Investments No 884 Proprietary Limited has pledged its shares in AECI Limited as security for the funding obtained.

Cardona Investments 428 Proprietary Limited (RF)

Two different classes of preference shares are issued by Cardona Investments 428 Proprietary Limited (RF) namely, "A" preference shares and "B" preference shares.

The "A" preference shares are issued to Depfin Investments Proprietary Limited, Rand Merchant Bank and The Standard Bank of South Africa Limited. The preference shares accrue dividends at a rate of 100.65% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 22 July 2016.

The "B" preference shares are issued to Depfin Investments Proprietary Limited, Rand Merchant Bank and The Standard Bank of South Africa Limited. The preference shares accrue dividends at a rate of 124.30% of prime, compounded monthly in arrears. The preference shares are fully redeemable on 22 July 2016.

The "A" and "B" preference shares were redeemed in full on 29 May 2014.

Tiso Property No 2 Proprietary Limited

The preference shares are issued to MMI Holdings Limited. The preference shares accrue dividends at prime plus 200 basis points, compounded monthly in arrears. The preference shares are fully redeemable on 8 November 2017. Tiso Property No 2 Proprietary Limited has pledged its shares in Eris Property Group Proprietary Limited as security for the funding obtained.

23 Borrowings (continued)

Debt securities

On 16 September 2005, Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC") established a domestic note and redeemable preference share programme for a total programme value of R 1 billion. On 17 August 2012, the programme memorandum was restated and the programme value increased to R 2 billion.

Listed redeemable preference shares

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Authorised preference shares				
1 000 000 redeemable preference shares R1 each	1 000	1 000	-	-
Issued preference shares				
None	-	-	-	-

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Listed bonds				
Issued listed bonds				
KSB007	257 125	256 623	-	-
KSB008	608 951	608 081	-	-
Total listed bonds	**866 076**	**864 704**	-	-

KSB007, for a nominal value of R 250 million is a floating rate note. The instrument bears a coupon half-yearly on a determination date at a fixed margin of 275 basis points above the 3-month JIBAR rate. The instrument matures on 31 August 2017.

KSB008, for a nominal value of R 600 million is a floating rate note. The instrument bears a coupon quarterly on a determination date at a fixed margin of 330 basis points above the 3-month JIBAR rate. The instrument matures on 1 November 2017.

Once KSC obtains the funds on the issued instruments from the market, it on lends it on a back-to-back arrangement with Kagiso Tiso Holdings Proprietary Limited ("KTH"). In terms of the back-to-back arrangement KTH is required to repay the funds on the same terms as the issued instruments. This includes scheduled interest and capital repayments.

KTH did not default on any of the obligations under the domestic note and redeemable preference share programme for the period under review.

23 Borrowings (continued)

Financial guarantees granted

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Cardona Investments 428 Proprietary Limited (RF)	-	-	17 000	82 338
Tiso Electrical Proprietary Limited and Kagiso Power Services III Proprietary Limited	-	-	10 450	30 853
	-	-	**27 450**	113 191

The following guarantees were entered into by KTH:

Financial guarantee - Cardona Investments 428 Proprietary Limited (RF)

On 22 July 2011, Cardona Investments 428 Proprietary Limited (RF) ("Cardona") concluded a Bridge Facility Agreement for the purpose of funding the capital contribution made by KTH staff to enable the KTH Staff Participation Trust ("KTH Staff Trust") to purchase shares in KTH. The funding of the capital contribution was provided by Nedbank Limited, FirstRand Bank Limited, Standard Bank of South Africa Limited and Deptin Investments Proprietary Limited. This funding comprised "A" preference shares and "B" preference shares, and required a guarantee in the event that the Cardona was unable to meet the loan obligations. KTH provided the guarantee whereby it acted as a guarantor to the funding for the "A" preference shares only. During the period under review Cardona refinanced the "A" and "B" preference share facilities and the company was released from the original guarantee. The company guaranteed to each of the Lenders the due, proper and punctual performance by Cardona of its obligations under the Cardona Facility Agreement.

The guarantee was valued based on the net intrinsic value of Cardona as performed by an independent valuer.

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	82 338	92 777
Derecognition of guarantee	-	-	(82 338)	-
Recognition of guarantee granted	-	-	17 000	-
Amortisation for the period	-	-	-	(10 439)
Carrying value at the end of the period	-	-	**17 000**	82 338

Financial guarantee - Tiso Electrical Proprietary Limited ("Tiso Electrical") and Kagiso Power Services III Proprietary Limited

On 29 March 2012, Tiso Electrical Proprietary Limited ("Tiso Electrical") and Kagiso Power Services III Proprietary Limited ("KPS III") entered into an agreement with Nedbank Limited ("Nedbank") for term facilities amounting to R199,697,972 for Tiso Electrical and R195,408,718 for KPS III (collectively referred to as "the debt") in order to finance additional investments in Actom Investment Holdings Proprietary Limited ("Actom"). The contractual rate offered by Nedbank on the debt is JIBAR plus 275 basis points, nominal annual compounded quarterly. KTH provided a limited guarantee on the debt and pledged its 18.62% equity holding in Actom against any likely default by Tiso Electrical and KPS III. The maturity of the transaction is five years from the date of issue, being 29 March 2017.

As the payoff structure represents an option-type payoff, a Monte Carlo simulation was utilised as an appropriate valuation technique. The volatility of Actom was estimated by calculating the volatility of the Electrical & Electrical Equipment Index (J273) on the JSE. An equally-weighted volatility 17.40% (2013: 24.49%) calculated over the historical period leading up to the valuation date equal in duration to the time to maturity was applied in valuing the financial guarantee.

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Reconciliation of carrying amount				
Carrying value at the beginning of the period	-	-	30 853	25 322
Fair value adjustment during the period	-	-	(10 119)	15 815
Amortisation for the period	-	-	(10 284)	(10 284)
Carrying value at the end of the period	-	-	**10 450**	30 853

24 Share-based payment liabilities

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Kagiso Asset Management Employee Share Trust	40 955	31 295	-	-
The Kagiso Trust Investments Share Scheme 2008	1 743	2 480	1 743	2 480
The KTH Staff Participation Trust	-	46 096	-	46 096
The Kagiso Media Limited Share Option Scheme	1 127	522	-	-
	43 825	80 392	1 743	48 576

The KTH Staff Participation Trust

The KTH Staff Participation Trust ("KTH Staff Trust") was formed in order to facilitate an incentive scheme for the employees of Kagiso Tiso Holdings Proprietary Limited ("KTH") as well as employees of two of KTH's shareholders, Tiso Foundation Charitable Trust and Kagiso Charitable Trust. The employees of these entities could earn units in the KTH Staff Trust which would vest after five years of service, commencing on 1 July 2011. On 1 July 2011, each recipient was required to pay an amount of R0.01 per trust unit allocated to them. Once the trust units have vested, recipients would by virtue of obtaining trust units become beneficiaries of the KTH Staff Trust. The holders of these trust units can, at any chosen time thereafter, redeem their trust units for shares in KTH. The KTH Staff Trust held an equivalent number of shares in KTH as there were units in the KTH Staff Trust. These shares were acquired by the KTH Staff Trust using a capital contribution received from Cardona Investments 428 Proprietary Limited (RF) ("Cardona"). Cardona obtained funding for this capital contribution to enable the KTH Staff Trust to purchase the initial KTH shares. The funding of this capital contribution was provided by A and B preference shares issued by Cardona to Nedbank Limited, FirstRand Bank Limited, Standard Bank of South Africa Limited and Depfin Investments Proprietary Limited. Refer to note 20 for further details on the treasury shares held by KTH Staff Trust.

The trust units represented the option to acquire shares in KTH. Should the recipient's employment be terminated, the units will return to the KTH Staff Trust as unallocated units in exchange for either shares in KTH, the original payment of R0.01, or 50% of the payment, dependent on whether the person is considered a Good Leaver, a Bad Leaver or an Aggravated Bad Leaver. All returned units will form part of the KTH Staff Trust's unallocated units & will remain restricted.

The requirements of IFRS 2 apply, as this is a transaction in which KTH is receiving services in exchange for a transfer of its own equity instruments, in spite of the fact that this transfer is made by a shareholder of KTH, i.e. the KTH Staff Trust, and not KTH itself. A cash-settled share-based payment transaction is one in which an entity acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price or value of equity instruments of the entity. The awards issued by KTH shall be treated as cash-settled liabilities, on the basis that payment is mandatory on cessation of employment based on whether the person is considered a Good Leaver, a Bad Leaver or an Aggravated Bad Leaver.

In the above arrangement, the KTH Staff Trust acted as an agent on behalf of KTH. The KTH Staff Trust is consolidated into the Group. The cash-settled share-based payment liability is recognised in the consolidated financial statements of KTH

During the period under review, the board of the company decided to wind-up the scheme as the current scheme did not achieve its original objectives stated above. Therefore all units allocated were forfeited.

The board of the company has implemented a new Share Appreciation Right Scheme ("SAR's") effective 1 July 2014.

25 Trade and other payables

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Trade payables	54 293	43 801	1 736	2 840
Other payables	100 791	68 758	14	12
Other accrued expenses	43 224	31 997	2 370	1 830
Amounts owing to equity holders of Kagiso Media Limited	7 243	501	-	-
VAT	12 759	17 136	995	41
Deferred income	24 662	36 687	-	-
	242 973	198 881	5 117	4 723

26 Provisions

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Leave pay provision	14 899	16 677	1 947	2 112
Bonus provision	112 508	83 482	35 770	-
Royalty provision	63 548	46 590	-	-
Other	450	450	-	-
	191 405	147 198	37 718	2 112

GROUP

	Leave pay R'000	Bonus R'000	Royalty R'000	Other R'000	Total R'000
Balance at 1 July 2012	19 064	55 762	32 487	3 078	110 390
Charged to profit and loss	(1 009)	42 339	14 103	(838)	54 595
Utilised during the year	(1 378)	(14 619)	-	(1 790)	(17 787)
Balance at 30 June 2013	16 677	83 482	46 590	450	147 198
Balance at 1 July 2013	16 677	83 482	46 590	450	147 198
Charged to profit and loss	1 836	76 514	16 958	-	95 308
Utilised during the year	(3 613)	(47 489)	-	-	(51 101)
Balance at 30 June 2014	14 899	112 508	63 548	450	191 405

COMPANY

	Leave pay R'000	Bonus R'000	Royalty R'000	Other R'000	Total R'000
Balance at 1 July 2012	1 275	-	-	-	1 275
Charged to profit and loss	837	-	-	-	837
Balance at 30 June 2013	2 112	-	-	-	2 112
Balance at 1 July 2013	2 112	-	-	-	2 112
Charged to profit and loss	(165)	35 770	-	-	35 606
Balance at 30 June 2014	1 947	35 770	-	-	37 718

