THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 10 and page 221 of this Circular apply, unless the context clearly indicates otherwise, throughout this Circular, including this cover page.

Action required:

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required in relation to the Court Meeting and the General Meeting", which commences on page 3 of this Circular, and the section entitled "Action required by Tiso Blackstar Shareholders in relation to the Standby Offer", which commences on page 6 of this Circular.
2. Paragraph 6 of this Circular contains an explanatory statement in compliance with section 897 of the UK Companies Act.
3. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
4. If you have disposed of all of your Tiso Blackstar Shares, please forward this Circular incorporating the Forms of Proxy, Form of Election (*blue*) and Form of Acceptance (*pink*) to the purchaser of such Tiso Blackstar Shares, or the Broker, CSDP, banker or other agent through whom the disposal was effected.

Tiso Blackstar and its advisors do not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker of any beneficial owner of Tiso Blackstar Shares including, without limitation, any failure on the part of the CSDP or Broker to notify such beneficial owner of the matters set out in this Circular.

tiso blackstar group.

TISO BLACKSTAR GROUP SE
(Incorporated in England and Wales)
(Registration number SE000110)
(registered as an external company with limited liability in the Republic of South Africa under registration number 2011/008274/10)
Share code: TBG ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

CIRCULAR TO TISO BLACKSTAR SHAREHOLDERS

relating, amongst other things to:

- the KTH Sale, which constitutes a category 1 transaction and a related party transaction pursuant to the JSE Listings Requirements;
- a scheme of arrangement pursuant to Part 26 of the UK Companies Act, between Tiso Blackstar and Registered Shareholders, pursuant to which, if successfully implemented, the Exit Election Shares will be cancelled and the Exit Election Shareholders will be paid the Scheme Consideration for each Exit Election Share disposed of pursuant to the Scheme and the related Capital Reduction;
- a Standby Offer, if a Standby Offer Trigger Event occurs; and
- the Delisting of all Tiso Blackstar Shares from the Main Board of the JSE in the event that either the Scheme becomes Effective and is implemented or failing which, the Standby Offer becomes Operative;

and incorporating, amongst other things:

- a report prepared by the Independent Expert pursuant to paragraph 10.4(f) of the JSE Listings Requirements, in respect the KTH Sale;
- a report prepared by the Independent Expert pursuant to paragraph 1.15(d) of the JSE Listings Requirements, in respect of the Scheme and the Standby Offer;
- the Notice of Court Meeting;
- the Notice of General Meeting;
- the Form of Proxy (*green*) in respect of the Court Meeting for use by Certificated Tiso Blackstar Shareholders only;
- the Form of Proxy (*yellow*) in respect of the General Meeting for use by Certificated Tiso Blackstar Shareholders only;
- a Form of Election (*blue*) in respect of the Scheme for use by Certificated Tiso Blackstar Shareholders only; and
- a Form of Acceptance (*pink*) in respect of the Standby Offer for use by Certificated Tiso Blackstar Shareholders only.

Sponsor	Corporate Advisor	English Legal advisor
PSG CAPITAL	VESTRA ADVISORY	PAUL HASTINGS
Independent Expert	**Independent Reporting Accountants**	**SA Legal Advisor**
BDO	Deloitte. pwc	CDH CLIFFE DEKKER HOFMEYR

This Circular is available in English only. Copies of this Circular may be obtained during normal business hours from the registered office of Tiso Blackstar and the offices of PSG Capital at the addresses set out in the "Corporate Information and Advisors" section of this Circular from the date of posting of this Circular until the later of (i) the Scheme Effective Date or (ii) if the Standby Offer becomes Operative, the Standby Offer Closing Date. A copy of this Circular will also be available on Tiso Blackstar's website at https://www.tisoblackstar.com/tbg/investors/publications/.

Date of issue: Friday, 31 July 2020

FORWARD-LOOKING STATEMENT DISCLAIMER

The definitions and interpretations commencing on page 10 and page 221 of this Circular apply, unless the context clearly indicates otherwise, to this section of the Circular.

This Circular contains statements about Tiso Blackstar that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as **"believe"**, **"aim"**, **"expect"**, **"anticipate"**, **"intend"**, **"foresee"**, **"forecast"**, **"likely"**, **"should"**, **"planned"**, **"may"**, **"estimated"**, **"potential"** or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Tiso Blackstar cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which Tiso Blackstar operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions made by Tiso Blackstar, as communicated in publicly available documents by Tiso Blackstar, all of which estimates and assumptions, although Tiso Blackstar believes them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to Tiso Blackstar or not currently considered material by Tiso Blackstar.

Tiso Blackstar Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Tiso Blackstar not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. Tiso Blackstar has no duty to, and do not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required under applicable laws. Any forward-looking statements have not been reviewed or reported on by the external auditors.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 10 and page 221 of this Circular apply, unless the context clearly indicates otherwise, to this Corporate Information and Advisors section.

Directors of Tiso Blackstar
David Kwame Tandoh Adomakoh (*Non-executive Chairman*)*
John Broadhurst Mills (Deputy Chairman and Lead Independent Director)*#
Andrew David Bonamour (*Chief Executive Officer*)
Nkululeko Leonard Sowazi*
Harishkumar Kantilal Mehta*#

* non-executive
# independent

Date and place of incorporation of Tiso Blackstar
Incorporated in England and Wales on 20 June 1989
Registered as an SE in England and Wales on 27 June 2011
Registered office transferred to Malta on 2 May 2012
Registered office transferred to England and Wales on 30 June 2017

Company Secretary and registered office of Tiso Blackstar
Ms Leanna Isaac (BCom, CIMA, CCSP qualification)
North West House
119 Marylebone Road
Marylebone
London
NW1 5PU

South African Legal Advisor
Cliffe Dekker Hofmeyr Incorporated
(Registration number 2008/018923/21)
1 Protea Place
Cnr Fredman Drive and Protea Place
Sandton
Johannesburg, 2196
South Africa
(Private Bag X40, Benmore, 2010)

English Legal Advisor
Paul Hastings (Europe) LLP
(Registration number OC306535)
100 Bishopsgate
London
EC2N 4AG
United Kingdom

Transfer Secretaries
Link Market Services South Africa Proprietary Limited
(Registration number 2000/007239/07)
13th Floor, 19 Ameshoff Street
Braamfontein
2000
South Africa
(PO Box 4844, Johannesburg, 2000)

Sponsor to Tiso Blackstar
PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch, 7600
South Africa
(PO Box 7403, Stellenbosch, 7599)

and at

2nd Floor, Building 3
11 Alice Lane
Sandhurst
Sandton, 2196
South Africa
(PO Box 650957, Benmore, 2010)

Corporate Advisor to Tiso Blackstar
Vestra Advisory Proprietary Limited
(Registration number 2019/403535/07)
34 Impala Road
Chislehurston
Sandton, 2196
South Africa

Independent Reporting Accountants
Deloitte & Touche
(Practice number 902276)
Deloitte Place, 5 Magwa Crescent
Waterfall City
Midrand
2090
South Africa
(Private Bag X6, Gallo Manor, 2052)

and

PricewaterhouseCoopers Inc
(Registration number 1998/012055/21)
4 Lisbon Lane
Waterfall City
Jukskei View
2090
South Africa
(Private Bag X36, Sunninghill, 2157)

Independent Expert
BDO Corporate Finance Proprietary Limited
(Registration number 1983/002903/07)
22 Wellington Road
Parktown,
Johannesburg, 2196
South Africa
(Private Bag X60500, Houghton, 2041)

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ACTION REQUIRED IN RELATION TO THE COURT MEETING AND THE GENERAL MEETING

The definitions and interpretations commencing on page 10 of this Circular apply, unless the context clearly indicates otherwise, to this section on the action required in relation to the Court Meeting and the General Meeting respectively.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of all of your Tiso Blackstar Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

The Court Meeting is scheduled to be held at 9:00 a.m. BST (10:00 a.m. SAST) and the General Meeting is scheduled to be held at 9:15 a.m. BST (10:15 a.m. SAST) or as soon thereafter as the Court Meeting is concluded or adjourned on Monday, 21 September 2020, at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom to consider and, if deemed fit, to approve the Scheme at the Court Meeting and to pass the resolutions set out in the Notice of General Meeting, respectively, enclosed with this Circular. The Court Meeting is convened by order of the UK Court.

<u>ACTION REQUIRED IN RELATION TO THE COURT MEETING AND THE GENERAL MEETING</u>

1. VOTING AND ATTENDANCE AT THE COURT MEETING AND THE GENERAL MEETING

1.1 <u>Dematerialised Tiso Blackstar Shareholders (with and without Own-Name Registration)</u>

1.1.1 <u>Attendance and representation at the Court Meeting and the General Meeting:</u>

1.1.1.1 In accordance with the Custody Agreement between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

1.1.1.1.1 attend, speak and vote at the Court Meeting and/or the General Meeting; or

1.1.1.1.2 have a proxy appointed to represent you in respect of some or all of your Dematerialised Shares at the Court Meeting and/or the General Meeting.

1.1.1.2 Tiso Blackstar Shareholders who wish to attend, speak and vote at the Court Meeting and/or the General Meeting in person, will need to request their CSDP or Broker to provide them with the necessary letter of representation in accordance with the terms of the Custody Agreement entered into between such shareholders and their CSDP or Broker. Your CSDP or Broker should then issue the necessary letter of representation to you for you to attend, speak and vote at the Court Meeting and/or the General Meeting. Dematerialised Tiso Blackstar Shareholders who are unable to attend the Court Meeting and who wish to be represented at it, must provide their CSDP or Broker with their voting instructions in terms of the Custody Agreement entered into between themselves and their CSDP or Broker in the manner and time stipulated in such Custody Agreement. The CSDP or Broker must provide all voting instructions to the Transfer Secretaries by no later than Thursday, 17 September 2020 at 9:00 a.m. BST (10:00 a.m. SAST).

1.1.2 As a Dematerialised Tiso Blackstar Shareholder holding your shares in Strate (whether with Own-Name Registration or without Own-Name Registration), you do not hold the legal title to your Tiso Blackstar Shares as you are not on the Company's register of members. This is because the Company is an SE (a societas europaea or European public limited company, under the SE Regulation) which is registered in the UK. The Company is governed by the SE Regulation and by the laws applying to public limited companies in England and Wales in respect of matters not covered or expressly authorised by the SE Regulation. Under English company law, the legal title to all shares in Strate is held by PLC Nominees Proprietary Limited, a South African company indirectly wholly owned by Strate, acting as nominee for the holders of shares in Strate ("**Strate Nominee**"). Unlike a South African company with shares in Strate, holders of Dematerialised Shares with Own-Name Registration in an English company are not legally members.

1.1.3 You can still participate in the Court Meeting and the General Meeting, and are encouraged to do so, by either giving your voting instructions to your CSDP or Broker, or if you wish to attend the meetings in person, by obtaining the necessary letter of representation via your CSDP or Broker. You should, in a timely manner, provide your CSDP or broker with your voting instructions in accordance with the terms of the custody agreement entered into between you and your CSDP or Broker. If you wish to attend the meeting in person you should, in a timely manner, contact your CSDP or Broker to obtain a letter of representation. Voting instructions or applications for letters of representation must be submitted to the relevant CSDP or Broker within the time period required by the CSDP or Broker or as stipulated by the terms of the Custody Agreement entered into between you and the CSDP or Broker. The CSDP or Broker must provide all voting instructions to the Transfer Secretaries by the Acceptance Date.

1.1.4 If your CSDP or Broker does not obtain voting instructions from you, your CSDP or Broker will be obliged to act in accordance with the instructions contained in the Custody Agreement between you and your CSDP or Broker.

1.1.5 You must <u>not</u> complete the attached Form of Proxy (*green*) in relation to the Court Meeting or the attached Form of Proxy (*yellow*) in relation to the General Meeting.

1.1.6 As set out in further detail in paragraph 6.2.9 of the Explanatory Statement, the Scheme requires the approval of a majority in number of Registered Shareholders present and voting (or entitled to vote) and 75% of the total votes cast. Dematerialised Tiso Blackstar Shareholders will not count for the purposes of the first limb of the voting threshold (the "**Headcount Test**") at the Court Meeting. Their votes will only count for the second limb of the voting threshold (75% of the shares voted at the Court Meeting), given that they hold their shares through the Strate Nominee. Certain Dematerialised Tiso Blackstar Shareholders, including certain Tiso Blackstar Directors, intend to vote in favour of the Scheme, and will be Rematerialising their shares in order that they are taken into account for the Headcount Test during the Court Meeting. Please refer to paragraph 6.10.9 of this Circular for further details and information on how to Rematerialise your shares should you wish to do so in advance of the Court Meeting.

1.2 Certificated Tiso Blackstar Shareholders

You may attend, speak and vote at the Court Meeting and/or the General Meeting in person (or, if you are a company or other body corporate, be represented by a duly authorised natural person). Alternatively, you may appoint a proxy to represent you at the Court Meeting and/or the General Meeting by completing the attached Form of Proxy (*green*) in relation to the Court Meeting and the attached Form of Proxy (*yellow*) in relation to the General Meeting in accordance with its instructions and returning it to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000). The Form of Proxy (*green*) in relation to the Court Meeting is to be received by the Transfer Secretaries by no later than 9:00 a.m. BST (10:00 a.m. SAST) and the Form of Proxy (*yellow*) in relation to the General Meeting is to be received by the Transfer Secretaries by no later than 9:15 a.m. BST (10:15 a.m. SAST) on Thursday, 17 September 2020.

2. ELECTION PROCEDURE FOR TISO BLACKSTAR SHAREHOLDERS

PLEASE TAKE CAREFUL NOTE OF THE DEFAULT POSITION. In accordance with the terms of the Scheme, if you do not validly make a Continuation Election or an Exit Election by the Acceptance Date you will be deemed to have made an Exit Election in respect of all your Tiso Blackstar Shares (or, as the case may be, in respect of all your Tiso Blackstar Shares in respect of which you have not validly made a Continuation Election or an Exit Election) and if the Scheme becomes Effective the Company will cancel all your Tiso Blackstar Shares in respect of which you have not validly made a Continuation Election. Please note that you are able to make an election in respect of some or all of your Tiso Blackstar Shares. However any Tiso Blackstar Shares in respect of which a Continuation Election is not made will be deemed to be Exit Election Shares and they will be cancelled and payment will be made to you of the applicable Scheme Consideration per Exit Election Share.

If a Continuation Election is received after the Acceptance Date then such Election shall be void and the Scheme Shares to which that Election relates shall be deemed to be Exit Election Shares. The Acceptance Date for Certificated Tiso Blackstar Shareholders and Dematerialised Tiso Blackstar Shareholders (with or without Own Name Registration) is 11:00am BST (12:00pm SAST) on the same day as the Scheme Record Date, which is expected to be Friday, 2 October 2020.

If a Continuation Election or Exit Election is received before the Acceptance Date but is not, or is deemed not to be, valid or complete in all respects or contains any errors or omissions, then such election shall be void unless the Company, in its absolute discretion elects to treat as valid in whole or in part any such Continuation Election and/or Exit Election (and if the Company elects to do so, then that Continuation Election and/or Exit Election shall be treated as valid for purposes of the Scheme).

2.1 Dematerialised Tiso Blackstar Shareholders, with or without Own-Name Registration

2.1.1 If you are a Dematerialised Tiso Blackstar Shareholder with or without Own-Name Registration, you will be contacted by your CSDP or Broker in the manner stipulated in your Custody Agreement with your CSDP or Broker in order to ascertain which election you wish to make pursuant to the Scheme. Your CSDP or Broker must submit your election by the Acceptance Date.

2.1.2 If your CSDP or Broker does not contact you, you are advised to contact your CSDP or Broker and furnish the CSDP or Broker with your election instructions in the manner and by the cut-off time stipulated by your CSDP or Broker pursuant to the Custody Agreement between you and your CSDP or Broker. If your CSDP or Broker does not obtain instructions from you, they will be obliged to act in accordance with the terms of your mandate furnished to them. Please note that you are deemed to have made an Exit Election by default if your election is not received by the Acceptance Date.

2.1.3 You must **not** complete the attached Form of Election (*blue*).

2.2 Certificated Tiso Blackstar Shareholders

2.2.1 If you wish to make a Continuation Election (to be made if you wish to retain some or all of your Tiso Blackstar Shares) and/or an Exit Election (to be made if you wish to dispose of all or some of your Tiso Blackstar Shares), you must complete the attached Form of Election (*blue*) and lodge it in accordance with the instructions contained therein with the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), to be received by it by no later than 11:00 a.m. BST (12:00 p.m. SAST) on the Acceptance Date.

2.2.2 In respect of any Tiso Blackstar Shares in respect of which you do not validly complete and lodge the Form of Election (*blue*) with the Transfer Secretaries, thereby making an Exit Election and/or Continuation Election (as the case may be), you will be deemed to have made the Exit Election in respect of all your Tiso Blackstar Shares (or, as the case may be, in respect of all your Tiso Blackstar Shares in respect of which you have not validly made a Continuation Election or an Exit Election) and if the Scheme becomes Effective the Company will cancel all your Tiso Blackstar Shares in respect of which you have not validly made a Continuation Election and make payment to you of the applicable Scheme Consideration per Exit Election Share.

3. **DOCUMENTS OF TITLE HELD BY CERTIFICATED TISO BLACKSTAR SHAREHOLDERS**

Documents of Title held by Certificated Tiso Blackstar Shareholders who have made Exit Elections in respect of their Tiso Blackstar Shares will cease to be of any value, and shall not be good for delivery, from the Scheme Effective Date. If you have made an Exit Election in respect of all of your Tiso Blackstar Shares, please destroy your certificate(s) following the Scheme Effective Date or return them to the Transfer Secretaries to be destroyed. If you have made an Exit Election in respect of some of your shares, please return your certificates to the Transfer Secretaries so that you can be issued with a new certificate reflecting the balance of the shares that you have retained.

4. **SETTLEMENT OF SCHEME CONSIDERATION**

4.1 Dematerialised Tiso Blackstar Shareholders with or without Own-Name Registration

If you are a Dematerialised Tiso Blackstar Shareholder who is an Exit Election Shareholder, you will have your account held at your CSDP or Broker credited with the Scheme Consideration due to you and debited with the Exit Election Shares on the Scheme Effective Date.

4.2 Certificated Tiso Blackstar Shareholders

4.2.1 If the Scheme becomes Effective, the cheque in respect of the Scheme Consideration for your Exit Election Shares will be posted to you, at your risk, within 5 Business Days of the Scheme Effective Date, unless you have elected to receive the Scheme Consideration for your Exit Election Shares by way of electronic funds transfer by completing the relevant section on the Form of Election (*blue*), in which case the Scheme Consideration for your Exit Election Shares will be paid to you in cash within 5 Business Days of the Scheme Effective Date by way of electronic funds transfer.

4.2.2 For the avoidance of doubt, no interest will accrue for the benefit of Exit Election Shareholders on the Scheme Consideration.

If you wish to Dematerialise your Tiso Blackstar Shares, please contact your CSDP or Broker. Tiso Blackstar Shareholders should note that it will take between one and ten Business Days to Dematerialise their Tiso Blackstar Shares through their CSDP or Broker. Tiso Blackstar Shareholders that do not have a CSDP or Broker can contact the Transfer Secretaries directly to Dematerialise their Tiso Blackstar Shares on +27 11 029 0112 on every Business Day between 8:30 a.m. and 16:00 (SAST).

If you wish to Rematerialise your Tiso Blackstar Shares, please contact your CSDP or Broker. Tiso Blackstar Shareholders should note that it will take between one and three Business Days to Rematerialise their Tiso Blackstar Shares through their CSDP or Broker following the submission of relevant information requested.

No Dematerialisation or Rematerialisation of Tiso Blackstar Shares may take place from the commencement of business on the Business Day following the Scheme LDT. You do not need to Dematerialise or Rematerialise your Tiso Blackstar Shares to receive the Scheme Consideration, however please note that any Tiso Blackstar Shares in respect of which a Continuation Election is made will be Rematerialised into Certificated Tiso Blackstar Shares following the Delisting of the Company.

Tiso Blackstar Shareholders are advised to consult their professional advisors about their personal tax positions regarding the Scheme.

ACTION REQUIRED BY TISO BLACKSTAR SHAREHOLDERS IN RELATION TO THE STANDBY OFFER

The definitions and interpretations commencing on page 10 and contained in **Annexure 13** to this Circular apply, unless the context clearly indicates otherwise, to this section on the action required by Tiso Blackstar Shareholders in relation to the Standby Offer. The Standby Offer will only become Operative if a Standby Offer Trigger Event occurs.

This Circular is important and requires your immediate attention. The action you need to take is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of all of your Tiso Blackstar Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

ACTION REQUIRED BY TISO BLACKSTAR SHAREHOLDERS IN RELATION TO THE STANDBY OFFER

Should a Standby Offer Trigger Event occur, the Standby Offer will automatically become Operative in accordance with the provisions of Annexure 13 to this Circular. In such event, an announcement will be issued on SENS, confirming that the Scheme will not proceed and that the Standby Offer has become Operative, and advising Tiso Blackstar Shareholders of the salient dates and times applicable to the Standby Offer.

1. DEMATERIALISED TISO BLACKSTAR SHAREHOLDERS WITH OR WITHOUT OWN-NAME REGISTRATION

1.1 **Acceptance of the Standby Offer**

1.1.1 You must **not** complete the Form of Acceptance (*pink*).

1.1.2 If you wish to accept the Standby Offer you should instruct your duly appointed CSDP or Broker, in accordance with the Custody Agreement concluded with your CSDP or Broker.

1.1.3 The instruction to accept the Standby Offer must be provided to your CSDP or Broker by the cut-off time stipulated for such instruction in order for such CSDP or Broker to take the necessary action to accept the Standby Offer by 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date. You are accordingly advised to confirm with your CSDP or Broker as to what the cut-off time will be. This must be done in accordance with the Custody Agreement between you and your CSDP or Broker.

1.2 **Surrender of Documents of Title**

You do **not** need to complete the Form of Acceptance (*pink*).

1.3 **Settlement of Standby Offer Consideration**

If the Standby Offer becomes Operative and you have accepted the Standby Offer, you will have your account held at your CSDP or Broker credited with the Standby Offer Consideration and debited with the Tiso Blackstar Shares you are transferring to the Company on the Standby Offer Settlement Date. For the avoidance of doubt, no interest shall accrue for the benefit of Tiso Blackstar Shareholders on the Standby Offer Consideration.

2. CERTIFICATED TISO BLACKSTAR SHAREHOLDERS

2.1 **Acceptance of the Standby Offer**

You must complete the Form of Acceptance (*pink*) attached to this Circular, in accordance with the instructions therein, and forward it, together with the relevant Documents of Title, by hand or by mail to the Transfer Secretaries.

2.2 **Surrender of Documents of Title**

2.2.1 You are required to complete the attached Form of Acceptance (*pink*) in accordance with its instructions and return it, together with the relevant Documents of Title representing your Certificated Tiso Blackstar Shares, to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), to be received by it by no later than 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date.

2.2.2 Documents of Title held by Certificated Tiso Blackstar Shareholders in respect of their Tiso Blackstar Shares that accept the Standby Offer will cease to be of any value, and shall not be good for delivery, from the Standby Offer Closing Date, other than for surrender pursuant to the Standby Offer.

2.2.3 If you wish to surrender your Documents of Title in anticipation of the Standby Offer becoming Operative:

2.2.3.1 you should complete the Form of Acceptance (*pink*) in accordance with its instructions and return it, together with your Documents of Title, to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000); and

2.2.3.2 it should be noted that you will not be able to Dematerialise or deal in your Tiso Blackstar Shares between the date of surrender of your Documents of Title and the Standby Offer Settlement Date.

2.3 **Settlement of Standby Offer Consideration**

2.3.1 If the Standby Offer becomes Operative and you have both (i) forwarded your completed Form of Acceptance (*pink*), and (ii) surrendered your Documents of Title, to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) on or before 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date, the cheque in respect of the Standby Offer Consideration will be posted to you, at your risk, on the Standby Offer Settlement Date, unless you have elected to receive the Standby Offer Consideration by way of electronic funds transfer by completing the relevant section of the Form of Acceptance (*pink*), in which case the Standby Offer Consideration will be paid to you in cash on the Standby Offer Settlement Date by way of electronic funds transfer.

2.3.2 If the Standby Offer becomes Operative and you forward your completed Form of Acceptance (*pink*) to the Transfer Secretaries on or before 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date, but you surrender your Documents of Title after 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date, the Transfer Secretaries will only post the cheque in respect of the Standby Offer Consideration to you, at your risk, or the Standby Offer Consideration will be paid to you by way of electronic funds transfer (if this option was selected on the Form of Acceptance (*pink*)) within 5 Business Days of receipt of your Documents of Title. If you fail to surrender your Documents of Title to the Transfer Secretaries, the Standby Offer Consideration due to you will be held in trust by Tiso Blackstar (or its agent) on your behalf, but only for a period of 3 years after the Standby Offer Settlement Date.

2.3.3 For the avoidance of doubt, no interest shall accrue for the benefit of Certificated Tiso Blackstar Shareholders on the Standby Offer Consideration.

2.3.4 Documents of Title surrendered prior to 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date in anticipation of the Standby Offer becoming Operative will be held in trust by the Transfer Secretaries, at the risk of the relevant Certificated Tiso Blackstar Shareholders, pending the Standby Offer becoming Operative.

2.4 **Fractions**

No fractions of a Tiso Blackstar Share will be acquired in the Standby Offer.

If you wish to Dematerialise your Tiso Blackstar Shares, please contact your CSDP or Broker. Tiso Blackstar Shareholders should note that it will take between one and ten Business Days to Dematerialise your Tiso Blackstar Shares through their CSDP or Broker. Tiso Blackstar Shareholders that do not have a CSDP or Broker can contact the Transfer Secretaries directly to Dematerialise their Tiso Blackstar Shares on +27 11 029 0112 on every Business Day between 8:30 a.m. and 16:00 (SAST).

No Dematerialisation or Rematerialisation of Tiso Blackstar Shares will be permitted from the commencement of business on the Business Day following the Standby Offer LDT. You do not need to Dematerialise your Tiso Blackstar Shares to receive the Standby Offer Consideration.

If Documents of Title relating to any Tiso Blackstar Shares to be surrendered are lost or destroyed, Certificated Tiso Blackstar Shareholders should nevertheless return the attached Form of Acceptance *(pink)* duly signed and completed to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited by hand to 13th Floor, 19 Ameshoff Street, Braamfontein, 2001, or by post to PO Box 4844, Johannesburg, 2000, together with an indemnity in a form satisfactory to Tiso Blackstar in place of Documents of Title. The requisite form of indemnity is available on request from the Transfer Secretaries.

Tiso Blackstar may dispense with the surrender of documents of title upon production of evidence satisfactory to Tiso Blackstar that the documents of title relating to the Tiso Blackstar Shares in question have been lost or destroyed and upon provision of a suitable indemnity on terms satisfactory to Tiso Blackstar. The requisite form of indemnity is available on request from the Transfer Secretaries.

Tiso Blackstar Shareholders are advised to consult their professional advisors about their personal tax positions regarding the Standby Offer.

IMPORTANT EXPECTED DATES AND TIMES RELATING TO THE SCHEME

The definitions and interpretations commencing on page 10 of this Circular shall, unless the context clearly indicates otherwise, apply to this section.

	2020
Record date to determine which Tiso Blackstar Shareholders are entitled to receive this Circular	Friday, 24 July
Circular posted to Tiso Blackstar Shareholders and notice convening the Court Meeting and notice convening the General Meeting released on SENS on	Friday, 31 July
Notice of the Court Meeting and Notice of General Meeting published in the press on	Monday, 3 August
Last day to trade in order to be eligible to vote at the Court Meeting and the General Meeting by way of voting instructions via CSDP/Broker	Tuesday, 8 September
Voting Record Date being 16:00 BST (17:00 SAST) on	Friday, 11 September
Forms of Proxy (*green*) in relation to the Court Meeting to be lodged with the Transfer Secretaries by 9:00 a.m. BST (10:00 a.m. SAST), or if not lodged by then may be handed to the Chairman of the Court Meeting at or before the commencement of the Court Meeting	Thursday, 17 September
Forms of Proxy (*yellow*) in relation to the General Meeting to be lodged with the Transfer Secretaries by 9:15 a.m. BST (10:15 a.m. SAST) on	Thursday, 17 September
Court Meeting to be held at 9:00 a.m. BST (10:00 a.m. SAST) on	Monday, 21 September
General Meeting to be held at 9:15 a.m. BST (10:15 a.m. SAST) on	Monday, 21 September
Results of Court Meeting and General Meeting released on SENS on	Monday, 21 September
Results of Court Meeting and General Meeting published in the press on	Tuesday, 22 September
The following dates assume that all Conditions precedent to the Scheme, save for the Condition set out in paragraphs 6.5.7 and 6.5.9, are fulfilled or, where applicable, waived by Monday, 21 September 2020 and will be confirmed in an announcement	
Scheme LDT expected to be on	Tuesday, 29 September
Trading in Tiso Blackstar Shares on the JSE suspended from commencement of trade on or about	Wednesday, 30 September
Scheme Record Date expected to be on	Friday, 2 October
Last day for Forms of Election to be validly lodged with the Transfer Secretaries and elections to be made by Dematerialised Tiso Blackstar Shareholders by 11:00 a.m. BST (12:00 p.m. SAST) on	Friday, 2 October
Sanction Hearing	Monday, 5 October
Scheme Unconditional Date expected to be on	Monday, 5 October
Scheme Unconditional Date announcement expected to be released on SENS by 13:00 BST (14:00 SAST) on	Monday, 5 October
Scheme Unconditional Date announcement expected to be published in the press on	Tuesday, 6 October
Scheme Effective Date expected to be on	Tuesday, 6 October
Scheme Consideration payment to Dematerialised Tiso Blackstar Shareholders who hold Exit Election Shares expected to take place on	Tuesday, 6 October
Scheme Consideration payment to Certificated Tiso Blackstar Shareholders who hold Exit Election Shares expected to take place within 5 Business Days of the Scheme Effective Date	Tuesday, 6 October
Termination of listing of Tiso Blackstar Shares on the JSE at commencement of trade on or about	Wednesday, 7 October

Notes:

1. The above dates and times are based on the Tiso Blackstar Board's expectations and are subject to such changes as may be determined by the Tiso Blackstar Board and approved by the JSE and the UK Court, if required. The times and dates are indicative and depend, amongst other things, on the date on which the UK Court sanctions the Scheme and the date on which the Conditions are satisfied or, if capable of waiver, waived. If all Conditions, save for the Condition set out in paragraphs 6.5.7 and 6.5.9, are not fulfilled or, where applicable, waived by Monday, 21 September 2020, an updated timetable will be released on SENS.
2. Completed Forms of Proxy (green) in relation to the Court Meeting and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), to be received by them no later than 9:00 a.m. BST (10:00 a.m. SAST) on Thursday, 17 September 2020 or if not so lodge or posted, they can be handed to the Transfer Secretaries or to the Chairman of the Court Meeting at or before the commencement of the Court Meeting.
3. Completed Forms of Proxy (yellow) in relation to the General Meeting and the authority (if any) under which they are signed must be (i) lodged with or posted to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), to be received by them no later than 9:15 a.m. BST (10:15 a.m. SAST) on Thursday, 17 September 2020.
4. Tiso Blackstar Shareholders should note that, as trade in Tiso Blackstar Shares on the JSE is settled in the electronic settlement system used by Strate, settlement of trades takes place 3 Business Days after the date of such trades. Therefore, Tiso Blackstar Shareholders who acquire Tiso Blackstar Shares on the JSE after Tuesday, 8 September 2020, being the expected date for the last day to trade in Tiso Blackstar Shares for any trade to be settled before the Voting Record Date, will not be entitled to exercise the votes attaching to those shares at the Court Meeting or the General Meeting.
5. Dematerialised Tiso Blackstar Shareholders must provide their CSDP or Broker with their instructions for voting at the Court Meeting and the General Meeting by the cut-off time and date stipulated by their CSDP or Broker pursuant to their respective Custody Agreements between them and their CSDP or Broker.
6. No Dematerialisation or Rematerialisation of Tiso Blackstar Shares may take place from the commencement of business on the Business Day following the Scheme LDT. The Scheme LDT is expected to be on Tuesday, 29 September 2020.
7. If the Court Meeting and/or the General Meeting is adjourned or postponed, the above dates and times will change, but the Forms of Proxy submitted for the initial Court Meeting and/or General Meeting will remain valid in respect of any adjournment or postponement of the Court Meeting and/or General Meeting.
8. Although the salient dates and times are stated to be subject to change, such statement shall not be regarded as consent or dispensation for any change to time periods which may be required pursuant to the UK Companies Act or the JSE Listings Requirements or by the UK Court, where applicable, and any such consents or dispensations must be specifically applied for and granted.
9. The date of the Sanction Hearing is expected to be Monday, 5 October 2020. The indicated dates set above in the expected timetable following the Sanction Hearing assume that the UK Court sanctions the Scheme and associated Capital Reduction, and the relevant order is sealed, on that date. Those following dates will accordingly change if this does not occur on that date.
10. Should a Standby Offer Trigger Event occur, all important dates and times pertinent to the Standby Offer will be published on SENS and in the press.
11. All times referred to in this Circular are references to South African Standard Time, unless otherwise stipulated.

DEFINITIONS AND INTERPRETATIONS

In this Circular (save for **Annexure 12** (Scheme Document)), unless the context clearly indicates a contrary intention, the following words and expressions bear the meanings assigned to them below:

"Acceptance Date"	11:00am BST (12:00pm SAST) on the same day as the Scheme Record Date;
"Broker"	any person registered as a "*broking member (equities)*" in accordance with the Rules of the JSE and in accordance with the provisions of the Financial Markets Act;
"BST"	British Summer Time;
"Business Day"	a day which is not a Saturday, Sunday or official public holiday or bank holiday in the UK and/or in South Africa;
"Capital Reduction"	the reduction in capital in the Company associated with the Scheme of up to € 16,145,000 by the cancellation of up to 161,450,000 ordinary shares of €0.10 each;
"Capital Reduction Directions Hearing"	the first hearing relating to the Capital Reduction at which the UK Court considers, amongst other things, the interests of creditors of the Company in the context of the Capital Reduction and whether the shareholder resolution approving the Capital Reduction has been duly passed;
"Certificated Tiso Blackstar Shareholders"	holders of Certificated Tiso Blackstar Shares;
"Certificated Tiso Blackstar Shares"	Tiso Blackstar Shares being "certificated securities" as defined in the Financial Markets Act and accordingly are not Dematerialised;
"Circular"	this circular to Tiso Blackstar Shareholders, together with the annexures hereto, and including, the Notice of Court Meeting, the Notice of General Meeting, the terms of the Standby Offer, the Forms of Proxy, the Form of Election (*blue*) and the Form of Acceptance (*pink*);
"Common Monetary Area"	South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of eSwatini;
"Conditions"	the conditions precedent to the Scheme set out in paragraph 6.5 of this Circular;
"Continuation Election"	an election validly made by the Acceptance Date in respect of a Scheme Share for that share not to be cancelled pursuant to the Scheme;
"Continuation Election Shares"	a Scheme Share in respect of which a valid Continuation Election has been made;
"Coronavirus"	COVID-19;
"Court Meeting"	the meeting of Registered Shareholders (and any adjournment of such meeting) convened pursuant to an order of the Court pursuant to section 896 of the UK Companies Act for the purpose of considering and, if thought fit, approving (with or without modification) this Scheme;
"CSDP"	a central securities depositary participant, being a "participant" as defined in the Financial Markets Act;
"Custody Agreement"	a custody mandate agreement between a Dematerialised Tiso Blackstar Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Tiso Blackstar Shares held on Tiso Blackstar's uncertificated securities register administered by a CSDP or Broker on behalf of such Tiso Blackstar Shareholder;
"Default Position"	the automatic default position under the Scheme whereby if no election is made in respect of a Tiso Blackstar Share it will be cancelled in accordance with the terms of the Scheme for the Scheme Consideration. If a Tiso Blackstar Shareholder does not validly make a Continuation Election and/or an Exit Election in respect of all his Tiso Blackstar Shares he is deemed to have made an Exit Election in respect of all of his Tiso Blackstar Shares (or, as the case may be, in respect of all his Tiso Blackstar Shares in respect of which he has not validly made a Continuation Election or an Exit Election) and those shares will be cancelled if the Scheme becomes Effective;
"Delisting" or "Delist"	the proposed termination of the listing of the Tiso Blackstar Shares on the Main Board of the exchange operated by the JSE;
"Delisting Resolution"	the ordinary resolution at the General Meeting relating to the Delisting set out as "Ordinary Resolution Number 1" in the Notice of General Meeting;
"Deloitte"	Deloitte & Touche, registered auditors with practice number 902276, whose details appear in the "Corporate Information and Advisors" section of this Circular and who has been appointed as the independent reporting accountants in respect of the *pro forma* financial information of Tiso Blackstar;
"Dematerialise" or "Dematerialised" or "Dematerialisation"	the process by which certificated shares are converted into an electronic format as dematerialised shares and recorded in a company's uncertificated securities register administered by a CSDP;
"Dematerialised Tiso Blackstar Shares"	Tiso Blackstar Shares that have been Dematerialised;
"Dematerialised Tiso Blackstar Shareholders"	Tiso Blackstar Shareholders who hold Dematerialised Tiso Blackstar Shares;

"Dividends Tax"	Dividends tax, levied in terms of Part VIII of Chapter II of the Income Tax Act;
"Documents of Title"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title in respect of the Tiso Blackstar Shares in question;
"Effective"	in relation to the Scheme, when the Scheme becomes effective upon delivery to the UK Registrar of Companies of a copy of the court order sanctioning the Scheme and confirming the Capital Reduction;
"Encumbrance"	(i) a mortgage, pledge, hypothecation, lien, option, restriction, right of first refusal, right of pre-emption, right of retention, right of set-off, third party right or interest, assignment in security, title extension, trust arrangement, cession in security, security interest of any kind or any other encumbrance or interest of any kind; and (ii) any other type of preferential transaction or agreement having, or which might have, the effect of Encumbering as contemplated in (i) above, whether or not subject to a condition precedent, and "Encumbered", "Encumber" and "Encumbering" each bears a corresponding meaning;
"Exchange Control Regulations"	the South African Exchange Control Regulations, 1961, as amended from time to time, issued pursuant to section 9 of the South African Currency and Exchanges Act, No. 9 of 1933, as amended from time to time and all directives and rulings issued thereunder;
"Exit Election"	an election validly made in respect of a Tiso Blackstar Share for that share to be cancelled pursuant to the Scheme, or in respect of which a valid Continuation Election has not been made pursuant to the Scheme by the Acceptance Date;
"Exit Election Shares"	a Scheme Share in respect of which: (a) a valid Exit Election has been made for that share to be cancelled pursuant to the Scheme; or (b) a valid Continuation Election has not been made pursuant to the Scheme;
"Exit Election Shareholders"	holders of Exit Election Shares;
"Explanatory Statement"	the "Explanatory Statement" as defined in paragraph 6 of this Circular;
"Financial Markets Act"	the South African Financial Markets Act, No. 19 of 2012, as amended from time to time;
"Foreign Tiso Blackstar Shareholder"	a Tiso Blackstar Shareholder who is a non-resident of South Africa, as contemplated in the Exchange Control Regulations;
"Forfeitable Share Plan"	the Tiso Blackstar Group's existing long-term incentive scheme, in the form of a forfeitable share plan, pursuant to which Forfeitable Shares have been awarded to participants;
"Forfeitable Share Plan Rules"	the rules of the Forfeitable Share Plan;
"Forfeitable Shares"	Tiso Blackstar Shares awarded under the Forfeitable Share Plan to a participant and registered in the name of that participant subsequent to such award and held for his/her benefit, the vesting of which is subject to the fulfilment of an employment condition and/or the applicable performance conditions over a three year performance period (if applicable);
"Form of Acceptance"	a form of acceptance, surrender and transfer (*pink*) in respect of the Standby Offer for use by Certificated Tiso Blackstar Shareholders only, enclosed herewith;
"Form of Election"	a form of election (*blue*) in respect of the Scheme for use by Certificated Tiso Blackstar Shareholders only, enclosed herewith;
"Forms of Proxy"	collectively, the Form of Proxy (*green*) in relation to the Court Meeting and the Form of Proxy (*yellow*) in relation to the General Meeting for use by Certificated Tiso Blackstar Shareholders only, enclosed herewith;
"Form of Proxy (*green*) in relation to the Court Meeting"	the form of proxy (*green*) in relation to the Court Meeting for use by Certificated Tiso Blackstar Shareholders only, enclosed herewith;
"Form of Proxy (*yellow*) in relation to the General Meeting"	the form of proxy (*yellow*) in relation to the General Meeting for use by Certificated Tiso Blackstar Shareholders only, enclosed herewith;
"General Meeting"	the general meeting of Registered Shareholders scheduled to be held at 9:15 a.m. BST (10:15 a.m. SAST) on Monday, 21 September 2020 at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom, to consider and, if deemed fit, approve the Resolutions (including as postponed or adjourned from time to time);
"Headcount Test"	has the meaning ascribed thereto in paragraph 6.9.1 of this Circular;
"Hirt & Carter Group"	the segment of the Tiso Blackstar Group operating under the name and style of "*Hirt & Carter*" which focuses on, amongst other things, the management of retail and brand communication processes from origination to final distribution across multiple media and communication channels;
"Income Tax Act"	The Income Tax Act, No. 58 of 1962, as amended from time to time;
"Independent Expert"	BDO Corporate Finance Proprietary Limited, registration number 1983/002903/07, a limited liability private company duly incorporated in South Africa and whose details appear in the "Corporate Information and Advisors" section of this Circular;
"Independent Reporting Accountants"	PwC and Deloitte;