27 Revenue

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Revenue is derived from the following:				
Advertising and production income	771 776	672 026	-	-
Subscription and production income	502 414	459 977	-	-
Contract service revenue	42 377	33 345	-	-
Intellectual property revenue	12 255	12 642	-	-
Entrance fees, commissions, sponsorships and other	20 498	24 812	-	-
Web income	8 891	9 465	-	-
Training	4 273	10 426	-	-
Management fees	220 123	134 919	14 905	5 402
	1 582 607	1 357 614	**14 905**	5 402

28 Cost of sales

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Cost of sales is derived from the following:				
Raw material and consumables	(219 117)	(200 640)	-	-
Commission and levies	(234 241)	(208 175)	-	-
Employee costs	(302 414)	(287 635)	-	-
	(755 769)	(696 450)	-	-

29 Operating profit/(loss)

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Operating profit/(loss) is stated after taking the following account:				
Expenses				
Auditors' remuneration	(13 648)	(13 419)	(4 410)	(4 522)
Marketing and Programming	(32 080)	(29 453)	(1 881)	(1 395)
Total employment costs	(525 948)	(420 440)	(103 081)	(61 974)
Directors' emoluments	(78 180)	(57 627)	(25 867)	(19 629)
Employee costs	(447 768)	(362 813)	(77 214)	(42 345)
Legal Fees	(15 306)	(16 604)	(12 600)	(16 206)
Rental Expenses	(42 960)	(22 253)	(46)	(122)
Other Expenses	(115 645)	(30 465)	(7 079)	(13 596)
Inventory write-down	(27 029)	(15 476)	-	-
Professional fees	(73 420)	(39 054)	(11 644)	(9 695)
Loss on sale of property, plant and equipment	(374)	(51)	-	-

30 Depreciation and amortisation

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Amortisation of intangibles				
Trademarks, titles, copyright and intellectual property	(21 376)	(15 960)	-	-
Development expenditure	-	(504)	-	-
Broadcast licence	(7 173)	(2 966)	-	-
Transmitter split facility	(2 881)	(636)	-	-
Customer relationships	(16 110)	(22 840)	-	-
Systems and software	(9 270)	(6 026)	(2 862)	(1 506)
Film and television content	(2 495)	-	-	-
	(59 305)	(49 932)	(2 862)	(1 506)
Classified to discontinued operations	4 131	6 298	-	-
	(55 174)	(43 634)	**(2 862)**	**(1 506)**
Depreciation of property, plant and equipment				
Computer equipment	(6 450)	(7 139)	(574)	(486)
Furniture and fittings	(2 654)	(3 754)	(415)	(469)
Leasehold improvements	(5 946)	(5 416)	(1 547)	(1 508)
Motor vehicles	(513)	(526)	-	(34)
Office equipment	(1 706)	(2 327)	(451)	(456)
Plant and equipment	(12 578)	(11 705)	-	-
	(29 847)	(30 866)	**(2 989)**	(2 953)
Classified to discontinued operations	681	2 370	-	-
	(29 166)	(28 496)	**(2 989)**	(2 953)
Amortisation of financial guarantees granted	-	-	10 284	-
Amortisation of intangibles included in associate carrying amounts	(28 965)	(33 053)	-	-
	(28 965)	(33 053)	**10 284**	-
	(113 305)	(105 183)	**4 434**	(4 459)

31 Dividend income

	GROUP 2014 R'000	GROUP Restated 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Subsidiaries				
Kagiso Strategic Investments III Proprietary Limited	-	-	-	18 000
Kagiso Trust Enterprises Proprietary Limited	-	-	-	3 000
Kagiso Asset Management Proprietary Limited	-	-	22 044	13 026
Kagiso Media Limited	-	-	27 354	64 967
KTH Media Holdings Proprietary Limited	-	-	210 000	-
Four Arrows 39 Proprietary Limited	-	-	-	5 796
Off the Shelf Investments 109 Proprietary Limited	-	-	137	65 129
Tiso Power Services Proprietary Limited	-	-	8 000	-
Tiso Capital Partners No 2 Proprietary Limited	-	-	1 300	-
Kagiso Ventures Proprietary Limited	-	-	-	1 518
Allzay Properties 46 Proprietary Limited	-	-	6 152	-
Kagiso Platinum Ventures Proprietary Limited	-	-	15 000	-
Tiso INI Investments 1 Proprietary Limited	-	-	-	175 368
	-	-	**289 987**	346 804
Associates				
Metropolitan Retirement Administrators Proprietary Limited	-	-	360	-
	-	-	**360**	-
Available-for-sale financial instruments				
Kagiso Infrastructure Investments Proprietary Limited	20	-	20	-
Macsteel Services Centre SA Proprietary Limited	9 000	11 250	-	-
Alstom S&E Africa Proprietary Limited	7 000	-	-	-
Venoza Proprietary Limited	303	-	-	-
Alstom Power Services Proprietary Limited	-	24 378	-	-
FirstRand Empowerment Trust	-	496	-	496
	16 322	36 124	**20**	**496**
Financial assets at fair value through profit and loss				
AECI Limited	11 053	9 229	-	-
Qakazana Investment Holdings Proprietary Limited	-	5 796	-	-
Investec Limited	-	5 480	-	-
Main Street 333 Proprietary Limited	32 000	25 557	-	-
Nozala Capital Management Proprietary Limited	1 023	-	-	-
Nozala Holdings Proprietary Limited	540	-	-	-
	44 616	46 062	-	-
Other financial instruments				
Acton Repair Services Proprietary Limited	2 814	-	-	-
Off the Shelf Investments 108 Proprietary Limited (RF)	-	-	44 063	-
KA Investment Partners Trust	982	-	982	-
	3 796	-	**45 045**	-
	64 735	82 186	**335 413**	347 300

32 Other gains and losses

	GROUP 2014 R'000	Restated 2013 R'000	COMPANY 2014 R'000	2013 R'000
Financial assets at fair value through profit and loss - designated				
MMI Holdings Limited	109 164	148 014	-	-
Main Street 333 Proprietary Limited	(138 166)	(757 965)	-	-
AECI Limited	39 125	121 938	-	-
Investec Limited	-	17 407	-	-
Nozala Capital Management Proprietary Limited	(9 564)	(18 700)	-	-
Nozala Holdings Proprietary Limited	(7 520)	8 368	-	-
Aveng Limited	(65 204)	(56 904)	-	-
Blue Falcon 69 Trading Proprietary Limited	(176 978)	83 736	-	-
Three Diamonds Trading 564 Proprietary Limited	-	12 307	-	-
Alstom S&E Africa Proprietary Limited	-	(13 514)		-
Tiso IML Investments 1 Proprietary Limited	58 356	-	58 356	-
Unit trust investments	2 969	-	2 371	-
	(187 820)	(450 402)	**60 727**	-
Financial assets at fair value through profit and designated				
Investment in subsidiaries	-	-	(1 049 772)	1 058 698
Investment in associates, joint ventures and partnerships	-	-	51 655	(74 146)
	-	-	**(998 117)**	984 552
Available-for-sale investments: equity instruments				
FirstRand Empowerment Trust	-	233 002	-	233 002
	-	233 002	-	233 002
Other				
Financial guarantees granted	-	-	-	54 778
Bell Equipment Sales SA Proprietary Limited	(41 527)	-	-	-
Three Diamonds Trading 564 Proprietary Limited	37 078	-	-	-
Tiswala Holdings Proprietary Limited	(35 303)	-	-	-
Other	(71 996)	30 724	-	-
	(111 748)	30 724	-	54 778
	(299 568)	(186 676)	**(937 390)**	1 272 332

33 Profit/(loss) on sale of investments - net

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Investec Limited	-	525	-	-
One Gospel Proprietary Limited	-	480	-	-
Abland Manapa Developments and Abland Manapa Proprietary Limited	-	(353)	-	(353)
	-	653	-	(353)

34 Net impairments(losses)/recoupments

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Associates				
Acton Repair Services Proprietary Limited	(1 258)	1 257	-	-
Acton Investment Holdings Proprietary Limited	(101 190)	-	-	-
Battery Technologies Proprietary Limited	(138)	(402)	-	-
Idwala Industrial Holdings Proprietary Limited	6 645	188 747	-	-
Emira Property Fund	(39 160)	(152 926)	-	-
Eris Property Group Proprietary Limited	(12 104)	-	-	-
Fidelity Bank Ghana Limited	(67 252)	-	-	-
Johnson Facilities Management Proprietary Limited	(4 842)	-	-	-
Aurora Wind Power Proprietary Limited	(746)	-	-	-
Koyeng Resources Proprietary Limited	(7 198)	-	-	-
Tamela Holdings Proprietary Limited	(3 064)	-	-	-
Resolve Group Proprietary Limited	-	(3 677)	-	-
Kagiso Property Developments Proprietary Limited	-	(4 796)	-	-
	(230 298)	28 205	-	-
Joint ventures				
Kagiso Strategic Investments Proprietary Limited	(19 757)	-	-	-
Kagiso Strategic Investments II Proprietary Limited	1 604	12 667	-	-
Infrastructure Finance Corporation Limited	(27 039)	(21 505)	-	-
	(45 192)	(8 838)	-	-
Partnerships				
Kagiso Private Equity Fund 1	3 809	-	-	-
Calibre Private Equity Investors Partnership No. 10	-	(1 614)	-	-
	3 809	(1 614)	-	-
Other (impairments) / reversals including loans	(2 675)	(54 002)	-	(35 001)
	(274 357)	(36 248)	-	(35 001)

35 Finance income

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Interest income from banks	73 362	59 024	41 556	36 702
Interest income from Group companies	57 977	66 336	1 660	2 121
Preference share dividends received	59 729	71 203	4 051	6 146
Other interest income received	12	1 356	-	-
	191 080	197 917	**47 267**	44 970

36 Finance costs

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Interest paid on loans	(215 414)	(158 426)	(72 873)	(62 324)
Dividends on preference shares	(212 786)	(224 351)	-	(10 477)
Other interest paid	(7 010)	(6 254)	-	(65)
	(435 210)	(389 031)	**(72 873)**	(72 865)

37 Income tax expense

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
Major components of the tax expense				
Current income tax				
Current income tax on profits for the year	(173 375)	(281 561)	-	(96 636)
Adjustments in respect of prior years	(3 813)	2 264	-	(1 895)
	(177 188)	(279 297)	-	(98 531)
Deferred income tax				
Origination and reversal of temporary differences	10 641	238 968	-	-
Adjustment in respect of prior years	-	50 658	-	14 700
	10 641	289 625	-	14 700
Total tax expense	**(166 548)**	10 328	-	(83 832)
Reconciliation between accounting profit and tax expense				
(Loss)/profit before income tax	(569 614)	(208 853)	(699 166)	1 410 578
Tax at the applicable tax rate of 28%	(159 492)	(58 479)	(195 767)	394 962
Tax effect of adjustments on taxable income				
Expenses not deductible for tax purposes	363 328	37 962	101 851	41 980
Income not subject to tax	(18 128)	(23 012)	93 916	(385 864)
Capital gains tax	(21 840)	32 754	-	32 754
Secondary tax on companies	-	207	-	-
Tax losses recognised	-	240	-	-
	163 714	(10 328)	-	83 832

38 Fair value adjustments on available-for-sale financial assets

	GROUP 2014 R'000	Restated 2013 R'000	COMPANY 2014 R'000	2013 R'000
Designated through other comprehensive income/(loss)				
Alstom Power Services Proprietary Limited	(53 576)	52 109	-	-
Kagiso Infrastructure Investments Proprietary Limited	(8 121)	-	(8 121)	-
Alstom S&E Africa Proprietary Limited	(28 946)	33 661	-	-
FirstRand Empowerment Trust	33 470	18 072	33 470	18 072
Inyanga Trading 76 Proprietary Limited	(589)	(3 360)	(589)	(3 360)
Macsteel Services Centre SA Proprietary Limited	(81 513)	(50 515)	-	-
	(139 275)	49 967	**24 760**	14 712

39 Loss from discontinued operations

	GROUP 2014 R'000	2013 R'000	COMPANY 2014 R'000	2013 R'000
The results of the discontinued operations for the year are presented below:				
Profit and loss				
Revenue	102 055	183 651		
Other income	1 914	2 349	-	-
Other gains and losses	9 686	-	-	-
Net profit on sale of business	(8 717)	-	-	-
Raw materials and consumables	(28 442)	(90 845)	-	-
Commission and levies	(519)	(1 151)	-	-
Employee costs	(54 279)	(54 319)	-	-
Marketing and programming expenses	(1 158)	(4 443)	-	-
Professional and consulting fees	(279)	(277)	-	-
Rental and management fees	(6 398)	(7 542)	-	-
Depreciation	(681)	(2 370)	-	-
Amortisation	(4 131)	(6 298)	-	-
Other expenses	(16 983)	(14 577)	-	-
Operating (loss)/profit	**(7 922)**	4 178	-	-
Finance income	577	255	-	-
Finance costs	(36 290)	(94)		
Share of profits of associates	36 159	(1 950)		
(Loss)/profit before income tax	**(7 481)**	2 389	-	-
Income tax expense	(3 651)	2 324	-	-
Profit after tax from discontinued operations	**(11 132)**	4 713	-	-
Pre-tax loss recognised on the remeasurement of assets of disposal group	(4 819)	(21 749)	-	-
(Loss)/profit for the year	**(15 951)**	(17 036)	-	-
The net cash flows incurred by the discontinued operations				
Operating cash flow	12 409	(3 458)	-	-
Investing cash flow	2 786	(1 135)	-	-
Financing cash flow	(13 899)	-		
	1 296	(4 593)	-	-

During the current year, Acceleration Media Proprietary Limited ("Acceleration Media"), Kagiso Vantage Proprietary Limited ("Kagiso Vantage") and the retail division of Juta and Company Limited ("Juta") were sold and have been classified as a discontinued operation.

Acceleration Media is a 50%-owned joint-venture company by Kagiso Media Investments Proprietary Limited, a wholly owned subsidiary of the Group. During the year the group disposed of its interests in the business for R4 million. The effective date of disposal is 31 October 2013.

Kagiso Vantage is a 50%-owned joint-venture company by Kagiso Media Limited. During the year the group disposed of its interests in the business for R16.5 million. The effective date of disposal is 31 October 2013.

Juta is a wholly owned subsidiary of the Group. During the year, the group disposed of its interests in the business for R11.9 million. The effective date of disposal is 1 December 2013.

In addition, Tiso Property Proprietary Limited, the investment in Acton Repair Services Proprietary Limited, Gloo Digital Designs Proprietary Limited ("Gloo"), the Adult Learning division of Juta, Thwit Solutions Proprietary Limited ("Thwit") and the E-props division of Knowledge Factory Proprietary Limited ("Knowledge Factory") have been classified as discontinued operations in the current year. Board approval has been obtained to dispose of the businesses and the criteria in terms of IFRS 5 – Non-current assets classified as held-for-sale and discontinued operations have been met.

The comparative period includes the assets and liabilities of the Juta Retail division and Acceleration Media, which were classified as held-for-sale as at 30 June 2013.

39 Loss from discontinued operations (continued)

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

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Property, plant and equipment	2 436	-	-	-
Investment in joint venture	34 311	-	-	-
Inventories	11 228	-	-	-
Total value of assets and liabilities disposed	**47 975**	-	-	-
Sale proceeds	38 658	-	-	-
Less: Total value of assets and liabilities disposed	(47 975)	-	-	-
Plus: Dividend received	600	-	-	-
Profit on disposal in Group's account	**(8 717)**	-	-	-
Proceeds	38 658	-	-	-
Proceeds from the sale of investment, net of cash	**38 658**	-	-	-

40 Cash generated from/(used in) operations

	GROUP 2014 R'000	GROUP Restated 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
(Loss)/profit before income tax including discontinued	(585 565)	(225 889)	(699 166)	1 410 578
Adjustments for:				
Profit on sale of investments - net	-	(653)	-	353
Finance income	(191 079)	(197 917)	(47 267)	(44 970)
Finance costs	435 209	389 031	72 673	72 865
Other gains / (losses) - net	299 568	186 676	937 390	(1 272 332)
Dividend income	(64 735)	(82 185)	(335 413)	(347 300)
Depreciation and amortisation	113 305	105 183	(4 434)	4 459
Impairment of investments, loans, assets and goodwill	274 401	36 248	-	35 001
Profit on sale of property, plant and equipment	1	(73)	1	(73)
Disposal of property, plant and equipment	374	195	-	-
Share-based payment expense	37 294	25 548	1 253	25 548
Reversal of loan impairments	-	(12 666)	-	(2 675)
Fair value adjustments	(12 891)	-	-	-
Derecognition of share based payments liability	(46 837)	-	(48 202)	-
Transaction costs incurred on business combination	4 423	-	-	-
Discontinued operations	(7 464)	10 764	-	-
Loan waiver	(30 422)	(3 608)	(29 758)	-
Share-based payment accrual movement	-	2 096	-	-
Operating lease accrual movement	(384)	(112)	-	-
Loss on disposal of asset	117	-	-	-
Loss on disposal of joint ventures and business	8 717	-	-	-
Other non-cash items	(873)	1 350	-	263
Changes in working capital:				
(Increase)/decrease in trade and other receivables	30 794	(37 949)	(3 636)	(1 104)
Increase in inventories	3 964	12 136	-	-
(Decrease)/increase in trade and other payables	27 125	12 287	(53)	(2 433)
(Decrease)/increase in provisions	34 041	42 325	35 606	837
Increase in loans and receivables	(21 321)	(3 247)	-	-
	307 762	259 539	**(120 606)**	(120 982)

41 Related party information

Subsidiaries

Details of income from and investments in subsidiary companies are disclosed in note 9, 31 and Annexure A respectively. Details on amounts due from / (to) subsidiaries are disclosed in Annexure B.

Associated companies, joint ventures and partnerships

Details of income from and investments in associated companies, joint ventures and partnerships are disclosed in note 9 and 31 respectively.

Details on amounts due from / (to) associated companies, joint ventures and partnerships are disclosed are disclosed in Annexure C.

Key management personnel

Information on directors is disclosed on page 1 and information on directors' emoluments is disclosed in note 44

Shareholders

Details on the shareholders are disclosed in the director's report.

42 Events after the reporting date

The Company declared a dividend in the amount of R60 million equating to an amount of R60 in respect of each ordinary share in the Company, to the holders of ordinary shares in the Company registered as such on 24 September 2014 and was paid on the 2 October 2014.

43 Commitments

Operating lease 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. Lease expenditure is charged to the statement of comprehensive income.

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

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Not later than one year	35 995	46 072	6 501	6 019
Later than one year and less than five years	86 256	137 976	8 809	15 309
Later than five years	34	44 031	-	-
Total future cash flow	**122 285**	228 079	**15 310**	21 328

Capital expenditure contracted for at the end of the reporting period but not yet incurred and which have been approved by the board of directors are as follows:

	GROUP 2014 R'000	GROUP 2013 R'000	COMPANY 2014 R'000	COMPANY 2013 R'000
Property, plant and equipment	15 673	33 301	-	-
Intangible assets	32 271	11 783	-	-
	47 944	45 084	-	-

There are 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

Tiso Property No 2 Proprietary Limited

In accordance with a shareholders agreement, Tiso Property No 2 Proprietary Limited ("Tiso Property") has committed R 50 million of capital towards Eris Property Fund Proprietary Limited ("Eris"). At the reporting date, Tiso Property has paid R 43 445 170 (2013 - R 43 445 170) towards Eris.

44 Directors emoluments

GROUP

	Emoluments	Performance related payments	Other Allowances	Pension and other contributions	Total
	R'000	R'000	R'000	R'000	R'000
30 June 2014					
Executive directors					
For services as directors	30 729	39 027	1 042	2 193	72 991
Non-executive directors					
For services as directors	5 189	-	-	-	5 189
	35 918	**39 027**	**1 042**	**2 193**	**78 180**

	Emoluments	Performance related payments	Other Allowances	Pension and other contributions	Total
	R'000	R'000	R'000	R'000	R'000
30 June 2013					
Executive directors					
For services as directors	34 502	14 472	385	2 396	51 755
Non-executive directors					
For services as directors	5 872	-	-	-	5 872
	40 374	14 472	385	2 396	57 627

COMPANY

	Emoluments	Performance related payments	Other Allowances	Pension and other contributions	Total
	R'000	R'000	R'000	R'000	R'000
30 June 2014					
Executive directors					
For services as directors	8 879	12 960	-	1 393	23 232
Non-executive directors					
For services as directors	2 635	-	-	-	2 635
	11 514	**12 960**	**-**	**1 393**	**25 867**

	Emoluments	Performance related payments	Other Allowances	Pension and other contributions	Total
	R'000	R'000	R'000	R'000	R'000
30 June 2013					
Executive directors					
For services as directors	6 552	8 732	-	1 318	16 601
Non-executive directors					
For services as directors	3 028	-	-	-	3 028
	9 579	8 732	-	1 318	19 629

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45 Interests in consolidated structured entities

The group is principally involved in the following structural entity through its normal cause of business:

Clidet 902 Proprietary Limited ("Clidet 902")

The Group has provided preference share funding to Clidet 902 to enable the company to acquire a 10% shareholding in Nozala Holdings Proprietary Limited. These preference shares accrue dividends on a daily basis and are compounded monthly in arrears at a rate of prime plus 500 basis points. The redemption date is the first business day after the fifth anniversary of the subscription date being 27 February 2014. The directors of the company decided to extent the redemption date by five years. The balance of this held-to-maturity investment is disclosed in note 12. These preference shares also provide the group with a right to receive 60% of the remaining profits after the preference share balance have been settled as a special dividend.