"Irrevocable Shares"	the Tiso Blackstar Shares that are subject to the Irrevocable Undertakings as reflected in the applicable column in the table at paragraph 16 of this Circular, and in respect of which Continuation Elections have been made;
"Irrevocable Undertakings"	the irrevocable undertakings entered into between Tiso Blackstar and certain Tiso Blackstar Shareholders pursuant to which those Tiso Blackstar Shareholders have undertaken in respect of the Irrevocable Shares, to make a Continuation Election and/or to vote in favour of the Scheme and the Resolutions, including the Special Resolution, and to not accept the Standby Offer, if applicable, brief details of which are set out in paragraph 16 of this Circular;
"JSE"	the securities exchange, licensed under the Financial Markets Act, operated by JSE Limited, registration number 2005/022939/06, a limited liability public company duly incorporated in South Africa;
"JSE Listings Requirements"	the listings requirements of the JSE in force as at the Last Practicable Date;
"Kagiso Capital"	Kagiso Capital (RF) Proprietary Limited, registration number 2014/103748/07, a limited liability private company duly incorporated in South Africa;
"KTH"	Kagiso Tiso Holdings Proprietary Limited, registration number 2011/000848/07, a limited liability private company duly incorporated in South Africa, which, as at the Last Practicable Date, is held as to 20.01% by TBH UK;
"KTH Africa Investments"	KTH Africa Investments, company number 119848, a C1/GBL limited liability private company duly incorporated in Mauritius;
"KTH Sale"	subject to the fulfilment (or where permissible, waiver) of the KTH Sale Conditions Precedent, the sale by TBH UK of the KTH Sale Shares to TIH for the KTH Sale Consideration pursuant to the KTH Sale Agreement;
"KTH Sale Agreement"	the sale of shares agreement entered into on or about 26 June 2020, between TBH UK and TIH, setting out the terms of and conditions to the KTH Sale, a copy of which is available for inspection as set out in paragraph 23 of this Circular;
"KTH Sale Conditions Precedent"	the conditions precedent to the KTH Sale Agreement which remain outstanding as at the date of this Circular, which are summarised in paragraph 3.3 of this Circular;
"KTH Sale Consideration"	the amount specified in paragraph 3.4 of this Circular;
"KTH Sale Resolution"	the ordinary resolution at the General Meeting relating to the approval and implementation of the KTH Sale set out as "Ordinary Resolution Number 2" in the Notice of General Meeting;
"KTH Sale Shares"	179,590 ordinary shares in KTH, which as at the Last Practicable Date constitute 20.01% of the issued ordinary shares of KTH;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being Friday, 10 July 2020;
"Non Standby-Offer Shareholder"	a Tiso Blackstar Shareholder who has entered into an irrevocable undertaking to reject the Standby Offer, as set out in paragraph 16 of this Circular;
"Notice of Court Meeting"	the notice of the Court Meeting forming part of this Circular;
"Notice of General Meeting"	the notice of the General Meeting forming part of this Circular;
"Operative"	in relation to the Standby Offer, means the Standby Offer commencing by reason of the occurrence of a Standby Offer Trigger Event;
"Own-Name Registration" or "Own-Name Dematerialised Tiso Blackstar Shareholders"	holders of Tiso Blackstar Shares that have been Dematerialised in Strate and are recorded by a CSDP on the sub-register kept by that CSDP in the name of such Tiso Blackstar Shareholders;
"PSG Capital"	PSG Capital Proprietary Limited, registration number 2006/015817/07, a limited liability private company duly incorporated in South Africa, whose details appear in the "Corporate Information and Advisors" section of this Circular;
"PwC"	PricewaterhouseCoopers Inc, registration number 1998/012055/21, a company duly incorporated in South Africa, whose details appear in the "Corporate Information and Advisors" section of this Circular and who has been appointed as the independent reporting accountants in respect of the audited historical financial information of KTH for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 and the reviewed interim financial information of KTH for the 6-month period ended 31 December 2019;
"Register"	the register of members of the Company under section 113 of the UK Companies Act;
"Registered Shareholders"	a person holding Tiso Blackstar Shares whose name is entered on the Register in respect of those shares;
"Relationship Agreement"	has the meaning ascribed thereto in paragraph 7.1.2 of this Circular;
"Rematerialise" or "Rematerialised" or "Rematerialisation"	the process by which Dematerialised shares are converted into certificated form;

"Resolutions"	collectively: (i) the KTH Sale Resolution (ii) the Special Resolution; (iii) the Delisting Resolution; and (iv) the Standby Offer Resolution, and "Resolution" means one of them as the context may require;
"Sanction Hearing"	the UK Court hearing to sanction the Scheme and confirm the Capital Reduction;
"SARB"	South African Reserve Bank;
"SAST"	South African Standard Time;
"Scheme"	the scheme of arrangement pursuant to Part 26 of the UK Companies Act, between Tiso Blackstar and Registered Shareholders, pursuant to which Tiso Blackstar will cancel all Exit Election Shares for the Scheme Consideration by way of the Capital Reduction, as more fully described in paragraph 6 of this Circular;
"Scheme Consideration"	ZAR4.15 per Exit Election Share, subject to any applicable adjustment in accordance with the terms of the Scheme;
"Scheme Effective Date"	the date the Scheme becomes Effective, which is expected to be the Business Day immediately following the Scheme Unconditional Date;
"Scheme LDT"	the last day to trade in Tiso Blackstar Shares in order to participate in the Scheme, being at the close of trading 3 trading days prior to the Scheme Record Date, which is expected to be at 16:00 BST (17:00 SAST) on Tuesday, 29 September 2020 (or such other date and time as the JSE may direct);
"Scheme Record Date"	16:00 BST (17:00 SAST) on the Friday after the Scheme LDT (which at the date of this Circular is expected to be at 16:00 BST (17:00 SAST) on Friday 2 October 2020) (or such other date and time as the JSE, subject to the approval of the UK Court, may direct);
"Scheme Shares"	the Tiso Blackstar Shares: (i) in issue at the date of the Circular; (ii) (if any) issued after the date of the Circular but before the Voting Record Date; and (iii) (if any) issued at or after the Voting Record Date but prior to the Scheme Record Date on terms that the original or any subsequent holder shall be bound by the Scheme or in respect of which the original or any subsequent holders are, or have agreed in writing to be, bound by the Scheme, excluding in every case any Tiso Blackstar Shares held in treasury; and, for the purposes of the Court Meeting, mean any such shares as at the Voting Record Date;
"Scheme Unconditional Date"	the date on which all the Conditions to the Scheme are fulfilled or waived, as the case may be, which at the date of this Circular is expected to be Monday, 5 October 2020;
"SE"	a societas europaea, a European public company registered in accordance with Council Regulation (EC) No 2157/2001;
"SENS"	the Stock Exchange News Service of the JSE;
"South Africa"	the Republic of South Africa;
"Special Resolution"	the special resolution at the General Meeting relating to the Scheme and the Capital Reduction set out as "Special Resolution Number 1" in the Notice of General Meeting;
"Standby Offer"	the *pro rata* offer by the Company to all Tiso Blackstar Shareholders generally to acquire Tiso Blackstar Shares up to the Standby Offer Cap from Tiso Blackstar Shareholders, in exchange for the Standby Offer Consideration, on the terms and conditions set out in **Annexure 13** to this Circular;
"Standby Offer Cap"	has the meaning ascribed thereto in **Annexure 13** to this Circular;
"Standby Offer Closing Date"	has the meaning ascribed thereto in **Annexure 13** to this Circular;
"Standby Offer Consideration"	has the meaning ascribed thereto in **Annexure 13** to this Circular;
"Standby Offer Consideration Participants"	has the meaning ascribed thereto in **Annexure 13** to this Circular;
"Standby Offer LDT"	has the meaning ascribed thereto in **Annexure 13** to this Circular;
"Standby Offer Opening Date"	has the meaning ascribed thereto in **Annexure 13** to this Circular;
"Standby Offer Resolution"	the ordinary resolution at the General Meeting relating to the Standby Offer set out as "Ordinary Resolution Number 3" in the Notice of General Meeting;
"Standby Offer Settlement Date"	has the meaning ascribed thereto in **Annexure 13** to this Circular;
"Standby Offer Trigger Event"	has the meaning ascribed thereto in **Annexure 13** to this Circular;

"Strate"	Strate Proprietary Limited, a private company incorporated in accordance with the laws of South Africa under registration number 1998/022242/07, being a registered central security depositary under the Financial Markets Act and which manages the electronic clearing and settlement system for transactions that take place on the Johannesburg Stock Exchange as well as off-market dealings of securities listed on the Johannesburg Stock Exchange;
"Strate Nominee"	PLC Nominees Proprietary Limited, the holder of legal title to the Dematerialised Shares;
"Subsidiary"	a "subsidiary" as defined in the UK Companies Act;
"TBH UK"	Tiso Blackstar Holdings SE, registration number SE000108, a limited liability European public company (Societas Europaea) registered in England and Wales, and a wholly-owned Subsidiary of the Company;
"TF"	Tiso Foundation Charitable Trust, an *inter vivos* trust registered in South Africa, of which David Adomakoh and Nkululeko Sowazi are 2 of 7 trustees;
"TIH"	Tiso Investment Holdings (RF) Proprietary Limited, registration number 2000/027686/07, a limited liability private company duly incorporated in South Africa, which is an associate of related parties to Tiso Blackstar by virtue of David Adomakoh and Nkululeko Sowazi being directors of Tiso Blackstar and each of them effectively owning 50% of the issued share capital of TIH;
"TIHM"	TIH (Mauritius) Limited, company number 170843, a limited liability private company duly incorporated in Mauritius;
"Tiso Blackstar" or "the Company"	Tiso Blackstar Group SE, a limited liability European public (*Societas Europaea*) company registered in England and Wales with registration number SE000110, and registered as an external company with limited liability in South Africa under registration number 2011/008274/10;
"Tiso Blackstar Board" or "Tiso Blackstar Directors"	the board of directors of Tiso Blackstar as at the Last Practicable Date, whose names are set out in the "Corporate Information and Advisors" section of this Circular;
"Tiso Blackstar Group"	Tiso Blackstar and its Subsidiaries from time to time;
"Tiso Blackstar Shares" or "Shares"	ordinary shares of €0.10 each in the share capital of Tiso Blackstar (excluding treasury shares);
"Tiso Blackstar Shareholders" or "Shareholders"	Registered Shareholders and Dematerialised Tiso Blackstar Shareholders;
"Transaction Implementation Agreement"	the transaction implementation agreement entered into on or about 26 June 2020 between *inter alia* TIH, TBH UK, Kagiso Capital, KTH, TIHM, KTH Africa Investments and Webber Wentzel Incorporated (as escrow agent) which agreement, *inter alia*, governs the order in which various transaction steps of which the KTH Sale forms part will be implemented;
"Transfer Secretaries"	Link Market Services South Africa Proprietary Limited, registration number 2000/007239/07, a limited liability private company duly incorporated in South Africa, further particulars of which appear in the "Corporate Information and Advisors" section of this Circular;
"UK"	the United Kingdom of Great Britain and Northern Ireland;
"UK Companies Act"	the Companies Act 2006 of the UK, as amended from time to time;
"UK Court"	the High Court of Justice in England and Wales;
"UK Registrar of Companies"	the registrar of companies in England and Wales responsible for maintaining the public records of companies incorporated in England and Wales;
"Voting Record Date"	16:00 BST (17:00 SAST) on Friday, 11 September 2020, being the date on which eligibility to attend and vote at the Court Meeting and the General Meeting is determined, or, if the Court Meeting is adjourned, 16:00 BST (17:00 SAST) on the Friday immediately prior to the date of such adjourned meeting; and
"ZAR"	South African Rand, the lawful currency of South Africa.

TISO BLACKSTAR GROUP SE
(Incorporated in England and Wales)
(Registration number SE000110)
(Registered as an external company with limited liability in the Republic of South Africa
under registration number 2011/008274/10)
Share code: TBG ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

CIRCULAR TO TISO BLACKSTAR SHAREHOLDERS

1. INTRODUCTION

1.1 Tiso Blackstar Shareholders are referred to the Company's announcement, published on SENS on 26 June 2020 advising, *inter alia*, that the Company:

1.1.1 through its wholly-owned Subsidiary, TBH UK, entered into the KTH Sale Agreement pursuant to which TBH UK has agreed to sell the KTH Sale Shares to TIH, an associate of David Adomakoh and Nkululeko Sowazi who are directors of Tiso Blackstar, which sale constitutes a category 1 transaction and a related party transaction pursuant to the JSE Listings Requirements;

1.1.2 proposed, through the Tiso Blackstar Board, to cancel the Exit Election Shares by way of a scheme of arrangement pursuant to Part 26 of the UK Companies Act between Tiso Blackstar and the Registered Shareholders; or

1.1.3 if a Standby Offer Trigger Event occurs, made an offer to acquire Tiso Blackstar Shares from Tiso Blackstar Shareholders by way of the Standby Offer; and

1.1.4 in the event that the Scheme becomes unconditional and is implemented or failing which, the Standby Offer becomes unconditional and is implemented, will delist from the Main Board of the JSE.

2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

2.1 provide Tiso Blackstar Shareholders with information regarding the KTH Sale, the Scheme, the Standby Offer and the Delisting;

2.2 provide Tiso Blackstar Shareholders with the Independent Expert's report in respect of the KTH Sale, prepared in accordance with paragraph 10.4(f) of the JSE Listings Requirements;

2.3 provide Tiso Blackstar Shareholders with the Independent Expert's report in respect of the Scheme and the Standby Offer, prepared in accordance with paragraph 1.15(d) of the JSE Listings Requirements;

2.4 advise Tiso Blackstar Shareholders of the Tiso Blackstar Board's opinion in relation to the KTH Sale (as supported by the Independent Expert's report);

2.5 advise Tiso Blackstar Shareholders of the Tiso Blackstar Board's opinion in respect of the Scheme and the Standby Offer (as supported by the Independent Expert's report);

2.6 convene the Court Meeting to consider and, if deemed fit, approve the Scheme; and

2.7 convene the General Meeting to consider and, if deemed fit, approve the Resolutions.

3. DETAILS OF THE KTH SALE

3.1 **Details of the KTH Sale**

3.1.1 Pursuant to the KTH Sale Agreement, TBH UK, a wholly-owned Subsidiary of the Company, has agreed to dispose of its shareholding in KTH to TIH for the KTH Sale Consideration.

3.1.2 The KTH Sale is subject to the fulfilment (or, where applicable, waiver) of a number of conditions precedent, of which the KTH Sale Conditions Precedent remain outstanding as at the date of this Circular.

3.1.3 The KTH Sale forms part of a series of indivisibly linked transaction steps which must be implemented sequentially on the same day in order to ultimately give effect to the KTH Sale ("**Transaction Steps**"). The Transaction Steps are set out in further detail in the Transaction Implementation Agreement.

3.1.4 The Transaction Steps include: (i) a sale by KTH of all of its shares in KTH Africa Investments to TIHM for a cash consideration, (ii) a sale by TIHM of all its shares in KTH Africa Investments to a third party for a cash consideration, (iii) a sale by TIH of certain of its shares in KTH to Kagiso Capital, for cash consideration, (iv) a repurchase by KTH of all of the shares held in KTH by TIH for cash consideration, and lastly, (v) the KTH Sale (in terms of the KTH Sale Agreement).

3.1.5 The Transaction Steps are to be implemented in terms of separate agreements (read together with the Transaction Implementation Agreement), all of which have been entered into prior to the Last Practicable Date.

3.2 **Rationale for the KTH Sale and use of proceeds**

3.2.1 Tiso Blackstar's investment in KTH is a non-core investment and, in-line with its stated strategy, Tiso Blackstar's medium term view has been to dispose of its interest in KTH at a price which is reflective of the fair value of the investment.

3.2.2 The KTH Sale presents an opportunity for Tiso Blackstar to realise value through the disposal of its entire interest in KTH for cash in a single disposal and the proceeds received can be applied towards returning value to Tiso Blackstar Shareholders.

3.2.3 If the Scheme becomes Effective, the proceeds received pursuant to the KTH Sale will be predominantly used to fund the Scheme Consideration payable in respect of the Scheme. If a Standby Offer Trigger Event occurs, the proceeds of the KTH Sale will be predominantly used to fund the Standby Offer. If neither the Scheme nor the Standby Offer proceed then the proceeds will be used to reduce debt.

3.3 **KTH Sale Conditions Precedent**

3.3.1 The KTH Sale is subject to a number of conditions precedent, of which the KTH Sale Conditions Precedent listed below remain outstanding as at the date of this Circular:

3.3.1.1 by no later than 31 July 2020, the board of directors of KTH has approved the transfer of the KTH Sale Shares from TBH UK to TIH;

3.3.1.2 by no later than 30 September 2020, the KTH Sale has been approved at a meeting of the Tiso Blackstar Shareholders by more than 50% of the votes of such Tiso Blackstar Shareholders voting in person or by proxy in accordance with the provisions of the UK Companies Act and/or the JSE Listings Requirements; and

3.3.1.3 by no later than 30 September 2020, the Transaction Implementation Agreement has become unconditional in accordance with its terms, save in respect of any condition requiring that the KTH Sale Agreement has become unconditional. The Transaction Implementation Agreement is in turn conditional upon the fulfilment and/or waiver, by no later than 30 September 2020, of the condition precedent that each of the transaction agreements giving effect to the Transaction Steps have been entered into and have become unconditional in accordance with their terms, save for any condition requiring that the Transaction Implementation Agreement has become unconditional.

3.3.2 The KTH Sale Conditions may only be waived by agreement in writing between the parties to the KTH Sale Agreement and the dates for fulfilment of such KTH Sale Conditions may only be extended by agreement in writing between such parties. The KTH Sale is not conditional on any of the Scheme, the Delisting or the Standby Offer proceeding.

3.4 **KTH Sale Consideration**

The aggregate consideration payable by TIH to TBH UK for the KTH Sale Shares is R850,000,000, which shall be payable in cash in accordance with the KTH Sale Agreement and the Transaction Implementation Agreement.

3.5 **Effective Date of the KTH Sale**

The closing date (and effective date) of the KTH Sale shall occur upon implementation of the Transaction Steps pursuant to the Transaction Implementation Agreement, which is expected to occur before 30 September 2020. Closing of all the Transaction Steps (including the KTH Sale) will occur on the same day.

3.6 **Other significant terms of the KTH Sale**

3.6.1 The KTH Sale Agreement includes title warranties pursuant to which TBH UK warrants in favour of TIH that –

3.6.1.1 TBH UK is and will be the registered and beneficial owner of the KTH Sale Shares and is and will be entitled to dispose of the same; and

3.6.1.2 no other party is or will have any claim to or over or in respect of the KTH Sale Shares, nor are they or will they be encumbered in any way.

3.6.2 In addition to the title warranties, the KTH Sale Agreement includes other general power, capacity and authority warranties standard for a transaction of this nature.

3.7 **Categorisation of the KTH Sale**

3.7.1 The KTH Sale constitutes a category 1 transaction, pursuant to section 9 of the JSE Listings Requirements and a related party transaction pursuant to section 10 of the JSE Listings Requirements as a result of the following:

3.7.1.1 the value of the KTH Sale Consideration exceeds 30% of Tiso Blackstar's market capitalisation as at the date of signature of the KTH Sale Agreement; and

3.7.1.2 TIH being an associate of each of David Adomakoh and Nkululeko Sowazi. David Adomakoh and Nkululeko Sowazi are both directors of Tiso Blackstar. TIH is therefore an associate of related parties to Tiso Blackstar as contemplated in paragraph 10.1(b)(vii) of the JSE Listings Requirements.

3.8 **Shareholder Approval**

The KTH Sale requires the approval of more than 50% of the votes exercised on the KTH Sale Resolution, excluding the votes of the related parties and their associates.

3.9 **Business of TBG post the KTH Sale**

Post the KTH Sale, the business of Tiso Blackstar will primarily comprise of the Hirt & Carter Group as well as its non-core media, broadcasting and content assets in Ghana, Nigeria and Kenya.

4. BUSINESS OF KTH

KTH is a black-owned investment company with a strong and diversified asset portfolio covering the industrial, services, media, financial services and healthcare sectors.

5. RATIONALE FOR THE SCHEME, THE STANDBY OFFER AND THE DELISTING

5.1 Tiso Blackstar experienced a significant reduction in the value of its assets due to various disposals and liquidations it has undertaken in the past 18 months. This included the sale of Gallo Music Investments Proprietary Limited and Indigenous Film Distribution Proprietary Limited, as announced on 6 March 2020, the sale of its broadcasting, content and media assets, as first announced on 27 June 2019, the liquidation of Robor Proprietary Limited, as announced on 2 October 2019 and the disposal of Consolidated Steel Industries. Furthermore, the KTH Sale will further reduce the Company's assets.

5.2 Considering this reduction in assets, the Tiso Blackstar Board has determined that the Company's operations are no longer of a size that is suited to extract additional value from a listing versus the costs of retaining a listing. Additionally, trading in Tiso Blackstar Shares on the Main Board of the JSE has been illiquid and yielded little or no value for Tiso Blackstar Shareholders for several years. Given the values at which Tiso Blackstar Shares have historically traded, its access to capital through the market has been restricted, as any issue of Tiso Blackstar Shares would have been extremely dilutive to Tiso Blackstar Shareholders. This has resulted in an additional cost of capital (such as listing costs) without additional benefit. Accordingly, the Tiso Blackstar Board is of the view that the elimination of costs associated with a listing is in the best interest of Tiso Blackstar and Tiso Blackstar Shareholders.

5.3 Although the disposal of its assets has resulted in the Tiso Blackstar Board determining that the Company is no longer being suited to a listing on the JSE, it will place Tiso Blackstar in a position where it can return cash to those Tiso Blackstar Shareholders wishing to dispose of their interests in Tiso Blackstar. The Tiso Blackstar Board is of the view that the premium price offered to those Tiso Blackstar Shareholders that wish to dispose of their Tiso Blackstar Shares will allow them to realise a fair value for their investment in Tiso Blackstar, at a price well above the price that Tiso Blackstar Shares have traded at for an extended period of time. In addition, many Tiso Blackstar Shareholders have expressed a view to the Tiso Blackstar Board that given the liquidity of the Tiso Blackstar Shares they are effectively locked into the share at current market prices and that the Company should facilitate a liquidity event to allow Tiso Blackstar Shareholders to exit at a fair price, and thereby unlocking value in the Tiso Blackstar Shares.

5.4 Accordingly, the rationale for the Scheme, the Standby Offer and the Delisting is to provide Tiso Blackstar Shareholders the opportunity to exit at a fair price and at the same time preserve value for those Tiso Blackstar Shareholders that wish to remain in Tiso Blackstar in an unlisted environment by rationalising the cost base.

6. EXPLANATORY STATEMENT – TERMS OF THE SCHEME

This following section 6 of this Circular and the paragraphs referred to therein form the primary part of the Explanatory Statement for the Scheme in compliance with section 897 of the UK Companies Act (the "**Explanatory Statement**"), but the Circular as a whole is taken to form part of the Explanatory Statement. Tiso Blackstar Shareholders should note the Post-Delisting plans outlined in section 7 of this Circular.

6.1 **Introduction**

6.1.1 On 26 June 2020, the Tiso Blackstar Board announced their intention to delist the Company from the JSE. As part of this process the Company wishes to offer Tiso Blackstar Shareholders the opportunity to dispose of their investment in the Company before it Delists and becomes an unlisted company.

6.1.2 Attention is drawn to paragraph 5 of this Circular, which outlines the rationale for the Scheme. Paragraph 18 of this Circular contains the unanimous recommendation of the Tiso Blackstar Board to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting. The Scheme is set out in **Annexure 12** at pages 215 to 220 of this Circular.

6.2 **Summary of the Scheme**

6.2.1 The Scheme is a scheme of arrangement between Tiso Blackstar and the Registered Shareholders under Part 26 of the UK Companies Act which must be sanctioned by the UK Court. Even though the Scheme is with the Registered Shareholders, it relates to all the Tiso Blackstar Shares. The Registered Shareholders hold the legal title to all the Tiso Blackstar Shares. Dematerialised Tiso Blackstar Shareholders are encouraged to participate fully in the process, as explained further in the Circular.

6.2.2 The purpose of the Scheme is to cancel, by way of the Capital Reduction, the Tiso Blackstar Shares in respect of which an Exit Election has been made or in respect of which an Exit Election is deemed to have been made. In short, you can either elect to keep all or some of your Tiso Blackstar Shares following the Delisting; or you can receive ZAR4.15 for each Tiso Blackstar Share you wish to dispose of. You will need to make a Continuation Election for those Tiso Blackstar Shares you wish to retain. You can make an Exit Election for those Tiso Blackstar Shares you wish to be cancelled under the Capital Reduction and for which you will receive the Scheme Consideration of ZAR4.15.

6.2.3 Any Tiso Blackstar Shares for which you do not make an Election will be deemed to be Exit Election Shares and will be cancelled under the Capital Reduction. You will still receive ZAR4.15 for each of these shares. There are therefore two ways you can ensure your shares will be cancelled under the Scheme: (i) make an Exit Election in respect of them or (ii) make no election (i.e. do nothing).

6.2.4 The Scheme Consideration for each Exit Election Share is ZAR4.15. This is comprised of a repayment of the paid up nominal capital on each Exit Election Share of €0.10 and the balance of the amount being a payment out of the Company's distributable reserves.

6.2.5 Tiso Blackstar Shareholders are referred to the Report of the Independent Expert regarding the Scheme at **Annexure 2** of this Circular. In this report, BDO Corporate Finance Proprietary Limited, considers the Scheme and in particular the Scheme Consideration of ZAR4.15 for each Exit Election Share. The Independent Expert has determined a valuation range of ZAR3.68 to ZAR4.06 per Tiso Blackstar Share. The Independent Expert confirms that it is of the opinion that the Scheme is fair insofar as the Exit Election Shareholders are concerned. As noted at paragraph 18.3 of this Circular, the Tiso Blackstar Board has taken the Independent Expert's Report into account in determining that the terms and conditions of the Scheme are fair to Tiso Blackstar Shareholders.

6.2.6 The Scheme is conditional on no more than 161,450,000 Tiso Blackstar Shares being cancelled. This represents 58.6% of the Company's issued share capital, or 59.8% excluding shares held by the Company in treasury. As noted at paragraph 3.2.3, the proceeds received pursuant to the KTH Sale will be predominantly used to fund the Scheme Consideration. This has influenced the maximum number of Exit Election Shares that can be cancelled under the Scheme. If Exit Elections are made (including those deemed to be made through the Default Position) for more than 161,450,000 Tiso Blackstar Shares, the Scheme will not proceed. The Tiso Blackstar Board has received irrevocable undertakings for Continuation Elections to be made in respect of 114,852,419 Tiso Blackstar Shares, representing 41.7% of the Company's issued share capital, or 42.5% excluding shares held by the Company in treasury. Such irrevocable undertakings involve irrevocable undertakings from the Tiso Blackstar Directors in respect of all their shares, save for 3,604,938 shares in respect of which Harishkumar Mehta will be making an Exit Election. Together with the 5,758,411 shares held in treasury (which are not included in the Scheme, and will therefore continue to be held in treasury after the Scheme becomes Effective), this means that at most there can only be Exit Elections made in respect of 155,142,262 Tiso Blackstar Shares. The Tiso Blackstar Board is therefore reasonably confident that Exit Elections will not be made for more than 161,450,000 Tiso Blackstar Shares.

6.2.7 There are 5,758,411 Tiso Blackstar Shares held in treasury by the Company, which represents 2.1% of the Company's issued shares. These are shares that the Company has bought back but not cancelled. The Company is not permitted to exercise any rights (including any right to attend or vote at meetings or participate in any rights issue) in respect of shares it holds in treasury. They carry no right to receive dividends or other distributions of assets, although an allotment of fully paid bonus shares is permitted in respect of treasury shares. They have been excluded from the Scheme. The Board intends to utilise the treasury shares for purposes of future potential shares issues by the Company.

6.2.8 The Scheme involves an application by Tiso Blackstar to the UK Court to sanction the Scheme, which will result in the cancellation of the Exit Election Shares by the Company pursuant to the Capital Reduction.

6.2.9 To become Effective, the Scheme requires, among other things, the approval of a majority in number of the Registered Shareholders present and voting (and entitled to vote), either in person or by proxy at the Court Meeting, representing not less than 75% of the Tiso Blackstar Shares held by such Registered Shareholders present and voting at the Court Meeting (or any adjournment of the Court Meeting) in respect of the Scheme and the passing of the Special Resolution necessary to implement the Scheme at the General Meeting.

6.2.10 Following the Court Meeting and the General Meeting and the satisfaction (or, where applicable, waiver) of the other Conditions, the Scheme must be sanctioned by the UK Court. The anticipated date of the Sanction Hearing is Monday, 5 October 2020 however Tiso Blackstar will give notice of the exact time and date of the court hearing to approve the Scheme once known, by issuing a SENS announcement. The Scheme will only become Effective upon a copy of the court order sanctioning it and confirming the Capital Reduction being delivered to the UK Registrar of Companies for registration. This is expected to occur on the Business Day after the Sanction Hearing, on the Scheme Effective Date.

6.2.11 In consideration for the cancellation of the Exit Election Shares, Exit Election Shareholders will receive the Scheme Consideration.

6.2.12 Provided the Scheme becomes Effective, the Exit Election Shares shall be cancelled by the Company and the Scheme Consideration in respect of each Exit Election Shareholder shall be settled in cash, on or shortly after the Scheme Effective Date.

6.2.13 The Scheme Consideration represents a 70.1% premium over the 30-day volume weighted average price of Tiso Blackstar Shares as at 25 June 2020, being the last trading date prior to the announcement of the Scheme on SENS.

6.2.14 Once the Scheme becomes Effective, share certificates in respect of Exit Election Shareholders will cease to be valid.

6.2.15 **Once the Scheme becomes Effective, it will be binding on the Company and all Registered Shareholders (and therefore indirectly binding on all Dematerialised Tiso Blackstar Shareholders), including those who did not attend the Court Meeting or General Meeting, or vote to approve the Scheme, or who voted against the Scheme at the Court Meeting. It will therefore be binding in respect of all Tiso Blackstar Shares. All Tiso Blackstar Shares that are Exit Election Shares (which includes all shares deemed to be Exit Election Shares such as those under the Default Position) will be cancelled pursuant to the Scheme.**

6.2.16 The Scheme is conditional upon JSE approval and the Delisting being approved at the General Meeting. If you make a Continuation Election you will therefore become a shareholder in an unlisted company, as the Tiso Blackstar Shares will cease to be listed on the JSE and there is no current intention to seek a listing of the Tiso Blackstar Shares elsewhere. The Company also intends to transfer its registered office from the UK to Luxembourg before 31 December 2020, as discussed further below at paragraph 7.2. If it does so, the Company will cease to be subject to the English law applicable to public limited liability companies and will instead be subject to the applicable Luxembourg law for a *société anonyme*.

6.2.17 Tiso Blackstar Shares held in the Forfeitable Share Plan shall be Scheme Shares. All the participants in the Forfeitable Share Plan have entered into irrevocable undertakings to make Continuation Elections in respect of the their Tiso Blackstar Shares held pursuant to the Forfeitable Share Plan and to vote those Tiso Blackstar Shares in favour of the Scheme. The participants have also rematerialised their shares to become Registered Shareholders, as noted at paragraph 6.10.6 of this Circular. Further information regarding the Forfeitable Share Plan is at paragraph 10.3 of this Circular.

6.3 **Summary of the Capital Reduction**

6.3.1 Under the UK Companies Act, the Capital Reduction also requires the consideration and approval of the UK Court in two separate hearings, a directions hearing and a confirmation hearing. The directions hearing in respect of the Capital Reduction will be heard shortly after the General Meeting has taken place, if the Capital Reduction is approved at the General Meeting.

6.3.2 The second UK Court hearing relating to the Capital Reduction will occur as part of the Sanction Hearing. Any creditors or members of the Company are entitled to attend the Court hearing in person or through their counsel to support or oppose the Capital Reduction. The Capital Reduction will become effective on the Scheme Effective Date, after a copy of the Scheme and Capital Reduction court order (including a copy of the related statement of capital of the Company) has been duly delivered to the UK Registrar of Companies for registration, which is expected to occur on Tuesday, 6 October 2020.

6.3.3 The implementation of the Capital Reduction is conditional upon (i) approval of the Capital Reduction at the General Meeting by special resolution; (ii) confirmation of the Capital Reduction at the Sanction Hearing; and (iii) the delivery to the UK Registrar of Companies of a copy of the court order sanctioning the Scheme and confirming the Capital Reduction.

6.4 **Material Interests of the Directors of the Company**

6.4.1 The Tiso Blackstar Directors (and their associates) in aggregate hold interests in 71,914,089 Tiso Blackstar Shares which represents 26.6% of the Company's issued shares excluding the shares held by the Company in treasury, or 26.1% of the Company's total issued share capital. Except for Harishkumar Mehta who may be making an Exit Election in respect of 3,604,938 of the shares held by an associate of his, the Tiso Blackstar Directors have entered into irrevocable undertakings to make Continuation Elections in respect of all these shares. If the maximum number of Exit Elections are made by other Tiso Blackstar Shareholders (i.e if there are 155,142,262 Exit Election Shares) then the Tiso Blackstar Directors would in aggregate hold interests in 68,306,151 Tiso Blackstar Shares which will represent 59.5% of the Company's issued share capital excluding the shares held by the Company in treasury.

6.4.2 Certain of the Tiso Blackstar Directors are (and will be) Registered Shareholders and hold in aggregate 26.6% of the Tiso Blackstar Shares as at the Last Practicable Date. Further details of the Tiso Blackstar Directors (and their associates) interests are as set out at paragraph 10 of the Circular. Such Tiso Blackstar Directors intend to vote in favour of the Scheme and have entered into irrevocable undertakings to do so. Details of these irrevocable undertakings are set out at paragraph 16 of this Circular, which also lists details of other Tiso Blackstar Shareholders who have entered into similar irrevocable undertakings to vote their Tiso Blackstar Shares in favour of the Scheme and to make Continuation Elections in respect of the Scheme. Such shareholders include TIH. David Adomakoh and Nkululeko Sowazi hold effectively 50% each of the issued share capital of TIH.

6.4.3 Furthermore, David Adomakoh and Nkululeko Sowazi are two of the seven trustees of TF, which is a registered trust that provides educational opportunities to South Africans in need. TF holds 32,984,567 Dematerialised Tiso Blackstar Shares, which represents 12.2% of the Company's issued shares excluding treasury shares. TF has given an irrevocable undertaking as described at paragraph 16.1 below to vote all its shares in favour of the Scheme and to make a Continuation Election in respect of 20,984,567 of its shares.

6.4.4 As noted at paragraph 18.4 below, David Adomakoh and Nkululeko Sowazi have recused themselves from decisions regarding the KTH Sale, Delisting, Scheme, Standby Offer and pricing of the Tiso Blackstar Shares as they have material shareholdings in the Company. While Andrew Bonamour was present at the Board meeting to administer proceedings, he has also recused himself from the aforementioned decisions for the same reason and has not offered a view on these matters during the meeting.

6.5 **Conditions**

The Scheme becomes effective upon the delivery of the sealed court order of the UK Court sanctioning the Scheme and confirming the Capital Reduction (and approving the statement of capital relating to the Capital Reduction) being delivered to the UK Registrar of Companies for registration. The Scheme is subject to the fulfilment or waiver, as applicable, that by no later than 31 December 2020 (or such later date as may be determined by the Company and notified to Tiso Blackstar Shareholders through an announcement on SENS) of the following conditions:

6.5.1 the KTH Sale Resolution being approved by more than 50% of votes of Tiso Blackstar Shareholders entitled to and, in fact, voting in person or by proxy. For the avoidance of doubt, David Adomakoh and Nkululeko Sowazi and their associates will be excluded from voting on the KTH Sale Resolution;

6.5.2 the Scheme being approved at the Court Meeting by a majority in number of Registered Shareholders voting in person or by proxy, and by at least 75% of the Tiso Blackstar Shares voted at the Court Meeting;

6.5.3 the Special Resolution for the general meeting being approved by at least 75% of the Tiso Blackstar Shares voted in person or by proxy; and

6.5.4 the Delisting Resolution being approved by more than 50% of the votes of Tiso Blackstar Shareholders entitled to and, in fact, voting in person or by proxy;

6.5.5 the KTH Sale being implemented and the cash payment of the KTH Sale Consideration is received by Tiso Blackstar;

6.5.6 the opinion from the Independent Expert confirming that the KTH Sale is fair to Tiso Blackstar Shareholders and the opinion from the Independent Expert confirming that the Scheme is fair to Tiso Blackstar Shareholders, as set out in **Annexure 1** and **Annexure 2** of the Circular, respectively not having been revoked or qualified;

6.5.7 Registered Shareholders holding, in aggregate, no more than 161,450,000 Tiso Blackstar Shares make Exit Elections or are being deemed to have made Exit Elections by the Scheme Record Date, pursuant to the Scheme;

6.5.8 the JSE granting the approval of the Delisting; and

6.5.9 the Scheme and the Capital Reduction being sanctioned and confirmed by the UK Court.

It is intended that the sanction of the Scheme and Capital Reduction by the UK Court set out in paragraph 6.5.9 will only be sought following the satisfaction or waiver, if applicable, of the conditions set out in paragraphs 6.5.1 to 6.5.8.

6.6 **Settlement Steps**

6.6.1 The settlement steps for an Exit Election Shareholder depends on how that Exit Election Shareholder currently holds its Tiso Blackstar Shares.

6.6.2 On the Scheme Effective Date:

6.6.2.1 the Exit Election Shares shall be cancelled by the Company;

6.6.2.2 all certificates representing Exit Election Shares shall cease to have effect as Documents of Title to the Exit Election Shares; and

6.6.2.3 each Exit Election Shareholder shall be entitled to receive the Scheme Consideration for its Exit Election Shares, subject to the provisions of this Circular.

6.6.3 Tiso Blackstar will, on or before the Scheme Effective Date, transfer or cause to be transferred to the Transfer Secretaries a cash amount in ZAR equal to the total Scheme Consideration to which Exit Election Shareholders are entitled. As agent for and behalf of Tiso Blackstar, the Transfer Secretaries will, subject to receiving the requisite amount, discharge the Scheme Consideration due to Exit Election Shareholders pursuant to the Scheme. Exit Election Shareholders will be entitled to receive the Scheme Consideration from the Transfer Secretaries only.

6.6.4 The Scheme Consideration shall be settled, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Tiso Blackstar may otherwise be, or claim to be, entitled against any Exit Election Shareholder.

6.6.5 Certificated Tiso Blackstar Shareholders who wish to retain some or all of their Tiso Blackstar Shares should make a valid election to do so. Any Registered Shareholder who fails to validly complete and return a Form of Election (*blue*) by 11:00 a.m. BST (12:00 p.m. SAST) on the Acceptance Date electing to retain some or all of its Tiso Blackstar Shares shall, unless the Company, in its absolute discretion elects to treat as valid in whole or in part any such election, subject to the Scheme becoming Effective, have all of its Tiso Blackstar Shares cancelled by the Company in accordance with the terms of the Scheme.

6.6.6 **PLEASE TAKE CAREFUL NOTE OF THE DEFAULT POSITION SHOULD THE SCHEME BECOME EFFECTIVE.** In accordance with the terms of the Scheme, if you do not validly make a Continuation Election and/or an Exit Election by the Acceptance Date (unless the Company, in its absolute discretion elects to treat as valid in whole or in part any such election), you will be deemed to have made an Exit Election in respect of all your Tiso Blackstar Shares (or, as the case may be, in respect of which you have not validly made a Continuation Election or an Exit Election) and if the Scheme becomes Effective, the Company will cancel all your Tiso Blackstar Shares in respect of which you have not made a valid Continuation Election. If a Continuation Election and/or Exit Election is received after the Acceptance Date or is received before such time but is not, or is deemed not to be, valid or complete in all respects or contains any errors or omissions, then such election shall be void unless the Company, in its absolute discretion elects to treat as valid in whole or in part any such Continuation Election and/or Exit Election (and if the Company elects to do so, then that Continuation Election and/or Exit Election shall be treated as valid for purposes of the Scheme). Please note that you are able to make an election in respect of some or all of your Tiso Blackstar Shares. However any Tiso Blackstar Shares in respect of which a Continuation Election is not made will be deemed to be Exit Election Shares and they will be cancelled and payment will be made to you of the applicable Scheme Consideration per Exit Election Share.