46 Interests in unconsolidated structured entities

The company is involved with the following material unconsolidated structured entity through its normal cause of business.

Blue Falcon Trading 69 Proprietary Limited ("Blue Falcon")

In 2010 Adcock Ingram Holdings Limited ("Adcock") completed its BEE transaction with the BEE consortium acquiring a 9.75% equity stake. The BEE deal was structured such that 85% of dividends received would be used to acquire Adcock shares from the market, while the remaining 15% would be distributed to the SPV, Blue Falcon. 100% of the dividends received from additional shares purchased in the market will be used to buy more shares in the market.

The group owns 62.75% of the ordinary shareholding in Blue Falcon and 100% of the A and B preference shares, through its 100% held subsidiary Kagiso Strategic Investments III Proprietary Limited. Blue Falcon issued A Preference shares at prime plus 200 basis points and B preference shares with an entitlement to 49% of any upside participation.

The transaction completed in 2010, has been structured as a 10 year deal. Adcock will have a call option against the BEE partners, including KTH, in April 2020. If this call is not exercised, KTH will be able to exit without restrictions.

Adcock advanced a notional loan to Blue Falcon to acquire the initial shares and needs to be settled on 31 March 2020 when Adcock exercises the call option.

Whilst the group owns the majority of the ordinary shares (62.87%) in Blue Falcon, control of the majority of the voting rights does not provide the Group with the power to control the key decisions taken by Blue Falcon. In addition, as it relates to disposal of the investment, any decisions around disposal of the Adcock Ingram Holdings Limited ("Adcock") shares is controlled by Adcock through its call option.

The investment in Blue Falcon is accounted for as an equity-linked derivative instrument and accounted for as a financial asset at fair value through profit and loss. Refer to note 11 for further details on this investment.

Financial information of unconsolidated structured entity (based on latest audited results)

Total assets	R 203 262 882
Total liabilities	R 136 319 659

47 Going concern

The company and group financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates. The directors assess the group's future financial performance and financial position on an on-going basis and have no reason to believe that the group will not be a going concern in the year ahead.

48 Restatements

Investment in associates

The Group adopted IAS 28R in the current reporting period. In terms of the revised standard the Group performed an assessment on all investment held to determine if significant influence exists.

As it relates to whether the Group has significant influence, generally where the Group owns less than 20% of the voting interest in an investee, but the Group has representation on the board of directors and the interest is held as part of an empowerment transaction, it is expected that the Group will have significant influence over the investee. This is consistent with the current BBBEE Legislation and Codes which require that empowerment transactions results in meaningful participation by empowerment partners in the affairs of the investee company. However, specific facts and circumstances may rebut the above presumption in instances where the Group is unable to exert its power to participate in the financial and operating decisions of the investee.

MMI Holdings Limited ("MMI")(held through Off the Shelf Investments 108 Proprietary Limited (RF) ("OTSI 108") and Off the Shelf Investments 168 Proprietary Limited ("OTSI 168")

OTSI 108 holds a 4.74% interest in MMI Holdings. This investment was treated as an associate which the Group designated as being at fair value through profit and loss in accordance with IAS 39: Financial Instruments, as the Group considered the activities of the Group to meet the 'Venture Capital' exemption in IAS 28R.

The Group reconsidered whether or not its 4.74% interest in MMI provided the Group with significant influence considering that the Group has the right to appoint 1 director to the board of MMI which currently has approximately 20 members. Due to the Group being MMI's only empowerment partner and public disclosure in MMI's financial statements that the Group exerts significant influence over MMI, the Group concluded that it continues to have significant influence over MMI Holdings.

With the amendment to IAS 28R requiring an entity to apply a consistent accounting policy to all investments held by a Venture Capital organisation; the Group has, in the 2014 financial year, changed its accounting to equity account all its associates. In addition, the Group has reassessed whether it is a Venture Capital organisation and consistent with the conclusion, the Group will only equity account for its associates.

OTSI 168 holds a 0.3% interest in MMI. This investment was previously carried as an available-for-sale instrument carried at fair value with the movements in fair value recognised in other comprehensive income. Similar to OTSI 108, the investment in MMI shall be treated as an investment in an associate and equity accounted since the Group has significant influence.

Metropolitan Health Corporate Proprietary Limited ("MHC") (held through Off the Shelf Investments 127 Proprietary Limited ("OTSI 127")

The Group, OTSI 127, is able to appoint 1 director to the board of MHC and no factors to prove otherwise, OTSI 127 has significant influence over MHC. Therefore, the Group shall account for this investment as an associate in terms of IAS 28R.

Emira Property Fund ("Emira") (held through Tiso Property Proprietary Limited)

Tiso Property Proprietary Limited holds an 8.66% interest in the Emira. This investment was treated as an associate whom the Group designated as being at fair value through profit and loss in accordance with IAS 39, as the Group considered itself to meet the 'Venture Capital' exemption in IAS 28R.

Similar to MMI, the Group reconsidered whether it has significant influence over Emira. As the Group is Emira's only empowerment partner, the relationship between the Group and Emira is considered to provide the Group with significant influence over Emira

With the amendment to IAS 28R requiring an entity to apply a consistent accounting policy to all investments held by a Venture Capital organisation; the Group changed its accounting to equity account for all its associates. In addition, the Group reassessed whether it is a Venture Capital organisation and consistent with the conclusion, the Group will only equity account its associates.

48 Restatements (continued)
Investments in joint ventures

IFRS 11 requires equity accounting of joint ventures and eliminates the proportionate consolidation option of accounting. Previously, the Group proportionately consolidated all joint ventures which entailed that it included its share of the assets, liabilities, income and expenses of jointly controlled entities on a line-by-line basis in its financial statements.

Under the equity method, the investments in joint ventures is initially recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss and movements in other comprehensive income of joint ventures after the date of acquisition. The Group's share of the profit or loss of joint ventures is recognised in a single line item in profit or loss under the equity method.

The Group has applied the new policy for investments in joint ventures in accordance with the transition provisions of IFRS 11. The change in accounting policy has been applied as from 1 July 2012. The Group recognised its investment in joint ventures at the beginning of the earliest period presented (1 July 2012), as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated by the Group. This is the deemed cost of the Group's investments in its joint ventures for purposes of applying equity accounting.

In addition, a number of operations were classified as discontinued operations in accordance with IFRS 5, Non-current assets classified as held for-sale and discontinued operations in the current year.

The impact of the application of IFRS 5, IFRS 11 and IAS 28R on the Group's financial results is disclosed below

Statement of comprehensive income - Group

	30 June 2013				
	As previously reported	Adjustments required in accordance with IFRS 5	Adjustments required in accordance with IFRS 11	Adjustments required in accordance with IAS 28R	Restated
	R'000	R'000	R'000	R'000	R'000
Revenue	1 470 865	(95 786)	(17 465)	-	1 357 614
Cost of sales	(794 794)	98 393	(49)	-	(696 450)
Depreciation and amortisation	(115 151)	7 281	2 687	-	(105 183)
Other operating expenses - net	(437 693)	(20 998)	10 527	4 528	(443 636)
Operating profit/ (loss)	**123 227**	**(1 110)**	**(4 300)**	**4 528**	**122 345**
Dividend income	351 722	-	-	(269 536)	82 186
Other gains / (losses) - net	232 026	-	-	(418 702)	(186 676)
Profit / (loss) on sale of investments - net	653	-	-	-	653
Net impairment (losses)/recoupments	116 678	-	-	(152 926)	(36 248)
Finance income	142 756	(255)	(1 047)	56 463	197 917
Finance costs	(388 001)	94	31	(1 155)	(389 031)
Profit before taxation	**579 061**	**(1 271)**	**(5 316)**	**(781 328)**	**(208 853)**
Income tax	(237 676)	2 711	2 257	243 036	10 328
Profit/ (loss) after taxation	**341 385**	**1 440**	**(3 059)**	**(538 292)**	**(198 525)**
Share of after tax profit of associates, joint ventures and partnerships	261 958	-	4 157	258 465	524 580
Profit for the period from continued operations	**603 343**	**1 440**	**1 098**	**(279 827)**	**326 055**
Discontinued operations					
Profit from discontinued operations	(15 996)	(2 133)	1 093	-	(17 036)
Profit for the year	**587 347**	**(693)**	**2 191**	**(279 827)**	**309 019**
Other comprehensive income/(losses):					
Other comprehensive income	(7 993)	-	-	(3 621)	(11 614)
Total Comprehensive income	**579 354**	**(693)**	**2 191**	**(283 448)**	**297 405**

40 Restatements (continued)

Statement of financial position - Group

	As previously reported	Adjustments required in accordance with IFRS 11	Adjustments required in accordance with IAS 28R	Restated
	30 June 2013			
	R'000	R'000	R'000	R'000
ASSETS				
Non-current assets				
Property, plant and equipment	158 664	(3 537)	-	155 127
Intangible assets	707 025	(621)	-	706 404
Goodwill	1 153 810	(20 149)	-	1 133 661
Equity accounted investments	2 254 331	57 677	2 169 749	4 481 757
Available-for-sale financial assets	864 458	-	(376 693)	487 765
Financial assets held at fair value	6 426 103	-	(2 283 154)	4 142 949
Held-to-maturity financial assets	439 498	-	30 463	469 961
Loans and receivables	2 606	-	-	2 606
Amounts due from group companies	509 674	-	-	509 674
Deferred income tax assets	64 056	(3 032)	28	61 048
Total non-current assets	12 580 776	30 333	(459 607)	12 150 954
Current assets				
Held-to-maturity financial assets	27 290	-	(27 290)	-
Loans and receivables	111 997	(9 127)	46	102 916
Derivative financial instrument	800	-	-	800
Amounts due from group companies	12 884	-	-	12 884
Inventories	29 164	-	-	29 165
Current income tax receivable	17 952	(281)	-	17 671
Trade and other receivables	370 690	(15 017)	-	355 673
Film and television content	2 384	(2 384)	-	-
Properties under development	6 916		-	6 916
Cash and cash equivalents	1 899 831	(20 536)	-	1 879 295
Total current assets	2 479 906	(47 345)	(27 243)	2 405 318
Assets classified as held-for-sale	115 036	(9 424)	-	105 612
Total assets	15 175 168	(26 436)	(486 850)	14 661 884
Share capital	7 396 376	-	-	7 396 376
Treasury shares	(548 521)	-	-	(548 521)
Other (deficits) / reserves	368 835	-	143 621	512 456
Retained earnings	102 994	(6 107)	(301 909)	(175 023)
Total shareholders' equity	7 319 683	(6 107)	(158 288)	7 235 288
Non-controlling interests	2 385 646	-	(47 662)	1 257 983
Total equity	9 705 329	(6 107)	(205 952)	9 493 271
Liabilities				
Non-current liabilities				
Borrowings	3 787 082	-	(4 050)	3 783 032
Derivative financial instrument	596	-	-	596
Operating lease liability	2 790	-	-	2 790
Deferred income tax liability	1 152 157	-	(279 398)	872 759
Share-based payment liabilities	80 392	-	-	80 392
Total non-current liabilities	5 023 017	-	(283 448)	4 739 570
Current liabilities				
Borrowings	29 596	(1 564)	17 738	45 770
Trade and other payables	208 131	(9 763)	(486)	198 881
Provisions	147 198	-	-	147 198
Amounts due to group companies	22 844	-	(14 704)	8 140
Current income tax liabilities	25 621	(578)	-	25 046
Bank overdraft	48	-	-	48
Total current liabilities	433 438	(10 905)	2 548	425 084
Liabilities directly ass with assets held-for-sale	13 384	(9 424)	-	3 960
Total liabilities	5 469 839	(20 329)	(280 899)	5 168 613
Total equity and liabilities	15 175 168	(26 436)	(486 850)	14 661 884

48 Restatements (continued)

Statement of financial position - Group

	30 June 2012 Previously reported R'000	Adjustments required in accordance with IFRS 11 R'000	Adjustments required in accordance with IAS 28R R'000	Restated R'000
ASSETS				
Non-current assets				
Property, plant and equipment	164 150	(4 747)	-	159 403
Intangible assets	723 920	(1 027)	-	722 893
Goodwill	1 139 735	(25 798)	-	1 113 937
Equity accounted investments	2 065 112	54 388	2 265 547	4 385 047
Available-for-sale financial assets	1 381 770	-	(406 211)	975 559
Financial assets held at fair value	6 523 652	-	(1 864 093)	4 659 559
Held-to-maturity financial assets	454 069	-	20 343	474 412
Loans and receivables	3 824	-	-	3 824
Amounts due from group companies	478 022	-	-	478 022
Deferred income tax assets	52 311	(19 585)	-	32 726
Total non-current assets	12 986 565	3 231	15 586	13 005 382
Current assets				
Financial assets held at fair value	213 601	-	-	213 601
Held-to-maturity financial assets	20 343	-	(20 343)	-
Loans and receivables	101 635	(7 235)	-	94 400
Amounts due from group companies	9 678	-	-	9 678
Inventories	54 315	-	-	54 315
Current income tax receivable	18 525	592	(4 805)	14 312
Trade and other receivables	367 173	(13 835)	(3 726)	349 612
Properties under development	6 916	-	-	6 916
Cash and cash equivalents	1 119 233	(24 143)	-	1 095 091
Total current assets	1 911 419	(44 621)	(28 874)	1 837 925
Assets classified as held-for-sale	41 000	-	-	41 000
Total assets	14 938 984	(41 390)	(13 288)	14 884 307
Equity				
Share capital	7 396 376	-	-	7 396 376
Treasury shares	(685 117)	-	-	(685 117)
Other (deficits) / reserves	(1 886 006)	-	73 023	(1 812 983)
Retained earnings	1 927 864	(7 597)	35 499	1 955 766
Total shareholders' equity	6 753 117	(7 597)	108 522	6 854 041
Non-controlling interests	2 429 843	-	(31 225)	2 398 618
Total equity	9 182 960	(7 597)	77 297	9 252 659
Liabilities				
Non-current liabilities				
Borrowings	2 586 588	(193)	(27 883)	2 558 512
Deferred income	33 330	-	-	33 330
Operating lease liability	7 292	-	-	7 292
Deferred income tax liability	1 365 174	(15 734)	(62 090)	1 287 350
Share-based payment liabilities	43 176	-	-	43 176
Total non-current liabilities	4 035 560	(15 927)	(89 973)	3 929 660
Current liabilities				
Borrowings	1 150 712	(2 114)	-	1 148 598
Trade and other payables	363 959	(15 387)	(368)	348 204
Provisions	110 390	-	-	110 390
Amounts due to group companies	8 100	-	-	8 100
Current income tax liabilities	86 159	(365)	(242)	85 552
Bank overdraft	1 144	-	-	1 144
Total current liabilities	1 720 464	(17 866)	(610)	1 701 988
Total liabilities	5 756 024	(33 793)	(90 583)	5 631 648
Total equity and liabilities	14 938 984	(41 390)	(13 288)	14 884 307

ANNEXURE A – COMPANY SCHEDULE OF SUBSIDIARIES

The Company's investments in direct subsidiaries are summarised

	Nominal share capital issued	Effective holding		Interest of company			
				Book value of shares		Indebtedness due/(owing)	
Name of Company	R	2014 %	2013 %	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Direct subsidiaries							
Alemy Properties 40 (Pty) Ltd	100	100.00	100.00	118	166	-	(5 783)
Business Ventures Investments No 684 (Pty) Ltd	1 000	100.00	100.00	391 573	361 283	693	687
Business Ventures Investments No 1796 (Pty) Ltd	2 869 565	100.00	-	27 502	-	-	-
Business Ventures Investments No 1603 (Pty) Ltd	100	100.00	-	-	-	-	-
Cardona Investments 428 (Pty) Ltd (RF)	102	100.00	100.00	40 758	-	1 484	463
Clidet No 901 (Pty) Ltd	1	100.00	100.00	40 943	73 793	20 347	21 400
Fesus Investments (Pty) Ltd	100	100.00	100.00	9 800	21 464	3 235	6 781
Four Arrows 39 Investments (Pty) Ltd	100	100.00	100.00	222 700	287 934	4	4
Firefly Investments (Pty) Ltd	100	52.00	52.00	-	-	3 493	1 538
Emerald Panther Investments (Pty) Ltd	100	54.00	54.00	-	-	722	378
Iridescent Investments (Pty) Ltd	1	100.00	-	-	-	-	-
Jadeport Investments (Pty) Ltd	100	100.00	100.00	73 325	119 990	57	25
Kagiso Asset Management (Pty) Ltd	3 189	50.10	50.10	168 500	98 791	-	-
Kagiso Financial Services (Pty) Ltd	1 800 000	100.00	100.00	141 690	179 734	6 026	10 290
Kagiso Media Ltd	-	-	51.07	-	1 675 439	-	-
Kagiso Platinum Ventures (Pty) Ltd	100	100.00	100.00	142 700	499 954	12 664	12 787
Kagiso Property Holdings (Pty) Ltd	396	100.00	100.00	6 788	27 660	-	-
Kagiso Risk Solutions (Pty) Ltd	11 001 410	100.00	100.00	-	-	265	265
Kagiso Sizanani Capital Ltd (RF)	401	100.00	100.00	4 611	-	(859 341)	(857 133)
Kagiso Strategic Investment III (Pty) Ltd	100	100.00	100.00	410 406	1 152 090	285 200	401 090
Kagiso Trust Enterprises (Pty) Ltd	1 000	100.00	100.00	19 000	31 722	-	4
Kagiso Ventures (Pty) Ltd	1	100.00	100.00	193 195	330 688	33 351	35 561
KTH Africa Cooperatief U.A	-	-	100.00	-	-	-	-
KTH Africa Investments	388 976 250	100.00	-	307 000	-	-	-
KTH Media Holdings (Pty) Ltd	2 466 030 793	100.00	-	2 433 800	-	5 838	-
Main Street 336 (Pty) Ltd	500	71.64	71.64	150 402	144 421	(237)	(246)
Morning Tide Investments 168 (Pty) Ltd	1 000	53.91	53.91	973 844	1 106 880	-	116
Off The Shelf Investments 109 (Pty) Ltd	3 150	100.00	100.00	2 452 983	1 933 540	(375)	(441)
Off The Shelf Investments 168 (Pty) Ltd	100	100.00	100.00	104 690	115 065	19 629	36 052
Tiso Capital Partners No 2 (Pty) Ltd	1	100.00	100.00	67	1 367	-	7
Tiso Electrical (Pty) Ltd	100	100.00	100.00	334 091	428 380	4 000	4 658
Tiso Industries (Pty) Ltd	40 300	100.00	100.00	124 582	241 975	-	-
Tiso INI Investments 1 (Pty) Ltd	-	-	100.00	-	6 644	-	(49 733)
Tiso Management Company (Pty) Ltd	100	100.00	100.00	-	35 438	10 237	10 237
Tiso Power Services (Pty) Ltd	1	100.00	100.00	8 900	33 056	-	39
Tiso Projects No 1 (Pty) Ltd	1	100.00	100.00	17 719	18 558	1 201	1 201
Tiso Property (Pty) Ltd	100	100.00	100.00	-	265 217	17 033	11 612
Tiso Property No 2 (Pty) Ltd (RF)	1 000	100.00	100.00	114 500	330 950	56 423	55 423
Tiso Repair Services (Pty) Ltd	100	100.00	100.00	14 737	11 585	-	5 000
Tiso Resources (Pty) Ltd	100	100.00	100.00	5 100	14 020	5 956	5 922
Tiso Telecom (Pty) Ltd	1	100.00	100.00	-	-	46	4
Xanthe Investment Holdings (Pty) Ltd	100	100.00	100.00	68 003	8 829	(61 308)	(57 444)
				9 204 093	9 556 642	(433 353)	(348 210)

The direct subsidiaries are investment holding vehicles and their main business is to hold investments. All subsidiaries listed above are incorporated in South Africa, with exception of KTH West Africa Cooperatief U.A which is incorporated in the Netherlands and KTH Africa Investments, which is incorporated in Mauritius.

All the subsidiaries listed above have 30 June year ends except Firefly Investments 166 (Pty) Ltd and Emerald Panther Investments 43 (Pty) Ltd whose year end are 31 March and KTH West Africa Cooperatief U.A. whose year end is 31 December.