6.7 **Settlement of the Scheme Consideration**

6.7.1 Registered Shareholders are referred to the section entitled "Action required in relation to the Court Meeting and General Meeting", commencing on page 3 of the Circular, for further information regarding the steps to be taken by Tiso Blackstar Shareholders in relation to the settlement of the Scheme Consideration.

6.7.2 Exit Election Shareholders who hold Dematerialised Tiso Blackstar Shares will have their accounts held at their CSDP or Broker credited with the Scheme Consideration due to them and debited with the Tiso Blackstar Shares they are transferring to Tiso Blackstar pursuant to the Scheme on the Scheme Effective Date.

6.7.3 Exit Election Shareholders who hold Certificated Scheme Shares who have delivered the completed Form of Election (*blue*) to the Transfer Secretaries at or before the Acceptance Date will have the cheques in respect of the Scheme Consideration posted to them, at their risk, within five Business Days of the Scheme Effective Date, unless they have elected to receive the Scheme Consideration by way of electronic funds transfer by completing the relevant section on the Form of Election (*blue*), in which case the Scheme Consideration will be paid to them in cash within five Business Days of the Scheme Effective Date by way of electronic funds transfer.

6.7.4 For the avoidance of doubt, no interest will accrue for the benefit of Exit Election Shareholder on the Scheme Consideration.

6.8 **Tiso Blackstar Meetings**

6.8.1 The Scheme requires the approval by Registered Shareholders of the Scheme at the Court Meeting and the passing of the Special Resolution by Registered Shareholders at the General Meeting. The Court Meeting is scheduled to be held at 9:00 a.m. BST (10:00 a.m. SAST) and the General Meeting is scheduled to be held at 9:15 a.m. BST (10:15 a.m. SAST) on Monday, 21 September 2020, both at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom.

6.8.2 Notices of both the Court Meeting and the General Meeting are set out on pages 229 and 231 of this Circular. Entitlement to attend and vote at these meetings and the number of votes which may be cast thereat will be determined by reference to the Register at the Voting Record Date.

6.9 **Court Meeting**

6.9.1 The Court Meeting is being held at the direction of the UK Court to seek the approval of Registered Shareholders for the Scheme (with or without modification). The Scheme must be approved by (i) a majority in number of those Registered Shareholders who are present and vote, either in person or by proxy, at the Court Meeting (the "**Headcount Test**"); and (ii) representing 75% or more of the Tiso Blackstar Shares voted at the Court Meeting. Although the Scheme is formally with the Registered Shareholders, who are the holders of the legal title to all the Tiso Blackstar Shares, all Tiso Blackstar Shareholders can participate in the process to approve (or reject) the Scheme by taking the steps set out in this Circular to vote their shares at the Court Meeting. Voting will be by way of poll and not on a show of hands and there will be one vote for each Tiso Blackstar Share.

6.9.2 **It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the UK Court may be satisfied that there is a fair representation of Tiso Blackstar Shareholder opinion. Tiso Blackstar Shareholders are therefore strongly urged to complete and return the Form of Proxy (*green*) in relation to the Court Meeting as soon as possible and in any event so as to be received by the Transfer Secretaries no later than 9:00 a.m. BST (10:00 a.m. SAST) on Thursday, 17 September 2020 (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting). If the Form of Proxy (*green*) for the Court Meeting is not returned by then it can be handed to the Chairman of the Court Meeting or the Transfer Secretaries at the Court Meeting. Further details of the action to be taken are set out at "Action Required In Relation To the Court Meeting and the General Meeting" at page 3 of this Circular.**

6.9.3 **It is also important that all shareholders are aware of the implications of how they hold their shares for the Headcount Test, a unique statutory majority required under a UK scheme of arrangement, which is explained below at paragraph 6.10. Tiso Blackstar Shareholders who hold their shares through Strate will not count for the purposes of the Headcount Test (being the majority in number of shareholders voting at the Court Meeting). Their votes will only count for the second limb of the voting threshold (75% of the shares voted at the Court Meeting).**

6.9.4 Both voting thresholds need to be met for the UK Court to be able to sanction the Scheme.

6.9.5 Shareholders whose shares are held through the Strate Nominee and who wish to count towards the Headcount Test will need to Rematerialise their shares, as explained below at paragraph 6.10.9.

6.10 **Headcount Test**

6.10.1 The Company's uncertificated shares are traded on the JSE and settled through the Strate settlement and clearing system used by the JSE. A single registered holder, Strate Nominee, holds all the ordinary shares which are settled through the Strate system on behalf of the underlying beneficial holders and is registered as the legal titleholder on the Register.

6.10.2 The Company is a societas europaea established pursuant to the SE Regulation, registered in England and Wales. Accordingly, the laws applying to public companies in England and Wales apply to the Company in respect of matters not covered or authorised by the SE Regulation. For relevant purposes, the UK Companies Act applies to the Company. Section 112 of the UK Companies Act provides that a member is a person whose name is entered on the register of members. The Register does not record the interests of the underlying beneficial holders of the shares registered in the name of the Strate Nominee. All shares settled through Strate are held on the Register in the name of the Strate Nominee.

6.10.3 Only those members whose names are entered on the Register at the Voting Record Date can attend the Court Meeting and vote as Registered Shareholders. For the purpose of the Headcount Test, all shares registered in the name of Strate Nominee are held by only one member, namely, the Strate Nominee. Holders of Dematerialised Tiso Blackstar Shares do not count as members themselves and therefore do not count as Registered Shareholders. All Dematerialised Tiso Blackstar Shares are registered in the name of the Strate Nominee. Dematerialised Tiso Blackstar Shareholders do not therefore count as Registered Shareholders but they can direct how their shares are to be voted at the Court Meeting, and those votes will count towards the second limb of the dual voting threshold at the Court Meeting which requires 75% of the Shares voted at the Court Meeting to approve the Scheme.

6.10.4 Apart from the shares attributable to the Strate Nominee as legal titleholder on behalf of the Dematerialised Tiso Blackstar Shareholders, certain Tiso Blackstar Directors and members of senior management which are being certificated, as described immediately below, the Company has approximately 207 certificated shareholders holding in total approximately 0.44% of the Tiso Blackstar Shares. These certificated shareholders are members and Registered Shareholders as their names are on the Register. They will each count as one "head" for the purposes of the Headcount Test at the Court Meeting, should they so choose.

6.10.5 At recent general meetings, only a few of these certificated shareholders have voted in person or by proxy.

6.10.6 In order to overcome the anomaly where shareholders who hold their shares in the Strate Nominee are not members and therefore do not count towards the Headcount Test, and in order to make the Headcount Test more reflective of the Dematerialised Tiso Blackstar Shareholders' interests, 16 Strate shareholders who are either Tiso Blackstar Directors or members of senior management or investment vehicles used by them, have taken steps to take their shares out of the Strate Nominee and certificate them. The total number of shares certificated by them is 6 992 433. Details of these shares are set out in the table below.

Name and Surname	Shares held
Adam Curtis	897,481
Marc Darne	253,099
Chantal Donelly	49,008
Afzal Fakier	416,533
Stuart Slater	294,812
Vanessa Webster	38,453
Grant Hubbard	137,099
Aasha Mehta-Bobat	182,756
Reardon Sanderson	309,355
Riaan Viviers	109,973
Brian Wootton	90,044
Thomas Bemelman	723,845
Andrew Bonamour	2,192,207
William Marshall-Smith	810,568
Sheenagh Grota	335,646
Chantal Meirim	151,554
Total	**6,992,433**

6.10.7 All of these newly certificated Board and management shareholders have undertaken or intend to vote their shares in favour of the Scheme at the Court Meeting (and to make Continuation Elections in respect of all of their shares). If they do so, for the purposes of the Headcount Test, there will be at least 16 Registered Shareholders voting in favour of the Scheme.

6.10.8 The number of shares held by Registered Shareholders is irrelevant for the Headcount Test. It is only the number of Registered Shareholders voting in person or by proxy at the Court Meeting that is relevant. The number of shares voted is reflected in the second limb of the statutory majority required to approve a scheme of arrangement under section 899(1) of the UK Companies Act. Accordingly, if a majority in number of Registered Shareholders voting at the Court Meeting voted against it, a UK scheme of arrangement under the UK Companies Act can fail to be approved even if an overwhelming number of shares is voted in favour of it.

6.10.9 Dematerialised Tiso Blackstar Shareholders who wish to Rematerialise their shares should contact their CSDP or Broker.

6.10.10 Certification must be effected by the Voting Record Date which is anticipated to be Friday, 11 September 2020. Any Dematerialised Tiso Blackstar Shareholder seeking to rematerialise his or her shares who is not on the Register by the Voting Record Date will not count for the purposes of the Headcount Test.

6.10.11 The purpose of rematerialisation is to permit any Dematerialised Tiso Blackstar Shareholders (that is, those whose shares are currently on the Register in the name of the Strate Nominee) to overcome the anomaly of not being members and therefore not Registered Shareholders for the purposes of the Headcount Test.

6.11 **General Meeting**

6.11.1 The General Meeting will be held immediately after the Court Meeting has been held or adjourned. The Scheme is conditional upon, among other things, the passing of the Special Resolution at the General Meeting and the Scheme and Capital Reduction having been sanctioned by the UK Court. Further details of the Conditions are set out in paragraph 6.5 of this Circular.

6.11.2 The Special Resolution will require votes in favour representing 75% or more of the votes cast at the General Meeting in order to be passed. Voting on the Special Resolution at the General Meeting will be by way of poll.

6.11.3 The quorum for the General Meeting will be two or more Registered Shareholders present in person or by proxy.

6.11.4 **Certificated Tiso Blackstar Shareholders are strongly urged to complete and return the Form of Proxy (*yellow*) in relation to the General Meeting as soon as possible and in any event so as to be received by the Transfer Secretaries no later than 9:15 a.m. BST (10:15 a.m. SAST) on Thursday, 17 September 2020 (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting). Further details of the action to be taken are set out at "Action Required In Relation To The Court Meeting And The General Meeting" at page 3 of the Circular. Dematerialised Tiso Blackstar Shareholders should provide their voting instructions to their CSDP or Broker.**

6.12 **Sanction Hearing**

6.12.1 The Sanction Hearing is currently expected to be held on Monday, 5 October 2020 at the Royal Courts of Justice, Rolls Building, 7 Rolls Buildings, Fetter Lane, London. This is subject to whether the UK Court will conduct the hearing as a remote electronic hearing because of Coronavirus or otherwise. It might also conduct the hearing in part remotely. Registered Shareholders will have the right to attend the court hearing to support or oppose the Scheme and to appear in person or be represented by counsel. Tiso Blackstar Shareholders can seek to do so as well.

6.12.2 The court hearing to confirm the Capital Reduction will form part of the Sanction Hearing. Any creditors of the Company are entitled to attend the Capital Reduction Court Hearing in person or through their counsel to support or oppose the sanctioning of the Capital Reduction.

6.12.3 The Scheme and Capital Reduction will only be implemented on the Scheme Effective Date after an office copy of the court order sanctioning the Scheme and Capital Reduction is delivered to the UK Registrar of Companies. Assuming that the Conditions are satisfied, the Scheme is expected to become Effective on or about Tuesday, 6 October 2020.

6.13 **Coronavirus**

6.13.1 The Tiso Blackstar Board is closely monitoring the evolving Coronavirus (COVID-19) situation and public health concerns in the United Kingdom and elsewhere and will continue to have regard to developments over the coming weeks ahead of the Court Meeting and General Meeting. The UK Government has advised against the gathering of large groups of people or unnecessary travel in an attempt to minimise and delay the spread of the outbreak. The health and well-being of employees, Tiso Blackstar Shareholders and the wider community in which the Tiso Blackstar Group operates is of paramount importance for the Tiso Blackstar Board. The Tiso Blackstar Board is also committed to ensuring that Tiso Blackstar Shareholders can exercise their right to vote and ask questions at the Court Meeting and General Meeting, either as a shareholder or through a representative or proxy of the Strate Nominee.

6.13.2 As such, due to the potential risks of aiding the spread of the Coronavirus by Registered Shareholders gathering at the Court Meeting and General Meeting and the possibility of restrictions being imposed on travel and on how the Court Meeting and General Meeting themselves are held and conducted, the Tiso Blackstar Board believes that the safest way for Registered Shareholders to exercise their rights at the Court Meeting and General Meeting is by voting remotely through appointing a proxy, rather than attending the Court Meeting and General Meeting in person. Registered Shareholders are encouraged to appoint a proxy in accordance with the sections of this circular entitled "Action Required In Relation To The Court Meeting And The General Meeting" at page 3 of the Circular as early as possible, even if they would typically intend to attend the meeting in person, as the situation may change and it may not be possible for them to attend the Court Meeting and General Meeting in person.

6.13.3 In light of the potential for the Coronavirus situation in the United Kingdom to change rapidly, Tiso Blackstar Shareholders should continue to monitor and act in accordance with guidance issued by the UK Government and relevant health authorities. In any event, persons who have recently returned (or who have been in close contact with any person who has recently returned from) any country or region where Coronavirus is widespread are kindly requested by the Tiso Blackstar Board not to attend the Court Meeting and General Meeting in person, irrespective of whether they are displaying any symptoms of Coronavirus. The Tiso Blackstar Board also discourages persons who may be particularly vulnerable to Coronavirus (for example, due to age and/or any underlying health conditions which may put them at greater risk of complications) from attending the Court Meeting and General Meeting in person.

6.13.4 Tiso Blackstar Shareholders should also continue to monitor Tiso Blackstar's website and announcements for any updates in relation to the Court Meeting and General Meeting.

6.13.5 As noted in paragraph 6.13.2 above, the Tiso Blackstar Board believes that the safest way for Registered Shareholders to exercise their rights at the Court Meeting and General Meeting is by voting remotely through appointing a proxy as detailed in the Explanatory Statement rather than attending the Court Meeting and/or General Meeting in person. Tiso Blackstar Shareholders are encouraged to appoint a proxy in accordance with the Explanatory Statement of this document as early as possible, even if they would typically intend to attend the Court Meeting and/or the General Meeting in person, as the situation may change and it may not be possible for them to attend the Court Meeting and/or the General Meeting in person.

6.13.6 However, so as to allow Tiso Blackstar Shareholders to listen in to, and to ask questions in relation to, the business of the Court Meeting and/or General Meeting, a conference call facility has been arranged to allow this. Registered Shareholders shall be permitted to dial in to the Court Meeting and General Meeting using the following details:

- +44 330 094 7630 (from within the UK)
- +27 8755 18337 (from South Africa)
- https://www.meetupcall.com/numbers/ (other international details)

Conference ID code: 32077708

No answer need be given to any question asked if (a) to do so would interfere unduly with the conduct of the Court Meeting and/or General Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the Court Meeting and/or General Meeting that the question be answered. It should be noted that those Tiso Blackstar Shareholders dialling in to the Court Meeting and/or General Meeting will not be counted in the quorum (without prejudice to their ability to vote remotely through the appointment of a proxy) and will not be able to vote at the Court Meeting and/or General Meeting, but are encouraged to appoint a proxy in accordance with the Explanatory Statement.

6.14 **Board recommendation**

As further detailed in paragraph 18 below, the Board recommends that Tiso Blackstar Shareholders vote in favour of the Scheme.

6.15 **Foreign and Emigrant Tiso Blackstar Shareholders and Exchange Control Regulations**

Annexure 10 to this Circular contains a summary of the Exchange Control Regulations as they apply to Exit Election Shareholders. Exit Election Shareholders who are not resident in, or who have a registered address outside of, South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the Scheme Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such territory.

6.16 **Restricted jurisdictions**

6.16.1 To the extent that the distribution of this Circular in certain jurisdictions outside of South Africa and the UK may be restricted or prohibited by the laws of such foreign jurisdiction, then this Circular is deemed to have been provided for information purposes only, and Tiso Blackstar and the Tiso Blackstar Board do not accept any responsibility for any failure by Tiso Blackstar Shareholders to inform themselves about, and to observe, any applicable legal requirements in any relevant foreign jurisdiction. Tiso Blackstar Shareholders who are resident or incorporated in such jurisdictions should inform themselves about any applicable legal requirements which they are obliged to observe. It is the responsibility of any such Tiso Blackstar Shareholder to satisfy himself/herself as to the full observance of the laws of any relevant jurisdiction in connection with the transactions outlined in this Circular. Tiso Blackstar Shareholders who are resident or incorporated in such jurisdictions shall be deemed to have warranted that they have complied in all respects with all laws and requirements in relation to their participation (or otherwise) in the transactions outlined in this Circular.

6.16.2 Tiso Blackstar Shareholders who are in doubt as to their position should consult their professional advisors.

6.17 **Modification of, or addition or condition to, the Scheme**

The Scheme contains a provision for the Company to consent to any modification of, or addition or condition to, the Scheme which the UK Court may think fit to approve or impose. The UK Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of the Registered Shareholders unless the Registered Shareholders were informed of any such modification, addition or condition. It would be a matter for the UK Court to decide, in its discretion, whether or not a further meeting of Registered Shareholders should be held. Similarly, if a modification, addition or condition is put forward which in the opinion of the Tiso Blackstar Directors, is of such a nature or importance to require the consent of Registered Shareholders at a further meeting, the Tiso Blackstar Directors will not take the necessary steps to enable the Scheme to become Effective unless and until such consent is obtained.

6.18 **Delisting of Tiso Blackstar Shares**

6.18.1 If the Scheme is implemented, the Tiso Blackstar Shares will be delisted from the JSE.

6.18.2 Tiso Blackstar Shareholders have the option of retaining their Tiso Blackstar Shares in the Company as an unlisted entity following the Delisting by making the Continuation Election. The nature of Tiso Blackstar's business will not change significantly pursuant to the Delisting and the Tiso Blackstar Board will be considered in the light of the governance requirements for an unlisted but public interest company in accordance with the UK Companies Act requirements following the Delisting.

6.18.3 The unlisted environment may not meet certain Tiso Blackstar Shareholders' investment objectives and these Tiso Blackstar Shareholders are given the opportunity to dispose of their Tiso Blackstar Shares pursuant to the Scheme prior to the Delisting.

6.18.4 If the Delisting is implemented, Tiso Blackstar Shareholders who make a Continuation Election should be aware of the implications and principal effects of the Delisting, which include the following:

6.18.4.1 **Liquidity** – the liquidity and marketability of the Tiso Blackstar Shares will be significantly reduced. The Tiso Blackstar Directors do not intend to provide, seek or support any arrangements whereby Tiso Blackstar Shares can be bought or sold on a matched bargain basis following the Delisting becoming effective. Accordingly, interests in Tiso Blackstar Shares are unlikely to be readily capable of sale and, where a buyer is identified, it will be difficult to place a fair value on any such sale thus affecting the transferability of shares even if there are otherwise no restrictions on their transferability. In addition, as stated in paragraph 7.1.3 below, post-Delisting it is intended for new Articles to be adopted which would include pre-emption rights on issues and transfers;

6.18.4.2 **Public market** – there will be no public market or trading facility on any recognised investment exchange for the Tiso Blackstar Shares and, consequently, there can be no guarantee that a shareholder will be able to purchase or sell any Tiso Blackstar Shares;

6.18.4.3 **JSE Listings Requirements** – Tiso Blackstar will no longer be subject to the JSE Listings Requirements and Tiso Blackstar Shareholders will no longer be afforded the protections given by the JSE Listings Requirements;

6.18.4.4 **Regulatory, accounting and reporting requirements** – as an unlisted company, Tiso Blackstar will be subject to fewer regulatory restrictions than as a listed company. In addition, as an unlisted company, Tiso Blackstar may be subject to less stringent accounting and reporting requirements and will not, for example, be required to publish interim accounts;

6.18.4.5 **Tax** – the Delisting may have either positive or negative taxation consequences for Tiso Blackstar Shareholders. Tiso Blackstar Shareholders who are in any doubt about their tax position should consult their own professional independent adviser immediately; and

6.18.4.6 **Dilution** – there will be reduced controls over the terms of capital raises and issuances of new Tiso Blackstar Shares, to related parties. This could lead to substantial dilution for minority shareholders.

6.19 **Dividends and Distributions**

If, on or after the date of this Circular, any dividend and/or other distribution and/or return of capital is declared, made or paid or becomes payable in respect of the Tiso Blackstar Shares with a record date before the court hearing, Tiso Blackstar reserves the right to reduce the Scheme Consideration payable under the terms of the Scheme for the Exit Election Shares by an amount up to the amount of such dividend and/or other distribution and/or return of capital, in which case any reference in this document to the Scheme Consideration payable under the terms of the Scheme will be deemed to be a reference to the Scheme Consideration as so reduced. In such circumstances, Tiso Blackstar Shareholders would be entitled to retain any such dividend and/or other distribution and/or return of capital.

6.20 **The Register and Share Certificates**

As Dematerialised Tiso Blackstar Shareholders are uncertificated due to their Tiso Blackstar Shares being held on the Strate system, a result of Delisting is that such shares are Rematerialised and share certificates will be issued to the Dematerialised Tiso Blackstar Shareholders as at the Scheme Record Date for any of their shares which have not been cancelled pursuant to the Scheme. Within ten Business Days of Delisting, the Transfer Secretaries shall send to the relevant CSDPs or Brokers share certificates in respect of Continuation Election Shares which are Dematerialised Shares. The share certifciates will be in the names of the respective Dematerialised Tiso Blackstar Shareholders in accordance with the information as provided to the Company by Strate as to the names and addresses of the Dematerialised Tiso Blackstar Shareholders, and their respective number of Continuation Election Shares, as at the Scheme Record Date. As soon as practicable following Delisting, the Transfer Secretaries shall enter in the Register the relevant details of the Dematerialised Tiso Blackstar Shareholders who hold Continuation Election Shares in accordance with the information as provided to the Company by Strate for the Dematerialised Tiso Blackstar Shareholders, and their respective number of Continuation Election Shares, as at the Scheme Record Date.

7. POST-DELISTING PLANS

Following its delisting from the JSE, the Company intends for the following actions to take place. Tiso Blackstar Shareholders wishing to remain in the Company should have regard to these planned actions:

7.1 **Shareholder Arrangements**

7.1.1 Implementation of the Delisting was not proposed with the intention of vesting further control in the hands of certain individuals or groups of Tiso Blackstar Shareholders, however, this could be an unintended outcome. Accordingly, the Company sought to implement arrangements with its largest shareholders to ensure that the balance of control over the Company is not materially varied as a result of the Delisting and related corporate actions.

7.1.2 Following the cancellation of the Exit Election Shares, it is expected that David Adomakoh and Nkululeko Sowazi (each of whom is a Tiso Blackstar Director) will, through their relevant investment vehicles, hold a significant proportion of the Tiso Blackstar Shares and, as a result, possess significant influence on the affairs of the Company. To mitigate the risk that the Company no longer acts in the best interests of all of its shareholders, TIH (being the main vehicle through which David Adomakoh and Nkululeko Sowazi hold their investments in the Company) and TF (of which David Adomakoh and Nkululeko Sowazi are trustees), will enter into a shareholders' agreement (the "**SHA**") with the Company and the remaining Tiso Blackstar Shareholders (who have exercised Continuation Elections) to the extent agreed by them to it, as well as adopting new articles of association in respect of the Company ("**Articles**"). Certain principles relating to the SHA and the revised Articles have been agreed upfront between the Company and each of TIH and TF in terms of a relationship agreement that has been concluded and is available for inspection by Tiso Blackstar Shareholders, as contemplated in paragraph 23 of this Circular ("**Relationship Agreement**"). The Company intends for the SHA to be entered into so that there is a direct contractual obligation as between shareholders, thereby bolstering the protection offered to minority shareholders in the Company and providing for matters customary for unlisted companies, such as rights of pre-emption in favour of existing shareholders pursuant to transfers of shares.

7.1.3 Under the Relationship Agreement, *inter alia* the following principles are agreed in relation to the SHA and the Articles and each of TIH and TF have undertaken to agree to and vote in favour of matters proposed in relation to the following:

7.1.3.1 the Tiso Blackstar Shares held by TF, TIH and their connected persons shall entitle them to exercise, in aggregate, a maximum of 45% of the total aggregate voting rights exercisable in respect of any general or class meeting of the Company at which any of them are eligible to vote;

7.1.3.2 the Tiso Blackstar Board shall comprise of up to four directors;

7.1.3.3 pre-emption rights exist in respect of share issues and transfers;

7.1.3.4 for as long as TF, TIH and their connected persons hold in aggregate at least 25% of the Tiso Blackstar Shares, they shall be entitled to appoint and remove one director and one observer to attend and speak (but not vote) at meetings of the Tiso Blackstar Board;

7.1.3.5 any Tiso Blackstar Shares held by TF, TIH and their connected persons shall entitle them to a maximum of 25% of the total aggregate voting rights exercisable in respect of resolutions proposed to appoint and or remove any director nominated by any other Tiso Blackstar Shareholder; and

7.1.3.6 certain matters which affect or have the potential to affect the operations of the Company and/or prejudice the interests of other Tiso Blackstar Shareholders will be subject to a higher approval threshold of 65% instead of a simple majority. These matters include, amongst other items, the calculation of dividends, any changes to the issued share capital of the Company, changes to the board of directors and entry by the Company into material transactions.

7.1.4 To ensure that the arrangements set out above are entered into, TF and TIH have entered into irrevocable undertakings to execute documents and do acts such that the arrangements above are effected, including to vote in favour of any resolutions proposed by the Company to adopt the New Articles. Under the terms of such irrevocable undertakings, no amendment, variation, waiver or consensual cancellation shall be of any force and effect unless reduced to writing and signed by the parties, provided that the Company is acting with the approval of a majority of directors of the Board and the votes of David Adomakoh and Nkululeko Sowazi are not counted for the purposes of determining whether such approval has been received.

7.1.5 As the SHA offers contractual protection to minority shareholders as set out above, any shareholder remaining in the Company post-Delisting will, if they so wish, be joined as a party to the SHA so that they will benefit from the rights, remedies and protections it provides.

7.1.6 There is no current intention for the composition of the Tiso Blackstar Board to change following Delisting.

7.2 **Proposed Migration of the Company to Luxembourg**

7.2.1 The Company is undertaking steps to initiate the transfer of its registered office from the United Kingdom to Luxembourg pursuant to Article 8(1) of the SE Regulation (the "**Migration**") before 31 December 2020, being the current date, following the United Kingdom's exit from the European Union, after which the Company will be automatically converted into a UK Societas Europaea and will no longer be allowed to transfer its registered office. It is currently intended by the Tiso Blackstar Board that this will be proposed to Tiso Blackstar Shareholders shortly after Delisting at general meeting to be called to approve the Migration. A transfer proposal is being prepared and is expected to be made available to Tiso Blackstar Shareholders at least one month before such general meeting to enable the Tiso Blackstar Shareholders after Delisting to consider the merits and effects of the Migration. This will need to occur in sufficient time to allow the completion of the Migration before 31 December 2020.

7.2.2 The Tiso Blackstar Board currently expects that the general meeting called to consider the Migration is likely to approve the Migration.

7.2.3 If the Company transfers its registered office to Luxembourg, it will become subject to the laws applying to public limited companies in Luxembourg, instead of England and Wales, in respect of matters not covered or expressly authorised by the Council Regulation (EC) No 2157/2001.

8. FINANCIAL INFORMATION

8.1 Historical Financial Information of KTH

The audited historical financial information of KTH for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 is presented in **Annexure 3** to this Circular, with the Independent Reporting Accountants' report thereon appearing in **Annexure 4**.

8.2 Interim Financial Information of KTH

The reviewed interim financial information of KTH for the 6-month period ended 31 December 2019 is presented in **Annexure 5** to this Circular, with the Independent Reporting Accountants' Report thereon in **Annexure 6**.

8.3 Historical Financial Information and Interim Financial Information of Tiso Blackstar

8.3.1 The audited historical financial information of Tiso Blackstar for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the unaudited interim financial information of Tiso Blackstar for the 6-month period ended 31 December 2019 are incorporated herein by reference and can be accessed on the Company's website (http://www.tisoblackstar.com/tbg/investors/publications/). These financial statements will also be available for inspection in accordance with paragraph 23 of this Circular:

Disclosure	Document	Website link
Historical financial information	Audited financial information of Tiso Blackstar for the year ended 30 June 2019	https://storage.googleapis.com/tiso_cosmos_files/Tiso Blackstar Group SE IAR 2019_A4 Print Friendly_HiRes_2 Dec-com-min (1) (1).pdf
Historical financial information	Audited financial information of Tiso Blackstar for the year ended 30 June 2018	https://storage.googleapis.com/tiso_cosmos_files/Integrated%20Annual%20Report%20-%202018.pdf
Historical financial information	Audited financial information of Tiso Blackstar for the year ended 30 June 2017	https://storage.googleapis.com/tiso_cosmos_files/Integrated%20Annual%20Report%202017.pdf
Unaudited financial information	Unaudited interim financial information of Tiso Blackstar for the 6-month period ended 31 December 2019	https://storage.googleapis.com/tiso_cosmos_files/Interim%20Results%20Final.pdf

8.3.2 The reviewed provisional consolidated financial statements of Tiso Blackstar for the financial year ended 30 June 2020 will be published on SENS and on Tiso Blackstar's website on or about Wednesday, 16 September 2020.

8.4 *Pro forma* Financial Information of Tiso Blackstar

The *pro forma* financial information of Tiso Blackstar is presented in **Annexure 7** to this Circular, with the Independent Reporting Accountants' report thereon appearing in **Annexure 8**.

9. INFORMATION RELATING TO TISO BLACKSTAR

9.1 Share Capital

9.1.1 The current issued share capital of Tiso Blackstar, as at the Last Practicable Date, is shown below:

Before the Scheme	**Number of Shares**	**Share Capital ZAR'000**[1]
Issued, net of treasury shares	269,994,681	513,076
Ordinary shares of €0.10 each	275,753,092	524,019
Treasury shares of €0.10 each	5,758,411	10,943
Share Premium	–	–

Notes:

[1] *A capital reduction was approved by the Tiso Blackstar Shareholders at the Company's Annual General Meeting held on 11 December 2019, and by the courts under the UK Companies Act on 3 March 2020. There was a reduction in the nominal value of each share from €0.76 to €0.10 but there was no change in the number of the Company's issued ordinary shares as a result of the share capital reduction.*

9.1.2 The anticipated issued share capital of Tiso Blackstar following the Scheme, is shown below:

Following the Scheme	Number of Shares	Share Capital ZAR'000[1]
Issued, net of treasury shares	108,544,681	206,269
Ordinary shares of €0.10 each	114,303,092	217,212
Treasury shares of €0.10 each	5,758,411	10,943
Share Premium	–	–

Notes:

[1] *Assumes that 161,450,000 Tiso Blackstar Shares are cancelled pursuant to the terms of the Scheme.*

9.1.3 The impact of the Scheme on the Company's share capital is shown above, while the implementation of the KTH Sale will have no impact on the Company's issued share capital.

9.2 **Major Tiso Blackstar Shareholders**

As far as Tiso Blackstar is aware, as at the Last Practicable Date, the following persons, other than Tiso Blackstar Directors, are beneficially interested, directly or indirectly, in 5% or more of the Tiso Blackstar Shares in issue. TIH is wholly owned by David Adomakoh and Nkululeko Sowazi:

Name of Tiso Blackstar Shareholder	Number of Shares	Percentage of Shares in issue (net of treasury shares)
Tiso Investment Holdings Proprietary Limited	50,787,536	18.8%
Kagiso Asset Management	49,877,232	18.5%
Tiso Foundation Charitable Trust	32,984,567	12.2%
Ninety One SA Proprietary Limited	13,787,650	5.8%
Total	**147,436,985**	**54.6%**

9.3 **Material Change**

9.3.1 Save for as set out below, there has been no material change in the financial or trading position of the Tiso Blackstar Group between the publication of the Company's unaudited financial results for the 6-month period ended 31 December 2019 and the Last Practicable Date.

9.3.2 Coronavirus has impacted the operations of the business in a variety of ways. The lockdown introduced by the South African government severely affected the operations of the Company and its customers with operating capacity having been reduced significantly during this period and only those production lines associated with essential services being allowed to operate. In addition, a portion of Hirt & Carter Group's business is reliant upon advertising and packaging of alcohol and related products and the ban on alcohol sales in South Africa has affected revenue within this portion of the business.

9.3.3 Further to the above, the Company is starting to experience the general effect of the Coronavirus on the business through constraints on working capital as a result of slow paying debtors and bad debts.

9.3.4 The full impact of the Coronavirus cannot be fully assessed particularly in light of the potential for further lockdown restrictions and changes to legislation regarding the sale of alcohol and other consumer products in South Africa. The Company's business is also consumer focused and the broad reaching affects of the Coronavirus on South African consumers are likely to impact the business for an extended period of time.

9.4 **Prospects**

Following the KTH Sale and the Delisting, Tiso Blackstar will continue to focus on creating shareholder value through its core operation comprising of the Hirt & Carter Group. Tiso Blackstar will continue to dispose of or wind-up any remaining non-core investments. Future performance is expected to be enhanced through the reduction of head office and administrative costs pursuant to the Delisting thereby allowing for additional cash flows and management time to be allocated towards the growth and efficiency of Tiso Blackstar's core operations.

9.5 **Material Borrowings**

Details of the material borrowings of Tiso Blackstar and its Subsidiaries are disclosed in **Annexure 9** to this Circular.

9.6 **Material Contracts**

9.6.1 Other than the KTH Sale Agreement, the Transaction Implementation Agreement, the Relationship Agreement and as set out in paragraphs 9.6.2 to 9.6.6 of this Circular, Tiso Blackstar and its Subsidiaries have not entered into, either verbally or in writing, any material contracts (being restrictive funding arrangements and/or contracts entered into otherwise than in the ordinary course of business carried on or proposed to be carried on by them):

9.6.1.1 within the 2 years preceding the date of this Circular; or

9.6.1.2 at any time, and which contain an obligation or settlement that is material to Tiso Blackstar or its Subsidiaries at the date of this Circular.

9.6.2 Blackstar Holdings Group Proprietary Limited, a wholly-owned Subsidiary of TBH UK and, ultimately, of the Company, entered into a sale of shares and claims agreement, as amended, with Lebashe Investment Group Proprietary Limited and Arena Holdings Proprietary Limited (previously, Tiso Blackstar Group Proprietary Limited), a wholly-owned Subsidiary of the Company on 27 June 2019, pursuant to which Blackstar Holdings Group Proprietary Limited sold the entire issued share capital of Arena Holdings Proprietary Limited (previously, Tiso Blackstar Group Proprietary Limited) together with all claims whatsoever held by Blackstar Holdings Group Proprietary Limited against Arena Holdings Proprietary Limited (previously, Tiso Blackstar Group Proprietary Limited), to Lebashe Investment Group Proprietary Limited for a consideration of ZAR800,000,000 adjusted for debt, cash and normalised working capital, and for any movement in tangible net asset value, further details of which appear in the circular distributed to Tiso Blackstar Shareholders on Friday, 20 September 2019.

9.6.3 Blackstar Holdings Group Proprietary Limited entered into a sale of shares agreement with Lebashe Investment Group Proprietary Limited, Rise Broadcast Proprietary Limited and Vuma 103 FM Proprietary Limited on 29 July 2019, pursuant to which Blackstar Holdings Group Proprietary Limited will sell the entire issued share capital of each of Rise Broadcast Proprietary Limited and Vuma 103 FM Proprietary Limited to Lebashe Investment Group Limited for a consideration of ZAR50,000,000, further details of which appear in the circular distributed to Tiso Blackstar Shareholders on Friday, 20 September 2019.

9.6.4 Blackstar Holdings Group Proprietary Limited entered into a sale of shares agreement with Arena Holdings Proprietary Limited, Gallo Music Investments Proprietary Limited and Indigenous Film Distribution Proprietary Limited as announced on 6 March 2020, pursuant to which Blackstar Holdings Group Proprietary Limited sold the entire issued share capital of each of Gallo Music Investments Proprietary Limited and Indigenous Film Distribution Proprietary Limited to Arena Holdings Proprietary Limited for a consideration of ZAR75,000,000.

9.6.5 The Hirt & Carter Group, through Hirt & Carter (South Africa) Proprietary Limited entered into a share sale and purchase agreement with the Cumming Family Trust for the purchase of the entire issued share capital of First Impression Labels Proprietary Limited for a purchase consideration of ZAR190,000,000. This agreement was entered into on 13 November 2018 and the sale thereunder implemented in March 2019. The purchase consideration was payable in 2 separate tranches, with the initial tranche of ZAR95,000,000 having been paid in March 2019 and the second tranche payment equal to the base amount (i.e. not greater than ZAR95,000,000) plus interest, having been paid in March 2020. The initial payment of the purchase consideration was funded out of additional borrowings of ZAR100,000,000 raised by Hirt & Carter (South Africa) Proprietary Limited.

9.6.6 Tiso Blackstar entered into a guarantee agreement with Rand Merchant Bank pursuant to which Tiso Blackstar provided a ZAR110,000,000 guarantee to Rand Merchant Bank in respect of funding provided to Robor Proprietary Limited, an investment of Tiso Blackstar that has been placed into liquidation. The guarantee can only be called upon once all the assets of Robor Proprietary Limited have been realised through the liquidation process. An assessment of the liquidation outcome has been performed and found that it is likely that a portion of the guarantee will be called upon. As such, Tiso Blackstar has raised a provision for ZAR59,000,000 in respect of the guarantee in its unaudited interim financial results for the six-month period ended 31 December 2019. However, the outcome of this process will likely only be finalised at a later date.

9.7 **Acquisition of material assets**

Other than the acquisition referred to in paragraph 9.6.5 of this Circular, no material assets have been acquired by Tiso Blackstar during the last three years preceding the date of this Circular.

10. INFORMATION RELATING TO TISO BLACKSTAR DIRECTORS AND THE FORFEITABLE SHARE PLAN

10.1 **Directors interests in Tiso Blackstar Shares**

10.1.1 The table below sets out the direct and indirect beneficial interests of the Tiso Blackstar Directors (and their associates), including any directors who may have resigned during the last 18 months, in Tiso Blackstar's issued share capital as at the Last Practicable Date:

Director	Direct Beneficial	Indirect Beneficial	Total	% of Shares net of treasury shares
David Adomakoh		25 393 768	25 393 768	**9.41%**
Andrew Bonamour	2 192 207	11 568 080	13 760 287	**5.10%**
John Mills	136 400	624 850	761 250	**0.28%**
Nkululeko Sowazi		25 393 768	25 393 768	**9.41%**
Harishkumar Mehta		6 604 938	6 604 938	**2.45%**
Total	**2 328 607**	**69 585 404**	**71 914 011**	**26.65%**

10.1.2 During the period between the most recent financial year end on 30 June 2019 and the Last Practicable Date –

10.1.2.1 the indirect beneficial interest of David Adomakoh and Nkululeko Sowazi decreased from 26,893,768 Shares to 25,393,768 Shares, individually, as a result of a dealing announced on SENS on 1 July 2019, whereby certain members of Tiso Blackstar management (including Andrew Bonamour) established a special purpose vehicle ("**SPV**"), to, *inter alia*, acquire 3,000,000 Tiso Blackstar Shares from TIH, an associate of David Adomakoh and Nkululeko Sowazi, and 6,000,000 Tiso Blackstar Shares from TF. David Adomakoh and Nkululeko Sowazi indirectly own 50% of TIH each, and are therefore considered to have indirect beneficial interests in this shareholding;

10.1.2.2 there has been no movement in the direct or indirect beneficial shareholdings of John Mills and Harishkumar Mehta.

10.2 **Directors' remuneration**

The remuneration of the Tiso Blackstar Directors will not be varied as a result of the KTH Sale or the Scheme or the Standby Offer. Tiso Blackstar Directors that are participants of the Forfeitable Share Plan will be entitled to vote the shares in the Forfeitable Share Plan in the Scheme. They have undertaken to make Continuation Elections in respect of these shares in order that the shares are not cancelled under the Scheme. The shares are subject to the provisions of the Forfeitable Share Plan Rules (which includes that they are not entitled to dispose of their (unvested) Forfeitable Shares).

10.3 **Forfeitable Share Plan**

Awards issued pursuant to the Forfeitable Share Plan shall not be accelerated or amended as a result of the KTH Sale, the Scheme or the Standby Offer. The Forfeitable Share Plan will continue post the Delisting should the Scheme or the Standby Offer be implemented. All participants in the Forfeitable Share Plan have entered into irrevocable undertakings to make Continuation Elections in respect of the Scheme and to vote in favour of the Scheme. Further details are set out at paragraph 16 of the Circular. The shareholding of each participant in the Forfeitable Share Plan has been certificated and each such participant will count towards the Headcount Test for the Scheme, as explained at paragraph 6.10.