ANNEXURE A – COMPANY SCHEDULE OF SUBSIDIARIES

The Company's investments in indirect subsidiaries are summarised below:

Name of Company	Nature of business	Nominal share capital issued R	Effective holding 2014 %	2013 %	Interest of company indebtedness 2014	2013
Indirect subsidiaries						
Active 1 Investments (Pty) Ltd	Dormant	20 050 000	100.00	100.00	-	-
Active 2 Investments (Pty) Ltd	Dormant	3 025 000	100.00	100.00	-	-
Black Ginger 52 (Pty) Ltd	Property holding	1 000	55.00	55.00	-	-
Blue Falcon 5 Trading (Pty) Ltd	Property holding	100	100.00	100.00	-	-
Blue Falcon 7 Trading (Pty) Ltd	Property holding	100	100.00	100.00	-	-
Blue Nightingale 218 (Pty) Ltd	Investment holding	159	50.30	50.30	-	-
Gloo Digital Design (Pty) Ltd	Digital design agency	1 000	60.10	60.10	-	-
Jacaranda FM (Pty) Ltd	Radio broadcaster	1 000	80.00	80.00	-	-
Juta and Company Ltd	Information	17 699 000	100.00	100.00	-	-
Juta Property	Property holding	32 653 326	100.00	100.00	-	-
Kagiso Developments (Pty) Ltd	Property holding	43 258 085	51.00	51.00	-	-
Kagiso Media (Pty) Ltd	Investment holding	12	100.00	100.00	-	-
Kagiso Media Ltd	Investment holding	133 898 049	100.00	100.00	-	-
Kagiso Media Investments (Pty) Ltd	Investment holding	10 000	100.00	100.00	-	-
Kagiso Power Services III (Pty) Ltd	Investment holding	100	100.00	100.00	1 250	1 250
Kagiso Property Developments (Pty) Ltd	Property holding	100	100.00	100.00	-	-
Kagiso Property Investments (Pty) Ltd	Property holding	100	100.00	100.00	-	-
Kagiso Sisonke Empowerment Trust	Investment holding	-	68.10	68.10	-	-
Kagiso Strategic Investments II Trust	Investment holding	-	53.51	53.51	-	-
Kagiso Strategic Investments III Finance (Pty) Ltd	Financing company	100	100.00	100.00	89 814	171 699
Kagiso TV (Pty) Ltd	Dormant	100	100.00	100.00	-	-
Kagiso Ventures Investment Holdings (Pty) Ltd	Investment holding	1 000	100.00	100.00	15 808	14 869
Kaufman Levin Associates	Information	749	89.99	89.99	-	-
Knowledge Factory (Pty) Ltd	Intellectual property	2 350	70.00	70.00	-	-
Mafira Creative Lab (Pty) Ltd	Staging company	100	51.00	51.00	-	-
Mercury Publishers (Pty) Ltd	Dormant	100	100.00	100.00	-	-
Nkomindo Audio Solutions (Pty) Ltd	Content	100	70.00	70.00	-	-
Off The Shelf Investments 108 (Pty) Ltd	Investment holding	30 010 100	100.00	100.00	-	-423
Off The Shelf Investments 127 (Pty) Ltd	Investment holding	3 500	100.00	71.64	323	2 695
Shanike Investments No. 42 (Pty) Ltd	Investment holding	1 000	100.00	100.00	-	-
Southstone Music (Pty) Ltd	Music company	100	70.00	70.00	-	-
Southstone Records (Pty) Ltd	Recording company	100	70.00	70.00	-	-
Tiswa'a Holdings (Pty) Ltd	Financing company	200	100.00	100.00	4	4
Tswana Investments (Pty) Ltd	Investment holding	100	100.00	100.00	-	482
Tavit Solutions (Pty) Ltd	Intellectual property	1 000	60.00	60.00	-	-
Urban Brew Studios (Pty) Ltd	Television content	1 000	50.01	50.01	-	-
Urban Community Television	Community based	-	100.00	100.00	-	-
Urban Events (Pty) Ltd	General trading	100	100.00	100.00	-	-
Urban Rhythm Factory (Pty) Ltd	Audio material supplier	100	100.00	100.00	-	-
Verbal (Pty) Ltd	Investment holding	1	100.00	100.00	-	-
Verimac Investments (Pty) Ltd	Investment holding	100	100.00	100.00	-	-
Virtual Buzz Interactive (Pty) Ltd	Wireless services	100	51.00	51.00	-	-
Windfall 12 Properties (Pty) Ltd	Property holding	100	100.00	100.00	-	-
					107 199	190 576

Terms and conditions of indebtedness to and from subsidiaries

Terms for loans to subsidiaries.

Back-to-back loans. Similar terms as agreed with external lenders.
Treasury loans: No repayment terms. Loans are payable on demand. Interest is charged at money market rates.

Restrictions
There are restrictions in terms of various funding agreements on the subsidiaries to transfer funds to KTH in the form of cash dividends, or to repay loans or advances made by KTH.

ANNEXURE B - COMPANY SCHEDULE OF AMOUNTS DUE FROM/(TO) GROUP COMPANIES

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
Period ended 30 June 2014					
Didet 901 (Pty) Limited	-	20 347	-	-	20 347
Kagiso Financial Services (Pty) Limited	-	6 026	-	-	6 026
Kagiso Platinum Ventures (Pty) Limited	-	12 664	-	-	12 664
Kagiso Sizanani Capital Limited (RF)	-	6 635	(849 900)	(16 076)	(859 341)
Kagiso Strategic Investments III (Pty) Limited	-	285 200	-	-	285 200
Kagiso Strategic Investments III Finance (Pty)	-	89 814	-	-	89 814
Kagiso Ventures (Pty) Limited	-	33 351	-	-	33 351
Kagiso Ventures Investment Holdings (Pty)	-	15 808	-	-	15 808
Off the Shelf Investments 168 (Pty) Limited	-	19 629	-	-	19 629
Tiso DNL Investments I (Pty) Limited	-	-	-	(49 114)	(49 114)
Tiso Management Company (Pty) Limited	-	10 237	-	-	10 237
Tiso Property (Pty) Limited	-	17 033	-	-	17 033
Tiso Property No 2 (Pty) Limited	-	56 423	-	-	56 423
Xanthe Investment Holdings (Pty) Limited	-	-	-	(61 308)	(61 308)
Other group companies	7 000	41 219	-	(1 050)	47 169
Net indebtedness due from/(to) group	**7 000**	**614 386**	**(849 900)**	**(127 548)**	**(356 062)**

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
Period ended 30 June 2013					
Didet 901 (Pty) Limited	-	21 400	-	-	21 400
Kagiso Financial Services (Pty) Limited	-	10 290	-	-	10 290
Kagiso Platinum Ventures (Pty) Limited	-	12 787	-	-	12 787
Kagiso Sizanani Capital Limited (RF)	-	5 143	(849 900)	(14 704)	(859 461)
Kagiso Strategic Investments III (Pty) Limited	-	401 090	-	-	401 090
Kagiso Strategic Investments III Finance (Pty)	-	171 699	-	-	171 699
Kagiso Ventures (Pty) Limited	-	35 581	-	-	35 581
Kagiso Ventures Investment Holdings (Pty)	-	14 869	-	-	14 869
Off the Shelf Investments 168 (Pty) Limited	-	36 052	-	-	36 052
Tiso DNL Investments I (Pty) Limited	-	47	-	(49 780)	(49 733)
Tiso Management Company (Pty) Limited	-	10 237	-	-	10 237
Tiso Property (Pty) Limited	-	11 512	-	-	11 512
Tiso Property No 2 (Pty) Limited	-	56 423	-	-	56 423
Xanthe Investment Holdings (Pty) Limited	-	-	-	(57 444)	(57 444)
Other group companies	7 000	43 359	-	(17 005)	33 354
Net indebtedness due from/(to) group	**7 000**	**831 892**	**(849 900)**	**(128 932)**	**(150 241)**

ANNEXURE C - GROUP SCHEDULE OF AMOUNTS DUE FROM/(TO) GROUP COMPANIES

Period ended 30 June 2014	Non-current asset R'000	Current asset R'000	Current liability R'000	Net R'000
Associates				
Actom Investment Holdings (Pty) Limited	430 179	-	-	430 179
Idwala Industrial Holdings (Pty) Limited	26 947	-	-	26 947
Inyeki Consortium (Pty) Limited	21 850	-	-	21 850
Sea Harvest Holdings (Pty) Limited	17 082	-	-	17 082
Metropolitan Retirement Administrators (Pty) Limited	7 000	-	-	7 000
Tamela Holdings (Pty) Limited	3 432	-	-	3 432
Lupo Bakery (Pty) Limited	-	1 779	-	1 779
	506 492	**1 779**	**-**	**508 271**
Joint ventures				
KA Investment Partners Trust	-	201	-	201
Kagiso Strategic Investments (Pty) Limited	-	153	-	153
Kagiso Strategic Investments II (Pty) Limited	-	8 379	-	8 379
	-	**8 734**	**-**	**8 734**
Partnerships				
Kagiso Ventures Private Equity Fund 1	-	7	(41)	(34)
Net indebtedness due from /(to) Group companies	**506 492**	**10 520**	**(41)**	**516 970**

Period ended 30 June 2013	Non-current asset R'000	Current asset R'000	Current liability R'000	Net R'000
Associates				
Actom Investment Holdings (Pty) Limited	387 258	-	-	387 258
Bell Equipment Sales SA (Pty) Limited	71 264	-	-	71 264
Idwala Industrial Holdings (Pty) Limited	20 320	-	-	20 320
Sea Harvest Holdings (Pty) Limited	17 082	-	-	17 082
Metropolitan Retirement Administrators (Pty) Limited	7 000	-	-	7 000
Tamela Holdings (Pty) Limited	6 750	-	-	6 750
Newmilion 122 Investments (Pty) Limited	-	9	-	9
Lupo Bakery (Pty) Limited	-	1 669	-	1 669
	509 674	**1 678**	**-**	**511 352**
Joint ventures				
KA Investment Partners Trust	-	164	-	164
Cshell (Pty) Limited	-	2 614	-	2 614
Kagiso Strategic Investments (Pty) Limited	-	49	-	49
Kagiso Strategic Investments II (Pty) Limited	-	8 379	(8 099)	280
	-	**11 206**	**(8 099)**	**3 106**
Partnerships				
Kagiso Ventures Private Equity Fund 1	-	-	(41)	(41)
Net indebtedness due from /(to) Group companies	**509 674**	**12 884**	**(8 140)**	**514 418**