10.4 **Directors' interests in transactions**

10.4.1 Save for being a Tiso Blackstar Shareholder and as set out in paragraph 10.4.2 below, no Tiso Blackstar Director (including any person who may have resigned as a director within the last 18 months) has any material beneficial interest in the KTH Sale or in any transactions that were effected by Tiso Blackstar:

10.4.1.1 during the current or immediately preceding financial year (other than the provision of the guarantee to the SPV referred to in paragraph 9.6.6 above); or

10.4.1.2 during an earlier financial year and remain in any respect outstanding or unperformed.

10.4.2 David Adomakoh and Nkululeko Sowazi each have a material beneficial interest in the KTH Sale as a result of their shareholding in TIH, being the purchaser of the KTH Sale Shares pursuant to the KTH Sale Agreement.

10.4.3 Following the KTH Sale, TIH shall acquire KTH's interest in an asset held by KTH in exchange for the KTH Sale Shares. TIH intends to dispose of the asset which could result in a profit. Tiso Blackstar was presented with the option of participating in this opportunity, however, following a review of the proposed transaction terms, Tiso Blackstar elected to rather pursue the direct sale of the KTH Sale Shares for cash.

10.5 **Service contracts of executive Tiso Blackstar Directors**

10.5.1 Each of the executive Tiso Blackstar Directors has entered into service contracts with terms and conditions that are standard for such appointments, which are available for inspection in accordance with paragraph 23 of this Circular. The contracts of all executive Directors can be terminated by the Company on 3 months' notice.

10.5.2 The restraints of trade imposed by Tiso Blackstar on executive Tiso Blackstar Directors provide that such Tiso Blackstar Directors shall not, without the Company's prior written consent, while employed by the Company and for 12 months from the termination of their employment, whether as a proprietor, partner, director, shareholder, employee, consultant, contractor, financier, agent, representative, assistant or otherwise, directly or indirectly, carry on or be interested or engaged in or concerned with or employed by any business, trade, firm, undertaking or concern carried on in Africa or globally which sells goods or renders services in competition with the business conducted by Tiso Blackstar.

10.5.3 The duration of each executive Tiso Blackstar Director's appointment is determined by the service contracts referred to in paragraph 10.5.1 above, whilst the duration of the appointment of non-executive Tiso Blackstar Directors is determined by the articles of association of the Company which are also available for inspection in accordance with paragraph 23 of this Circular.

10.5.4 No service contracts of the executive Tiso Blackstar Directors have been entered into or amended within the six month period prior to the Last Practicable Date.

11. ADEQUACY OF CAPITAL

11.1 The Directors are of the opinion that the working capital available to the Tiso Blackstar Group is sufficient for the Tiso Blackstar Group's present working capital requirements and will, post-implementation of the KTH Sale and the Scheme or the Standby Offer be adequate for at least 12 months from the date of issue of this Circular.

11.2 In addition, the Tiso Blackstar Board confirms that it has considered the impact of the KTH Sale, the Scheme and the Standby Offer and is of the opinion that –

11.2.1 the Company and the Tiso Blackstar Group will be able, in the ordinary course of business, to pay their debts for a period of 12 months from the date of approval of this Circular;

11.2.2 the assets of the Company and the Tiso Blackstar Group will be in excess of their liabilities for a period of 12 months from the date of approval of this Circular, where, for this purpose, the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements of the Company;

11.2.3 the share capital and reserves of the Company and the Tiso Blackstar Group will be adequate for ordinary business purposes for a period of 12 months after the date of this Circular;

11.2.4 the working capital of the Company will be adequate for ordinary business purposes for a period of 12 months after the date of approval of the Circular; and

11.2.5 the Company and the Tiso Blackstar Group have passed the required solvency and liquidity test under the UK Insolvency Act 1986 and that, since the test was performed, there have been no material changes to the financial position of the Company and the Tiso Blackstar Group.

12. LITIGATION

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the Company is aware, which may have or have over the previous 12 months had a material effect on the financial position of the Tiso Blackstar Group.

13. EXPENSES

13.1 There have been no preliminary expenses relating to the preparation and distribution of this Circular, holding the General Meeting and implementing the Scheme and the KTH Sale, in the 3 years immediately preceding the date of this Circular.

13.2 The estimated expenses of preparing and distributing this Circular, holding the General Meeting and implementing the Scheme and the KTH Sale, including the fees payable to professional advisors, are approximately ZAR15,000,000, excluding value-added tax, and include the following:

TRANSACTION COSTS		**ZAR'000**
Sponsor	PSG Capital	1,500
Corporate advisor	Vestra Advisory Proprietary Limited	6,000
South African legal advisor	Cliffe Dekker Hofmeyr Inc	500
English legal advisors	Paul Hastings LLP	2,920
English counsel	Erskine Chambers	2,123
Independent Reporting Accountants	Deloitte & Touche	178
Independent Reporting Accountants	PricewaterhouseCoopers	850
Independent Expert	BDO	500
Printing, publication, distribution and advertising expenses	GreymatterFinch	305
JSE documentation fees	JSE Limited	124
TOTAL		**15,000**

14. COURT MEETING

14.1 The Court Meeting will be held at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom on Monday, 21 September 2020 at 9:00 a.m. BST (10:00 a.m. SAST), to consider and, if deemed fit, to approve, with or without modification, the Scheme. Notice of the Court Meeting is attached to this Circular.

14.2 In order that the UK Court can be satisfied that the votes cast consist of a fair representation of the views of Registered Shareholders, it is important that as many votes as possible are cast at the Court Meeting. If the Scheme is approved and becomes Effective, it will be binding on all Registered Shareholders, irrespective of whether they attended the Court Meeting or the way in which they voted.

15. GENERAL MEETING

Following the Court Meeting, the General Meeting will be held at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom on Monday, 21 September 2020 at 9:15 am BST (10:15 a.m. SAST) or as soon after the Court Meeting concludes (if, later) to consider and, if deemed fit, to pass, the Resolutions set out in the Notice of General Meeting attached to this Circular.

16. IRREVOCABLE UNDERTAKINGS

16.1 Details of the Irrevocable Undertakings pursuant to which the parties set out below have undertaken, *inter alia*, to vote or instruct their CSDP or Broker to vote in favour of the Scheme, the Resolutions and to make the Continuation Election and not accept the Standby Offer are set out below. The undertakings contained in each Irrevocable Undertaking are irrevocable and remain of full force and effect until the earlier of:

16.1.1 the date upon which the Standby Offer lapses as a result of the non-fulfilment of any condition precedent to which the Standby Offer is subject, unless such condition precedent is waived by Tiso Blackstar; and

16.1.2 30 November 2020.

Shareholder	Shares undertaken to vote in favour of the Resolutions	% of Shares in issue (Net of Treasury Shares)	Irrevocable Continuation Election	% of Shares in issue (Net of Treasury Shares)
TIH	50 787 536	18.81%	50 787 536	18.81%
TF	32 984 567	12.22%	20 984 567	7.77%
Birdman Investments Pty Ltd	1 697 639	0.63%	1 697 639	0.63%
K2018537321 (South Africa) Pty Ltd	9 000 000	3.33%	9 000 000	3.33%
Andrew Bonamour	2 192 207	0.81%	2 192 207	0.81%
Lystanwold Capital Ltd	7 942 439	2.94%	7 942 439	2.94%
SKT Investments	2 076 962	0.77%	2 076 962	0.77%
HKM Family Trust	6 604 938	2.45%	3 000 000	1.11%
Ilala Ridge Investments Ltd	2 547 979	0.94%	2 547 979	0.94%
William Marshall-Smith	1 740 726	0.64%	1 740 726	0.64%
Groundswell Holdings Pty Ltd	4 425 000	1.64%	885 000	0.33%
Lava Trust	624 850	0.23%	624 850	0.23%
John Mills	136 400	0.05%	136 400	0.05%
Unifin International Ltd	5 254 447	1.95%	5 254 447	1.95%
Mammalia Investments Ltd	1 435 000	0.53%	1 435 000	0.53%
Mammalia Ltd	227 697	0.08%	227 697	0.08%
Bronze Services Ltd	100 000	0.04%	100 000	0.04%
Matthew Taberer	10 000	0.00%	10 000	0.00%
Nicole Taberer	10 000	0.00%	10 000	0.00%
Tracy Taberer	10 000	0.00%	10 000	0.00%
Ashleigh Taberer	10 000	0.00%	10 000	0.00%
Giraffe Holdings Ltd	129 803	0.05%	129 803	0.05%
Sheenagh Grota	335 646	0.12%	335 646	0.12%
Roshchild Pty Ltd	458 158	0.17%	–	0.00%
Thomas Bemelman	723 845	0.27%	723 845	0.27%
Adam Curtis	907 481	0.34%	907 481	0.34%
Marc Darne	253 099	0.09%	253 099	0.09%
Chantal Donelly	49 008	0.02%	49 008	0.02%
Afzal Fakier	416 533	0.15%	416 533	0.15%
Stuart Slater	294 812	0.11%	294 812	0.11%
Vanessa Webster	38 453	0.01%	38 453	0.01%
Grant Hubbard	137 099	0.05%	137 099	0.05%
Aasha Mehta-Bobat	182 756	0.07%	182 756	0.07%
Reardon Sanderson	309 355	0.11%	309 355	0.11%
Riaan Viviers	109 973	0.04%	109 973	0.04%
Brian Wootton	90 044	0.03%	90 044	0.03%
Chantal Meirim	201 063	0.07%	201 063	0.07%
Total	**134 455 515**	**49.80%**	**114 852 419**	**42.54%**

17. REPORTS OF THE INDEPENDENT EXPERT

17.1 The report of the Independent Expert prepared in accordance with paragraph 10.4(f) of the JSE Listings Requirements in respect of the KTH Sale is provided in **Annexure 1** to this Circular and has not been withdrawn prior to publication of this Circular.

17.2 The report of the Independent Expert prepared in accordance with paragraph 1.15(d) of the JSE Listings Requirements in respect of the Scheme and the Standby Offer is provided in **Annexure 2** to this Circular and has not been withdrawn prior to publication of this Circular.

17.3 Having considered the terms and conditions of the KTH Sale, the Scheme and the Standby Offer based on the conditions set out in its reports, the Independent Expert has concluded that the terms and conditions of each of the KTH Sale, the Scheme and the Standby Offer are fair to Tiso Blackstar Shareholders.

18. THE VIEWS OF THE TISO BLACKSTAR BOARD ON THE KTH SALE, THE SCHEME AND THE STANDBY OFFER

18.1 As stated above, the Tiso Blackstar Board has appointed the Independent Expert to compile a report on the KTH Sale and a report on the Scheme and the Standby Offer.

18.2 The Tiso Blackstar Board, after due consideration of the reports of the Independent Expert, has determined that it will place reliance on the valuations performed by the Independent Expert for the purposes of reaching its own opinion regarding the KTH Sale, the Scheme and the Standby Offer and the Scheme Consideration. The Tiso Blackstar Board has formed a view on the value of KTH and of the Tiso Blackstar Shares, which accords with the value of KTH and the Tiso Blackstar Shares contained in the Independent Expert's reports, in considering its opinion and recommendation. The Tiso Blackstar Board is aware of those factors which are difficult to quantify or are unquantifiable which were considered by the Independent Expert and referred to in its reports, and has taken such factors into account in forming its opinion.

18.3 The Tiso Blackstar Board, taking into account the report of the Independent Expert, has considered the terms and conditions of the KTH Sale and the members of the Tiso Blackstar Board are unanimously of the opinion that the terms and conditions thereof are fair to Tiso Blackstar Shareholders. In addition, the Tiso Blackstar Board, taking into account the report of the Independent Expert, has considered the terms and conditions of the Scheme and the Standby Offer and the members of the Tiso Blackstar Board who are unanimously of the opinion that the terms and conditions thereof are fair to Tiso Blackstar Shareholders and, accordingly, recommend that Tiso Blackstar Shareholders vote in favour of Scheme at the Court Meeting and the Resolutions at the General Meeting.

18.4 David Adomakoh and Nkululeko Sowazi have recused themselves from decisions regarding the KTH Sale, Delisting, Scheme, Standby Offer and pricing of the Tiso Blackstar Shares as they have material shareholdings in the Company. While Andrew Bonamour was present at the Board meeting to administer proceedings, he has also recused himself from the aforementioned decisions for the same reason and has not offered a view on these matters.

19. TAX IMPLICATIONS FOR TISO BLACKSTAR SHAREHOLDERS

19.1 The tax position of a Tiso Blackstar Shareholder under the Scheme and the Standby Offer is dependent on such Tiso Blackstar Shareholder's individual circumstances, including but not limited to whether it holds the Tiso Blackstar Shares as capital assets or as trading stock, whether the Tiso Blackstar Shares are held by a collective investment scheme or pension fund and on the tax jurisdiction in which the Tiso Blackstar Shareholder is resident. It is recommended that the Tiso Blackstar Shareholders seek appropriate advice in this regard.

19.2 Tiso Blackstar Shareholders are referred to **Annexure 11** for a general summary of certain key South African tax implications.

20. TISO BLACKSTAR BOARD RESPONSIBILITY STATEMENT

The Tiso Blackstar Directors, whose names appear in the "Corporate Information and Advisors" section of this Circular, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the JSE Listings Requirements.

21. ADVISORS' CONSENTS

The parties referred to in the "Corporate Information and Advisors" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

22. SPONSOR AND CORPORATE ADVISOR

As indicated in this Circular, PSG Capital fulfils the functions of sponsor and corporate advisor to the Company. It is PSG Capital's opinion that the performance of these functions does not represent a conflict of interest for PSG Capital, impair PSG Capital's independence from the Company or impair PSG Capital's objectivity in its professional dealings with the Company or in relation to the matters contemplated in this Circular. PSG Capital confirms that its team members fulfilling the sponsorship function, *inter alia*, emphasise the importance of compliance with the letter and spirit of the JSE Listings Requirements, as well as their independence, which is not influenced by any other functions performed by PSG Capital in relation to the transaction, and that its team members fulfilling the sponsorship function exercise due care and judgement to achieve independence from and objectivity in their professional dealings with the Company and in relation to the matters contemplated in this Circular. Should any conflicts arise it will be resolved between PSG Capital and the Company, which may require consultation with the JSE, if required.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Save for the Irrevocable Undertakings which will only be available for inspection during normal business hours, at the registered office of Tiso Blackstar and at the offices of PSG Capital, the remaining documents, or copies thereof, will be available for inspection by the Tiso Blackstar Shareholders on Tiso Blackstar's website at https://www.tisoblackstar.com/tbg/investors/publications/ and, during normal business hours, at the registered office of Tiso Blackstar and at the offices of PSG Capital, from the date of posting of this Circular until the later of (i) the Scheme Effective Date or (ii) if the Standby Offer becomes Operative, the Standby Offer Closing Date (as defined in **Annexure 13** of this Circular):

23.1 the articles of association of the Company;

23.2 the KTH Sale Agreement;

23.3 the Transaction Implementation Agreement;

23.4 the Relationship Agreement;

23.5 the audited annual financial statements of Tiso Blackstar for the 3 financial years ended 30 June 2017, 2018 and 2019;

23.6 the audited annual financial statements of KTH for the 3 financial years ended 30 June 2017, 2018 and 2019 as reproduced in **Annexure 3** to this Circular;

23.7 the Independent Reporting Accountants' report on the audited historical financial information of KTH as reproduced in **Annexure 4** to this Circular;

23.8 the unaudited interim financial statements of Tiso Blackstar for the 6-month period ended 31 December 2019;

23.9 the condensed interim financial statements of KTH for the 6-month period ended 31 December 2019 as reproduced in **Annexure 5**;

23.10 the Independent Reporting Accountants' report on the reviewed condensed interim financial information of KTH as reproduced in **Annexure 6** to this Circular;

23.11 the *pro forma* financial information of Tiso Blackstar as reproduced in **Annexure 7** to this Circular;

23.12 the Independent Reporting Accountants' Report on the *pro forma* financial information of Tiso Blackstar as reproduced in **Annexure 8** to this Circular;

23.13 the consent letter of the Independent Expert and all other consent letters referred to in paragraph 21 of this Circular;

23.14 the Irrevocable Undertakings;

23.15 a signed copy of this Circular;

23.16 the signed report of the Independent Expert; and

23.17 copies of the Tiso Blackstar Directors' service contracts as referred to in paragraph 10.5 of this Circular.

SIGNED AT LONDON ON FRIDAY, 31 JULY 2020 BY JOHN BROADHURST MILLS ON BEHALF OF ALL THE DIRECTORS OF TISO BLACKSTAR GROUP SE, ACTING UNDER POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS

JOHN BROADHURST MILLS

REPORT OF THE INDEPENDENT EXPERT REGARDING THE KTH SALE

Tiso Blackstar Group SE
16 Empire Road
Parktown
Johannesburg
2193

14 July 2020

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO TISO BLACKSTAR GROUP SE REGARDING THE DISPOSAL BY TISO BLACKSTAR HOLDINGS SE OF ITS 20.01% SHAREHOLDING IN KAGISO TISO HOLDINGS PROPRIETARY LIMITED HELD

Introduction

In terms of the announcement published by Tiso Blackstar Group SE ("**Tiso Blackstar**" or the "**Company**") on the Stock Exchange News Service of the JSE Limited ("**JSE**") ("**SENS**") on 26 June 2020, holders of ordinary shares of €0.10 each in the share capital of Tiso Blackstar ("**Tiso Blackstar Shares**") ("**Tiso Blackstar Shareholders**" or "**Shareholders**") were advised that the Company, through its wholly-owned subsidiary, Tiso Blackstar Holdings SE ("**TBH UK**"), has entered into a sale of shares agreement, concluded on 26 June 2020, between TBH UK and Tiso Investment Holdings (RF) Proprietary Limited ("**TIH**") (the "**KTH Sale Agreement**") in terms of which TBH UK has agreed to sell 179 590 ordinary shares in Kagiso Tiso Holdings Proprietary Limited ("**KTH**"), which constitute 20.01% of the issued ordinary shares of KTH ("**KTH Sale Shares**") to TIH, for a cash consideration of R850 million ("**KTH Sale Consideration**") (the "**KTH Sale**").

Full details of the KTH Sale are contained in the circular to Tiso Blackstar Shareholders dated 31 July 2020 (the "**Circular**"), to which the opinion forms **annexure 1**.

Fairness opinion required in terms of the JSE Listings Requirements

TIH is an associate of David Adomakoh ("**DA**") (Non-executive Chairman) and Nkululeko Sowazi ("**NS**") (Non-executive Director) who are directors of Tiso Blackstar and related parties to Tiso Blackstar. TIH is therefore an associate of related parties to Tiso Blackstar as contemplated in paragraph 10.1(b)(vii) of the listings requirements of the JSE ("**JSE Listings Requirements**").

The KTH Sale constitutes a related party transaction and in terms of Section 10.4 of the JSE Listings Requirements the board of directors of Tiso Blackstar ("**Tiso Blackstar Board**" or "**Tiso Blackstar Directors**") must obtain a fairness opinion confirming whether the KTH Sale is fair insofar as the shareholders of the Tiso Blackstar are concerned (the "**KTH Sale Fairness Opinion**").

BDO Corporate Finance Proprietary Limited ("**BDO Corporate Finance**" or "**the Independent Expert**") has been appointed by the Tiso Blackstar Board to provide the KTH Sale Fairness Opinion.

Responsibility

Compliance with the JSE Listings Requirements is the responsibility of the Tiso Blackstar Board. Our responsibility is to report on the fairness of the KTH Sale.

Explanation as to how the term "fair" applies in the context of the KTH Sale

Schedule 5.7 of the JSE Listings Requirements states that the "fairness" of a transaction is based on quantitative issues. A transaction will typically be considered fair to a company's shareholders if the benefits received by shareholders, as a result of a corporate action, are equal to or greater than the value ceded by a company.

The KTH Sale would be considered fair to Tiso Blackstar Shareholders if the KTH Sale Consideration is more than or equal to the fair value of the KTH Sale Shares, or unfair if the KTH Sale Consideration is less than the fair value of the KTH Sale Shares.

Overview of KTH

KTH is an investment holding company with its investments ("**Assets**"), as at the date of the KTH Sale Fairness Opinion, comprising the following:

Principal investments	Industry	Description	Beneficial shareholding[1]
Momentum Metropolitan Holdings Limited ("**MMH**")	Financial services (long- and short-term insurance)	Listed investment	113 605 570 shares comprising ordinary shares (c.75%) and preference shares (c.25%)
ACTOM Investment Holdings (Pty) Ltd	Engineering	Unlisted investment	9.31% held Kagiso Power Services III (Pty) Ltd and 9.31% held by Tiso Electrical (Pty) Ltd
Aurora Wind Power (Pty) Ltd	Renewable energy	Unlisted investment	20% held by Tiso Resources (Pty) Ltd
DEA (Imvelo Concession Company (Pty) Ltd)	Construction (government)	Unlisted investment	20% held by Tiso Projects No 1 (Pty) Ltd
Eris Property Fund (Pty) Ltd ("**ERIS**")	Property	Unlisted investment	26.67% held by Tiso Property No 2 (Pty) Ltd
Fidelity Bank Ghana Limited	Financial services	Unlisted investment	16.94% held by KTH Africa Investments
Infrastructure Finance Corporation Ltd	Investment Holdco (infrastructure)	Unlisted investment	49.61% held by Kagiso Financial Services (Pty) Ltd
Kagiso Asset Management (Pty) Ltd ("**KAM**")	Financial services	Unlisted investment	50.1% held by KTH
Kagiso Media (Pty) Ltd	Media/Broadcasting	Unlisted Investment	100% held by KTH Media Holdings (Pty) Ltd
Lupo Bakery (Pty) Ltd	Consumer staples	Unlisted investment	70% held by KTH Consumer Investments (Pty) Ltd
Macsteel Service Centres SA (Pty) Ltd	Industrials	Unlisted investment	7.5% held by Kagiso Ventures Proprietary Limited
Nozala Investments (Pty) Ltd	Investment Holding Company (Black Economic Empowerment equity interests)	Unlisted investment	54% effective interest held by Clidet 901 (Pty) Ltd (ordinary shares) and Clidet 902 (Pty) Ltd (preference shares)
Servest Group (Pty) Ltd	Commercial services	Unlisted investment	51.85% held by Iridescent Investment (Pty) Ltd
Tamela Holdings (Pty) Ltd	Investment Holdco (financial services)	Unlisted investment	10.26% held by Fasus Investments (Pty) Ltd

Note 1: as percentage of total issued share capital, where applicable

Detail and sources of information

In arriving at our opinion we have relied upon the following principal sources of information:

- The KTH Sale Agreement;
- The terms and conditions of the KTH Sale, as set out in the Circular;
- The following financial information in respect of each of the Assets:
  - Historical financial information for the respective 2018 and 2019 financial years;
  - Budget/forecast financial information for the 2020 financial year;
  - Forecast financial information for the 2020 to 2024 financial years, where applicable;
- Base cost calculations, provided by management as at 30 June 2013 for the investments held in KTH, which calculation has been updated by BDO Corporate Finance to quantify a deferred tax liability in respect of capital gains tax ("**CGT**");
- Discussions with Tiso Blackstar executive directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Publicly available information relating to the investment holding company industry in general; and
- Publicly available information relating to Tiso Blackstar that we deemed to be relevant, including company announcements, media articles and analyst presentations.

The information above was secured from:

- Executive directors and management of Tiso Blackstar and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing KTH and the Assets.

Procedures

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness of the KTH Sale:

- Reviewed the terms and conditions of the KTH Sale as set out in the Circular and the KTH Sale Agreement;
- Considered the rationale for the KTH Sale as set out in the Circular;
- For each Asset, assessed the recent historical performance as well as the reasonableness of the outlook assumed and assessed the achievability thereof by considering historical information as well as macro-economic and sector-specific data;

- The net asset value ("**NAV**") method of valuation is normally most appropriate for the valuation of pure investment companies. This valuation approach would be used to value an investment holding company, where the value attributable to such holding company would be determined on a "sum of the parts" ("**SOTP**") basis. As such, a net asset methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business. BDO Corporate Finance performed a SOTP valuation of KTH. The valuations were based on the following principal valuation methodologies:
  - Listed investments: obtained the closing market price per share of the underlying listed investments as at 13 July 2020 in order to ascertain the market value of the interests in quoted instruments held by KTH;
  - Unlisted investments (where long term forecasts are not available): compiled a capitalisation of maintainable earnings valuation for unlisted investments by using adjusted historical and forecast financial information and applied BDO Corporate Finance's calculated earnings multiples based on market comparables, adjusted for company specific factors for each unlisted investment relative to listed peers, to revenue, earnings before interest, tax, depreciation and amortisation ("**EBITDA**") or NAV, where applicable;
  - Unlisted investments (where long term forecasts are available): Compiled forecast free cash flows for unlisted investments by using the historic and forecast financial information as detailed above. Applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow ("**DCF**") valuation for each unlisted investment;
  - Investment Properties: NAV based on the fair value of the underlying property;
  - Unallocated head office and administration costs: determined the net present value ("NPV") of KTH's unallocated head office and administration function;
  - Other financial assets and financial liabilities: financial assets and financial liabilities were valued based on their carrying values, after confirming that such carrying values represent fair value in terms of International Financial Reporting Standards;
  - An adjustment was made for CGT based on the fair value of each investment relative to the investment's base cost;
  - Determined appropriate valuation discounts which we used in our valuation;
  - Aggregated the valuations of the underlying investments of KTH and its head office and administration function (based on the unallocated costs), as well as adjusting for investment properties and financial assets and financial liabilities and CGT to determine a SOTP valuation of KTH;
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience and knowledge of the investment holding company industry generally;
- Assessed the long-term potential of KTH and the Assets;
- Performed a sensitivity analysis on key assumptions included in the valuation;
- Evaluated the relative risks associated with KTH and the Assets and the industry in which they operate;
- Reviewed certain publicly available information relating to KTH and the Assets and the industry in which they operate that we deemed to be relevant, including company announcements and media articles, including available analyst coverage;
- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which KTH and the Assets operate, and to analyse external factors that could influence the businesses; and
- Held discussions with the directors and management of Tiso Blackstar as to their strategy and the rationale for the KTH Sale and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends in the investment holding company sector.

Assumptions

We arrived at our opinion based on the following assumptions:

- That all agreements that have been entered into in terms of the KTH Sale will be legally enforceable;
- That the KTH Sale will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Tiso Blackstar; and
- That reliance can be placed on the financial information of KTH and the Assets.

Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Placing reliance on annual reports of Tiso Blackstar;
- Conducting analytical reviews on the historical and the forecast financial information, such as key ratio and trend analysis; and
- Determining the extent to which representations from Tiso Blackstar management were confirmed by documentary financial evidence, as well as our understanding of KTH and the economic environment in which the business operates.

Limiting conditions

This opinion is provided in connection with and for the purposes of the KTH Sale. The opinion does not purport to cater for each individual Shareholder's perspective, but rather that of the general body of Shareholders.

Individual Shareholders' decisions regarding the KTH Sale may be influenced by such Shareholders' particular circumstances and accordingly individual Shareholders should consult an independent advisor if in any doubt as to the merits or otherwise of the KTH Sale.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. While our work has involved an analysis of the financial information and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of KTH and the Assets relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of KTH and the Assets will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the KTH Sale will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Tiso Blackstar and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

Independence, competence and fees

We confirm that we have no direct or indirect interest in Tiso Blackstar shares or in the KTH Sale. We also confirm that we have the necessary qualifications and competence to provide the fairness opinion on the KTH Sale. Furthermore, we confirm that our professional fees, payable in cash, are not contingent upon the successful implementation of the KTH Sale.

Valuation approach

The valuation of KTH has been based upon an aggregation of the sum of the parts of KTH's attributable interest in each of its investments as detailed below:

Description	Nature of investment[1]	Description	Valuation approach
Principal Investments			
MMH	113 605 570 ordinary shares (c.75%) and preference shares (c.25%)	Listed investment	Market price less 10% blockage discount
ACTOM Investment Holdings (Pty) Ltd	9.31% held Kagiso Power Services III (Pty) Ltd and 9.31% held by Tiso Electrical (Pty) Ltd	Unlisted investment	DCF
Aurora Wind Power (Pty) Ltd	20% held by Tiso Resources (Pty) Ltd	Unlisted investment	DCF
DEA (Imvelo Concession Company (Pty) Ltd)	20% held by Tiso Projects No 1 (Pty) Ltd	Unlisted investment	DCF
ERIS	26.67% held by Tiso Property No 2 (Pty) Ltd	Unlisted investment	NAV
Fidelity Bank Ghana	16.94% held by KTH Africa Investments	Unlisted investment	Multiple (price-to-book)
Infrastructure Finance Corporation Ltd	49.61% held by Kagiso Financial Services (Pty) Ltd	Unlisted investment	SOTP
KAM	50.1% held by KTH	Unlisted investment	Multiple (Enterprise value ("**EV**")/EBITDA)
Kagiso Media (Pty) Ltd	100% held by KTH Media Holdings (Pty) Ltd	Unlisted Investment	DCF (SOTP)
Lupo Bakery (Pty) Ltd	70% held by KTH Consumer Investments (Pty) Ltd	Unlisted investment	Multiple (EV/EBITDA)
Macsteel Service Centres SA (Pty) Ltd	7.5% held by Kagiso Ventures Proprietary Limited	Unlisted investment	Multiple (EV/EBITDA)
Nozala Investments (Pty) Ltd	54% effective interest held by Clidet 901 (Pty) Ltd (ordinary shares) and Clidet 902 (Pty) Ltd (preference shares)	Unlisted investment	SOTP
Servest Group (Pty) Ltd	51.85% held by Iridescent Investment (Pty) Ltd	Unlisted investment	Multiple (EV/EBITDA)
Tamela Holdings (Pty) Ltd	10.26% held by Fasus Investments (Pty) Ltd	Unlisted investment	SOTP
Other financial assets and financial liabilities			
Cash and cash equivalents			Carrying Value
Receivables/ payables			Carrying Value
Other investments			Carrying Value
Operating leases			Carrying Value
KTH staff participation trust			Carrying Value
KSC bond and accrued interest			Carrying Value
Provisions			Carrying Value

Note 1: Held indirectly via investment holding companies

The valuation was performed taking cognisance of risk and other market and industry factors affecting KTH and its underlying investments.

The fair value of listed investments was based on the closing market price on 13 July 2020. An appropriate blockage discount, which reflect the liquidity issues in selling a large block of shares, was applied to the market value of the MMH investment.

BDO Corporate Finance performed a valuation of unlisted investments by using the DCF approach for Assets which had sufficient forecast financial information and the capitalisation of maintainable earnings methodology for other Assets excluding property investments, which was based on a NAV approach.

Key internal value drivers to the DCF valuations included revenue growth, EBITDA margins, the discount rate (represented by the weighted average cost of capital ("**WACC**")), working capital and capital expenditure requirements.

External value drivers, including; key macro-economic parameters such as, gross domestic product ("**GDP**") growth, interest rates, exchange rates, headline inflation rates, and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of the Assets.

For the capitalisation of maintainable earnings valuations, a basket of comparable listed companies with similar operations to each unlisted investment has been assessed. Historic and forward multiples were calculated for these comparable companies. Outliers were excluded and a range of market multiples was determined. This range was adjusted for differences between each unlisted investment and the basket of peers to account for the risk profile of each unlisted investment relative to the basket of peers.

Key internal value drivers to the valuations included an assessment of non-recurring transactions included in historical results, operating margins and expected future growth in the business. Prevailing market and industry conditions were also considered as key external value drivers in assessing the risk profile of the entities being valued as well as an assessment of market-related EBITDA multiples applicable to comparable publicly traded companies.

The valuation of Fidelity Bank Ghana was performed by applying the P/B methodology.

We determined the NPV of KTH's unallocated head office and administration function using a DCF approach.

An adjustment was made for CGT based on the fair value of each investment relative to the investment's base cost.

Appropriate liquidity, marketability and minority discounts were applied per Asset, where applicable.

The valuations were re-performed using base case assumptions and applying a range of discount rates for the DCF valuations and range of EBITDA multiples for the capitalization of maintainable earnings valuations. The sensitivity analysis was performed by increasing and decreasing the base case discount rate by a maximum of 1.0% and EBITDA multiples by a factor of 0.5x. The discount rate sensitivity analysis did not indicate a sufficient effect on the valuation of KTH to alter our opinion in respect of the KTH Sale.

Opinion

In undertaking the valuation exercise above, we have determined a valuation range of R809 million to R881 million, with a most likely value of R845 million for the KTH Sale Shares.

BDO Corporate Finance has considered the terms and conditions of the KTH Sale and, based on and subject to the conditions set out herein, is of the opinion that the terms and conditions of the KTH Sale are fair to the Tiso Blackstar Shareholders.

Our opinion is necessarily based upon the information available to us up to 13 July 2020, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the KTH Sale have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Consent

We hereby consent to the inclusion of this letter and references thereto in the Circular in the form and context in which they appear.

Yours faithfully

BDO Corporate Finance Proprietary Limited

Nick Lazanakis
Director
52 Corlett Drive,
Illovo,
2196

REPORT OF THE INDEPENDENT EXPERT REGARDING THE SCHEME AND THE STANDBY OFFER

Tiso Blackstar Group SE
16 Empire Road
Parktown
Johannesburg
2193
14 July 2020

Dear Sirs

REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO TISO BLACKSTAR GROUP SE REGARDING A PROPOSED SCHEME OF ARRANGEMENT AND A STANDBY OFFER (IF APPLICABLE) TO ACQUIRE ITS ISSUED SHARE CAPITAL

Introduction

Capitalised terms in this Independent Expert Report (as defined below), will have the meaning given to them in the circular ("**Circular**") unless otherwise defined in this Independent Expert Report.

In terms of the announcement published by Tiso Blackstar Group SE ("**Tiso Blackstar**" or the "**Company**") on the Stock Exchange News Service of the JSE Limited ("**JSE**") ("**SENS**") on 26 June 2020, holders of ordinary shares of € 0.10 each in the issued share capital of Tiso Blackstar ("**Tiso Blackstar Shares**" or the "**Shares**") ("**Shareholders**" or "**Tiso Blackstar Shareholders**") were advised, *inter alia*, that the Company :

- through its wholly-owned subsidiary, Tiso Blackstar Holdings SE ("**TBH UK**"), entered into the KTH Sale Agreement in terms of which TBH UK has agreed to sell all ordinary shares held in Kagiso Tiso Holdings Proprietary Limited ("**KTH**") ("**KTH Sale Shares**") to Tiso Investment Holdings (RF) Proprietary Limited ("**TIH**"), an associate of David Adomakoh ("**DA**") and Nkululeko Sowazi ("**NS**") who are directors of Tiso Blackstar ("**KTH Sale**");
- proposed to cancel those Tiso Blackstar Shares in respect of which elections have been made, or deemed to have been made under to a scheme of arrangement pursuant to Part 26 of the UK Companies Act between Tiso Blackstar and the Registered Shareholders ("**Scheme**"); or
- if a standby offer trigger event occurs, made an offer to acquire all Tiso Blackstar Shares from Tiso Blackstar Shareholders, by way of a *pro rata* standby offer ("**Standby Offer**"); and
- in the event that the Scheme becomes unconditional and is implemented or failing which, the Standby Offer becomes unconditional and is implemented, will delist from the Main Board of the securities exchange operated by the JSE.

The Scheme consideration is R4.15 per Tiso Blackstar Share ("**Scheme Consideration**") to Tiso Blackstar Shareholders who elect to have shares cancelled under the Scheme or are deemed to have elected to have their shares cancelled under the Scheme because they have not validly elected to continue to hold those shares ("**Exit Election Shareholders**"). In the event that the Standby Offer becomes operative, Tiso Blackstar Shareholders ("**Standby Offer Consideration Participants**") will be made a cash offer of R3.95 per Tiso Blackstar Share ("**Standby Offer Consideration**").

Subject to the approval of Tiso Blackstar Shareholders, in the event that the Scheme becomes unconditional and is implemented or failing which, the Standby Offer becomes unconditional and is implemented, the listing of the Tiso Blackstar Shares on the Main Board of the securities exchange operated by the JSE will be terminated ("**Delisting**").

The rationale for the Delisting includes, *inter alia*, the reduction of corporate costs. Tiso Blackstar has over 1 500 Shareholders in multiple jurisdictions. The Scheme will more readily allow for the simplification of this structure and rationalization of the associated cost base. Accordingly, once the future cost savings associated with the Scheme have been considered, Tiso Blackstar elected to pass this benefit onto Shareholders through an increased consideration for the Scheme relative to the Standby Offer.

The Scheme, Standby Offer and Delisting are collectively the "Transaction".

As at the date of this Independent Expert Report (as defined below), the issued share capital of the Company comprises the following:

- 275,753,092 Tiso Blackstar Ordinary Shares of which 5,758,411 Tiso Blackstar are held in treasury.

Full details of the Transaction are contained in the Circular, which will include a copy of this letter.

The material interests of the directors are set out in paragraph 10.1.1 of the Circular and the effect of the Scheme on those interest and persons are set out in this section of the Circular.

Fairness opinion required in terms of the JSE Listings Requirements

In terms of paragraph 1.15(d) of the JSE Listings Requirements, the Board is required to obtain a fairness opinion from an independent professional expert confirming whether the Transaction is fair insofar as the Exit Election Shareholders and Standby Offer Consideration Participants are concerned and to advise Exit Election Shareholders and Standby Offer Consideration Participants accordingly.

BDO Corporate Finance has been appointed as the independent professional expert to provide the fairness opinion in respect of the Transaction ("**Independent Expert Report**").

Responsibility

Compliance with the JSE Listings Requirements is the responsibility of the Board. Our responsibility is to report to the Board and Tiso Blackstar Shareholders on whether the terms and conditions of the Scheme and Scheme Consideration are fair to Exit Election Shareholders and the Standby Offer and Standby Offer Consideration are fair to Standby Consideration Offer Participants.

Definition of the term "fair" applicable in the context of the Transaction

The "fairness" of a transaction is based on quantitative issues. A transaction will generally be considered to be fair to a company's shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

The Transaction will be considered fair if the Scheme Consideration and Standby Offer Consideration are equal to or more than the fair value per Share and unfair if the Scheme Consideration and Standby Offer Consideration are less than the fair value per Share.

Detail and sources of information

In arriving at our opinion we have relied upon the following principal sources of information:

- The KTH Sale Agreement;
- The terms and conditions of the Transaction and KTH Sale, as set out in the Circular and KTH Sale Agreement;
- Audited financial statements of Tiso Blackstar and its subsidiaries for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- Unaudited management accounts of Tiso Blackstar and its subsidiaries for the period ended 30 April 2020;
- Forecast financial information of Hirt & Carter Proprietary Limited ("**H&C**"), a wholly owned subsidiary of Tiso Blackstar, prepared by the management of H&C for the financial years ending 30 June 2020 to 30 June 2025;
- Unaudited management accounts of each of Tiso Blackstar associates for the period ended 31 December 2019. The associates comprise minority investments in media businesses in Ghana, Kenya and Nigeria ("**Africa Radio Assets**");
- Discussions with Tiso Blackstar and H&C directors, management and advisers regarding the historic and forecast financial information;
- Discussions with Tiso Blackstar and H&C directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;
- Terms and conditions of the guarantee provided by Tiso Blackstar, limited to R110.0 million, to a bank for the obligations of Robor ("**Robor Guarantee**") and exposure calculation prepared by management of Tiso Blackstar in terms of the Robor Guarantee;
- Publicly available information relating to the print, publishing and media services industry in general; and
- Publicly available information relating to Tiso Blackstar that we deemed to be relevant, including company announcements, media articles and analyst presentations.

The information above was secured from:

- Directors and management of Tiso Blackstar, H&C and their advisors; and
- Third party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Tiso Blackstar and its subsidiaries.

Procedures

In arriving at our opinion we have undertaken the following procedures in evaluating the fairness of the Transaction:

- Reviewed the terms and conditions of the Transaction;
- Considered the rationale for the Transaction as set out in the Circular;
- Reviewed the audited and unaudited financial information related to Tiso Blackstar and its subsidiaries and investments, being the 2017, 2018 and 2019 audited financial information, and forecasts prepared by management;
- Held discussions with the management of Tiso Blackstar and H&C and considered such other matters as we consider necessary, including assessing the prevailing economic and market conditions and trends;
- Reviewed and obtained an understanding from management as to the forecast financial information of the Company's operating subsidiary, H&C. Considered the forecast cash flows and the basis of the assumptions therein including the prospects of the business of H&C. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and assessed the achievability thereof by considering historical information as well as macro-economic and sector-specific data;
- Compiled forecast cash flows for H&C by using the forecast financial information up to 30 June 2025 and applied BDO Corporate Finance's assumptions of cost of capital to the forecast cash flows to produce a discounted cash flow ("**DCF**") valuation of H&C;
- Compiled a capitalisation of maintainable earnings valuation of the African Radio Assets by using historical and forecast financial information and applied BDO Corporate Finance's calculated earnings multiples based on market comparables to maintainable earnings before interest, taxation, depreciation and amortisation ("**EBITDA**");
- Reviewed the Robor Guarantee exposure calculation and considered the valuation methodologies and assumptions applied. Based on our review of the Robor Guarantee we are satisfied that the valuation approach adopted is consistent with standard valuation practice and the valuation assumptions are consistent with market parameters. Consequently, we are satisfied with the valuation of the Robor Guarantee in the amount of R89.312 million and are placing reliance on the valuation;
- Performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience and knowledge of the print, publishing and media services industry generally;
- Assessed the long-term potential of Tiso Blackstar and its subsidiaries and investments;
- Determined the fair value of Tiso Blackstar by applying a sum-of-the-parts ("**SOTP**") approach;
- Performed a sensitivity analysis on key assumptions included in the valuation;
- Evaluated the relative risks associated with the Company and the industries in which it operates;
- Reviewed certain publicly available information relating to Tiso Blackstar and the print and publishing and media services industry that we deemed to be relevant, including company announcements and media articles, including available analyst coverage;

- Where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which Tiso Blackstar operates, and to analyse external factors that could influence the business; and
- Held discussions with the directors and management of Tiso Blackstar as to their strategy and the rationale for the Transaction and considered such other matters as we considered necessary, including assessing the prevailing economic and market conditions and trends in the print, publishing and media services sector.

Assumptions

We arrived at our opinion based on the following assumptions:

- That all agreements that have been entered into in terms of the Transaction will be legally enforceable and that the KTH Sale Agreement will be implemented;
- That the Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by representatives and advisors of Tiso Blackstar; and
- That reliance can be placed on the financial information received from the management of Tiso Blackstar and its subsidiaries.

Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Placing reliance on audit reports in the financial statements of Tiso Blackstar and its subsidiaries;
- Conducting analytical reviews on the historical financial results and the forecast financial information, such as key ratio and trend analyses; and
- Determining the extent to which representations from management were confirmed by documentary and audited financial evidence, as well as our understanding of Tiso Blackstar and the economic environment in which the Company operates.

Limiting conditions

This opinion has been given to the Board for the sole purpose of assisting the Board in forming and expressing an opinion for the benefit of the Tiso Blackstar Shareholders. The opinion does not purport to cater for each individual shareholder's perspective, but rather that of the general body of Tiso Blackstar Shareholders. Should a Tiso Blackstar Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

An individual shareholder's decision as to whether to accept the Transaction may be influenced by his particular circumstances. The assessment as to whether or not the Board decides to recommend the Transaction is a decision that can only be taken by the Board of Tiso Blackstar.

We have relied upon and assumed the accuracy of the information used by us in deriving our opinion. While our work has involved an analysis of the annual financial statements and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Tiso Blackstar and its subsidiaries and investments relate to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Tiso Blackstar will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Transaction will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisors of Tiso Blackstar and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

Independence, competence and fees

We confirm that neither we nor any person related to us have a direct or indirect interest in the Tiso Blackstar Shares or the Transaction and specifically declare that we are independent in relation to the Transaction and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Independent Expert Report.

Furthermore, we confirm that our professional fees are not contingent upon the success of the Transaction.

Valuation approach

We have performed a valuation of Tiso Blackstar on a SOTP basis, by applying the DCF methodology as the primary valuation methodology for the valuation of H&C and the capitalised earnings approach as the primary valuation methodology for the valuation of the African Radio Assets of Tiso Blackstar.

The valuation was performed taking cognisance of risk and other market and industry factors affecting Tiso Blackstar's underlying investments. Additionally, sensitivity analyses were performed considering key value drivers.

Key internal value drivers to the DCF valuation of H&C included revenue growth, EBITDA margins, the discount rate (represented by the weighted average cost of capital ("**WACC**")), working capital and capital expenditure requirements. Net sales value and volume growth are the main driver of expected revenues to be derived over the forecast period. Input costs and volume inflation and landing costs are the main drivers of EBITDA margins.

External value drivers, including; key macro-economic parameters such as, GDP growth, interest rates, exchange rates, headline inflation rates, and prevailing market and industry conditions were considered in assessing the forecast cash flows and risk profile of H&C.

Our valuation results are also sensitive to revenue growth, sustainable EBITDA margins and the discount rate applied in the DCF.

For the capitalisation of maintainable earnings valuations, a basket of comparable listed companies with similar operations to each African Radio Assets has been assessed. Historic and forward multiples were calculated for these comparable companies. Outliers were excluded and a range of market multiples was determined. This range was adjusted for differences between each unlisted investment and the basket of peers to account for the risk profile of each unlisted investment relative to the basket of peers.

Key internal value drivers to the valuations included an assessment of non-recurring transactions included in historical results, operating margins and expected future growth in the business. Prevailing market and industry conditions were also considered as key external value drivers in assessing the risk profile of the entities being valued as well as an assessment of market-related revenue and EBITDA multiples applicable to comparable publicly traded companies.

We determined the net present value of Tiso Blackstar's unallocated head office and administration function using a DCF approach.

The valuations were re-performed using base case assumptions and applying a range of discount rates for H&C and range of EBITDA multiples for the Africa Radio Assets. The sensitivity analysis was performed by increasing and decreasing the base case discount rate for H&C by a maximum of 1.0% and EBITDA multiples by a factor of 0.1x. The discount rate sensitivity analysis did not indicate a sufficient effect on the valuation of Tiso Blackstar to alter our opinion in respect of the Transaction.

Valuation results

In undertaking the valuation exercise above, we have determined a valuation range of R3.68 to R4.06 per Tiso Blackstar Ordinary Share, with a most likely value of R3.91 per Tiso Blackstar Ordinary Share. The Scheme Consideration of R4.15 and Standby Offer Consideration of R3.95 is at a premium to the most likely price per ordinary share calculation from our valuation.

The valuation range above is provided solely in respect of this opinion and should not be used for any other purposes.

The Scheme Consideration and the Standby Offer Consideration compared to the trading price

The Scheme Consideration represents a premium of 70.1% and 53.7% to the 30-day and 60-day volume weighted average traded price ("**VWAP**") of Tiso Blackstar Shares of R2.44 and R2.70 respectively, as at 25 June 2020, being the last trading date prior to the date on which the announcement was published on SENS.

The Standby Offer Consideration represents a premium of 61.9% and 46.3% to the 30-day and 60-day VWAP of Tiso Blackstar Shares of R2.44 and R2.70 respectively, as at 25 June 2020, being the last trading date prior to the date on which the announcement was published on SENS.

Opinion

The Scheme Consideration and Standby Offer Consideration represents a premium of 70.1% and 61.9% to the 30-day VWAP per Share on the JSE on up to and including 25 June 2020 and is a premium to the upper end of the suggested range calculated from our valuation. The rationale for the Transaction is set out in paragraph 5 of the Circular. We are not aware of any material adverse effects of the Transaction.

BDO Corporate Finance has considered the proposed terms and conditions of the Transaction in respect of the Scheme Consideration and Standby Offer Consideration.

For purposes of paragraph 1.15(d) of the JSE Listings Requirements, BDO Corporate Finance confirms that it is of the opinion that the Scheme is fair insofar as the Exit Election Shareholders are concerned and the Standby Offer is fair insofar as the Standby Offer Participants are concerned.

Our opinion is necessarily based upon the information available to us up to 13 July 2020, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Transaction have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm.

Consent

We hereby consent to the inclusion of this letter and references thereto in the Circular in the form and context in which they appear.

Yours faithfully

BDO Corporate Finance Proprietary Limited
Nick Lazanakis
Director
52 Corlett Drive
Illovo
2196

AUDITED HISTORICAL FINANCIAL INFORMATION OF KTH FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017, 30 JUNE 2018 AND 30 JUNE 2019

Introduction to the Historical Financial Information

For purposes of presenting its consolidated annual financial statements for the year ended 30 June 2019, Tiso Blackstar treated their 20.01% equity interest in KTH as an investment in associates under IAS 28 – Investments in Associate and Joint Ventures, and consequently it is equity accounted and tested annually for impairment.

The consolidated statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, detailed notes and the accounting policies of KTH for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 (collectively referred to as the "**Historical Financial Information**"), as set out in this **Annexure 3**, has been extracted and compiled from the audited consolidated financial statements of KTH for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019.

The Historical Financial Information for the financial years ended 30 June 2017, 30 June 2018 and 30 June 2019 has been specifically prepared for the purpose of this Circular in order to comply with section 8.4 of the JSE Listings Requirements and is presented as follows:

- Part A: Historical Financial Information for the years ended 30 June 2018 and 30 June 2019; and
- Part B: Historical Financial Information for the years ended 30 June 2017 and 30 June 2018.

No adjustments concerning the correction of fundamental errors or application of changes in accounting policies have been made in preparing the Historical Financial Information. Certain reclassification adjustments have been made to the presentation and disclosure of the statement of profit or loss and other comprehensive income in relation to the Historical Financial Information for the years ended 30 June 2017 and 30 June 2018 presented in **Part B** of this **Annexure 3** in order to align the presentation and disclosure thereof to the Historical Financial Information for the years ended 30 June 2018 and 30 June 2019 presented in **Part A** of this **Annexure 3**. In particular, net impairment losses and share of after-tax profit/(losses) of associates, join ventures and partnerships are now being presented within operating profit.

The audited consolidated annual financial statements of KTH have been prepared in accordance with International Financial Reporting Standards, the interpretation adopted by the International Accounting Standards Board ("**IASB**"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Procurements as issued by Financial Reporting Standards Council.

The directors of KTH are responsible for the preparation and fair presentation of the audited consolidated financial statements in accordance with International Financial Reporting Standards from which this Historical Financial Information has been prepared, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The audited consolidated financial statements of KTH for the three financial years ended 30 June 2017, 30 June 2018, and 30 June 2019 from which the related information below was extracted, were audited by PricewaterhouseCoopers Inc. in accordance with International Standards on Auditing. PricewaterhouseCoopers Inc. issued an unqualified audit opinion on these financial statements. The independent reporting accountant's audit report on the Historical Financial Information is included in **Annexure 3** to the Circular.

The directors of Tiso Blackstar are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Tiso Blackstar complies with the JSE Listings Requirements.

Commentary on the Historical Financial Information

<u>Business overview</u>

KTH is a pan-African majority black-owned and managed investment holding company that carries on the business of investing into various sectors in the local and foreign markets through its subsidiary companies, joint ventures and associated companies. KTH has evolved into a business model that is about marrying the creation of financial value with the values and business philosophy of championing transformation and social change.

KTH's current investment portfolio includes investments in a number of key sectors of the South African economy including financial services, media, power, industrials, and resources. One of KTH's strategic objectives is to expand its investment portfolio to include investments in specifically identified countries in East and West Africa. In line with this objective, KTH made an investment into a bank in Ghana during the 2014 financial year and into a healthcare diagnostics company in Nigeria during the 2015 financial year.

Currently KTH holds the following key investments:

- Fidelity Bank Ghana Limited
- Kagiso Media Proprietary Limited
- Momentum Metropolitan Holdings Limited
- Servest Group Proprietary Limited

Other investments include:

- Actom Investment Holdings Proprietary Limited
- Kagiso Asset Management Proprietary Limited
- Lupo Bakery Proprietary Limited
- Me Cure Healthcare Limited
- Aurora Wind Power Proprietary Limited

Commentary

During the 2019 financial year KTH disposed of its interest in XK Platinum Partnership, and continued with its strategy to reduce the debt at holding company by settling debt from internally generated cash resources.

The intrinsic value of KTH decreased by 3% from R6.8 billion to R6.6 billion after applicable holding company discounts and the group recorded a loss after tax attributable to owners of the parent for the year ended 30 June 2019 of R90 million.

During the 2018 financial year KTH concluded the disposal of its investment in Exxaro Resources Limited as part of the restructure of the shareholding of Main Street 333 Proprietary Limited ("**Main Street**"). The transaction was implemented through the sale of existing shareholders' effective stake in Exxaro Resources Limited held through Main Street. KTH also advanced a shareholder loan to Me Cure Healthcare Limited during the period.

The intrinsic value of KTH decreased by 13% from R8.4 billion to R7.3 billion after applicable holding company discounts and the group recorded an attributable profit to owners of the parent for the year ended 30 June 2018 of R738 million.

During the 2017 financial year KTH increased its shareholding in Servest Group Proprietary Limited from 50.9% to 51.9%, increased its shareholding in Fidelity Bank Ghana Limited from 16.4% to 16.9%, increased its shareholding in Lupo Bakery Proprietary Limited from 30% to 70% and acquired a 70% stake in Future Managers Proprietary Limited through Kagiso Media Proprietary Limited.

During the 2017 financial year KTH disposed of investments in Acton Repair Services Proprietary Limited, AECI Limited, Alstom Power Services Proprietary Limited, Alstom S&E Africa Proprietary Limited, Aveng Limited, Idwala Industrial Holdings Proprietary Limited, Metropolitan Health Care Corporate Proprietary Limited, Moyeng Proprietary Limited and Sliverbridge Limited.

The intrinsic value of KTH decreased by 10% from R9.3 billion to R8.4 billion after applicable holding company discounts and the group recorded an attributable profit to owners of the parent for the year ended 30 June 2018 of R157 million.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2019 R'000**	2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5.2.1	254 133	251 098
Intangible assets	5.2.2	576 015	604 850
Goodwill	5.2.3	1 104 983	1 110 711
Investments accounted for using the equity method	1.2	2 883 960	4 561 954
Financial assets at fair value through profit or loss	1.5	1 056 999	66 106
Financial assets at amortised cost	1.13	24 290	–
Financial assets at fair value through other comprehensive income	1.15	1 560	–
Available for sale financial assets	1.4	–	205 407
Held-to-maturity financial assets	1.6	–	107 874
Amounts due from group companies	1.11	497 531	555 705
Trade and other receivables	5.2.4	1 099	1 772
Deferred income tax	3.3	12 173	42 513
Total non-current assets		**6 412 743**	7 507 991
Current assets			
Financial assets at fair value through profit or loss	1.5	102 237	625 952
Amounts due from group companies	1.11	51 117	213
Inventories		40 667	43 298
Current income tax receivable		32 745	24 100
Trade and other receivables	5.2.4	320 179	390 634
Contract assets		14 470	–
Film and television content		206	206
Restricted cash	5.2.4	251 679	241 705
Cash and cash equivalents	2.1	981 685	982 105
Total current assets		**1 794 985**	2 308 213
Assets of disposal group classified as held-for-sale	1.10	96 027	36 402
Total assets		**8 303 754**	9 852 606
EQUITY AND LIABILITIES			
Equity			
Share capital	5.2.5	7 294 070	6 846 800
Other deficits		(392 830)	(55 256)
Retained loss		(1 510 762)	(992 092)
Total shareholders' equity		**5 390 477**	5 799 452
Non-controlling interests	5.1.1	63 183	106 166
Total equity		**5 453 660**	5 905 618
Liabilities			
Non-current liabilities			
Borrowings	2.3	1 699 506	1 398 944
Derivative financial instruments	5.2.9	61 657	–
Share-based payment liabilities	5.2.6	4 234	18 607
Operating lease liability		2 760	692
Deferred income tax liability	3.3	151 545	235 108
Total non-current liabilities		**1 919 701**	1 653 351
Current liabilities			
Borrowings	2.3	559 466	1 870 868
Trade and other payables	5.2.8	234 673	291 390
Provisions	5.2.9	74 077	99 170
Amounts due to group companies	1.11	176	172
Current income tax liabilities		36 599	12 663
Contract liabilities		23 357	–
Bank overdraft	2.1	2 045	46
Derivative financial instrument		–	8 642
Total current liabilities		**930 393**	2 282 951
Liabilities of disposal group classified as held-for-sale	1.10	–	10 686
Total liabilities		**2 850 094**	3 946 988
TOTAL EQUITY AND LIABILITIES		**8 303 754**	9 852 606

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2019 R'000	2018 R'000
Continuing operations			
Revenue	5.3.1	1 599 673	1 619 728
Raw materials and consumables		(328 348)	(351 861)
Commission and levies		(127 313)	(110 756)
Other operating expenses – net	3.1	(899 550)	(942 668)
Dividend income	1.7	5 535	71 007
Profit on sale of investments – net	1.9	(26 448)	–
Net gains/(losses) on investments	1.8	132 412	221 474
Net impairment losses	1.3	(441 844)	(404 291)
Share of after-tax profit/(losses) of associates, joint ventures and partnerships		243 822	1 207 470
Operating profit		**157 940**	1 310 102
Finance income	2.2	230 547	214 015
Finance costs	2.4	(335 801)	(422 374)
Profit before taxation		**52 685**	1 101 743
Income tax expense	3.2	(99 281)	(121 104)
(Loss)/profit after taxation		**(46 596)**	980 639
Discontinued operations			
(Loss) from discontinued operations	1.10	(4 712)	(67 310)
(Loss)/profit for the year		**(51 308)**	913 329
Other comprehensive (losses)/income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		939	(5 103)
		939	(5 103)
Items that will not be reclassified to profit or loss:			
Fair value adjustments on financial assets through other comprehensive income	1.15	(35 988)	(35 955)
Tax relating to financial assets through other comprehensive income		2 766	7 339
Share of other comprehensive income of associated companies		(25 839)	10 121
Total other comprehensive (loss)		**(58 123)**	(23 597)
Total comprehensive (loss)		**(109 431)**	889 732
Profit attributable to:			
Owners of the Kagiso Tiso Holdings		(90 143)	738 299
Non-controlling interests		38 835	175 030
		(51 308)	913 329
Total comprehensive (loss)/income attributable to:			
Owners of Kagiso Tiso Holdings		(148 266)	714 755
Non-controlling interests		38 835	174 977
		(109 431)	889 732

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	**2019** **R'000**	2018 R'000
Cash flows from operating activities			
Cash receipts from customers		1 641 447	1 762 196
Cash paid to suppliers and employees		(1 306 565)	(1 509 528)
Cash generated from operations		**334 882**	252 668
Finance income received		170 459	114 638
Dividends received from financial instruments		36 154	61 416
Dividends received from associates		120 669	191 935
Distributions received from joint ventures and partnerships		831 027	119 840
Finance costs paid		(569 757)	(255 421)
Income tax paid		(140 244)	(138 580)
Dividends paid to non-controlling interests		(35 066)	(543 863)
Net cash generated from/(used in) operating activities		**748 123**	(197 368)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(47 261)	(39 902)
Proceeds on sale of property, plant and equipment		138	1 680
Acquisition of intangible assets		(25 947)	(13 333)
Disposals of investments		305 771	1 188 803
(Contribution)/return of capital from joint ventures		(1 672)	(3 365)
(Repayment of)/Proceeds from loans with associates, joint ventures and partnerships		(3 199)	(32 037)
Acquisition of financial assets			3 946
Proceeds from redemption of preference shares		16 690	22 982
Repayment of loans and receivables		(1 674)	–
Net cash generated from investing activities		**242 846**	1 128 774
Cash flows from financing activities			
Acquisition of investments		(236 457)	–
Buy-back of ordinary shares		–	(197 940)
Redemption of preference shares		–	(127 290)
Proceeds from borrowings		67 007	10 750
Repayment of borrowings		(830 941)	(1 129 936)
Settlement of financial guarantee contract		–	(120 000)
Proceeds from/(repayments of) loans with related parties		–	10 913
Purchase of shares from non-controlling interest		–	(5 123)
Net cash (used in) financing activities		**(1 000 391)**	(1 558 627)
Net movement in cash and cash equivalents		(9 422)	(627 221)
Cash and cash equivalents at the beginning of the year		982 059	1 412 326
Exchange gains on cash and cash equivalents		2 521	6 287
Transfer from restricted cash		4 484	201 934
Cash, cash equivalents and bank overdrafts included in assets-held-for-sale		–	(11 268)
Cash, cash equivalents and bank overdrafts at the end of the year	2.1	**979 640**	982 059

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital R'000	Financial assets at fair value through OCI[1] R'000	Other reserves[2] R'000	Retained earnings R'000	Share-holders' equity R'000	Non-controlling interests R'000	Total R'000
GROUP							
Balance at 1 July 2017	6 853 460	66 018	(97 686)	(1 612 231)	5 209 561	546 271	5 755 832
Shares bought back and cancelled	(6 660)	–	–	(191 280)	(197 940)	–	(197 940)
Transfers to comprehensive income	–	–	–	52 984	52 984	(52 984)	–
Total comprehensive income	–	(28 616)	5 071	738 299	714 755	174 977	889 732
Profit/(Loss) for the year	–	–	–	738 299	738 299	175 030	913 329
Other comprehensive income/(loss) for the year	–	(28 616)	5 071	–	(23 544)	(53)	(23 597)
Transactions with non-controlling interests	–	–	(44)	20 137	20 093	(18 235)	1 858
Ordinary dividends	–	–	–	–	–	(543 863)	(543 863)
Balance at 1 July 2018	**6 846 800**	**37 402**	**(92 659)**	**(992 092)**	**5 799 452**	**106 166**	**5 905 618**
Adoption of IFRS 9 and IFRS 15[6]	–	(41 212)	–	18 745	(22 467)	–	(22 467)
Revised balance as at 1 July 2018	**6 846 800**	**(3 810)**	**(92 659)**	**(973 347)**	**5 776 985**	**106 166**	5 883 151
Treasury shares bought back and cancelled[3]	447 271	–	–	(447 271)	–	–	–
Total comprehensive (loss)	–	(33 222)	(24 901)	(90 143)	(148 266)	38 835	(109 431)
(Loss) for the year	–	–	–	(90 143)	(90 143)	38 835	(51 308)
Other comprehensive (loss)/income for the year	–	(33 222)	(24 901)	–	(58 123)	–	(58 123)
Transactions with non-controlling interests[4]	–	–	(186 539)	–	(186 539)	(49 918)	(236 457)
Financial derivative option transaction with non-controlling interests[5]	–	–	(51 701)	–	(51 701)	–	(51 701)
Ordinary dividends	–	–	–	–	–	(31 900)	(31 900)
Balance at 30 June 2019	**7 294 070**	**(37 031)**	**(355 799)**	**(1 510 762)**	**5 390 477**	**63 183**	**5 453 660**
Notes	5.2.5	1.4				5.1.1	

1. *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.*
2. *Other reserves mainly consist of share of equity accounted reserves of associates recognised by the group. This reserve will subsequently be transferred to retained income when the associate is disposed.*
3. *During the period the treasury shares issued to Cardona Investments 428 was bought back and cancelled.*
4. *Refer to note 1.14 for further details.*
5. *Refer to note 5.2.9 for further details.*
6. *Refer to note 5.6 for further details.*

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INVESTMENTS

The following summarises the significant investments that the group owns and accounts for more than 90% of the group's investment value calculated on a fair value basis (percentages shown are rounded).

Company	Interest	Company information
Momentum Metropolitan	7%*	• Listed on the JSE • Momentum Metropolitan Holdings Limited 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.
kagiso media	100%	• Unlisted • Kagiso Media is a black controlled company with interests in new media, content production, specialised publishing, research, radio broadcasting and television. Its mission is to continuously deliver innovative media and information solutions that facilitate beneficial human connection. • Assets include Jacaranda FM, East Coast Radio, Mediamark, Urban Brew Studios, Juta and Company. It has interests in other radio stations such as OFM, Heart FM, Gagasi 99.5 and Kaya FM.
servest	52%	• Unlisted • Servest Group (Pty) Ltd is a leading integrated support services group which provides services to over 6,500 private and public sector clients throughout South Africa and other African countries. Servest is the largest, majority black owned facility management company on the African continent. • Services provided by Servest include facilities management, technical services, cleaning, hygiene, pest control, office plants, landscaping & turf, security, parking management, catering, remote camp management, marine services, customised VIP protection and armed services and air craft charter services.
FIDELITY BANK	17%	• Unlisted • Fidelity 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. Fidelity has five business segments, namely corporate banking, treasury, retail banking, investment banking and offshore banking.
LUPO BAKERY Real Bread For Real People	70%	• Unlisted • Lupo Bakery (Pty) Ltd is an authentic Italian bakery. Lupo has 3 factories, 2 of which are based in the North of Johannesburg and 1 in Durban. Each factory produces individual bakery lines. • Lupo Bakery delivers to over 350 coffee shops and are the proud suppliers to major super markets such as Checkers, Pick N Pay, Spar and Shoprite. Lupo also supply popular fast food chains such as Chicken Licken, Nando's, Spur, Mugg & Bean and Barchelos.
KAGISO Asset Management	50%	• Unlisted • Kagiso Asset Management (Pty) Ltd 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 retail clients.
ACTOM	19%	• Unlisted • ACTOM (Pty) Ltd is a level 1 B-BBEE Contributor with 51.97% Black Ownership and 34.79% Black Women Ownership. It is the largest manufacturer, solution provider, repairer, maintainer and distributor of electro-mechanical equipment in Africa, offering a winning and balanced combination of manufacturing, service, repairs, maintenance, projects and distribution through its 35 outlets throughout Southern Africa.
MACSTEEL SERVICE CENTRES SA	8%	• Unlisted • Consisting of 8 dynamic Business Units and operating from a strategic network of more than 50 service centres, branches and warehouses, Macsteel supplies the entire Sub-Saharan geographic region with the broadest range of carbon steel, stainless steel, speciality steels, aluminum products and value added processes to all industry sectors.
ME CUR HEALTHCAR	30%	• Unlisted • Me Cure is one of the leading diagnostics businesses in Nigeria. The principal activity of the company is providing healthcare diagnostics; which include imaging, pathology and cardiac-care services.
AURORA WIND POWER	20%	• Unlisted • Aurora developed, constructed and now owns, operates, maintains and finances a 94 megawatt ("MW") wind farm located 128 kilometres North-West of the city of Cape Town in the Western Cape ("WestCoast1").

* *Shareholding on a fully converted basis in Momentum Metropolitan Holdings. Including a full conversion of the A3 preference shares.*

1. INVESTMENTS continued

This note provides information about the group's investments, including:

- an overview of all investments held by the group;
- specific information about each type of investment;
- accounting policies; and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The table below outlines the investments held by the group:

2019	Non-current R'000	Current R'000	Total R'000
Investments accounted for using the equity accounted method	2 883 960	–	2 883 960
Associates	2 045 324	–	2 045 324
Joint ventures	838 636	–	838 636
Partnerships	–	–	–
Available-for-sale investments	–	–	–
Financial assets at fair value through profit or loss	1 056 999	102 237	1 159 235
Financial assets at fair value through other comprehensive income	1 560	–	1 560
Financial assets at amortised cost	24 290	–	24 290
Amounts due from/(to) group companies	497 531	51 117	548 647
Total investments as per statement of financial position	4 464 340	153 354	4 617 694

2018	Non-current R'000	Current R'000	Total R'000
Investments accounted for using the equity accounted method	**4 561 954**	–	**4 561 954**
Associates	**2 259 278**	–	**2 259 278**
Joint ventures	**2 009 177**	–	**2 009 177**
Partnerships	**293 500**	–	**293 500**
Available-for-sale investments	**205 407**	–	**205 407**
Financial assets at fair value through profit or loss	**66 106**	**625 952**	**692 058**
Held to maturity financial assets	**107 874**	–	**107 874**
Amounts due from/(to) group companies	**555 705**	**213**	**555 919**
Total investments as per statement of financial position	**5 497 046**	**626 165**	**6 123 212**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. INVESTMENTS continued

1.1 Exposure from investments

Below is a summary of the group's exposure to its investments as reflected in the consolidated financial statements of KTH:

2019	Equity R'000	Preference shares R'000	Amounts due from group companies R'000	Borrowings R'000	Total exposure R'000
Associates					
Actom Investment Holdings[1]	–	–	476 092	(469 337)	6 755
Aurora Wind Power[1]	51 107	–	–	–	51 107
Central Media Group[2]	1 769	–	–	–	1 769
Eris Property Fund[4]	–	–	–	–	–
Fidelity Bank (Ghana)	315 237	–	–	–	315 237
Imvelo Consortium[1]	29 621	–	21 439	(22 527)	28 533
Kaya FM[2]	104 092	–	–	–	104 092
Me Cure Healthcare	–	–	50 175	–	50 175
Momentum Metropolitan Holdings[1]	1 505 652	–	–	–	1 505 652
MRC Media[2]	30 232	–	–	–	30 232
Newmillen 122 Investments	611	–	–	–	611
Tamela Holdings	7 004	–	–	–	7 004
	2 045 324	**–**	**547 706**	**(491 864)**	**2 101 167**
Joint ventures					
Servest Group	718 826	–	–	–	718 826
Infrastructure Finance Corporation	88 554	–	–	–	88 554
KA Investment Partners Trust	–	–	–	–	–
Kagiso Strategic Investments	–	–	941	–	941
Mediamark[2]	31 189	–	–	–	31 189
Media works[2]	67	–	–	–	67
Adjoin Media[2]	–	–	–	–	–
	838 636	**–**	**941**	**–**	**839 577**
Available-for-sale investments					
Macsteel Services Centre SA[5]	–	–	–	–	–
Ogilvy and Mather South Africa[2]	–	–	–	–	–
ZA Celebrity Worx[2]	–	–	–	–	–
New Holland Publishing[2]	–	–	–	–	–
Remgro Limited[5]	–	–	–	–	–
	–	**–**	**–**	**–**	**–**
Financial assets at fair value through OCI					
ZA Celebrity Worx[2]	650	–	–	–	650
New Holland Publishing[2]	910	–	–	–	910
	1 560	**–**	**–**	**–**	**1 560**
Financial assets at amortised costs					
Eris Property Fund	–	24 290	–	–	24 290
	–	**24 290**	**–**	**–**	**24 290**
Fair value through profit and loss					
Momentum Metropolitan Holdings[1]	–	562 360	–	(263 584)	298 776
Macsteel Services Centre SA[3]	–	–	–	–	–
Fidelity Bank (Ghana)	–	170 238	–	–	170 238
Actom Investment Holdings	–	249 443	–	–	249 443
Nozala Holdings	30 735	–	–	–	30 735
Nozala Capital Management	33 426	–	–	–	33 426
Adcock Ingram participation right	11 288	–	–	–	11 288
Remgro Limited	22	–	–	–	22
Unit trusts	102 237	–	–	–	102 237
	177 708	**982 041**	**–**	**(263 584)**	**896 165**
	3 063 228	**1 006 331**	**548 647**	**(755 448)**	**3 862 759**

1. *Refer to note 2.3 for details on security provided.*
2. *The investment is held by Kagiso Media.*
3. *The investment was classified in terms of IFRS 5. Refer to note 1.10.*
4. *The investment value is below R1 000.*
5. *The investment was reclassified in terms of IFRS 9.*

1. INVESTMENTS continued

1.1 Exposure from investments continued

2018	Equity R'000	Preference shares R'000	Amounts due from group companies R'000	Borrowings R'000	Total exposure R'000
Associates					
Actom Investment Holdings[1]	–	58 000	489 882	(406 597)	141 285
Aurora Wind Power[1]	73 595	–	–	–	73 595
Central Media Group[3]	5 888	–	–	–	5 888
Eris Property Fund	10 173	49 874	–	–	60 047
Fidelity Bank (Ghana)	529 138	–	–	–	529 138
Imvelo Consortium[1]	23 480	–	23 159	(24 267)	22 372
Kaya FM[3]	99 679	–	–	–	99 679
Me Cure Healthcare	66 700	–	42 664	–	109 364
Momentum Metropolitan Holdings[1]	1 410 029	–	–	–	1 410 029
MRC Media[3]	32 157	–	–	–	32 157
Newmillen 122 Investments	636	–	–	–	636
Tamela Holdings	7 802	–	–	–	7 802
	2 259 278	107 874	555 705	(430 863)	2 491 994
Joint ventures					
Servest Group	1 878 206	–	–	–	1 878 206
Infrastructure Finance Corporation	99 835	–	–	–	99 835
Kagiso Strategic Investments	–	–	213	–	213
Mediamark[3]	29 310	–	–	–	29 310
Media works[3]	1 716	–	–	–	1 716
Adjoin Media[3]	110	–	–	–	110
	2 009 177	–	213	–	2 009 390
Partnerships					
XK Platinum Partnership	293 500	–	–	–	293 500
	293 500	–	–	–	293 500
Available-for-sale investments					
Macsteel Services Centre SA	132 125	–	–	–	132 125
Ogilvy and Mather South Africa[3]	71 699	–	–	–	71 699
ZA Celebrity Worx[3]	650	–	–	–	650
New Holland Publishing[3]	910	–	–	–	910
Remgro Limited	22	–	–	–	22
	205 407	–	–	–	205 407
Fair value through profit and loss					
Momentum Metropolitan Holdings[1]	534 908	–	–	(263 438)	271 470
Nozala Investments	58 742	–	–	–	58 742
Unit trusts	91 044	–	–	–	91 044
Adcock Ingram Holdings Participation Right	7 364	–	–	–	7 364
	692 058	–	–	(263 438)	428 620
	5 459 420	107 874	555 919	(694 301)	5 428 911

1. Refer to note 2.3 for details on security provided.
2. The investment was classified in terms of IFRS 5. Refer to note 1.10.
3. The investment is held by Kagiso Media.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships

Associates, including partnerships, are entities over which the group has significant influence, but does not control, through participation in the financial and operating policy decisions of the entities. The group normally holds between 20% and 50% of the voting rights of these entities. There are some investments over which the group is believed to have significant influence although it has an interest of less than 20% in the companies. As the group has board representation and is one of the major shareholders of these companies, a significant judgement has been made in determining that the group has significant influence over these companies. These include associates like Momentum Metropolitan Holdings Limited, Fidelity Bank Limited (Ghana) and Actom Investment Holdings Proprietary Limited and joint ventures including Servest Group Proprietary Limited as the respective shareholder agreements provides the group with the option to appoint director/s to these respective boards.

Joint ventures are entities in which the group has an investment and where it, along with one or more other shareholders, have contractually agreed to share control of the business and where the major decisions require unanimous consent by the joint partners. For such an arrangement to be a joint venture the shareholders should also have rights to the net assets of the entity.

In both cases, the group's statement of profit or loss reflects its share of the entity's profit or loss after tax. The statement of comprehensive income records the group's share of the comprehensive income of the entity, while the group's statement of financial position records the group's share of the net assets of the entity plus any goodwill that arose on purchase. The movements in equity reserves in joint ventures and associated companies are not accounted for. Upon acquiring a new investment in a joint venture or associated company the group will recognise the investment initially at the amount it paid for the investment (which includes the amount paid for goodwill).

At each year-end, the carrying amounts of joint ventures and associated companies are reviewed if there is objective evidence of impairment. Where objective evidence of impairment exists the investment's carrying amount is compared to its estimated recoverable amount, which is the higher of its fair value less cost to sell or its value in use. If its carrying amount is greater, the investment is written down to its recoverable amount. The impairment is recognised in profit or loss.

Distributions (dividends) received from the entities reduce the carrying amount of the investment.

Where any of these entities incurs losses, the group will only recognise these losses until the carrying amount of the investment reaches zero, unless the group has incurred obligations or made payments on behalf of the entity.

Certain associated and joint venture companies have year-ends that differ from that of KTH. In such circumstances the results of listed and certain unlisted companies are accounted for from the latest published information or management accounts as at year-end, respectively.