UNAUDITED CONDENSED GROUP INTERIM RESULTS

for the six months ended 31 December 2014

	31 December 2014 R'000	Revised 31 December 2013 R'000	30 June 2014 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	137 745	150 871	139 504
Intangible assets	623 182	694 288	644 323
Goodwill	1 108 551	1 133 661	1 117 337
Investment in associates, joint ventures and partnerships	4 175 579	4 556 057	4 323 157
Available for sale financial assets	480 299	475 582	345 621
Financial assets at fair value through profit and loss	3 339 133	4 341 440	3 956 585
Held-to-maturity financial assets	464 287	442 525	457 503
Loans and receivables	1 931	1 624	1 984
Amounts due from group companies	369 927	463 503	506 492
Deferred income tax assets	44 465	50 077	35 698
Total non-current assets	**10 745 099**	12 309 629	11 528 203
Current assets			
Financial assets at fair value through profit and loss	77 146	-	92 969
Held-to-maturity financial assets	-	30 998	-
Properties under development	6 916	6 916	6 916
Loans and receivables	73 252	73 514	83 841
Amounts due from group companies	13 501	33 952	10 520
Inventories	24 363	21 775	25 201
Current income tax receivable	19 029	37 214	21 232
Trade and other receivables	371 651	405 074	359 658
Derivative financial instruments	-	800	-
Film and television content	14 526	8 132	6 168
Cash and cash equivalents	1 254 637	1 416 095	976 508
Total current assets	**1 855 022**	2 034 470	1 583 013
Assets of disposal group classified as held-for-sale	600 986	-	661 868
Total Assets	**13 201 107**	14 344 099	13 773 085
EQUITY AND LIABILITIES			
Equity			
Share capital	7 396 376	7 396 376	7 396 376
Treasury shares	(542 916)	(548 521)	(542 916)
Other reserves	406 374	516 929	521 531
Retained loss	(1 350 782)	(696 777)	(1 069 700)
Total shareholders' equity	**5 909 052**	6 668 007	6 305 292
Non-controlling interests	635 857	987 832	882 578
Total equity	**6 544 909**	7 655 838	7 187 869
Liabilities			
Non-current liabilities			
Borrowings	4 538 296	5 073 824	4 669 876
Operating lease liability	-	375	1 987
Deferred income tax	710 632	1 066 440	790 917
Share-based payment liabilities	77 119	79 870	43 825
Derivative financial instruments	5 795	596	5 796
Total non-current liabilities	**5 331 842**	6 221 106	5 512 402
Current liabilities			
Borrowings	158 749	10 503	272 714
Trade and other payables	372 001	326 213	242 973
Provisions	58 891	22 513	191 405
Amounts due to group companies	392 680	76 128	41
Current income tax liabilities	2 158	31 749	9 550
Bank overdraft	50	48	49
Total current liabilities	**984 528**	467 155	716 731
Liabilities of assets classified as held-for-sale	339 829	-	356 084
Total liabilities	**6 656 199**	6 688 261	6 585 216
TOTAL EQUITY AND LIABILITIES	**13 201 107**	14 344 099	13 773 085

CONDENSED GROUP STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

	31 December 2014 R'000	Revised 31 December 2013 R'000	30 June 2014 R'000
Continuing operations			
Revenue	824 031	827 382	1 582 607
Costs of sales	(423 911)	(423 189)	(755 769)
Depreciation and amortisation	(45 367)	(32 589)	(113 305)
Other operating expenses - net	(282 556)	(241 560)	(529 828)
Operating profit	**72 196**	130 044	183 706
Dividend income	47 108	16 676	64 735
Other gains/(losses) - net	(628 799)	126 766	(299 568)
Net impairments(losses)/recoupments	(196 270)	(62 668)	(274 357)
Finance income	75 387	101 090	191 080
Finance costs	(251 451)	(212 001)	(435 210)
Profit/(loss) before taxation	**(881 829)**	99 907	(569 614)
Income tax expense	77 048	(96 673)	(166 548)
Profit/(loss) after taxation	**(804 781)**	3 235	(736 162)
Share of after-tax profit of associates, joint ventures and partnerships	219 385	309 977	604 217
Profit for the period from continued operations	**(585 396)**	313 212	(131 944)
Discontinued operations			
Profit from discontinued operations	25 143	(17 428)	(15 951)
Profit for the year	**(560 252)**	295 784	(147 895)
Other comprehensive income/(losses):			
Items that may be subsequently reclassified to profit or loss			
Fair value adjustments on available-for-sale financial assets	74 679	(12 183)	(139 275)
Share of other comprehensive income of associated companies	(2 898)	4 254	35 301
Cash flow hedges	-	-	(5 296)
Recycling of gains on available-for-sale financial assets	-	-	(1 004)
Tax relating to items of other comprehensive income/(losses)	(44 232)	2 272	21 317
Total other comprehensive income	**27 548**	(5 657)	(88 957)
Total comprehensive income	**(532 704)**	290 127	(236 852)
Profit attributable to:			
- Owners of the parent	(376 213)	168 705	(232 785)
- Non-controlling interests	(184 039)	127 079	84 890
	(560 252)	295 784	(147 895)
Total comprehensive income attributable to:			
- Owners of the parent	(348 665)	199 740	(290 065)
- Non-controlling interests	(184 039)	127 163	53 213
	(532 704)	326 903	(236 852)

	Attributable to owners of the parent								Consolidated	
	Ordinary share capital	Treasury shares	Common control (deficit)	Share-based payment deficit	Available-for-sale reserves	Other reserves	Retained earnings	Share-holders' equity	Non-controlling interest	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP										
Balance at 1 July 2013	7 396 376	(548 521)	-	(14 699)	236 655	290 498	(125 023)	7 235 286	2 257 983	**9 493 269**
Treasury shares issued transferred	-	5 605	-	-	-	-	-	5 605	(5 605)	**-**
Transfers	-	-	-	14 699	-	43 877	(58 576)	-	-	**-**
Total comprehensive income	-	-	-	-	(87 201)	29 921	(232 785)	(290 065)	53 213	**(236 852)**
Profit for the year	-	-	-	-	-	-	(232 785)	(232 785)	84 890	**(147 895)**
Other comprehensive income for the	-	-	-	-	(87 201)	29 921		(57 280)	(31 677)	**(88 957)**
Change in interest	-	-	-	-	-	-	-	-	5 875	**5 875**
Transactions with non-controlling interest	-	-	-	-	-	-	(547 852)	(547 852)	(1 365 098)	**(1 912 950)**
Common control transaction	-	-	7 779	-	-	-	-	7 779	-	**7 779**
Modification of share based payment	-	-	-	-	-	-	13 216	13 216	13 164	**26 380**
Ordinary dividends	-	-	-	-	-	-	(118 680)	(118 680)	(76 954)	**(195 634)**
Balance at 30 June 2014	**7 396 376**	**(542 916)**	**7 779**	**-**	**149 456**	**364 296**	**(1 069 700)**	**6 305 292**	**882 578**	**7 187 869**
Transfers	-	-	-	-	12 640	(163 125)	150 484	-	-	**-**
Total comprehensive income	-	-	-	-	39 289	(11 741)	(376 213)	(348 665)	(184 039)	**(532 704)**
Profit for the period	-	-	-	-	-	-	(376 213)	(376 213)	(184 039)	**(560 252)**
Other comprehensive income	-	-	-	-	39 289	(11 741)	-	27 548	-	**27 548**
Change in interest	-	-	7 779	-	-	-	-	7 779	(6 346)	**1 433**
Ordinary dividends	-	-	-	-	-	-	(55 354)	(55 354)	(56 336)	**(111 689)**
Balance at 31 December 2014	**7 396 376**	**(542 916)**	**15 558**	**-**	**201 385**	**189 431**	**(1 350 782)**	**5 909 052**	**635 857**	**6 544 909**

RECONCILIATION OF GROUP HEADLINE EARNINGS

	31 December 2014 R'000	Revised 31 December 2013 R'000	30 June 2014 R'000
(Loss)/profit for the period attributable to equity holders	(376 213)	168 704	(232 785)
- Loss arising form discontinued operations	-	-	8 717
- Loss on remeasurement of assets held-for-sale	-	-	45 236
- Impairment of investments, loans, assets and goodwill	196 270	62 668	274 357
Headline (loss)/earnings	**(179 943)**	231 372	95 525

RECONCILIATION OF OTHER GAINS AND LOSSES

31 December 2014

Investment	Gross	Tax effect	Minorities	Net amount
MMI Holdings Limited	97 880	-	-	97 880
Main Street 333 Proprietary Limited	(628 109)	117 130	(235 526)	(275 453)
AECI Limited	28 669	(5 346)	-	23 322
Aveng Limited	(55 545)	10 358	-	(45 187)
Blue Falcon 69 Trading Proprietary Limited	(60 347)	11 254	-	(49 094)
Tiswala Holdings Proprietary Limited	(15 786)	-	-	(15 786)
Other	4 439	-	-	4 439
	(628 799)	**133 395**	**(235 526)**	**(259 878)**

31 December 2013

Investment	Gross	Tax effect	Minorities	Net amount
MMI Holdings Limited	94 289	-	-	94 289
Main Street 333 Proprietary Limited	81 889	(15 271)	30 706	35 912
AECI Limited	36 845	(6 871)	-	29 974
Nozala Capital Management Proprietary Limited	-	-	-	-
Nozala Holdings Proprietary Limited	-	-	-	-
Aveng Limited	(33 420)	6 232	-	(27 188)
Blue Falcon 69 Trading Proprietary Limited	14 464	(4 077)	-	10 387
Tiso INL Investments 1 Proprietary Limited	(63 808)	-	-	(63 808)
Bell Equipment Sales SA Proprietary Limited	(41 527)	-	-	(41 527)
Three Diamonds Trading 564 Proprietary Limited	37 078	-	-	37 078
Tiswala Holdings Proprietary Limited	-	-	-	-
Other	956	-	-	956
	126 766	(19 987)	30 706	76 073

30 June 2014

Investment	Gross	Tax effect	Minorities	Net amount
MMI Holdings Limited	109 164	-	-	109 164
Main Street 333 Proprietary Limited	(138 166)	25 765	(51 809)	(60 592)
AECI Limited	39 125	(7 296)	-	31 829
Nozala Capital Management Proprietary Limited	(9 564)	2 257	-	(7 307)
Nozala Holdings Proprietary Limited	(7 520)	929	-	(6 591)
Aveng Limited	(65 204)	12 159	-	(53 045)
Blue Falcon 69 Trading Proprietary Limited	(176 978)	34 883	-	(142 095)
Tiso INL Investments 1 Proprietary Limited	58 356	-	-	58 356
Bell Equipment Sales SA Proprietary Limited	(41 527)	-	-	(41 527)
Three Diamonds Trading 564 Proprietary Limited	37 078	-	-	37 078
Tiswala Holdings Proprietary Limited	(35 303)	-	-	(35 303)
Other	(69 029)	-	-	(69 029)
	(299 568)	68 697	(51 809)	(179 062)

Group financial overview

Kagiso Tiso Holdings Proprietary Limited ("KTH") continued with implementing its corporate strategy during the period under review, with the focus on portfolio management of key assets such as Kagiso Media, Fidelity Bank and Actom. KTH also developed a strong pipeline of new deals which management expects will be executed over the next 12 months.