1.2.1 Investments in associates

Set out below are the associates of the group as at 30 June 2019. The group's associates are all incorporated in South Africa unless otherwise indicated:

		% of ownership		Carrying amount	
				2019	2018
Associate	**Principal activity**	**2019**	2018	**R'000**	R'000
Actom Investment Holdings	Electrical products	18.62	18.62	–	–
Aurora Wind Power	Wind farm management	20.00	20.00	51 107	73 595
Central Media Group	Broadcasting	24.94	24.94	1 769	5 888
Eris Property Fund	Investment property company	26.67	26.67	–	10 173
Fidelity Bank (Ghana)[1]	Financial Services	16.94	16.94	315 237	529 138
Global Media Alliance Broadcasting Company[1]	Broadcasting	–	37.00	–	–
Imvelo Consortium	Public Private Partnership	20.00	20.00	29 621	23 480
Kaya FM	Broadcasting	45.23	45.23	104 092	99 679
Me Cure Healthcare[2]	Healthcare diagnostics	30.00	30.00	–	66 700
Momentum Metropolitan Holdings[3]	Financial Services	5.71	5.59	1 505 652	1 410 029
MRC Media	Broadcasting	20.02	20.02	30 232	32 157
Newmillen 122 Investments	Dormant	40.00	40.00	611	636
Tamela Holdings	Investment company	10.00	10.00	7 004	7 802
Total associates				**2 045 324**	2 259 278

1. *Fidelity Bank and Global Media Alliance Broadcasting Company ("Global Media Alliance") are domiciled in Ghana and their principal place of business is in Ghana. The investment has been classified in terms of IFRS 5 in 2019.*
2. *Me Cure Healthcare is domiciled in Nigeria and the principal place of business is in Nigeria.*
3. *Momentum Metropolitan Holdings is a company listed on the Johannesburg Stock Exchange. The share price as at 30 June 2019 was R18.97 (2018: R17.67).*

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.1 Investments in associates continued

2019	Momentum Metropolitan Holdings R'000	Actom Investment Holdings R'000	Fidelity Bank (Ghana) R'000	Me Cure Healthcare R'000	Kaya FM R'000
Balance at beginning of the year	1 410 029	–	529 138	66 700	99 679
Reclassified in terms of IFRS 9	–	–	(166 478)	–	–
Share of results after tax	128 819	–	95 767	–	18 351
Dividend income	(29 941)	–	(15 324)	–	(13 938)
Equity-accounted movements on other comprehensive income	(3 256)	–	(13 752)	–	–
(Impairments)/reversals of associates	–	–	(114 114)	(66 700)	–
Balance at end of the year	**1 505 652**	**–**	**315 237**	**–**	**104 092**
Fair value hierarchy	**Level 1**	**Level 3**	**Level 3**	**Level 3**	**Level 3**
2018					
Balance at beginning of the year	1 403 733	142 000	407 797	180 800	92 366
Amortisation of intangibles in purchase price	–	–	–	–	(4)
Share of results after tax	76 585	(31 464)	75 701	–	29 769
Dividend income	(78 009)	–	(21 835)	–	(22 452)
Equity-accounted movements on other comprehensive income	7 720	–	(19 640)	–	–
(Impairments)/reversals of associates	–	(110 536)	87 115	(114 100)	–
Balance at end of the year	1 410 029	–	529 138	66 700	99 679
Fair value hierarchy	Level 1	Level 3	Level 3	Level 3	Level 3

2019	MRC Media R'000	Aurora Wind Power R'000	Global[2] Media Alliance R'000	Other[1] R'000	Total R'000
Balance at beginning of the year	32 157	73 595	–	47 980	2 259 278
Reclassified in terms of IFRS 9	–	–	–	–	(166 478)
Share of results after tax	6 583	8 679	–	30 521	288 720
Dividend income	(8 508)	(21 498)	–	(29 433)	(118 642)
Equity-accounted movements on other comprehensive income	–	(9 669)	–	(3 284)	(29 961)
(Impairments)/reversals of associates	–	–	–	(6 780)	(187 594)
Balance at end of the year	30 232	51 107	–	39 004	2 045 324
Fair value hierarchy	Level 3	Level 3	–	Level 3	–
2018					
Balance at beginning of the year	27 641	54 027	39 395	72 008	2 419 767
Amortisation of intangibles in purchase price	–	–	–	–	(4)
Share of results after tax	–	30 690	(2 398)	18 182	197 065
Dividend income	(6 256)	(37 028)	–	(26 460)	(192 040)
Equity-accounted movements on other comprehensive income	10 773	25 906	–	(9 642)	15 117
Foreign exchange movements	–	–	(4 910)	–	(4 910)
Loans repaid	–	–	3 208	–	3 208
Reclassified to held-for-sale	–	–	(8 260)	–	(8 260)
(Impairments)/reversals of associates	–	–	(27 035)	(6 108)	(170 664)
Balance at end of the year	32 157	73 595	–	47 980	2 259 278
Fair value hierarchy	Level 3	Level 3	Level 3	Level 3	

1. *Other consist of associates including, Eris Property Fund, Imvelo Consortium, Newmillen 122 Investments, Tamela Holdings and Central Media Group.*
2. *Reclassified in terms of IFRS 5.*

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.1 Investments in associates continued

Set out below is the summarised financial information of each associate that is material to the group:

	Momentum Metropolitan Holdings		Actom Investment Holdings	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Statement of financial position				
Total assets	494 483	476 365	**10 720**	11 112
Non-current assets	449 084	434 400	7 602	8 022
Current assets	45 399	41 965	3 118	3 090
Total liabilities	470 937	435 575	**5 033**	5 384
Non-current liabilities	453 450	437 795	2 886	209
Current liabilities	17 487	15 782	2 147	5 175
Net assets	**23 546**	40 790	**5 687**	5 728
Summarised income statement				
Revenue	68 491	75 299	7 448	8 402
Profit from operations	6 731	5 722	672	691
Profit/(loss) before tax	5 441	4 461	(461)	(206)
Profit from discontinued operations Income tax	–	–	3	–
expense	(3 031)	(3 039)	63	47
Profit/(loss) after tax	2 410	1 422	(395)	(160)
Non-controlling interests	(155)	(53)	(8)	(9)
Attributable profit	2 255	1 369	(403)	(169)
% ownership interest held	5.71%	5.59%	18.62%	18.62%
Share of results after tax	129	76	(76)	(31)
Unrecognised share of losses	–	–	76	–
Share of results of associates	**129**	77	**–**	(31)
Statement of comprehensive income				
Other comprehensive income	57	138	31	–
% ownership interest held	5.71%	5.59%	18.62%	18.62%
Share of reserves	3	8	6	–
Unrecognised share of reserves	–	–	(6)	–
Share of other comprehensive income of associates	**3**	8	**–**	–

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.1 Investments in associates continued

	Fidelity Bank Ghana	
	2019 GHS'm	2018 GHS'm
Statement of financial position		
Total assets	**8 017**	6 378
Non-current assets	5 799	5 267
Current assets	2 218	1 111
Total liabilities	**7 243**	5 764
Non-current liabilities	7 018	5 503
Current liabilities	225	261
Net assets	**774**	614
Summarised income statement		
Revenue	534	508
Profit from operations	766	665
Profit/(loss) before tax	266	217
Profit from discontinued operations	–	–
Income tax expense	(67)	(62)
Profit/(loss) after tax	200	153
Non-controlling interests	–	–
Attributable profit	200	153
% ownership interest held	16.94%	16.94%
Share of results after tax	33	25
Unrecognised share of losses	–	–
Share of results of associates	**34**	26
Statement of comprehensive income		
Other comprehensive income	(28)	(33)
% ownership interest held	16.94%	16.94%
Share of reserves	(5)	(6)
Unrecognised share of reserves	–	–
Share of other comprehensive income of associates	**(5)**	(6)

Average exchange rates used:

	2019	2018
GHS to USD	$0.1975	$0.2248
USD to ZAR	R13.9068	R12.9383

The summarised performance of other associates are as follows on an aggregate basis:

	2019 R'000	2018 R'000
Profit/loss from continuing operations – net	261 781	257 142
Other Comprehensive Income	(48 344)	133 765
Total Comprehensive Income	213 437	390 907

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.2 Investments in joint ventures

Set out below are the joint ventures of the group as at 30 June 2019. The group's joint ventures are all incorporated in South Africa. The group subsidiaries holding the investments have been indicated below:

Joint Venture	Principal activity	% of ownership 2019	% of ownership 2018	Carrying amount 2019 R'000	Carrying amount 2018 R'000
Unlisted					
Servest Group	Facilities management	51.85	51.85	718 826	1 878 206
Infrastructure Finance Corporation	Financial services	49.61	49.61	88 554	99 835
KA Investment Partners Trust	Investment holding	50.10	50.10	–	–
Mediamark	Advertising Sales	50.01	50.01	31 189	29 310
Media Works	Adult education training	50.00	50.00	67	1 716
Adjoin Media	Programmatic Advertising Sales	51.00	51.00	–	110
Kagiso Strategic Investments Proprietary Limited	Dormant	50.15	50.15	–	–
Total joint ventures				**838 636**	2 009 177

2019	Servest Group R'000	Infra-structure Finance Corporation R'000	Other[1] R'000	Total R'000
Balance at beginning of the year	1 878 206	99 835	31 136	2 009 177
Contributions made	–	–	2 112	2 112
Share of results after tax	(89 836)	15 844	(520)	(74 512)
Distributions received	(796 624)	(29 764)	–	(826 389)
Equity-accounting on other comprehensive income	–	2 639	–	2 639
Impairment on joint venture	(272 920)	–	–	(272 920)
Reversal of impairment of joint venture	–	–	177	177
Transfers	–	–	(1 649)	(1 649)
Balance at end of the year	**718 826**	**88 554**	**31 257**	**838 636**
Fair value hierarchy	**Level 3**	**Level 3**	**Level 3**	
2018				
Balance at beginning of the year	916 631	123 753	60 707	1 101 092
Acquisitions	–	–	1 614	1 614
Share of results after tax	961 574	10 841	(1 555)	970 860
Distributions received	–	(29 764)	(41 789)	(71 553)
Equity-accounting on other comprehensive income	–	(4 995)	–	(4 995)
Reversal of impairment of joint venture	–	–	706	706
Other gains and losses	–	–	11 453	11 453
Balance at end of year	1 878 206	99 835	31 136	2 009 177
Fair value hierarchy	Level 3	Level 3	Level 3	

1. *Other consists of KA Investment Partners Trust, Kagiso Strategic Investments, Mediamark, Media Works and Adjoin Media.*

1. **INVESTMENTS continued**

1.2 Investment in associates, joint ventures and partnerships continued

1.2.2 Investments in joint ventures continued

Set out below is the summarised financial information of each joint venture that is material to the group:

	Servest Group		Infrastructure Finance Corporation	
	2019 R'm	2018 R'm	**2019 R'm**	2018 R'm
Summarised statement of financial position				
Total assets	**1 520**	3 241	**301**	339
Non-current assets	881	1 039	189	252
Current assets	639	2 202	112	87
Total liabilities	**1 264**	1 266	**67**	73
Non-current liabilities	953	988	–	–
Current liabilities	311	278	67	73
Net assets	**256**	1 975	**235**	266
Summarised income statement				
Revenue	2 836	10 357	37	25
Operating expenses	(2 939)	(8 034)	(3)	(3)
Operating profit	**(103)**	2 323	**34**	22
Net finance costs	(95)	(488)	–	–
Profit before tax	**(198)**	1 835	**34**	22
Income tax expense	(32)	(9)	–	–
Profit after tax	**(230)**	1 826	**34**	22
Non-controlling interests	–	29	–	–
Attributable profit	**(173)**	1 855	**34**	22
% ownership interest held	51.85%	51.85%	49.61%	49.61%
Share of results of joint ventures	**(90)**	962	**16**	11
Statement of comprehensive income				
Other comprehensive income	–	–	6	(10)
% ownership interest held	51.85%	51.85%	49.61%	49.61%
Share of other comprehensive income of joint ventures	**–**	–	**3**	(5)

1.2.3 Investments in partnerships

Set out below are the partnerships of the group as at 30 June 2019.

		% of ownership		Carrying amount	
Partnership	**Principal activity**	**2019**	2018	**2019 R'000**	2018 R'000
XK Platinum Partnership	Platinum Mining	–	24.07	–	293 500
Total partnerships				–	293 500

2019	**XK Platinum Partnership R'000**	**Total R'000**
Balance at beginning of the year	293 500	293 500
Share of results after tax	27 389	27 389
Distributions	(34 402)	(34 402)
Disposal	(286 487)	(286 487)
Balance at end of the year	**–**	**–**
Fair value hierarchy	–	

2018		
Balance at beginning of the year	126 000	126 000
Share of results after tax	39 650	39 650
Distributions	(14 157)	(14 157)
(Impairment)of partnership	142 007	142 007
Balance at end of year	293 500	293 500
Fair value hierarchy	Level 3	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.3 Investments in partnerships continued

Set out below is the summarised financial information of the partnership that is material to the group:

	XK Platinum Partnership	
	2019[1] R'm	2018 R'm
Summarised statement of financial position		
Total assets	**–**	3 142
Non-current assets	–	1 923
Current assets	–	1 218
Total liabilities	**–**	447
Non-current liabilities	–	331
Current liabilities	–	116
Net assets	**–**	2 694
Summarised income statement		
Revenue	521	1 135
EBITDA	168	247
Profit before tax	**134**	165
% ownership interest held	19.52%	24.07%
Share of results after tax	27	40
Total share of results of partnership	**27**	40
Statement of comprehensive income		
Other comprehensive income	–	–
% ownership interest held	19.52%	24.07%
Share of other comprehensive income of partnership	–	–

1. *Results disclosed in terms of FRS 12 only covers the period until disposal.*

1.3 Net impairments (losses)/recoupments on investments

	2019 R'000	2018 R'000
Actom Investment Holdings	–	(110 536)
Fidelity Bank (Ghana)	(114 114)	87 115
Me Cure Healthcare	(66 700)	(114 100)
Other	(6 780)	(33 144)
Associates	**(187 594)**	(170 664)
Kagiso Strategic Investments	179	706
Servest	(272 920)	–
Other	(2)	–
Joint ventures	**(272 743)**	706
XK Platinum Partnership	–	142 007
Partnerships	**–**	142 007
Actom Investment Holdings	–	(269 056)
Held-to-maturity	**–**	(269 056)
* Other (impairments)/reversals including loans	18 493	(107 284)
	(441 844)	(404 291)

* *Represents impairment on goodwill on Urban Brew Studios ("UBS") and impairments on intangible assets and property, plant and equipment for UBS in respect of the prior period.*

Impairments are determined with reference to the independent valuation performed on investments and loans. The recoverable amount is deemed to be the fair value as calculated by the independent valuer. Refer to the note on investments for further details on fair values used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. INVESTMENTS continued

1.3 Net impairments (losses)/recoupments on investments continued

Impairment indicators

	2019	2018
Associates		
Actom Investment Holdings	Actom continue to operate in the challenging operating environment. Various issues which have adversely impacted their sector and trading in general including major parastatal leadership crisis, coal mining pressures (lower coal prices and multi-national exit of SA) and municipalities (poor service delivery).	Increase in net debt, lower revenues and lower EBITDA over the forecast period contributed in the lower value.
Fidelity Bank (Ghana)	As per previous reporting periods the depreciating currencies of the Rand and Cedi's had a negative impact on the valuation of the investment. Furthermore, the impairment recognised was driven by a large differential between the equity accounted results for the period recognised and the limited dividends received due to capital adequacy requirements of the Bank.	Value increase is supported by increase in net interest income, net fees and commissions. In addition, the value was impacted by the weakness of the Rand and cedi's against the US dollar.
Me Cure Healthcare	Consistent to previous years, the business is impacted by operational challenges. Limited reliable information available and the directors view on the forward looking performance resulted in a full write-down of the investment.	Performance has been severely impacted by the business's operational challenges as well as the macro economic challenges in the country.
Joint Ventures		
Servest	Decline mainly due to the realisation of the UK investment of c.R1.8bn (consequently a special dividend of R1.535bn was paid, KTH's portion was R796.6m) & a decrease in EBITDA of the Africa business driven by tougher trading conditions. On a like for like basis, Servest Africa valuation has remained flat in 2019 vs 2018.	Not applicable to the prior period.
Partnerships		
XK Platinum Partnership	Not applicable to the current period.	Increase in the value is attributable to increase in Platinum Group Metals ("PGM") prices particularly in the 2021 to 2025 forecasted period as well as increase in Run OF Mine ("ROM").

1.4 Available-for-sale investments

Investments were designated as available-for-sale financial assets if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. Financial assets that were not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) were also included in the available-for-sale category.

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months of the end of the reporting period.

A security was considered to be impaired if there had been a significant or prolonged decline in the fair value below its cost.

Set out below were the available-for-sale investments held of the group as at 30 June 2018 before the adoption of IFRS 9:

				Carrying amount	
		% of ownership		2019	2018
Investee	**Principal activity**	**2019**	2018	**R'000**	R'000
Macsteel Services Centre SA	Steel supply	–	7.50	–	132 125
Ogilvy and Mather South Africa	Advertising	–	8.00	–	71 699
ZA Celebrity Worx	Online Media	–	15.00	–	650
New Holland Publishing	Publishing	–	15.00	–	910
Total available-for-sale assets				**–**	205 384

1. INVESTMENTS continued

1.4 Available-for-sale investments continued

The table below sets out the reconciliation of the carrying amount of available-for-sale investments:

2019	Macsteel Services Centre SA R'000	Other R'000	Total R'000
Balance at beginning of the year	132 125	73 281	205 407
Reclassification in terms of IFRS 9	(132 125)	(73 281)	(205 407)
Balance at end of the year	–	–	–
Dividend income	–	–	–
Fair value hierarchy	–	–	–
2018			
Balance at beginning of the year	155 783	85 578	241 362
Additions	–	–	–
Fair value adjustments – other comprehensive income	(23 658)	(12 297)	(35 955)
Balance at end of year	132 125	73 281	205 407
Dividend income	–	320	320
Fair value hierarchy	Level 3	Level 3	–

1.5 Financial assets at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

The group invests in either listed or unlisted shares and has no significant influence over the investment, the investment is classified as a financial asset at fair value through profit or loss as these investments will be disposed of by management the moment they can realise a profit and they are managed on a fair value basis. The fair values of these investments are determined at each year-end and any changes in their fair values are recognised in profit or loss in the statement of profit or loss in the period in which they arise within 'net gains/(losses) on investments'. They were presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they were presented as non-current assets.

Dividend income from these investments is recognised as part of dividend income in profit/(loss) when the group's right to receive payment is established. Refer to note 1.7 for information regarding dividends received.

Set out below are the financial assets at fair value through profit or loss of the group as at 30 June 2019:

		% ownership		Carrying amount	
Investee	**Principal activity**	**2019**	2018	**2019 R'000**	2018 R'000
Listed Investments					
Momentum Metropolitan Holdings[1]	Financial services	–	–	562 360	534 908
Unlisted Investments					
Macsteel Services Centre SA[2]	Steel supply	7.50	–	–	–
Fidelity Bank (Ghana)[2, 3]	Financial services	–	–	170 238	–
Actom Investment Holdings[2, 3]	Electrical Products	–	–	249 443	–
Nozala Holdings	Investment Holding	15.00	15.00	33 426	30 735
Nozala Capital Management	Investment Holding	28.55	28.55	30 221	28 007
Adcock Ingram participation right	Healthcare	–	–	11 288	7 364
Remgro Limited[2]	Investment Holding	–	–	22	–
Unit trusts	N/A	–	–	102 237	91 044
Total financial assets at fair value			1 159 235	692 058	

1. *The group is invested in MMI "A3" preference shares*
2. *The investment was reclassified in terms of IFRS 9 in the current period.*
3. *The group is invested in preference shares*

1. INVESTMENTS continued

1.5 Financial assets at fair value through profit or loss continued

Reconciliation of the carrying amount of financial assets at fair value through profit and loss:

2019	MMI Holdings R'000	Macsteel Services Centre SA R'000	Nozala Holdings R'000	Nozala Capital Management R'000	Fidelity Bank (Ghana) R'000
Balance at beginning of the year	534 908	–	30 735	28 007	–
Reclassification in terms of IFRS 9	–	132 125	–	–	166 478
Fair value adjustments	27 452	(42 125)	2 691	2 214	3 760
Classified as held-for-sale	–	(90 000)	–	–	–
Balance at end of the year	**562 360**	**–**	**33 426**	**30 221**	**170 238**
Finance income	37 294	–	–	–	14 812
Dividend income	–	–	2 956	1 533	–
Fair value hierarchy	Level 3	Level 3	Level 3	Level 3	Level 3

2018	MMI Holdings R'000	Macsteel Services Centre SA R'000	Nozala Holdings R'000	Nozala Capital Management R'000	Fidelity Bank (Ghana) R'000
Balance at beginning of the year	583 188		28 011	25 393	
Fair value adjustments	(48 280)		2 724	2 614	
Classified as held-for-sale					
Balance at end of the year	534 908		30 735	28 007	
Finance income	37 294				
Dividend income			16 443	15 660	
Fair value hierarchy	Level 3	Level 3	Level 3	Level 3	Level 3

2019	Actom Investment Holdings[1]	Other	Total R'000
Balance at beginning of the year	–	98 409	692 058
Reclassification in terms of IFRS 9	58 000	22	356 625
IFRS 9 adjustment allocated to opening retained income	(14 000)	–	(14 000)
Fair value adjustments	205 442	15 118	214 553
Classified as held for sale	–	–	(90 000)
Balance at end of the year	**249 443**	**113 549**	**1 159 235**
Finance income	–	–	52 106
Dividend income	–	–	4 489
Fair value hierarchy	Level 3	Level 3	
2018			
Balance at beginning of the year	–	102 157	738 748
Fair value adjustments	–	(438)	(43 380)
Disposals	–	(3 310)	(3 310)
Balance at end of the year	–	98 409	692 058
Finance income	–	–	37 294
Dividend income	–	–	32 103

1. *Previously classified as held-to-maturity financial asset.*

1.6 Held-to-maturity financial assets

The held-to-maturity financial assets have been reclassified as follows on the adoption of IFRS 9 Financial Instruments:

- Actom Investment Holdings – FVPL
- Eris Property Fund – amortised cost

In previous years, the group classified investments as held-to-maturity if:

- they were non-derivative financial assets
- they were quoted in an active market
- they had fixed or determinable payments and fixed maturities
- the group intended to, and was able to, hold them to maturity.

Held-to-maturity financial assets were included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would have been classified as current assets.

None of the held-to-maturity investments were either past due or impaired in the prior year.

1. INVESTMENTS continued

1.6 Held-to-maturity financial assets continued

The table below sets out the reconciliation of the carrying amount of held to maturity financial assets:

2019	Actom Investment Holdings[1] R'000	Eris Property Fund R'000	Total R'000
Balance at beginning of the year	58 000	49 874	107 874
Reclassify preference shares to amortised cost in terms of IFRS 9	–	(49 874)	(49 874)
Reclassify non-trading equities to FVPL in terms of IFRS 9	(58 000)	–	(58 000)
Balance at end of the year	–	–	–
Dividend rate	–	–	–
2018			
Balance at beginning of the year	327 056	64 879	391 935
Dividends accrued	–	7 976	7 976
Impairments recognised during the period	(269 056)	–	(269 056)
Redemptions	–	(22 981)	(22 981)
Balance at end of year	58 000	49 874	107 874

1. *The fair value is based on using a rate of 12.00% for 2018 and are within level 3 of the fair value hierarchy.*

1.7 Dividend income

Where the group holds investments in listed or unlisted shares (classified as either 'available-for-sale financial instruments' or 'financial assets at fair value through profit or loss'), dividends declared by these investments are accounted for as dividend income by the group. The group recognises the dividend income when the group's right to receive payment is established.

The amounts included in the statement of comprehensive income comprises the following:

	2019 R'000	2018 R'000
Other	–	320
Available-for-sale financial instruments	**–**	320
Main Street 333	–	29 313
Nozala Holdings	2 956	16 443
Nozala Capital Management	1 533	15 660
Financial assets at fair value through profit and loss	**4 489**	61 416
Other financial instruments	1 046	9 271
	5 535	71 007

1.8 Net gains/(losses) on investments

The group includes in other gains and losses the fair value movements of 'financial assets at fair value through profit or loss' and movements of other investments affecting profit or loss.

The amounts included in the statement of comprehensive income comprises the following:

	2019 R'000	2018 R'000
Macsteel Services Centre SA	(42 125)	–
Actom Investment Holdings – preference shares	205 442	–
MMI Holdings	27 452	(48 280)
Fidelity Bank (Ghana)	3 760	–
Main Street 333	–	257 795
Other	20 023	4 900
Financial assets at fair value through profit and loss	**214 553**	214 415
Actom Investment Holdings – shareholder loan	(73 053)	–
Other	(9 088)	7 059
Other gains/(losses)	**(82 141)**	7 059
	132 412	221 474

1. INVESTMENTS continued

1.9 Profit on sale of investments – net

The amounts included in the statement of comprehensive income comprises the following:

	2019 R'000	2018 R'000
XK Platinum Partnership	(19 487)	–
Other	(6 961)	–
	(26 448)	–

1.10 Assets classified as held-for-sale

Where the group intends to dispose of an investment in its portfolio the investment will be classified as 'held-for-sale' only if such a sale is highly probable at year end and there are no more conditions which first have to be complied with before the investment can be sold (such as the expiry of lock-in periods). If an investment is classified as 'held-for-sale' it is accounted for at the lower of its carrying value or its 'fair value less cost to sell'.

In the current period under review, the investment in Macsteel Services Centre SA and Global Media Alliance was classified as held-for-sale as it met the requirements in terms of IFRS 5.

During the prior year, the group classified as held-for-sale its subsidiaries Knowledge Factory, Kaufman Levin, Mega8 e-Sport and ReelAfrican Incorporated as it met the requirements in terms of IFRS 5.

During the prior period, the group classified as held-for-sale its joint venture Adjoin and associate Global Media Alliance Associates as it met the requirements in terms of IFRS 5.

During the prior period, the group classified as held-for-sale its division in Kagiso IO as it met the requirements in terms of IFRS 5.

Board approval was 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 had been met.

In accordance with IFRS 5, the assets and liabilities held for sale of KLA and Knowledge Factory were written down to their fair value less costs to sell of R12 600 000 and R5 000 000 respectively in the prior year. This is a non-recurring fair value which was measured using the observable inputs, being the prices for recent sales of similar businesses. These entities were subsequently disposed of in the current year for a price equivalent to its fair value. In addition, Adjoin which is an investment in joint venture of Kagiso Media, was classified as held for sale in the current year at the fair value of R8 132 000 in accordance with IFRS 5.

The assets and liabilities of these businesses were presented as held-for-sale.

	2019 R'000	2018 R'000
Assets		
Property, plant and equipment	–	780
Classified as assets held-for-sale	–	882
Impairment loss recognised on classification as held-for-sale	–	(102)
Intangible assets	–	2 347
Goodwill	–	–
Classified as assets held-for-sale	–	19 724
Impairment loss recognised on classification as held-for-sale	–	(19 724)
Deferred income tax assets	–	–
Investment in associates, joint ventures and partnerships	6 027	8 260
Deferred tax	–	1 157
Financial assets at fair value through profit and loss – designated	90 000	–
Income tax asset	–	410
Trade and other receivables	–	12 180
Cash and cash equivalents	–	11 268
Assets classified as held-for-sale	**96 027**	36 402
Liabilities		
Borrowings	–	300
Deferred income tax liabilities	–	419
Trade and other payables	–	9 967
Liabilities directly associated with assets classified as held-for-sale	**–**	10 686
Net assets directly associated with discontinued operations	**96 027**	25 716

1. INVESTMENTS continued

1.10 Assets classified as held-for-sale continued

The table below illustrates the results of the discontinued operations:

	2019 R'000	2018 R'000
Profit and loss		
Revenue	8 534	59 569
Other income	4	(510)
Raw materials and consumables	(102)	(22 439)
Employee costs	(4 622)	(38 750)
Marketing and programming costs	–	(462)
Professional and consulting costs	(307)	(3 218)
Rental and management fees	(361)	(2 363)
Depreciation	(48)	(882)
Amortisation	(1 172)	(4 639)
Impairment loss	–	(41 143)
Other expenses	(1 277)	(13 048)
Operating loss	**649**	(67 885)
Finance income	34	1 332
Finance expense	–	(2)
Income from equity accounted investments	(5 395)	–
Loss before tax	**(4 712)**	(66 555)
Income tax expense	–	(755)
Loss after tax from discontinued operations	(4 712)	(67 310)
Other comprehensive income		
Fair value adjustments on available for sale financial assets	–	–
Tax relating to other items of comprehensive income/(losses)	–	–
	(4 712)	(67 310)

The assets and liabilities classified as held-for-sale at 30 June 2019 were in relation to:

	Assets R'000	Liabilities R'000	Net R'000
Unlisted			
Macsteel Services Centre SA	90 000	–	90 000
Kagiso Media entities held-for-sale	6 027	–	6 027
	96 027	**–**	**96 027**

The assets and liabilities classified as held-for-sale at 30 June 2018 were in relation to:

	Assets R'000	Liabilities R'000	Net R'000
Unlisted			
Kagiso Media entities held-for-sale	36 402	(10 686)	25 717
	36 402	(10 686)	25 717

1.11 Amounts due from group companies

Loans to holding companies, fellow subsidiaries, joint ventures and associates are recognised initially at fair value plus direct transaction costs. Under IAS 39 these loans were subsequently carried at amortised cost but in terms of the adoption of IFRS 9 these loans to holding companies, fellow subsidiaries, joint ventures and associates are subsequently carried at fair value due the loans being subordinated until such a point that the company has settled all other liabilities or due to the company classifying these as equity.

The table below presents a summary of the amounts due from group companies:

2019	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[1]	476 092	–	–	–	476 092
Imvelo Consortium[1]	21 439	–	–	–	21 439
Mecure Healthcare[1]	–	50 175	–	–	50 175
	497 531	**50 175**	**–**	**–**	**547 706**
Joint ventures					
Kagiso Strategic Investments	–	942	–	**(176)**	**766**
Net indebtedness due from group companies	**497 531**	**51 117**	**–**	**(176)**	**548 472**

1. *These loans are classified as level 3 in terms of the fair value hierarchy.*

1. INVESTMENTS continued

1.11 Amounts due from group companies continued

2018	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	489 882	–	–	–	489 882
Imvelo Consortium	23 159	–	–	–	23 159
Mecure Healthcare	42 664	–	–	–	42 664
	555 705	–	–	–	555 705
Joint ventures					
Kagiso Strategic Investments	–	213	–	–	213
Net indebtedness due from group companies	555 705	213	–	–	555 918

The carrying amount of the amounts due from group companies approximate their respective fair value. Below are the terms of the amounts due from group companies:

	Rate	Security	Term
Actom Investment Holdings	Prime plus 2%	Unsecured	None
Imvelo Consortium	12.98%	Unsecured	None
Me Cure Healthcare	15%	Unsecured	None

1.12 Fair value information

The following inputs, assumptions and valuation methodologies were used in determining the fair values of the following investments:

Investee company	Methodology	Minority discount	Liquidity discount	Discount rate	Volatility	Growth rate used	Period	Unit price
2019								
Actom Investment Holdings	DCF	15%	10%	15%	–	–	–	–
Me Cure Healthcare	NAV	–	–	–	–	–	–	–
Fidelity Bank (Ghana)	Multiple	–	5%	10%	–	–	–	–
Servest	Multiple	–	5%	5%	–	–	–	–
Macsteel Services Centre SA	Multiple	–	10%	15%	–	–	–	–
MMI Holdings	Option	–	–	–	27%	–	–	R9.79

Investee company	Methodology	Minority discount	Liquidity discount	Discount rate	Volatility	Growth rate used	Period	Unit price
2018								
Actom Investment Holdings	DCF	15%	10%	16%	–	18%	3	–
Me Cure Healthcare	NAV	–	0%	–	–	–	–	–
Fidelity Bank (Ghana)	Multiple	–	5%	10%	–	–	–	–
XK Platinum Partnership	DCF	15%	10%	20%	–	8%	7	–
Macsteel Services Centre SA	Multiple	–	10%	15%	–	–	–	–
MMI Holdings	Option	–	–	–	28%	–	–	R9.16

1. INVESTMENTS continued

1.12 Fair value information continued

The following sensitivity analysis was done for level 3 investments available for sale financial assets with a fair value above R100 million and deemed significant to the group:

Level 3 sensitivity	Macsteel Services Centre SA 2018
Input	Discount rate
Base rate	15.00%
Change in rate	5.00%
Base value (R'000)	132 125
High value (R'000)	164 414
Low value (R'000)	99 836
Change in value (R'000)	32 289

1.13 Financial assets at amortised cost

Financial assets at amortised cost represents contractual cash flow payments that of solely principal and interest. These assets are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate.

IFRS 9 replaces the "incurred loss" model in IAS 39 Financial Instruments: Recognition and Measurement and in accordance with the new requirements, the company now applies the IFRS 9 general approach to measuring expected credit losses ("ECL") for its financial assets measured at amortised cost.

The group was required to revise its impairment methodology under IFRS 9 for financial assets at amortised cost and no material impact was identified on adoption or at the reporting date.

There have been no significant historic losses or issues related to the collectability of financial assets at amortised cost. The loss considerations for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the group's past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period. All of the disclosures required for the expected credit loss measurement have not been included as the impairment is not considered to be material in respect of the company's financial assets carried at amortised cost.

The following financial assets are included in the statement of financial position at amortised cost:

Company	**Instrument**	**2019 R'000**	2018 **R'000**
Eris Property Fund	Preference shares	24 290	–
		24 290	–
		24 290	–

1.14 Business combinations

Purchase of remaining non-controlling interest in Jacaranda FM Proprietary Limited ("Jacaranda")

As at 07 February 2019 Kagiso Media Proprietary Limited purchased, from the Seller, 20 000 ordinary shares constituting the remaining 20% of the issued share capital and voting rights that was previously not held by Kagiso Media. The purchase price payable for the shares was R 230 000 000 plus 20% of the signature date Excess Cash.

The carrying amount of the non-controlling interests in Jacaranda on the date of acquisition was R49 918 000. The group derecognised non-controlling interests of R49 918 000 and recognised an increase in equity attributable to owners of the parent of R186 539 000.

The acquisition date of the remaining interest for financial reporting and consolidation purposes was 07 February 2019, which is the date when all the conditions precedent to the transaction were fulfilled and Kagiso Media Proprietary Limited acquired the remaining control.

The effect of changes in the ownership interest in Jacaranda on the equity attributable to owners of the parent during the year is summarised as follows:

	2019 R'000
Purchase consideration	236 457
Non-controlling interest at time of acquisition	(49 918)
	186 539

1. INVESTMENTS continued

1.14 Business combinations continued

Disposal of Knowledge Factory Proprietary Limited ("Knowledge Factory")

On 5 April 2019, the group disposed of its interest in Knowledge Factory, through the sale of shares. Knowledge Factory was previously recognised as Held for Sale at 30 June 2018. The total consideration amount is R5 000 000 less working capital.

The disposal of Knowledge Factory was recognised in accordance with IFRS 10. The disposal date for financial reporting and consolidation purposes was 5 April 2019, which is the date when all the conditions precedent to the transaction were fulfilled.

Disposal of Kaufman Levin Associates ("KLA")

On 2 July 2018, the group disposed of its interest in KLA, through the sale of shares. KLA was previously recognised as Held for Sale at 30 June 2018. The total consideration amount is R12 600 000.

The disposal of KLA was recognised in accordance with IFRS 10. The disposal date for financial reporting and consolidation purposes was 2 July 2019, which is the date when all the conditions precedent to the transaction were fulfilled.

1.15 Financial assets at fair value through OCI

Set out below are the financial assets at fair value through OCI held by the group as at 30 June 2019 after the adoption of IFRS 9.

The group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL) on the basis of the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Equity securities at FVOCI – The asset is not held for trading and the group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.

Debt investments at FVOCI – The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding however, the group's business model is to collect both the contractual cash flows and selling the financial asset.

		% of ownership		Carrying amount	
				2019	2018
Investee	**Principal activity**	**2019**	2018	**R'000**	R'000
ZA Celebrity Worx	Online Media	15.00	0.00	650	–
New Holland Publishing	Publishing	15.00	0.00	910	–
Total fair value through OCI				1 560	–

This was previously Available for sale under IAS 39.

All financial assets at fair value through OCI listed above are denominated in South African Rand.

The fair value of these unlisted securities have been determined based on discounted cash flow calculations. These calculations use pre-tax cash flow projections based on financial forecasts approved by senior management and the board of directors covering a three-year period.

The table below sets out the reconciliation of the carrying amount of available-for-sale investments:

	Ogilvy Mather R'000	**ZA Celebrity Worx R'000**	**New Holland Publishing R'000**	**Total R'000**
2019				
Balance at beginning of the year				
Reclassification in terms of IFRS 9	71 699	650	910	73 259
Fair value adjustments – other comprehensive income	(35 988)	–	–	(35 988)
Disposals	(35 711)	–	–	(35 711)
Balance at end of the year	**–**	**650**	**910**	**1 560**

2. CASH AND BORROWINGS

2.1 Cash and cash equivalents

Cash and cash equivalents are accounted for at amortised cost and bank overdrafts are accounted for as financial liabilities in accordance with the accounting policy disclosed in note 5.5. Previously under IAS 39 cash and cash equivalents were classified as loans and receivables, but with the adoption of IFRS 9 it is classified at amortised cost.

Cash and cash equivalents comprise cash on hand and deposits held on call, all of which are available for use by the group. Bank overdrafts are included within current liabilities on the statement of financial position, unless the group has a current legally enforceable right to set off the amounts and intends to settle on a net basis, or realise the asset and settle the liability simultaneously, in which case it is netted off against cash and cash equivalents on the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019 R'000	2018 R'000
Cash and cash equivalents consist of:		
Cash on hand	116	70
Current bank balances	369 137	393 530
Short-term deposits	612 432	588 506
	981 685	982 105
Bank overdraft	(2 045)	(46)
Net cash and cash equivalents	**979 640**	982 059

The carrying amount of cash and cash equivalents is considered to be a reasonable indication of the fair value.

Impairments on cash and cash equivalents for the 2019 financial year are measured on a 12-month expected credit loss basis and reflect the short-term maturities of the exposures. The group considers that its cash and cash equivalents have good credit quality based on the external credit ratings of the counterparties. No impairment was considered necessary.

Refer to note 4.2.1 for disclosure on the credit risk.

2.2 Finance income

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, net foreign exchange gains and any gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

	2019 R'000	2018 R'000
The statement of profit or loss amount is made up as follows:		
Finance income from banks	98 794	87 737
Finance income from group companies	69 886	63 176
Preference share dividends received from group companies	55 855	45 270
Other finance income received	6 012	17 832
	230 547	214 015
Finance income from group companies is made up as follows:		
Actom Investment Holdings	59 142	55 912
Other	10 744	7 264
	69 886	63 176
Preference dividends received from group companies is made up as follows:		
Momentum Metropolitan Holdings	37 294	37 294
Other	18 562	7 976
	55 855	45 270

2. CASH AND BORROWINGS continued

2.3 Borrowings

A summary of all the material borrowings are set out below.

2019	Non-current R'000	Current R'000	Total R'000
Interest-bearing loans	570 771	516 599	**1 087 370**
Preference shares	257 600	5 984	**263 584**
Bonds	800 000	13 511	**813 511**
Finance lease liabilities	71 135	23 372	**94 507**
	1 699 506	**559 466**	**2 258 972**
2018			
Interest-bearing loans	511 129	1 566 446	2 077 575
Preference shares	–	263 438	263 438
Bonds	800 000	12 959	812 959
Finance lease liabilities	87 815	28 025	115 840
	1 398 944	1 870 868	3 269 812

2.3.1 Interest-bearing loans

Interest-bearing loans are measured at amortised cost using the effective interest rate method. The carrying value of the interest-bearing loans approximates their fair value.

Summary of interest-bearing loans summarised by investment at amortised cost:

	2019 R'000	2018 R'000
Actom Investment Holdings	469 337	406 597
Cardona Investments 428	–	1 054 357
Kagiso Media	595 506	592 355
Imvelo Consortium	22 527	24 267
Total interest-bearing loans	**1 087 370**	2 077 575

Summary of interest-bearing loans summarised by investment at fair value:

	2019 R'000	2018 R'000
Actom Investment Holdings	469 337	406 597
Cardona Investments 428	–	1 054 357
Kagiso Media	533 952	589 668
Imvelo Consortium	15 337	14 937
Total interest-bearing loans	**1 018 626**	2 065 558

The fair value of the bonds are based on the cash flows discounted using a rate based on the borrowing rates of 9.91% (2018: 8.20%) and are within level 3 of the fair value hierarchy.

2. CASH AND BORROWINGS continued

2.3 Borrowings continued

2.3.1 Interest-bearing loans continued

Interest-bearing loans – further details

Investment funded	Financial institution	Interest rate	Repayment details	Security/ Collateral
Actom Investment Holdings	Nedbank	3-months JIBAR plus 775 basis points	Repayable on 31 March 2022.	Shares in Actom
Cardona Investments 428	Nedbank, FirstRand Bank and The Standard Bank of South Africa	R600 million at a rate of 3-months JIBAR plus 380 basis points	Repaid during the reporting period	N/A
	Nedbank, FirstRand Bank and The Standard Bank of South Africa	R104 million at a rate of 3-months JIBAR plus 380 basis points	Repaid during the reporting period	N/A
Kagiso Media	Nedbank	A Term Facility: R240 million at a rate of 3-months JIBAR plus 225 basis points	A Term Facility: Repayable quarterly. Final date of repayment: 31 March 2024	Guarantees from Jacaranda FM, Urban Brew Studios, Juta Properties and Juta and Company
	Nedbank	B Term Facility: R377 million at a rate of 3-months JIBAR plus 275 basis points	B Term Facility: Repayable quarterly. Final date of repayment: 31 March 2024	
Imvelo Consortium	Development Bank of South Africa	6-months JIBAR plus 450 basis points	Repayable on 31 March 2029	Shares in Imvelo Consortium

2.3.2 Preference shares

The dividends on these preference shares are recognised in the statement of profit or loss as finance costs on an amortised cost basis using the effective interest rate method. Accrued dividends are included as part of the carrying amount of the liability.

Where the dividend payments are discretionary, the preference shares are classified as compound financial instruments. 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.

All other preference shares are classified as equity.

Summary:

Group company issuing preference shares	Asset being funded	Holder of the preference shares	**2019 R'000**	2018 R'000
Off the Shelf Investments 108	MMI Holdings	MMI Holdings	263 584	263 438
Total preference shares			263 584	263 438

The carrying value of the preference shares approximates their fair value.

Group company issuing preference shares	Dividend accrual	Repayment details	Security/Collateral
Off the Shelf Investments 108	88.00% of prime compounded monthly in arrears	Dividends payable on 30 September and 31 March. Fully redeemable on 31 December 2020.	"A3" shares in MMI

2. CASH AND BORROWINGS continued

2.3 Borrowings continued

2.3.3 Bonds

Kagiso Sizanani Capital (RF) Limited ("KSC"), a subsidiary of the group, has a domestic note and redeemable preference share programme for a total programme value of R 2 billion. The bonds issued carry mandatory coupon rates, and are redeemable at specific dates in the future. Once KSC obtains the funds on the issued instruments from the market, it on lends it on a back-to-back arrangement with 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.

These bonds are measured 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 bonds is charged to profit or loss as finance costs.

Summary of bonds at carrying value:

Name of Bond Issuance	**2019 R'000**	2018 R'000
KSB009	813 511	812 959
	813 511	812 959

Summary of bonds at fair value:

Name of Bond Issuance	**2019 R'000**	2018 R'000
KSB009	827 049	824 627
	827 049	824 627

The fair value of the bonds are based on the cash flows discounted using a rate based on the borrowing rates of 9.91% (2018: 8.50%) and are within level 3 of the fair value hierarchy.

Further details of borrowings:

Name of bond issuance	Interest Rate	Repayment details	Nominal value
KSB009	385 basis points above the 3-month JIBAR rate payable quarterly	5 August 2020	R 800 000 000

2.3.4 Cash flows arising from financing activities related to borrowings

Reconciliation of cash flows arising from financing activities related to borrowings:

	2019 R'000	2018 R'000
Borrowings at the beginning of the year	3 269 812	4 387 753
Current	1 398 944	2 498 499
Non-current	1 870 868	1 889 255
Interest accrued	265 859	413 674
Additions	67 008	101 249
Total payments made	(1 339 644)	(1 628 412)
Interest/preference dividends payment	(473 263)	(252 845)
Capital payment/redemption	(861 781)	(1 255 567)
Settlement of guarantee		(120 000)
Amounts paid by third parties	(4 600)	–
Other	(4 063)	(3 701)
Borrowings at the end of the year	2 258 972	3 269 812
Comprising:		
Current liabilities	1 699 506	1 398 944
Non-current liabilities	559 466	1 870 868

2. CASH AND BORROWINGS continued

2.4 Finance costs

Finance costs comprise interest expenses on borrowings, unwinding of the discount on provisions, fair value movements, net foreign exchange losses and any losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

The statement of profit or loss amount is made up as follows:

	2019 R'000	2018 R'000
Finance costs on loans to banks and funders	(212 609)	(185 214)
Finance costs to bond holders	(87 179)	(112 889)
Other finance costs	(13 003)	(97 790)
	(312 791)	(395 893)
Dividends on preference shares to banks and funders	(23 010)	(26 481)
Total finance costs	**(335 801)**	(422 374)

3. COSTS AND TAX

3.1 Operating expenses

Operating expenses represent the Group's administrative expenses and are recognised as the services are provided. The biggest component is employee benefits, as shown below. Employee benefits expense includes salaries and wages, together with the cost of other benefits provided to employees such as pension and bonuses.