KTH's Intrinsic Net Asset value ("INAV") grew 5% to R9,0 billion, underpinned by a growth of 18% in MMI, 10% in Kagiso Media, 39% in Emira, 11% in AECI and 47% in Fidelity Bank. The intrinsic value of Exxaro however declined by 33% as a result of a 25% decrease in the share price of Exxaro. As at the interim date, the top 7 assets being MMI, Kagiso Media, Exxaro, Actom, Fidelity Bank, AECI and Mototolo contributed 78% of the KTH NAV.

KTH reported a headline loss attributable to equity holders of R 180 million for the period compared to revised headline earnings attributable to equity holders of R231m million for the corresponding period. The 178% decrease in headline earnings is mainly as a result of a reduction in net attributable fair value gains, after tax and non-controlling interest, being a net decrease of (R 336m) compared to the prior period, increase in dividend income R30m, increase in net group finance costs of (R65m), a reduction in operating profit (R58m), a reduction in income from associates (R91m), a decrease in taxation R 20m, offset by increase in profit from discontinued operations of R43m and non-controlling interest on other reported line items of R 46m.

Earnings for the period

Kagiso Media contributed 88% to the KTH group revenue for the period under review. Group Revenue performance was flat compared to the prior year, mainly as result of the inclusion of the impact of the disposal of Gloo at Kagiso Media. Excluding the impact of the Gloo disposal, Kagiso Media grew revenue by 5% compared to the prior period driven by strong performance by the television content business (UBS) and aggregate growth of 6% from the radio broadcasting division. In light of the slower than expected revenue growth, management implemented various cost reduction measures which resulted in maintenance of KM's operating margin and a 5% growth in operating profit for the period to R162m.

KTH posted other losses of R629 million for the period including fair value adjustments in respect of AECI (R29 million), MMI (R98m), Exarro (fair value loss R628 million) and Aveng (fair value loss of R56 million). The net decrease in other gains of R 754m is mainly as a result of a reduction in the intrinsic value of Exxaro. The decrease of R174 million in the KTH group tax charge is mainly due to the net reversal of deferred tax on the fair value losses raised in the current period (R 133m) as well as a lower tax charge at KM (R20m) due to the interest tax shield. Earnings from associates decreased by 29% and include MMI R 68m (2013- R 90m), Mototolo R 26m (2013-R 41m), Actom R6 m (2013-R 37m), Idwala R40m (2013-R 35m) and Emira 0 (2013-R 36m) and Fidelity Bank R 30m. At 30 June 2014, the investment in Emira was classified as a Non-current asset held for sale in terms of IFRS 5. No further equity accounting was therefore included from the period ended June 2014.

Financial Position

KTH total assets reduced by 4% since the 2014 financial year end, mainly as a result of fair value losses on financial assets. KTH net debt as at interim decreased by R 508m to R3,365m since the 2014 year end mainly as a result of lower group cash balances and accrued finance charges on ring-fenced debt. KTH remains well capitalized to execute its investment strategy with group cash balances of R1,2bn as at interim. KTH met its key covenants at center being the asset cover ratio and has additional debt capacity of circa R1billion.

Directors

Non executive directors

NL Sowazi (Chairman)
DKT Adomakoh
JJ du Toit
V Mufamadi
PJ Makosholo
ZC Nevhutalu
B Ngonyama
S Pather
KB Schoeman
PJ Uys

Executive directors

V Nkonyeni (Chief Executive Officer)
JB Hinson (Chief Investment Officer)
FF Gillion (Chief Financial Officer)

Alternative directors

MM Ntsaba

Company secretary, public officer and registered office

M Manjingolo (Company secretary)
FF Gillion (Public officer)
Kagiso Tiso House, 100 West Street, Wierda Valley,
Sandton 2196
South Africa
PO Box 55276, Northlands, 2116

Auditors

PricewaterhouseCoopers Incorporated
2 Eglin Road
Sunninghill 2157
South Africa

Commercial bankers

The Standard Bank of South Africa Limited
Corporate and investment banking
3 Simmonds Street
Johannesburg 2001
South Africa

Attorneys

Cliffe Dekker Hofmeyr Inc
1 Protea Place
Sandton 2196
South Africa

Webber Wentzel
10, 16 & 18 Fricker Road
Illovo Boulevard 2196
South Africa

General

Tax reference number 9241/0351/88
VAT number 4290258377

ANNEX IV

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

BLACKSTAR GROUP SE

a company incorporated and registered in Malta with number SE4 (the "Company")

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 10:00 a.m. (CEST) on Monday, 18 May 2015 at 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta, for the purpose of considering, and if thought fit, passing the following Resolution which will be proposed as an ordinary resolution. Terms defined in the AIM Admission Document of the Company of which this notice forms part have the same meanings herein except to the extent that they are otherwise defined in this notice.

THE RESOLUTION, which is proposed as an ordinary resolution

Approval pursuant to Rule 14 of the AIM Rules

THAT, further to the approval of the acquisitions of (i) the entire issued share capital of Times Media Group Limited not already owned by the Company and its subsidiaries to be effected by way of a scheme of arrangement under South African law, and (ii) 213,235 ordinary shares in the share capital of Kagiso Tiso Holdings Proprietary Limited, on the terms and subject to the conditions of the share sale and purchase agreement dated 5 December 2014 as amended by the addendum thereto (the "Tiso Agreement") between the Company, Blackstar (Cyprus) Investors Limited, Tiso Investment Holdings Proprietary Limited (RF) and Tiso Foundation (together the "Acquisitions") by shareholders of the Company at the Extraordinary General Meeting of the Company held on 23 March 2015, the Acquisitions be and are hereby ratified as each constituting a reverse takeover under the AIM Rules for Companies, and for the purposes of Rule 14 of the AIM Rules for Companies, readmission of the Company's listing onto AIM, operated by the London Stock Exchange and the Company's secondary listing on the AltX operated by the Johannesburg Stock Exchange, each be and is hereby approved.

The quorum requirement in relation to the Resolution is at least two Members present or represented at the Extraordinary General Meeting. If the Extraordinary General Meeting is not quorate, it can be adjourned to a date not less than seven and not more than 30 days after the Extraordinary General Meeting as the chairman shall determine.

The Resolution may be passed by a member or members holding more than 50.0% of the voting rights attached to shares represented and entitled to vote at the meeting.

No extraordinary resolutions are proposed at the meeting.

30 April 2015

By order of the Board

John Broadhurst Mills
Marcel Ernzer
Richard Thomson Wight
Andrew David Bonamour

Registered Office:

Blackstar Group SE,
3rd Floor, Avantech Building,
St Julian's Road,
San Gwann,
SGN 2805,
Malta

Explanatory Notes

1. This notice of Extraordinary General Meeting is being mailed to the Members on the Register of Members of the Company as at 28 April 2015. Members registered on the Register of Members as at 6:00 p.m. (BST) on Friday, 15 May 2015 (the "Record Date") shall have the right to participate and vote at the Extraordinary General Meeting. Any change to an entry on the Register after the Record Date shall be disregarded in determining the right of any person to attend and vote at the Extraordinary General Meeting.

2. A member entitled to attend and vote may appoint a proxy to attend and vote instead of him/her using the enclosed Form of Proxy. The appointed proxy need not be a member but must attend the Extraordinary General Meeting to represent you. Details of how to appoint the Chairman of the Extraordinary General Meeting or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. If you wish your proxy to speak on your behalf at the Extraordinary General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu in either case by no later than 10:00 a.m. (CEST) on Saturday, 16 May 2015. In order to assist shareholders:

    a. certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Stock Exchange and are registered on the South African part of the register of members may also send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 10:00 a.m. (SAST) on Saturday, 16 May 2015; and

    b. certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members may also send their signed Form of Proxy to Capita Asset Services, PXSI, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 09:00 a.m. (BST) on Saturday, 16 May 2015.

4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Extraordinary General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Extraordinary General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein by no later than 10:00 a.m. (SAST) on Friday, 15 May 2015. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 10:00 a.m. (SAST) on Saturday, 16 May 2015.

5. Holders of depository interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09:00 a.m. (BST) on Friday, 15 May 2015. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09:00 a.m. (BST) on Friday, 15 May 2015 or 72 hours before the time appointed for holding any adjourned meeting.

6. Please indicate in the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy.

    Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

7. A Form of Proxy which may be used to appoint a proxy and give proxy directions accompanies this Notice of Extraordinary General Meeting. If you are a shareholder on the AIM sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Asset Services on 0871 664 0300 or from overseas +44 208 639 3399. Calls cost 10p per minute plus network charges, lines are open 8:30 a.m. to 5:30 p.m. (BST) Monday to Friday. If you are a shareholder on the South African sub-register and do not receive a proxy

form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Link Market Services South Africa (Pty) Limited on +27 11 713 0800, lines are open 8:30 a.m. to 4:30 p.m. (SAST) Monday to Friday.

8. In order to participate and vote at the Extraordinary General Meeting, a Member being a body corporate, association of persons, foundation or other body of persons, a representative thereof will only be eligible to attend and be admitted to the Extraordinary General Meeting, and to vote thereat, if a Form of Proxy has been (a) duly executed in his/her favour by the competent organ of the entity which he/she represents, and (b) submitted to the Company Secretary in accordance with the procedures set out at note 3.

9. Any one of the joint holders of any share for the time being conferring a right to vote may vote either personally or by proxy at any meeting in respect of such share as if he were the sole holder, provided that if more than one of the joint holders is present at any meeting, either personally or by proxy, the person whose name stands first in the register as one of such holders, and no other, shall be entitled to vote in respect of the share.

10. Admission to the Extraordinary General Meeting will commence one hour before the advertised and appointed time.

    The following information is also made available to the Members on the Blackstar Group SE website (www.blackstar.eu) located at Publications, Readmission Documents section:

    1. a copy of the admission document in which a copy of this Notice of Extraordinary General Meeting is incorporated;

    2. the total number of shares and voting rights at the date of the Notice of Extraordinary General Meeting;

    3. the form of proxy for the Extraordinary General Meeting; and

    4. the form of direction for the Extraordinary General Meeting.