	2019 R'000	2018 R'000
Expenses per nature		
Auditors' remuneration	(16 537)	(8 122)
Depreciation and amortisation	(91 063)	(92 821)
Consulting and professional fees	(31 827)	(35 367)
Lease rentals on operating leases	(71 172)	(42 552)
Directors' emoluments for executive and non-executive directors[1]	(12 867)	(9 857)
Directors' emoluments for non-executive directors[1]	(5 597)	(5 451)
Employee costs	(439 481)	(465 936)
Other costs – net	(231 007)	(282 562)
Other operating expenses – net	**(899 550)**	(942 668)

1. *Refer to annexure A for details on directors' emoluments.*

3.2 Income tax expense

The tax expense for the period comprises current, deferred and withholding tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity. For these items the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date in the countries where the company and its subsidiaries operate and generate taxable income, and any adjustment to tax payable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements for financial reporting purposes. Deferred tax is not recognised if the temporary difference arises from goodwill or from the 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 measured at tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply to temporary differences when they reverse.

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

3. COSTS AND TAX continued

3.2 Income tax expense continued

Deferred tax

Analysis of the income tax expense per the statement of profit or loss and other comprehensive income.

	2019 R'000	2018 R'000
Major components of the tax expense		
Current income tax		
Current income tax on profits for the year	(144 501)	(114 554)
Adjustments in respect of prior years	(4 544)	(1 014)
	(149 045)	(115 569)
Deferred income tax		
Origination and reversal of temporary differences	52 942	(10 446)
Adjustment in respect of prior years	(3 178)	4 911
	49 764	(5 535)
Total tax expense	**(99 281)**	(121 104)
Reconciliation between accounting profit and tax expense		
Profit before income tax	52 685	1 101 743
Tax at the applicable tax rate of 28%	14 752	308 488
Tax effect of adjustments on taxable income		
Non-taxable items	**(123 215)**	(417 780)
Share of after-tax profit/(losses) of associates, joint ventures and partnerships	(68 270)	(338 091)
Dividend income	(1 550)	(19 882)
Profit on sale of investments – net	7 405	(489)
Net gains/(losses) on investments	(37 075)	(62 013)
Income not subject to tax	(5 940)	(1 620)
Finance income not subject to tax due to capital nature	(17 785)	4 315
Non-deductible items	**199 739**	223 545
Net impairment losses	123 687	113 202
Finance costs not deductable for tax due to capital nature	51 778	42 646
Expenses not deductible for tax purposes	24 274	67 697
Other items	**8 005**	6 851
Capital gains tax paid	49 803	–
Adjustments in respect of prior years	(10 868)	1 316
Previously unrecognised tax losses	3 046	–
Future capital gains tax	(33 976)	5 535
	99 281	121 104

3.3 Deferred income tax

Deferred tax assets and liabilities represent amounts of tax that will become recoverable and payable in future accounting periods. They generally arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the accounts. A deferred tax asset represents a tax reduction that is expected to arise in a future period. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or an earlier transaction.

In respect of deferred tax assets, the Group only recognises a deferred tax asset when the availability of future profits necessary to support the deferred tax asset is probable.

	2019 R'000	2018 R'000
Deferred income tax asset		
To be recovered within 12 months	9 181	41 197
To be recovered after more than 12 months	2 992	1 316
	12 173	42 513
Deferred income tax liability		
To be recovered within 12 months	7 845	(10 026)
To be recovered after more than 12 months	(159 390)	(225 082)
	(151 545)	(235 108)
Deferred income tax liability (net)	**(139 372)**	(192 595)
The gross movement on the net deferred income tax account is as follows:		
Carrying value at the beginning of the period	(192 595)	(191 623)
Originating temporary differences charged to the statement of comprehensive income	49 764	(5 535)
Originating temporary differences charged to other comprehensive income	2 977	7 339
Classified as held-for-sale/Discontinued operations	557	–
Other	(74)	(2 776)
Carrying value at the end of the period	**(139 372)**	(192 595)

Deferred income tax assets are recognised for assessed tax losses to the extent that future taxable profits are probable.

3. COSTS AND TAX continued

3.3 Deferred income tax continued

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019 R'000	2018 R'000
Deferred income tax assets		
Provisions	7 819	21 412
Other	4 354	21 101
	12 173	42 513
Deferred income tax liabilities		
Investments	(13 585)	(62 692)
Intangible assets	(145 097)	(153 374)
Other	7 137	(19 043)
	(151 545)	(235 109)
Net deferred income tax liabilities	**(139 372)**	(192 595)

4. RISK

4.1 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 profit or loss. 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.

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 and fair value financial assets through profit or loss 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.

Acquisition date fair value of assets and liabilities

Judgement was applied in the identification and determination of acquisition date fair value of assets and liabilities in business combinations.

Fair value of financial instruments that are not traded in an active market

The fair value of financial instruments that are not traded in an active market (unlisted investments) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

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 maybe 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.

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 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 Kagiso Tiso Holdings Proprietary Limited ("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.

4. RISK continued

4.1 Critical accounting estimations and judgements continued

Material investments

The group classifies material investments as investments that have a fair value above R120 million or forms part of the groups key investments as contemplated in the strategy.

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:

Kagiso Strategic Investments Proprietary Limited ("KSI"): A number of the relevant decisions of the company (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 an 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 a joint venture.

Servest Group Proprietary Limited ("Servest"): Servest provides integrated facilities management solutions to customers, such services include inter-alia cleaning, parking, catering, hygiene, office service and landscaping. The relevant activities of Servest is therefore the operation of the above mentioned management solutions. These activities are undertaken by the board of directors and key management, in terms of the approved budget. A wide variety of different rights can give an investor the current ability to direct the investee's relevant activities. The Board of Directors of Servest comprises of 7 or 9 members of which 3 may be appointed by KTH. The directors shall manage and supervise the management of the business in terms of the annual budget. As per the shareholders agreement the budget requires the approval of 75% of the shareholders. If either of the majority shareholders (being KTH and GSH) do not agree to the annual budget, the overall budget will be disapproved. Decisions regarding the budget, i.e. the relevant activities of Servest therefore require the approval of both KTH and GSH as these parties together would constitute 77.8% (51.9% held by KTH and 25.9% held by GSH) of shareholders votes. Based on these facts management has determined the level of detail of the budget at which the budget is assessed as part of the approval process indicates the rights are substantive and that KTH does not have the rights currently to direct the relevant activities of Servest. The investment is therefore accounted as an investment in a joint venture as per IFRS 11 and is equity accounted in accordance with IAS 28.

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 ("Clidet 902"): The group has subscribed for preference shares in the company. 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 hold 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.

Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of financial instruments may require some judgement or may be derived from readily available sources. The degree of judgement involved is reflected in the fair value measurements section below, although this does not necessarily indicate that the fair value is more or less likely to be realised.

For investments that are actively traded in financial markets, fair value is determined by reference to official quoted market bid prices. For investments that are not actively traded, fair value is determined by using quoted prices from third parties such as brokers, market makers and pricing agencies. For equity investments where there is no quoted market price, fair value is determined by independent professional valuers.

Each instrument has been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in quoted equities, daily-priced funds, gilts and exchange-traded derivatives;

Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data included within Level 1 for the asset or liability and principally comprise corporate bonds and foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market, an evaluated price based on a compilation of primarily observable market information or industry standard calculations, utilising vendor feed data and information readily available via external sources. For funds not priced on a daily basis, e.g. property funds, the net asset value which is issued monthly or quarterly is used; 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 data and principally comprise investments in private equity and hedge funds. These funds are managed by third parties and are measured at the values provided by the relevant fund managers. Venture capital funds are valued based on the best available "International Private Equity and Venture Capital Valuation Guidelines". The most recent available valuation data is used and adjusted for known events such as calls or distributions. The valuation review is a continual process throughout the year.

4. RISK continued

4.1 Critical accounting estimations and judgements continued

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.

Fair value estimation

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 analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The following table illustrates the fair values of financial assets that are measured at fair value, by hierarchy level:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2019				
Financial assets at fair value through other comprehensive income	–	–	1 560	1 560
Amounts due from group companies[1]	–	–	548 647	548 647
Assets at fair value through profit and loss	22	102 237	1 056 976	1 159 235
	22	**102 237**	**1 607 184**	**1 709 443**
30 June 2018				
Available-for-sale financial assets	22	–	205 384	205 406
Assets at fair value through profit and loss	–	91 044	601 014	692 058
	22	91 044	806 398	897 464

1. *Amounts due from group companies has been classified as level 3 in terms of the fair value hierarchy after the adoption of IFRS 9.*

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):

	Held-for-sale* R'000	Fair value through profit and loss R'000	Financial assets at fair value through OCI[1] R'000	Total R'000
30 June 2019				
Balances at the beginning of the period	–	601 014	205 384	806 398
IFRS 9 adjustment allocated to opening retained income	–	(14 000)	–	(14 000)
Reclassification in terms of IFRS 9	–	356 603	(132 125)	224 478
Disposals	–	–	(71 699)	(71 699)
Transfer to held-for-sale	90 000	(90 000)	–	–
Fair value adjustment recognised in profit and loss	–	203 360	–	203 360
	90 000	**1 056 976**	**1 560**	**1 148 537**
30 June 2018				
Balances at the beginning of the period	934 000	647 528	241 339	1 822 867
Disposals	(1 191 795)	–	–	(1 191 795)
Transfer to held-for-sale	–	–	–	–
Fair value adjustment recognised in profit and loss	257 795	(46 514)	–	211 281
Fair value adjustment recognised in equity	–	–	(35 955)	(35 955)
	–	601 014	205 384	806 398

* *This relates to investment in Macsteel Services SA.*

1. *Previously classified as available-for-sale financial assets in terms of IAS 39.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. RISK continued

4.2 Financial risk management

Risk management

Introduction

The group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (foreign exchange, interest rate and price 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 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.

The table below illustrates the categories of financial instruments:

	Amortised costs R'000	**Fair value through profit or loss R'000**	**Equity instruments at FVOCI R'000**	**Carrying value R'000**
30 June 2019				
Financial assets				
Investments	24 290	1 159 235	1 560	1 185 085
Amounts due from group companies	–	548 647	–	548 647
Trade and other receivables	299 288	–	–	299 288
Restricted cash	251 679	–	–	251 679
Cash and cash equivalents	981 685	–	–	981 685
	1 556 942	**1 707 882**	**1 560**	**3 266 384**

	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held-to-maturity R'000	Carrying value R'000
30 June 2018					
Financial assets					
Investments	–	692 058	205 407	107 874	1 005 339
Amounts due from group companies	555 919	–	–	–	555919
Trade and other receivables	374 410	–	–	–	374 410
Restricted cash	241 705	–	–	–	241 705
Cash and cash equivalents	982 105	–	–	–	982 105
	2 154 139	692 058	205 407	107 874	3 159 478

	Liabilities at amortised cost R'000	**Fair value through profit and loss R'000**	**Carrying value R'000**
30 June 2019			
Financial liabilities			
Borrowings	2 258 972	–	2 258 972
Amounts due to group companies	176	–	176
Derivative financial instruments	–	61 657	61 657
Trade and other payables	212 721	–	212 721
Bank overdraft	2 045	–	2 045
	2 473 914	**61 657**	**2 535 571**
30 June 2018			
Financial liabilities			
Borrowings	3 269 812	–	3 269 812
Derivative financial instruments	–	8 642	8 642
Trade and other payables	264 100	–	264 100
Bank overdraft	46	–	46
	3 533 958	8 642	3 542 600

4. RISK continued

4.2 Financial risk management continued

4.2.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument, loan or commitment will cause the group financial loss by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents, financial instruments and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

The group has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full, amounts when due. The group's maximum exposure to credit risk is represented by the carrying value of its financial assets.

Credit risk is managed in terms of the approved treasury policy. The policy provides guidelines for management to manage the credit risk for the company and the special purpose vehicles. Credit risk in respect of Kagiso Media Proprietary Limited ("Kagiso Media") and Kagiso Asset Management Proprietary Limited ("Kagiso Asset Management") is managed by their respective boards.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, 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.

Credit quality of cash and cash equivalents

Kagiso Tiso Holdings

The operating bank accounts for the company of R12.1 million are held with financial institutions such as The Standard Bank of South Africa Limited and First National Bank having a credit rating of P-3.za (2018: P-3.za) in terms of the rating methodology applied by Moody's.

Short term deposits are invested in terms of the treasury policy and managed by Andisa Treasury Solutions. At 30 June 2019 the company has the following credit risk exposure in terms of these short term deposits in terms of the rating methodology applied by Global Credit Ratings:

Financial institution	Rating	Amount R'000
ABSA (money market fund)	AA+ (zaf)	45 384
Investec (money market fund)	AA+ (zaf)	13 936
Investec (corporate money market fund)	AA+ (zaf)	80
Nedbank (deposit note)	AA (zaf)	50 329
Nedbank (money market fund)	AA+ (zaf)	85 252
Nedbank (core income fund)	AA (zaf)	71 646
Standard Bank (call account)	AA (zaf)	4 660
Stanlib (corporate money market fund)	AA+ (zaf)	52 944
Standard Bank (current account)	AA (zaf)	33
		374 590

The investment at fair value through profit or loss is an investment in the Kagiso Asset Management Protector Fund. The fund is not rated but it invests in underlying rated investments made up from listed equities, bonds etc. Cash and cash equivalents of R23 million is held at financial institutions including Standard Bank F1+ (2018: Fitch – F1+), First National Bank S&P – B (2018: S&P – B), ABSA Moody's – P-3.za (2018: Moody's – P-3.za) and Nedbank Moody's – P-3.za (2018: Moody's – P-3.za) by special purpose vehicles. Cash and cash equivalent of R154 million is held with Investec Bank (Mauritius) by special purpose vehicles with a credit risk rating of Fitch – BB+ (2018: Fitch – BB+) in terms of the Fitch rating scale for foreign currency.

Kagiso Media

Cash and cash equivalents of R408 million were held with reputable institutions that have Moody's credit ratings of between B3 and Baa3 at 30 June 2019.

Lupo Bakery

The credit quality of cash at bank (R0.1m) that is neither past due nor impaired can be assessed by reference to Moody's Investor Service Rating P-1.za (2018: P-3.za) at 30 June 2019.

Kagiso Asset Management

The credit quality of cash at bank (R7.4m) and short term deposits (R1m), excluding cash on hand, that are not considered to be impaired can be assessed by reference to their credit rating as published by Moody's. Cash at bank and short term deposits are held with Nedbank Limited, who has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za (2018:P-3. za), Standard Bank Limited who has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za (2018: P-3.za) and ABSA Bank Limited who has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za (2018: P-3.za). The investment at fair value through profit or loss (R13.7m) includes an investment in the Nedgroup Investments Money Market Fund which has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za (2018:P-3.za).

4. RISK continued

4.2 Financial risk management continued

4.2.1 Credit risk continued

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. 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.

4.2.2 Liquidity risk

Liquidity risk is the risk that the group cannot meet its obligations as they fall due or can only do so at a cost.

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 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:

	Carrying value R'000
30 June 2019	
Financial Assets	
Committed facilities – undrawn	125 000
Financial assets at fair value through profit and loss	102 237
Trade and other receivables	299 288
Cash and cash equivalents	981 685
	1 508 210
30 June 2018	
Financial Assets	
Committed facilities – undrawn	125 000
Financial assets at fair value through profit and loss	601 014
Trade and other receivables	374 410
Cash and cash equivalents	982 105
	2 082 529

4. RISK continued

4.2 Financial risk management continued

4.2.2 Liquidity risk continued

The following are the contractual cash flows of financial liabilities:

	Carrying value R'000	Total 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 2019						
Financial liabilities						
Borrowings	2 164 465	2 560 365	715 460	1 180 371	640 368	24 166
Finance lease liability	94 507	114 909	31 484	31 484	51 941	–
Amounts due to group companies	176	176	176	–	–	–
Trade and other payables	212 721	212 721	212 721	–	–	–
Bank overdraft	2 045	2 045	2 045	–	–	–
	2 473 914	**2 890 217**	**961 886**	**1 211 855**	**692 309**	**24 166**
30 June 2018						
Financial liabilities						
Borrowings	3 153 972	3 543 929	2 114 781	584 737	844 411	–
Finance lease liability	115 840	148 680	36 143	36 143	76 394	–
Amounts due to group companies	172	172	172	–	–	–
Trade and other payables	264 100	264 100	264 100	–	–	–
Bank overdraft	46	46	46	–	–	–
	3 534 130	3 956 927	2 415 242	620 880	920 805	–

4.2.3 Market risk

Market risk is the risk that changes in market prices (price, foreign exchange and interest rate risk) will affect the group's 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 group 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 group's treasury policy.

The group's interest rate risk also 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 group is also exposed to interest rate risk due to long-term debt.

Derivatives are used for economic hedging purposes and not as speculative investments. The group enters into interest rate swaps whereby the floating rate is swapped for a fixed rate in order to manage interest rate risk. The contracts require settlement of the net interest payable or receivable at the respective reset dates. At year-end the Group settled all swap contracts (2018: R8.6 million).

The interest rate swap was recognised at fair value and classified as a level 3 instrument in terms for the fair value hierarchy in 2018.

4. RISK continued

4.2 Financial risk management continued

4.2.3 Market risk continued

Profile

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	2019		2018	
	Fixed rate R'000	Variable rate R'000	Fixed rate R'000	Variable rate R'000
Non-current financial assets				
Loans and other financial assets	1 099	–	1 772	–
Amounts due from group companies	21 439	476 091	65 823	489 882
Current financial assets				
Amounts due from group companies	51 117	–	213	–
Loans and other financial assets	299 288	–	374 410	–
Restricted cash	–	251 679	–	241 705
Cash and cash equivalents	–	981 685	–	982 105
	372 943	**1 709 455**	442 218	1 713 692
Non-current financial liabilities				
Borrowings	–	1 699 506	–	1 398 944
Other non-current liabilities				
Current financial liabilities				
Borrowings	–	559 466	–	1 870 868
Trade and other payables	212 721	–	264 100	–
Bank overdraft	–	2 045	–	46
	212 721	**2 261 017**	264 100	3 269 858

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 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:

	2019			2018		
	Change	Upward change R'000	Downward change R'000	Change	Upward change R'000	Downward change R'000
Three month JIBAR	0.11%	2 078	(2 078)	0.40%	16 353	(16 353)
Money market	1.00%	3 745	(3 745)	1.00%	5 166	(5 166)
Prime – group loans	0.25%	1 190	(1 190)	0.25%	42	(42)
Prime – borrowings	0.25%	580	(580)	0.25%	580	(580)

4. RISK continued

4.2 Financial risk management continued

4.2.3 Market risk continued

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.

Two of the groups' associates are foreign companies, Fidelity Bank Ghana Limited domiciled in Ghana and Me Cure Healthcare Limited domiciled in Nigeria. These associates are equity accounted. Changes in the currency rates in these jurisdictions will expose the group to foreign exchange risk when equity accounting is done for these results at reporting dates.

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.

Foreign currency exposure

Included in the group statement of financial position are bank accounts denominated in currencies other than the functional currency of the reporting entities. A sensitivity has not been performed on other foreign currency exposures as it is not considered to have a material impact on profit before tax.

	2019 **USD'000**	2018 USD'000
Current assets		
United States dollar	10 914	9 171
Total Assets	**10 914**	9 171

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 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 change in the exchange rate from 2019 was used in preparing the sensitivity analysis.

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) on cash balances and equity accounting done relating the Fidelity Bank (Ghana) Limited.

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 end 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 2018.

		2019			2018	
	Change	**Upward change R'000**	**Downward change R'000**	Change	Upward change R'000	Downward change R'000
Changes in cash balances	2.64%	4 066	(4 066)	5.04%	6 349	(6 349)
Changes in equity accounting	2.64%	2 522	(2 522)	5.89%	9 476	(9 476)

4. RISK continued

4.2 Financial risk management continued

4.2.4 Capital management

Risk management

The group manages its shareholders' equity, i.e. its share 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 target gearing ratio for the group is between 40% debt: 60% equity and 60% debt: 40% equity. Individual SPVs will have higher gearing ratios given the highly structured nature of the debt-funded investments. The gearing ratio at year end is as follows:

	2019 R'000	2018 R'000
Total borrowings	2 258 972	3 269 811
Cash, cash equivalents and bank overdraft	(979 640)	(982 059)
Net debt	**1 279 331**	2 287 752
Total equity	5 453 660	5 905 618
Total capital	**6 732 991**	8 193 371
Gearing ratio	**19.00%**	27.92%

Loan covenants

Under the terms of the following major borrowing facilities, the group is required to comply with the following financial covenants:

Kagiso Media Proprietary Limited ("KM")

As part of the debt obligation to Nedbank, Investec and Rand Merchant Bank, KM reports on the following debt covenants on a half-yearly basis:

- Net debt/EBITDA – covenant is set at 2.50x

During the financial period, KM did not default on any of these covenants.

Kagiso Tiso Holdings Proprietary Limited ("KTH") and Cardona Investments 428 Proprietary Limited ("Cardona")

As part of the debt obligations to Nedbank, Standard Bank and Rand Merchant Bank, KTH and Cardona reports on the following debt covenant on a half-yearly basis:

- Maximum indebtedness – covenant is set at 4.10x
- Default asset cover ratio covenant – covenant is set at 2.75x

During the financial period, the debt owing to the financial institutions as settled and KTH and Cardona was released from all obligations and was not required to report the covenants as at 30 June 2019.

KTH and Cardona did not default on any covenants during the period when the debt arrangement was still in place.

Kagiso Sizanani Capital (RF) Proprietary Limited ("KSC")

In terms of the applicable pricing supplement issued in for KSB 009, KSC is required to submit a compliance certificate to the bondholders on a half-yearly basis indicating that the requisite asset cover ratio has been complied with at each of the reporting periods. In terms of the applicable pricing supplement the required default asset cover ratio is set at 2.75x.

During the financial period, KSC did not default on this set covenant.

Dividends

The board of directors did not declare any dividends to shareholders during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. OTHER INFORMATION

5.1 Group notes

5.1.1 Non-controlling interests

A summary of the group's subsidiaries with material non-controlling interests is presented below:

	Non-controlling interests		Share of profits		Share of dividends	
	2019	2018	**2019**	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Kagiso Asset Management	14 895	6 946	7 949	5 963	–	(11 225)
Kagiso Media	27 814	81 307	28 325	39 210	(31 900)	(45 100)
Morning Tide Investments 168	3 379	3 390	(11)	127 875	–	(487 538)
Lupo Bakery	16 899	14 326	2 572	1 982	–	–
Other	197	197	–		–	–
	63 183	106 166	**38 835**	175 030	**(31 900)**	(543 863)

The directors consider Lupo Bakery, 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 income greater than R 50 million.

The proportion of ownership held by non-controlling interest in the significant subsidiaries are:

- Kagiso Asset Management Proprietary Limited – 49.90%
- Morning Tide Investments 168 Proprietary Limited – 46.09%
- Lupo Bakery Proprietary Limited – 30.00%

In respect of Kagiso Media Proprietary Limited ('Kagiso Media"), the company acquired the 20% interest held by the minorities in Jacaranda FM Proprietary Limited during the financial year. The other remaining significant non-controlling interest for Kagiso Media relates to a 30% shareholding held by non-controlling shareholders in Future Managers Proprietary Limited.

None of the other subsidiaries with non-controlling interests were determined to be qualitatively material.

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are considered material to the group. Unless otherwise stated, the group's subsidiaries' are all incorporated in South Africa and it is their principal place of operation. The summarised financial information presented is before intercompany eliminations.

Disclosure of summarised financial information on subsidiaries with material non-controlling interests

The table below summarises the statement of financial position by non-controlling interest:

	Kagiso Asset Management		Morning Tide Investments 168		Kagiso Media	
	2019	2018	**2019**	2018	**2019**	2018
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Current assets	34 934	33 440	2 898	3 203	722 054	651 727
Current liabilities	(9 492)	(10 552)	(1 499)	(1 780)	(327 824)	(511 122)
	25 442	22 888	**1 399**	1 423	**394 230**	140 605
Non-current assets	4 093	5 220	–	–	1 985 885	2 079 426
Non-current liabilities	(4 740)	19 299	–	–	(794 538)	(691 127)
	(648)	24 519	–	–	**1 191 347**	1 388 299
Net assets	**24 794**	47 407	**1 399**	1 423	**1 585 577**	1 528 904

5. OTHER INFORMATION continued

5.1 Group notes continued

5.1.1 Non-controlling interests continued

	Lupo Bakery 2019 R'000	Lupo Bakery 2018 R'000
Current assets	44 951	41 601
Current liabilities	(43 636)	(53 515)
	1 315	(11 914)
Non-current assets	59 092	56 984
Non-current liabilities	(25 111)	14 795
	33 981	71 779
Net assets	**35 296**	59 865

The table below summarises the statement of comprehensive income by non-controlling interest:

	Kagiso Asset Management		Morning Tide Investments 168		Kagiso Media	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Revenue	93 211	108 318	–	–	1 247 887	1 280 807
Profit/(loss) before tax	16 954	18 432	(70)	277 428	290 273	137 154
Income tax expense	(969)	(6 481)	–	–	(90 052)	(84 479)
Profit/(loss) after tax	15 985	11 951	(70)	277 428	195 509	52 675
Total comprehensive income	**15 985**	11 951	**(70)**	277 428	**163 015**	(29 784)

	Lupo Bakery 2019 R'000	Lupo Bakery 2018 R'000
Revenue	248 585	212 497
Profit before tax	15 838	9 465
Income tax expense	(7 263)	(2 856)
Profit after tax	8 575	6 610
Total comprehensive income	**8 575**	6 610

The table below summarises the cash flows by non-controlling interest:

	Kagiso Asset Management		Morning Tide Investments 168		Kagiso Media	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Cash flows from operating activities	6 612	(6 779)	(305)	(1 038 334)	205 318	158 616
Cash flows from investing activities	(1 975)	2 670	–	1 188 108	(222 932)	76 061
Cash flows from financing activities	(324)	–	–	(148 923)	146 292	(236 843)

	Lupo Bakery 2019 R'000	Lupo Bakery 2018 R'000
Cash flows from operating activities	22 845	2 365
Cash flows from investing activities	(20 038)	(17 014)
Cash flows from financing activities	(3 315)	9 015

The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and based on the 30 June 2019 audited financial statements.

5. OTHER INFORMATION continued

5.1 Group notes continued

5.1.2 Interests in structured entities

Interests in unconsolidated structured entities:

The group is principally involved in the following structured entities through its normal course 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. The redemption date is 30 June 2021. These preference shares also provide the group with a right to receive 60% of the remaining profits after the preference share balance has been settled as a special dividend.

5.2 Other balance sheet notes

5.2.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life.

The group's long life assets provide the infrastructure for the group to operate. These principally comprise 'freehold land and buildings' and 'plant and equipment'. The cost of these assets is recognised in the statement of comprehensive income over time as a depreciation charge.

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

Item	Average useful life
Buildings	30 years
Furniture and fittings	1 – 15 years
Motor vehicles	3 – 10 years
Office equipment	1 – 15 years
Computer equipment	2 – 9 years
Leasehold improvements	2 – 12 years
Studio Equipment	2 – 10 years

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

Juta's buildings are not depreciated as the residual value exceeds the cost.

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.1 Property, plant and equipment continued

The table below illustrates the reconciliation of property, plant and equipment:

	Land	Leasehold improvements	Plant and equipment[1]	Other	Total
	R'000	R'000	R'000	R'000	R'000
Carrying value at 1 July 2017	53 059	14 664	63 399	29 276	160 398
Cost	53 059	40 108	139 222	90 626	323 015
Accumulated depreciation	–	(25 444)	(75 823)	(61 350)	(162 617)
Additions	–	2 270	111 721	15 367	129 358
Business combinations	–	278	–	–	278
Disposals	–	–	(62)	(724)	(786)
Impairment	–	(743)	(7 445)	(654)	(8 842)
Classified as held-for-sale	–	–	–	(412)	(412)
Transfers	–	–	(11)	(87)	(98)
Depreciation	–	(2 841)	(11 897)	(14 060)	(28 797)
Carrying value at 30 June 2018	53 059	13 628	155 705	28 706	251 098
Cost	53 059	41 635	232 618	99 775	427 087
Accumulated depreciation	–	(28 007)	(76 913)	(71 069)	(175 989)
Additions	–	6 111	33 157	8 365	47 633
Business combinations	–	–	–	–	–
Disposals	–	(6 063)	(53)	(1 462)	(7 577)
Impairment	–	–	–	4	4
Transfers	–	(1 058)	(3 601)	3 324	(1 335)
Depreciation	–	(2 381)	(21 070)	(12 238)	(35 690)
Carrying value at 30 June 2019	**53 059**	**10 237**	**164 138**	**26 698**	**254 133**
Cost	53 059	35 627	261 931	108 440	459 057
Accumulated depreciation	–	(25 390)	(97 793)	(81 742)	(204 924)

1. *Other is made up of computer equipment, furniture and fittings, motor vehicles and office equipment.*

5.2.2 Intangible assets

Intangible assets mainly relate to Kagiso Media Proprietary Limited, a wholly owned subsidiary of the group, which invests in media related companies.

Intangible assets acquired in the normal course of business (such as patents, title rights, copyrights, brand names, trademarks and intellectual property) and intangible assets acquired through business combinations (such as customer relationships) are initially recognised at their fair value. They are charged to the statement of profit or loss over time as an amortisation charge.

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 due to expectation that the licensing operating agreements will be renewed. The carrying values of these licences are tested annually for impairment.

Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives determined as followings:

- Trademarks, titles and copyright – 2 to 30 years
- Development expenditure – 2 to 30 years
- Transmitter split facility – 30 years
- Customer relationships – 2 to 30 years
- Systems and software – 1 to 8 years
- Brand names – 10 years

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.2 Intangible assets continued

The table below illustrates the reconciliation of intangible assets:

	Trademarks, titles, copyright and intellectual property	Broadcast licence	Customer relationships	Other[1]	Total
	R'000	R'000	R'000	R'000	R'000
Carrying value at 1 July 2017	208 946	80 954	303 294	70 180	663 373
Cost	310 736	97 338	435 442	131 593	975 109
Accumulated amortisation	(101 791)	(16 384)	(132 148)	(61 413)	(311 736)
Additions	–	–	–	14 721	14 721
Business combinations	–	–	–	–	–
Disposals	–	–	–	(1 008)	(1 008)
Impairment	–	–	–	(1 999)	(1 999)
Reclassified as held-for-sale	–	–	(1 723)	(13 595)	(15 318)
Amortisation	(20 759)	9 504	(26 247)	(17 172)	(54 674)
Carrying value at 30 June 2018	187 941	90 458	275 324	51 127	604 850
Cost	310 491	97 338	432 107	116 756	956 693
Accumulated amortisation	(122 550)	(6 880)	(156 783)	(65 629)	(351 843)
Additions	3 506	–	–	22 441	25 947
Disposals	–	–	–	(1 169)	(1 169)
Classified as held-for-sale	–	–	–	3 882	3 882
Impairment	(175)	–	–	–	(175)
Amortisation	(17 376)	–	(26 245)	(13 664)	(57 286)
Carrying value at 30 June 2019	**173 896**	**90 458**	**249 079**	**62 583**	**576 015**
Cost	314 310	97 338	432 107	141 911	985 666
Accumulated amortisation	(140 416)	(6 880)	(183 028)	(79 327)	(409 651)

1. *Other is made up of development expenditure, transmitter split facility and systems and software.*

5.2.3 Goodwill

The goodwill mainly relates to the group's investment in Kagiso Media Proprietary Limited and other units.

Consideration paid to acquire a business in excess of the acquisition date fair value of net intangible and tangible assets is known as goodwill. Goodwill is not charged to the statement of profit or loss unless its value has diminished. The annual assessment of whether goodwill has become impaired is based on the expected future returns of the relevant business segment as a whole.

The table below illustrates the reconciliation of the goodwill:

	R'000
Carrying value at 1 July 2017	1 208 596
Cost	1 208 596
Accumulated impairment	–
Business combination	–
Classified as held-for-sale	(20 858)
Impairments	(77 098)
Foreign currency translation effects	71
Carrying value at 30 June 2018	1 110 711
Cost	1 187 809
Accumulated impairment	(77 098)
Business combination	–
Classified as held-for-sale	–
Option impairments	(5 728)
Foreign currency translation effects	–
Carrying value at 30 June 2019	**1 104 983**
Cost	1 187 809
Accumulated impairment	(82 826)

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.3 Goodwill continued

Impairment testing of goodwill

The group has allocated goodwill to the various cash-generating units. The recoverable amounts of these cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by senior management and the board of directors covering a three year period. Cash flows beyond a three year period are extrapolated using the estimated growth rates stated below.

2019	**Net closing balance R'000**	**Basis of determination of recoverable amount**	**Discount rate applied to cash flow (pre-tax)**	**Growth rate used to extrapolate cash flow**
Jacaranda FM	541 995	Value-in-use	11.50%	5.00%
East Coast Radio	425 338	Value-in-use	11.50%	5.00%
Urban Brew Studios	44 427	Value-in-use	18.30%	5.00%
Juta and Company	55 743	Value-in-use	14.20%	5.00%
Lupo Bakery	37 480	Value-in-use	4.40%	N/A
	1 104 983			

Impairment testing of goodwill continued

2018	Net closing balance R'000	Basis of determination of recoverable amount	Discount rate applied to cash flow (pre-tax)	Growth rate used to extrapolate cash flow
Jacaranda FM	541 994	Value-in-use	19.80%	5.00%
East Coast Radio	425 338	Value-in-use	20.10%	5.00%
Urban Brew Studios	44 427	Value-in-use	20.50%	5.00%
Juta and Company	61 472	Value-in-use	20.70%	5.00%
Lupo Bakery	37 480	Value-in-use	5.06%	N/A
	1 110 711			

Quantification of sensitivity of goodwill based on judgements used in the impairment calculation

2019	**Change in growth rate or multiple used**	**Change in value**	**Change in discount rate**	**Change in value**
Jacaranda FM	1% lower	Decrease by 11%	1% higher	Decrease by 13%
East Coast Radio	1% lower	Decrease by 11%	1% higher	Decrease by 13%
Urban Brew Studios	1% lower	Decrease by 6%	1% higher	Decrease by 10%
Juta and Company	1% lower	Decrease by 8%	1% higher	Decrease by 11%
Lupo Bakery	1% lower	Decrease by 1%	N/A	N/A
2018				
Jacaranda FM	1% lower	Decrease by 4%	1% higher	Decrease by 6%
East Coast Radio	1% lower	Decrease by 4%	1% higher	Decrease by 6%
Urban Brew Studios	1% lower	Decrease by 2%	1% higher	Decrease by 3%
Juta and Company	1% lower	Decrease by 4%	1% higher	Decrease by 6%
Lupo Bakery	1% lower	Decrease by 1%	N/A	N/A

None of the above will result in an additional impairment of the value of goodwill.

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.4 Trade and other receivables

Trade and other receivables mainly relate to amounts the group is due to receive in the ordinary course of business from third parties. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, 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.

The carrying amount of the financial assets below is considered to be a reasonable approximation of the fair value.

The table below summarises the items that are included in trade and other receivables:

	2019 R'000	2018 R'000
Trade receivables	181 724	167 590
Less: provision for impairment of receivables	(32 811)	(30 189)
Trade receivables – net	**148 913**	137 401
Prepayments	10 471	12 459
Operating lease asset	2 439	2 661
Dividends receivable	13 211	9 539
Kagiso Media related parties	111 309	158 406
Value added tax	9 079	2 876
Other receivables	25 856	69 064
	321 279	392 406

	2019 R'000	2018 R'000
Non-current	1 099	1 772
Current	320 179	390 634
	321 279	392 406

At 30 June 2019, group trade receivables of R60 287 133 (2018: R107 889 398), other receivables of R21 556 175 (2018: R69 064 000) and receivables from related parties of R111 309 000 (2018: R158 406 000) were fully performing.

As at 30 June 2019, trade receivables of R88 918 700 (2018: R28 656 000) were past due but not impaired. These related to a number of independent customers of whom there is no recent history of default.

As at 30 June 2019, trade receivables of R32 517 576 (2018: R30 189 000) were impaired and fully provided for. The trade receivables that are neither past due nor impaired are considered to have a low risk of default.

Restricted cash

Restricted cash is cash that is not available to the group due to warranties provided. These include:

- Amounts held in a deposit account by Cardona Investments 428 Proprietary Limited ("Cardona Investments") 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 in the 2014 financial year; and
- Amounts held in a deposit account by Tiswala Investments Proprietary Limited ("Tiswala Investments") which is not available for use by the group due to tax warranties provided to the funders of Tiswala Holdings Proprietary Limited relating to preference shares redeemed during the period.

	2019 R'000	2018 R'000
Cardona Investments	56 605	54 049
Tiswala Investments	195 075	187 656
	251 679	241 705

During the previous year, an amount of R198m was transferred from the Tiswala investments account, after agreeing with the Main Street 642 Proprietary Limited to replace the amount transferred with a guarantee from Rand Merchant Bank. The R198m was used to buy back shares as per note 5.2.5.

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.5 Share capital

Share capital represents the number of issued ordinary shares in Kagiso Tiso Holdings Proprietary Limited ("KTH").

Shares of KTH held by any of the KTH 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.

	2019 '000	2018 '000
Authorised		
1 000 000 ordinary shares with no par value	–	–
1 deferred ordinary share with par value of R1.00	–	–

	2019 R'000	2018 R'000
Issued		
897 524 (2018: 966 355) ordinary shares with no par value	7 354 686	7 389 716
1 deferred ordinary share with par value of R1.00	–	–
Treasury shares		
Cardona Investments 428	–	(482 300)
Kagiso Trust Investments Share Trust 2008	(60 616)	(60 616)
	7 294 070	6 846 800

	2019 '000	2018 '000
Movement in ordinary shares		
Opening balance	**966 355**	1 000 000
Shares bought back during the year and cancelled	(68 831)	(33 645)
Closing balance	**897 524**	966 355

During the current period, KTH bought back 68 831 shares held by Cardona Investments 428 and cancelled these shares.

In the previous financial period KTH bought back 33 645 shares for R198 million in terms of the amended and restated sale of shares and share repurchase agreement resulting in the issued share capital reducing to 966 355 shares.

5.2.6 Share-based payment liabilities

Share-based payments are remuneration payments to selected employees that take the form of award schemes in the group. The group's award schemes are all settled in cash, i.e. the employees do not receive shares or options at settlement. The year in which the employee renders services to the group to obtain the award is the year in which the expense is recognised in the income statement with a corresponding increase recognised in the liability. The expense is determined by measuring the fair value of the liability at each year-end.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the group accounts for those services as services 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.

	2019 R'000	2018 R'000
Kagiso Tiso Holdings Share Appreciation Right Scheme	–	–
Kagiso Asset Management Employee Share Trust	4 234	18 607
The Kagiso Media Share Appreciation Right Scheme	–	–
	4 234	18 607

	2019 R'000	2018 R'000
Non-current	4 234	18 607
Current	–	–
	4 234	18 607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.7 Trade and other payables

Trade and other payables mainly represent amounts that Kagiso Media Proprietary Limited and Lupo Bakery Proprietary Limited are due to pay to third parties in the normal course of business. These include accrued expenses, i.e. amounts not yet billed but for which the goods or services have already been received. Initially they are recorded at fair value and subsequently at amortised cost.

The table below summarises the items that are included in trade and other payables:

	2019 R'000	2018 R'000
Trade payables	87 359	102 266
Other payables	35 421	82 302
Other accrued expenses	60 208	63 754
Amounts owing to equity holders of Kagiso Media	6 376	15 779
VAT	9 334	8 609
Income received in advance	35 974	18 681
	234 673	291 390

5.2.8 Provisions

Provisions are liabilities where there is uncertainty over the timing or amount of settlement. They are recognised when three conditions are met: (i) when a present legal or constructive obligation exists as a result of past events, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate of the amount of the obligation can be made.

Provisions are recorded as the group's best estimate of settling the obligation.

Provision for royalties relate to royalties on music usage by broadcasters.

	Leave pay R'000	Bonus R'000	Royalty R'000	Other R'000	Total R'000
Balance at 1 July 2017	13 108	69 762	57 853	–	140 723
Charged to profit and loss	2 006	34 058	–	10 187	46 251
Utilised during the year	(2 674)	(52 956)	(32 174)	–	(87 804)
Balance at 30 June 2018	12 441	50 864	25 679	10 187	99 170
Balance at 1 July 2018	12 441	50 864	25 679	10 187	99 171
Charged to profit and loss	3 397	33 017	–	–	36 414
Utilised during the year	(4 703)	(37 086)	(19 719)	–	(61 507)
Balance at 30 June 2019	**11 135**	**46 795**	**5 960**	**10 187**	**74 077**

5.2.9 Derivative financial instruments

On 1 February 2017 (the effective date) Juta and Company purchased a 70% share in Future Managers (Pty) Ltd. As part of the purchase, Juta and Company and the minority shareholders entered into an agreement where either party has a right to acquire or sell the remaining 30% of Future Managers on the 3rd, 4th or 5th anniversary of the effective date at an exercise price based on a multiple of profit before tax. If no party has exercised their right by the 5th anniversary of the effective date, Juta & Company is deemed to have exercised its right to acquire the remaining 30% of Future Managers held by minority shareholders.

Gross obligation	**2019 R'000**	2018 R'000
Obligation recognised	45 973	–
Interest expense	11 353	–
Fair value adjustments	4 331	–
	61 657	–

5. OTHER INFORMATION continued

5.3 Income statement notes

5.3.1 Revenue

Revenue recognised in the income statement mainly derives from Kagiso Media Proprietary Limited, Kagiso Asset Management Proprietary Limited and Lupo Bakery Proprietary Limited.

Lupo Bakery Proprietary Limited

Revenue streams – The Company generates revenue primarily from the sale of baked goods.

Performance obligations and revenue recognition policies – Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a good or service to a customer.

Nature and timing of satisfaction of performance obligations, including significant payment terms – Customers obtain control of baked goods when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided for baked goods but in terms of certain customers, rebates are given.

Revenue recognition under IFRS 15 (applicable from 1 July 2018) – Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. The amount of revenue recognised is adjusted for returns made by the customer. Due to the short lifespan of the baked goods, the Company does not recognise the right to recover separately but the credit is passed against the customer on satisfaction that the customer is entitled to return goods.

Revenue recognition under IAS 18 (applicable before 1 July 2018) – Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred, provided that a reasonable estimate of the returns could be made. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made.

Kagiso Asset Management Proprietary Limited

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the group's activities. Revenue is shown net of value added tax, discounts and after eliminating sales within the group.

Revenue recognition under IAS 18 (applicable to the prior year)

Asset management fees

Fees charged for managing investments are recognised as revenue as the services are provided.

Lease income

Lease income is recognised on a straight line bases over the period of the lease.

Performance fees

Performance fees are recognised as revenue when fees have been crystallised in accordance with the mandate.

Interest income

Interest income is recognised on a time proportion basis, taking account of the principal amount outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Revenue recognition under IFRS 15 (applicable to the current year)

Revenue from contracts with customers

Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements.

Performance fees are earned, over and above management fees, on superior fund performance which exceeds specific agreed targets (typically market-related benchmarks) and are recognised when the performance obligation has been satisfied.

Performance fees include variable consideration and therefore revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur.

Revenue not from contracts with customers

Interest income from financial assets that are measured at amortised cost is recognised using the effective interest method and disclosed as interest income earned on amortised cost instruments in the statement of comprehensive income.

Lease income is recognised on a straight line bases over the period of the lease.

5. OTHER INFORMATION continued

5.3 Income statement notes continued

5.3.1 Revenue continued

Kagiso Media Proprietary Limited

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control over a product or service to a customer. The group recognises revenue either at a point in time or over time.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date, which was determined based on surveys.

Nature of goods and services

The following is a description of the principal activities, separated by reportable segments – from which the Group generates its revenue.

Radio Division

The Radio division of the group principally generate revenue in the following ways:

- **Advertising Revenue:** The provision of on radio advertising in the form of advertising spots, competitions or live reads in return for a consideration for each spot, moment or read based on a rate card for each time channel
- **Trade Exchanges:** Trade exchanges are barter transactions that the group enters into for the receipt of goods and services in exchange for advertising time on the radio.
- **Events Revenue:** Events sponsorships received for events run by the group, for which the performance obligations are fulfilled when the event is complete.
- **Web Income:** Transactions involving the provision of advertising space on the group's website.

Film and Production Division

The Film & Production Division of the group principally generate revenue from producing and delivering television content to customers and government agencies. This is done through producing a wide variety of world class unscripted and scripted content on commission basis for a variety of clients which include government agencies, private companies and international companies. Our content covers genres from children's shows, entertainment, reality, wildlife, to game and talk shows, food and travel and even series and telenovelas.

The Studios & Facilities department produce content for the group's in house productions as well as third party shows. The group offer skilled crew and state of the art facilities and equipment and a cinema and events dome for special events. The group has a world class Data Centre that is compatible with any control room, providing increased versatility and allowing for live show broadcast in studio as well as on location with Satellite News Gathering ("SNG") on any location Nationally. This facilities also offer video and audio post production editing services fully equipped with the latest software and also allows for in house music composition needs. Clients have an option making use of a combination of the various facilities based on their needs and we charge them based on our rate card.

As owners of a music library through our music compositions and audio post production department, the group also receive music royalties. Music Royalty revenue is based on usage which is monitored using cue sheets and distributed by the Southern African Music Rights Organisation ('SAMRO") With produced content the group also earn royalties when broadcasters distribute content outside of initial terms.

Publication division

The Publication Division of the Group principally generate revenue from producing and delivering the publication content to customers in the following ways:

- **Physical books/electronic content:** In terms of books sold through subscriptions as well as normal sales. The subscription revenue is currently deferred over the period of time it is earned. Normal sales of goods is recognized once the goods are delivered to the customer. For products that contains loose-leaf products these updates occur only over the contract period. The revenue is thus then recognized over this contract period.
- **Online content:** Revenue earned for access to digital products are recognized over the period of the contract (i.e. deferred).

5. OTHER INFORMATION continued

5.3 Income statement notes continued

5.3.1 Revenue continued

	2019 R'000	2018 R'000
Revenue is derived from the following business units:		
Kagiso Media	1 247 887	1 280 807
Kagiso Asset Management	93 211	108 318
Lupo Bakery	248 585	212 497
Holding Company	5 199	17 480
Special purpose vehicles holding investments	4 791	626
	1 599 673	1 619 728

	2019 R'000	2018 R'000
Revenue is derived from the following sources:		
Advertising income	690 401	723 293
Bakery revenue	248 585	212 497
Subscription and production income	522 110	520 901
Contract service revenue	7 038	2 199
Management fees	98 410	122 798
Other revenue	33 129	38 039
	1 599 673	1 619 728

5.4 Other information

5.4.1 Related party information

Subsidiaries

Details of income from, loans to/from and investments in subsidiary companies are disclosed in the company section of the financial statements.

Associated companies, joint ventures and partnerships

Details of income from and investments in associated companies, joint ventures and partnerships are disclosed in note 1.2. Details on amounts due from/(to) associated companies, joint ventures and partnerships are disclosed are disclosed in note 1.12. Details of transactions with related parties are disclosed in note 1.7, note 2.2 and note 2.4.

Key management personnel

Mbonisi Danisa has been identified as key management personnel. Information on directors' and prescribed officer emoluments are disclosed in annexure A.

5.4.2 Events after reporting date

The following material events occurred after reporting date and before signing date:

- The Group concluded a sale of share agreement with Macsteel Holdings Luxembourg SARL for the disposal of the Group's 7.5% interest in Macsteel Service Centres SA Proprietary Limited.
- The Kagiso Tiso Holdings Proprietary Limited ("KTH") shareholders approved a transaction that will facilitate the exit of an existing shareholder by 31 July 2020.
- The company appointed new directors after the reporting date.
- Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC"), a subsidiary of the group, has a domestic note and redeemable preference share programme for a total programme value of R2 billion. The remaining domestic note with a value of R800 million is repayable on 5 August 2020. The Group has put in place measures to meet its commitment as at 05 August 2020.

Impact of Covid-19

- The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the world causing disruptions to businesses and economic activity and could result in a significant drop in the fair value of Investments held by the Group and the recoverable amount these Companies invested in. The Group considers this outbreak to be a non-adjusting event after the reporting period.
- As the situation is fluid and rapidly evolving, the impact of this outbreak on the fair value measurement of the investments held by the Group and impairment assessment of these investments will be incorporated in financial statements for the year ending 30 June 2020.
- The KTH Board is actively monitoring the impact of COVID-19 on the operating entities of the Group and have prepared various scenario's to determine the financial impact. The scenarios are evaluated on a regular basis and weekly engagements are held between management and the Board on this issue. A formal presentation was done to the KTH Board on the envisaged impact on the 9 April 2020.
- Based on a Covid-19 preliminary impact assessment presented to the Board on the businesses, the Kagiso Media Group ("KM Group") was forecasted to end the 2020 financial year with revenues of approximately 20% below budget and EBITDA of about 29% below budget assuming that level 5 lockdown conditions were effective until 31 May 2020. The KM Group is forecasted to end the 2020 financial year with a positive cash balance of about R383 million.

5. OTHER INFORMATION continued

5.4 Other information continued

5.4.2 Events after reporting date continued

- The lockdown adjustment made to level 3 is anticipated to have a positive impact on the KM Group results, however, the full extent of the benefit can only be quantified post the completion of the 30 June 2020 year end results process.
- The decline in the KM Group revenue and EBITDA is largely driven by:
  - KM Radio (Jacaranda FM and East Coast Radio) assets as a result of the current depressed market conditions. The current lockdown has resulted in significant declines in advertising spend across the industry especially in the months of March 2020 and April 2020 as clients looked to preserve their cash. There are currently signs of recoveries although very minimal;
  - Urban Brew Stations – Due to the restrictions that were imposed with regards to social distancing, most of the productions had to be halted;
  - Juta Group – The impact on the Group is minimal for the 2020 financial year as most of the revenue (around 90% of Future Managers and approximately 75% of Juta) was secured before the level 5 lockdown and in level 3 supply of education materials have resumed.
- The KM Group businesses have implemented measures to ensure that:
  - Employees and customers are protected, World Health Organization (“WHO”) and government recommended measures are implemented and adhered to including supporting and enabling employees to work from home;
  - Cash preservation measures are put in place; and
  - The KM Group continues to look for new opportunities including supporting public initiatives in responding to the pandemic.
- The announcement made by the president on 12 July 2020 is not expected to have a material impact on the current performance of the group as highlighted above and the full extent will only be quantified as part of the next reporting period in June 2021.

5.4.3 Commitments

Operating lease commitments

The group leases various offices and other items under non-cancellable lease agreements. Ownership of these items will not transfer to the group at any time. The leases are therefore classified as operating leases. The leases have varying terms, escalation clauses and renewal rights. Lease expenditure is charged to the income statement.

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

	2019 R’000	2018 R’000
Not later than one year	46 499	53 206
Later than one year and less than five years	150 449	214 089
Later than five years	118 088	143 559
Total future cash flows	**315 036**	410 854

5.5 Additional accounting policies

5.5.1 Basis of preparation

The group financial statements of Kagiso Tiso Holdings Proprietary Limited (the company) comprise the company and its subsidiaries and the group’s interest in associates and joint ventures and controlled structured entities (together referred to as the group and individually as group entities).

The group financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee (APC), Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council (FRSC), and the requirements of the South African Companies Act, No 71 of 2008 (the Companies Act).

The group and the company have adopted all new accounting standards that became effective in the current reporting period. The following standards had an impact on the group:

- IFRS 9 Financial Instruments (IFRS 9); and
- IFRS 15 Revenue from Contracts with Customers (IFRS 15).

The financial statements have been prepared on the historical cost basis. Amounts are rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 4.1.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out in section 5.5 and in the related notes to the group financial statements. Where applicable, the principal accounting policies applied in the company financial statements are consistent with those applied in the group financial statements. The principal accounting policies applied are consistent with those adopted in the prior year, except as stated above in note 5.5.1.

5.5.2.1 Consolidation

Business combinations

The group accounts for business combinations using the acquisition method when control is obtained by the group. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return directly to investors or other owners, members or participants. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in profit or loss. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, this amount is negative, such negative amount is recognised immediately in profit or loss as a gain on bargain purchase.

When the group ceases to have control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests. Any retained interest in the entity is remeasured to its fair value. Any resulting gain or loss is 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. The remaining other reserves related to that entity are transferred to retained earnings.

Consolidation of subsidiaries

The group financial statements incorporate the financial statements of Kagiso Tiso Holdings Proprietary Limited and all its subsidiaries and controlled structured entities (SEs) for the reporting date 30 June 2019 on the basis outlined below.

Subsidiaries are fully consolidated from the date on which control is transferred to the group (acquisition date) and are deconsolidated from the date that control ceases (disposal date). The group controls an entity when it is exposed 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. When assessing whether control exists, the group considers all existing substantive rights that result in the current ability to direct relevant activities.

All intercompany transactions, balances and unrealised gains or losses on transactions between group companies are eliminated on consolidation. Unrealised losses are considered an impairment indicator of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to align any difference in accounting policies with those of the group.

The group does not consolidate entities where it owns more than half of the issued ordinary share capital where the contractual agreements are such that other shareholders have substantive rights that provide authority over the relevant activities of the entities.

The company accounts for investments in subsidiaries at fair value.

Non-controlling interests

On an acquisition-by-acquisition basis, non-controlling interests in the acquiree may initially be measured either at fair value, or at the non-controlling shareholders' proportion of the net identifiable assets acquired and liabilities and contingent liabilities assumed.

Non-controlling shareholders are treated as equity participants; therefore, all acquisitions of non-controlling interests or disposals by the group of its interests in subsidiaries, where control is maintained subsequent to the disposal, are accounted for as equity transactions. Consequently, the difference between the fair value of the consideration transferred and the carrying amount of a non-controlling interest purchased or disposed of, is recorded in equity.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.2 Principal accounting policies continued

5.5.2.1 Consolidation continued

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity.

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

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

5.5.2.2 Foreign currency

Functional and presentation currency

Items included in the financial statements of each entity in the group are measured using the entity's functional currency. The group financial statements are presented in South African rand, which is the functional and presentation currency of the company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation of foreign operations

The results, cash flows and financial position of group are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated at rates of exchange ruling at the reporting date;
- Specific transactions in equity are translated at rates of exchange ruling at the transaction dates;
- Income and expenditure and cash flow items are translated at weighted average exchange rates for the period or translated at exchange rates at the date of the transaction, where applicable; and
- Foreign exchange translation differences are recognised as other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent the difference is allocated to non-controlling interests.

5.5.3 Financial instruments

Adoption of IFRS 9

The group adopted IFRS 9 retrospectively on 1 July 2018, without restating comparative information. The group also adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosure. Accordingly, information relating to 30 June 2017 does not reflect the requirements of IFRS 9 but rather those of IAS 39 Financial Instruments: Recognition and Measurement. Refer to note 5.6 for details regarding the initial application of IFRS 9 and the resulting impact.

Accounting for financial instruments

Financial instruments comprise investments in equity and debt securities, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, restricted cash, borrowings, other non-current liabilities (excluding provisions), bank overdrafts, derivatives and trade and other payables.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.3 Financial instruments continued

Recognition

Financial assets and liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the group commits to purchase the instruments (trade date accounting).

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not, they are classified as non-current. Financial liabilities are classified as non-current if the group has an unconditional right to defer payment for more than 12 months from the reporting date.

Classification

The group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL) on the basis of the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:

Measurement category	Criteria
FVTPL	Debt investments that do not qualify for measurement at amortised cost or FVOCI; and equity investments that are held for trading.
Amortised cost	The asset is held within a business model with the objective to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Equity securities at FVOCI	The asset is not held for trading and the group has irrevocably elected on initial recognition to recognise the asset as at FVOCI.
Debt investments at FVOCI	The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding however, the group's business model is to collect both the contractual cash flows and selling the financial asset.

Financial assets are not reclassified unless the group changes its business model. In rare circumstances where the group does change its business model, reclassifications are done prospectively from the date that the group changes its business model.

Financial liabilities are classified as measured at amortised cost except for those derivative liabilities that are measured at FVTPL.

Measurement on initial recognition

All financial assets (unless it is a trade receivable without a significant financing component) and liabilities are initially measured at fair value, including transaction costs, except for those classified as at FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss. A trade receivable without a significant financing component is initially recognised at the transaction price.

Subsequent measurement: Financial assets

Subsequent to initial recognition, financial assets are measured as described below.

Category	Subsequent measurement
FVTPL	These financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss.
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI and never reclassified to profit or loss.
Debt investments at FVOCI	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.3 Financial instruments continued

Subsequent measurement: Financial liabilities

All financial liabilities, excluding derivative liabilities, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset/liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Modification of financial liabilities

A substantial modification of the terms of an existing debt instrument or part of it is accounted for as an extinguishment of the original debt instrument and the recognition of a new debt instrument. Gains or losses arising from the modification of the terms of a debt instrument are recognised immediately in profit or loss where the modification does not result in the derecognition of the existing instrument.

Offsetting financial instruments

Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Impairment

Under IFRS 9 the group calculates its allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost, debt investments at FVOCI and contract assets (unbilled handsets component for contract). ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive). ECLs are discounted at the original effective interest rate (EIR) of the financial asset.

Financial assets classified as available-for-sale (AFS) under IAS 39 (until 30 June 2018)

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The Group's AFS financial assets include unlisted equity investments.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for dividend income which was recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified/recycled from the equity reserve to profit or loss.

Loans and receivables at amortised cost

Under IAS 39 loans and receivables were earned at amortised cost and with the adoption of IFRS 9 this did not result in a change.

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 at amortised cost'. These assets 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 where the recognition of interest would be immaterial.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Trade and other receivables

Under IAS 39 trade and other receivables were recognised initially at fair value and subsequently at amortised cost, less provision for impairment. With the adoption of IFRS 9 this did not result in a change.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the loss allowance, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.3 Financial instruments continued

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, they have been grouped based on the days past due.

Cash and cash equivalents

Under IAS 39 cash and cash equivalents were classified as loans and receivables and now under IFRS 9 at amortised cost.

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

A repurchase of the company's own equity instruments is treated and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when and only when, the Group's obligations are discharged, cancelled or they expire.

5.5.4 New and amended accounting standards and interpretations

International Financial Reporting Standards and amendments effective for the first time for 30 June 2019 year-end.

Amendments to IFRS 2 – 'Share-based payments' (Annual periods beginning on or after 1 January 2018 (published June 2016))

This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.4 New and amended accounting standards and interpretations continued

IFRS 9 – Financial Instruments (2009 &2010) Annual periods beginning on or after 1 January 2018 (published July 2014) This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 – Revenue from contracts with customers (Annual periods beginning on or after 1 January 2018 (published May 2014)

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

International Financial Reporting Standards, interpretations and amendments issued but not effective for 30 June 2019 year-end.

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material (Annual periods beginning on or after 1 January 2020)

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Amendment to IFRS 3, 'Business combinations' (Annual periods on or after 1 January 2020 (Published October 2018)

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities (Annual periods beginning on or after 1 January 2019)

The narrow-scope amendment covers two issues:

- The amendments allow companies to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities.

How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

The adoption of these amendments did not have a material effect on the group results.

IFRS 16 – Leases (Annual periods beginning on or after 1 January 2019 – earlier application permitted if IFRS 15 is also applied (published January 2016))

This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.4 New and amended accounting standards and interpretations continued

The group is not materially affected by the changes made to operating and finance leases and the treatment of residual guaranteed values. However, additional disclosures will be required in the 2020 financial year. Leases in which the group is a lessee. The adoption of the standard will result in a significant increase in the asset and liability position from the recognition of right-of-use assets and lease liabilities representing the present value of future minimum lease payments discounted at a rate appropriate after taking the lease term into account, attributable to property leases.

The right-of-use assets will be subsequently measured using the cost model as set out in IAS 16 Property, Plant and Equipment. The right-to-use liabilities will subsequently be measured at amortised cost. As at the reporting date, the group has non-cancellable operating lease commitments of c.R315 million over the next 5 years. The adoption of the new standard will not affect the profit after tax over the duration of a contract as the total lease payments which would have been expensed over the lease term are unaffected. However, due to the impact of higher finance charges in the early years of the lease, the impact on earnings will initially be dilutive, before being accretive in later periods existing IAS 28 recognition practices and consolidated annual financial statements.

The new standard moves the majority of lease payments below EBITDA, as well as a depreciation charge on the right-of-use asset and interest expense on the lease liability as opposed to operating lease expenses. This will result in an increase in EBITDA over the lease term. Application of the standard will also impact key ratios linked to EBITDA e.g. Net debt to EBITDA. Under IAS 17 Leases, the operating lease payments were included in cash flows from operating activities. Following the adoption of IFRS 16 Leases, the lease payments will be included in cash flows from financing activities. This will result in an increase in the inflows from operating activities and an increase in the outflows from financing activities owing to a significant reclassification between the line items on the statement of cash flows.

On adoption of IFRS 16 operating lease costs (other than short-term and low value lease) will no longer be recognised as part of operating expenses. The group/company intends on applying the low value practical expedient to assets such as office printers, telephone systems and water dispensers

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Amendments to IAS 28, 'Investments in associates and joint ventures' – long-term interests in associates and joint ventures (Annual periods beginning on or after 1 January 2019 (published October 2017))

The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

Annual improvements cycle 2015-2017 (Annual periods beginning on or after 1 January 2019 (published December 2017))

These amendments include minor changes to:

- IFRS 3, 'Business combination' – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11,'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12,' Income taxes' – The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23,' Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

IFRIC 23, 'Uncertainty over income tax treatments' (Annual periods beginning on or after 1 January 2019 Published 7 June 2017))

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

Practice statement considered for 30 June 2019 year-end

Practice statement 2: Making materiality judgements (The Practice statement is not a standard, and it is not mandatory but can be applied to financial statements prepared from 14 September 2017). The objective of the Practice statement is to provide guidance for reporting entities that are performing materiality assessments when preparing financial statements in accordance with IFRSs. The Practice statement also includes illustrative examples to help with the application of the guidance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.4 New and amended accounting standards and interpretations continued

The Practice statement:

- uses a definition of materiality aligned with the definition in the Conceptual framework for Financial reporting;
- considers materiality judgements in relation to presentation and disclosure, and also for recognition and measurement;
- explains the application of judgement to materiality decisions based on the specific circumstances of the entity and the changes that might occur in those circumstances over time;
- requires an entity to assess whether information is material to the financial statements, even if it is already included in other publicly available information;
- clarifies that the provision of additional information required by local regulations is permitted, but the information should be presented in a way that does not obscure material information;
- includes a four-step process, the 'materiality process', as a guide for materiality judgements, including identification, assessment, organisation of the information and, finally, review.

5.6 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 July 2018, where they are different to those applied in prior periods.

5.6.1 Adoption of IFRS 9 and IFRS 15

IFRS 9 was adopted without restating comparative information using the modified retrospective approach. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail later in the note.

Statement of financial position (extract)	30 June 2018 As originally presented R'000	IFRS 9 R'000	IFRS 15 R'000	1 July 2018 restated R'000
Non-current assets				
Investments accounted for using the equity accounted method	4 561 954	(166 478)	–	4 395 476
Financial assets at fair value through profit or loss	66 106	356 625	–	422 731
Financial assets at fair value through other comprehensive income	–	73 282	–	73 282
Financial assets at amortised cost	–	49 874	–	49 874
Available-for-sale investments	205 407	(205 407)	–	–
Held-to-maturity	107 874	(107 874)	–	–
Current assets				
Trade and other receivables	392 093	–	(8 467)	383 626
Total assets	5 333 434	22	(8 467)	5 324 989
Equity				
Retained loss	(992 093)	27 212	(8 467)	(973 348)
Other deficits	(55 256)	(41 212)	–	(96 467)
Total equity	(1 047 348)	(14 000)	(8 467)	(1 069 815)

5.6.2 IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the annual consolidated financial statements. The new accounting policies are set out in this note.

In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. OTHER INFORMATION continued

5.6 Changes in accounting policies continued

5.6.2 IFRS 9 Financial Instruments – Impact of adoption continued

The total impact on the group's retained earnings as at 1 July 2018 and 1 July 2017 is as follows:

Statement of profit or loss and other comprehensive income (extract)	30 June 2018 R'000	30 June 2017 R'000
Closing retained earnings 30 June – IAS 39/IAS 18	(992 093)	(1 612 231)
IFRS 9 adjustments	–	–
Restated retained earnings 30 June	(992 093)	(1 612 231)
Reclassify investments from available-for-sale to FVPL	41 212	–
Reclassify investments from held-to-maturity to FVPL	(14 000)	–
Adjustment to retained earnings from adoption of IFRS 9 on 1 July 2018	(964 881)	(1 612 231)
Opening retained earnings 1 July – IFRS 9 (before restatement for IFRS 15)	(964 881)	(1 612 231)

(i) Classification and measurement

On 1 July 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1 July 2018	FVPL R'000	FVOCI (Available-for-sale) R'000	Held-to-maturity R'000	Amortised cost R'000
Closing balance 30 June 2018 – IAS 39*	692 058	205 407	107 874	–
Reclassify investments from available-for-sale to FVPL	132 148	(132 148)	–	–
Reclassify preference shares from held-to-maturity to amortised cost	–	–	(49 874)	49 874
Reclassify non-trading equities from held-to-maturity to FVPL	58 000	–	(58 000)	–
Reclassify preference shares from investment in associate to FVPL	166 478	–	–	–
Opening balance 1 July 2018 – IFRS 9	1 048 684	73 259	–	49 874

* *The closing balances as at 30 June 2018 show available-for-sale financial assets under FVOCI. These reclassifications have no impact on the measurement categories.*

The impact of these changes on the group's equity is as follows:

	Effect on AFS reserves R'000	Effect on FVOCI reserve R'000	Effect on retained earnings* R'000
Opening balance – IAS 39	37 402	–	(992 093)
Reclassify investments from available-for-sale to FVPL	(41 212)	–	41 212
Reclassify investments from held-to-maturity to FVPL	–	–	(14 000)
Reclassify non-trading equities from available-for-sale to FVOCI	3 810	(3 810)	–
Opening balance 1 July 2018 – IFRS 9	–	(3 810)	(964 881)

* *Before adjustment for impairment.*

Reclassification from available-for-sale to FVPL

Certain investments in equity were reclassified from available-for-sale to financial assets at FVPL. They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

Related fair value gains were transferred from the available-for-sale financial assets reserve to retained earnings on 1 July 2018.

Available-for-sale debt instruments classified as FVOCI

Unlisted investments were reclassified from available for sale to FVOCI, as the group's business model is achieved both by collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely principal and interest. As a result, these unlisted investments were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1 July 2018.

5. OTHER INFORMATION continued

5.6 Changes in accounting policies continued

5.6.2 IFRS 9 Financial Instruments – Impact of adoption continued

Reclassification from held-to-maturity to amortised cost

Preference share assets that would have previously been classified as held-to maturity are now classified at amortised cost. The group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 July 2018 to be recognised in opening retained earnings.

Reclassification from held-to-maturity to FVPL

Preference share assets that would have previously been classified as held-to maturity are now classified at FVPL. These preference shares are deemed to be equity and it is uncertain if the contractual cash flows would be collected due to the ranking allocated in the issuers capital structure.

There was a difference between the previous carrying amount and the revised carrying amount of these preference shares at 1 July 2018 and an adjustment was recognised in opening retained earnings.

Reclassification from amortised cost to FVPL

Shareholder loans assets that would have previously been recognised at amortised cost are now classified at FVPL. These shareholder loans are subordinated in favour of debt providers in the underlying company and it is uncertain if the contractual cash flows would be collected due to this fact.

There was no difference between the previous carrying amount and the revised carrying amount of these financial assets at 1 July 2018 to be recognised in opening retained earnings.

Reclassification from investment in associate to FVPL

A preference share investment into associated company was previously classified as part of the investment and are now classified at FVPL. The group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

There was no difference between the previous carrying amount and the revised carrying amount of the other financial assets at 1 July 2018 to be recognised in opening retained earnings.

Other financial assets

Equity investments are required to be held as FVPL under IFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

Impairment of financial assets

The group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables for sales of inventory in terms of broadcasting services and publications;
- debt investments carried at amortised cost, and
- debt investments carried at FVOCI.

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table in note 1.3 above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

On that basis, the loss allowance as at 1 July 2018 identified for impairment loss was immaterial from a group point of view.

Debt investments

The entity's other debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

5. OTHER INFORMATION continued

5.6 Changes in accounting policies continued

5.6.2 IFRS 9 Financial Instruments – Impact of adoption continued

Other financial assets at amortised cost

Other financial assets at amortised cost include preference shares (previously held-to-maturity), loans to related parties and other receivables. Applying the expected credit risk model resulted in the impairment loss calculated to be immaterial from a group point of view.

Investments and other financial assets – Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Investments and other financial assets – Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The group classifies its debt instruments into three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

5. OTHER INFORMATION continued

5.6 Changes in accounting policies continued

5.6.2 IFRS 9 Financial Instruments – Impact of adoption continued

Impairment

From 1 July 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed interim financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the cumulative effect method by recognising the cumulative effect of applying the new standard at the beginning of the year of initial application, with no restatement of comparative periods.

In summary an adjustment of R8,467,161 was recognised as a deficit to retained earnings as at 1 July 2018.

	30 June 2018 R'000	30 June 2017 R'000
Retained earnings – after IFRS 9 restatement	(964 881)	(1 612 231)
Restatement of contract income	(8 467)	–
Adjustment to retained earnings from adoption of IFRS 9 on 1 July 2018	(973 347)	(1 612 231)
Opening retained earnings 1 July – IFRS 9 and IFRS 15	(973 347)	(1 612 231)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2018 R'000**	2017 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5.2.1	251 098	160 398
Intangible assets	5.2.2	604 850	663 373
Goodwill	5.2.3	1 110 711	1 208 596
Investments		4 941 341	4 344 494
Investments accounted for using the equity method	1	4 561 954	3 646 857
Financial assets at fair value through profit and loss	1	66 106	64 340
Available for sale financials assets	1	205 407	241 362
Held-to-maturity financials assets		107 874	391 935
Amounts due from group companies	1.11	555 705	459 081
Trade and other receivables	5.2.4	1 772	2 274
Deferred income tax	3.4	42 513	11 693
Total non-current assets		**7 507 991**	6 849 908
Current assets			
Financial assets at fair value through profit or loss	1	625 952	674 408
Amounts due from group companies	1.11	213	539
Inventories		43 298	38 429
Current income tax receivable		24 100	6 553
Trade and other receivables	5.2.4	390 634	497 181
Film and television content		206	26 658
Restricted cash	5.2.4	241 705	406 473
Cash and cash equivalents	2.1	982 105	1 412 372
Total current assets		**2 308 213**	3 062 613
Assets of disposal group classified as held-for-sale	1.10	36 402	934 000
Total assets		**9 852 606**	10 846 521
EQUITY AND LIABILITIES			
Equity			
Share capital	5.2.5	6 846 800	6 853 460
Other deficits		(55 256)	(31 667)
Retained loss		(992 092)	(1 612 231)
Total shareholders' equity		**5 799 452**	5 209 561
Non-controlling interests	5.1.1	106 166	546 271
Total equity		**5 905 618**	5 755 832
Liabilities			
Non-current liabilities			
Borrowings	2.3	1 398 944	2 498 499
Share-based payment liabilities	5.2.6	18 607	19 137
Operating lease liability		692	645
Deferred income tax liability	3.4	235 108	203 316
Total non-current liabilities		**1 653 351**	2 721 598
Current liabilities			
Borrowings	2.3	1 870 868	1 889 255
Trade and other payables	5.2.7	291 390	306 694
Provisions	5.2.8	99 170	140 723
Share-based payment liabilities	5.2.6	–	8 936
Amounts due to group companies	1.11	172	–
Current income tax liabilities		12 663	8 411
Bank overdraft	2.1	46	46
Derivative financial instrument		8 642	15 025
Total current liabilities		**2 282 951**	2 369 091
Liabilities of disposal group classified as held-for-sale	1.10	10 686	–
Total liabilities		**3 946 988**	5 090 689
TOTAL EQUITY AND LIABILITIES		**9 852 606**	10 846 521

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2018 R'000	2017 R'000
Continuing operations		1 619 728	1 712 890
Revenue from operating subsidiaries[1]	5.3.1	(351 861)	(405 036)
Raw materials and consumables Commission and levies[1]		(110 756)	(139 099)
Other operating expenses – net	3.1	(942 668)	(904 792)
Dividend income	1.7	71 007	215 454
Net gains/(losses) on investments	1.8	221 474	97 013
Profit on sale of investments – net	1.9	–	351 663
Net impairment losses	1.3	(404 291)	(299 047)
Share of after-tax profit/(losses) of associates, joint ventures and partnerships	1	1 207 470	118 617
Operating profit		**1 310 102**	1 046 710
Finance income	2.2	214 015	190 243
Finance costs	2.4	(422 374)	(563 294)
Profit before taxation		**1 101 743**	374 612
Income tax expense	3.3	(121 104)	15 686
Profit for the year from continued operations		**980 639**	390 298
Discontinued operations			
(Loss) from discontinued operations	1.10	(67 310)	–
Profit/(loss) for the year		**913 329**	390 298
Other comprehensive income/(losses):			
Items that may be reclassified to profit or loss:			
Recycling of gains on available-for-sale financial assets		–	1
Currency translation differences		(5 103)	(11 657)
		(5 103)	(11 656)
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income of associated companies		10 121	15 693
Fair value adjustments on financial assets through other comprehensive income	1.4	(35 955)	24 171
Tax relating to items of other comprehensive income/(losses)		7 339	(5 415)
Total other comprehensive (loss)/income		**(23 597)**	22 794
Total comprehensive income		**889 732**	413 092
Profit attributable to:			
Owners of the parent		738 299	157 320
Non-controlling interests		175 030	232 977
		913 329	390 298
Total comprehensive income attributable to:			
Owners of the parent		714 755	180 130
Non-controlling interests		174 977	232 961
		889 732	413 092

1. *The 2017 number was reclassified, for further details see note 5.3.1.*

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 R'000	2017 R'000
Cash flows from operating activities			
Cash receipts from customers		1 762 196	1 811 204
Cash paid to suppliers and employees		(1 509 528)	(1 609 553)
Cash generated from operations		**252 668**	201 651
Finance income received		114 638	141 261
Dividends received from financial instruments		61 416	254 297
Dividends received from associates		191 935	201 628
Distributions received from joint ventures and partnerships		119 840	99 623
Finance costs paid		(255 421)	(1 020 424)
Income tax paid		(138 580)	(274 491)
Dividends paid to non-controlling interests		(543 863)	(87 236)
Dividends paid		–	(57 076)
Net cash (used in)/generated from operating activities		**(197 368)**	(540 767)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(39 902)	(46 358)
Proceeds on sale of property, plant and equipment		1 680	12 753
Acquisition of intangible assets		(13 333)	(23 511)
Acquisition of investments		–	(211 385)
Disposals of investments		1 188 803	1 618 539
(Contribution)/return of capital from joint ventures		(3 365)	(3 801)
(Repayment of)/Proceeds from loans with associates, joint ventures and partnerships		(32 037)	41 123
Acquisition of financial assets		3 946	(469)
Cash and cash equivalents obtained through business combination transaction	1.10	–	11 679
Proceeds from redemption of preference shares		22 961	–
Net cash generated from/(used in) investing activities		**1 128 774**	1 398 660
Cash flows from financing activities			
Buy-back of ordinary shares		(197 940)	–
Redemption of preference shares	2.3	(127 290)	(265 916)
Proceeds from borrowings		10 750	140 218
Repayment of borrowings	2.3	(1 129 936)	(401 719)
Settlement of financial guarantee contract	2.3	(120 000)	–
Proceeds from/(repayment of) loans with related parties		10 913	(3 060)
Purchase of shares from non-controlling interest		(5 123)	(1 458)
Repayment of non-controlling interest shareholder loans		–	(907)
Net cash (used in)/generated from financing activities		**(1 558 627)**	(532 842)
Net movement in cash and cash equivalents		(627 221)	325 051
Cash and cash equivalents at the beginning of the year		1 412 326	1 461 261
Exchange gains/(losses) on cash and cash equivalents		6 287	(19 007)
Transfer from/(to) restricted cash	5.2.4	201 934	(354 979)
Cash, cash equivalents and bank overdrafts included in assets-held-for-sale		(11 268)	–
Cash, cash equivalents and bank overdrafts at the end of the year	2.1	**982 059**	1 412 326

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

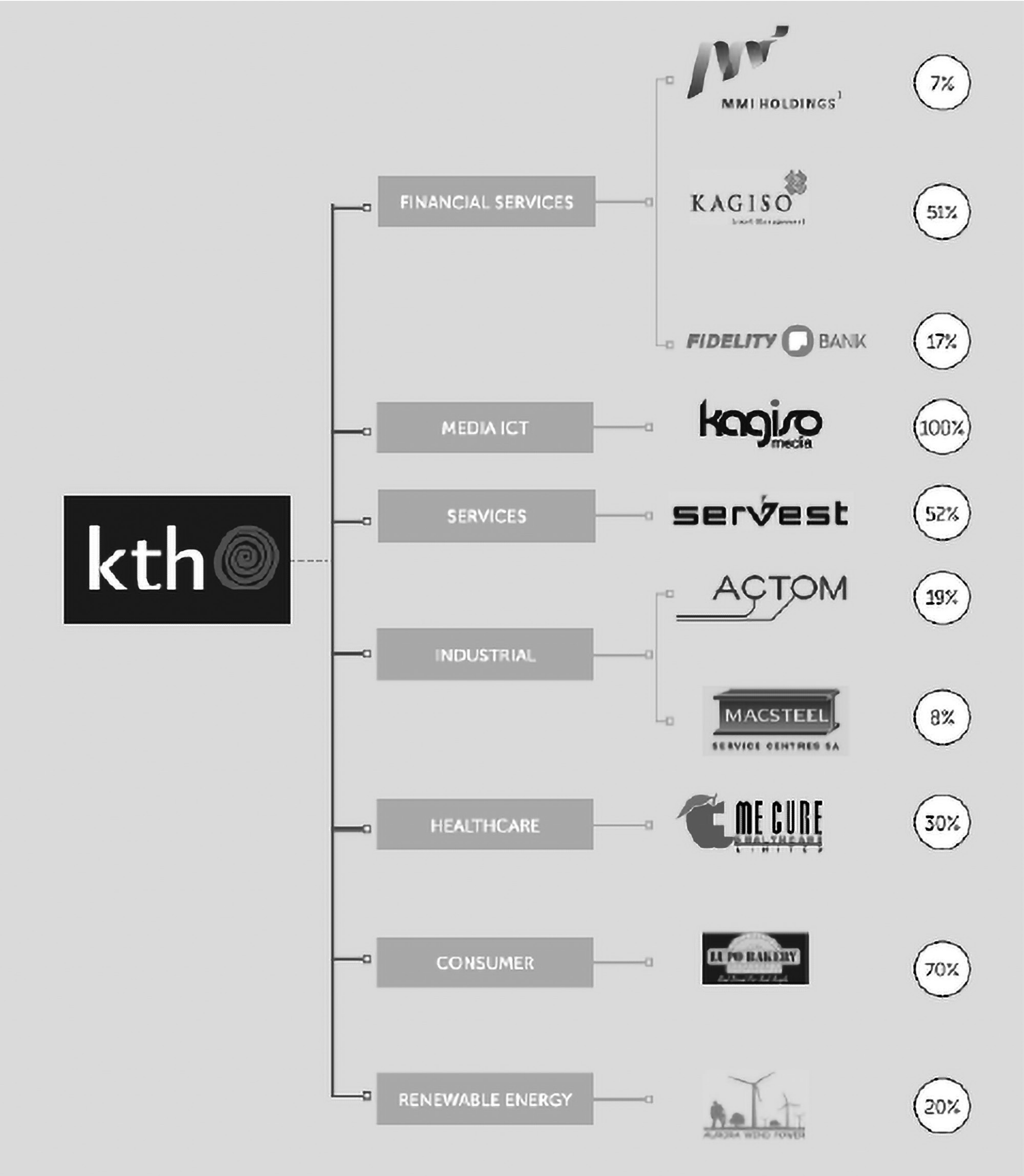
	Attributable to owners of the parent						
	Share capital R'000	Available-for-sale reserves[1] R'000	Other reserves[2] R'000	Retained earnings R'000	Share-holders' equity R'000	Non-controlling interests R'000	Total R'000
GROUP							
Balance at 1 July 2016	6 853 460	47 261	(101 149)	(1 713 065)	5 086 508	364 464	5 450 972
Business combination transaction	–				–	10 136	10 136
Transfers to comprehensive income	–	–	(1 226)	–	(1 226)	–	(1 226)
Acquisition of subsidiaries	–	–	–	–	–	–	–
Total comprehensive income	–	18 757	4 052	157 320	180 130	232 961	413 092
Profit/(loss) for the year	–	–	–	157 320	157 320	232 977	390 298
Other comprehensive income/(loss) for the year	–	18 757	4 052	–	22 810	(16)	22 794
Change in interest	–	–	–		–	–	–
IFRS 2 share-based payments	–	–	–	–	–	–	–
Transactions with non-controlling interests	–	–	635	601	1 236	30 050	31 286
Ordinary dividends	–	–	–	(57 086)	(57 086)	(91 340)	(148 426)
Balance at 1 July 2017	**6 853 460**	**66 018**	**(97 686)**	**(1 612 231)**	**5 209 561**	**546 271**	**5 755 832**
Ordinary shares bought back[3]	(6 660)	–	–	(191 280)	(197 940)	–	(197 940)
Transfers to comprehensive income	–	–	–	52 984	52 984	(52 984)	–
Total comprehensive income	–	(28 616)	5 071	738 299	714 755	174 977	889 732
Profit for the year	–	–	–	738 299	738 299	175 030	913 329
Other comprehensive income/(loss) for the year	–	(28 616)	5 071	–	(23 544)	(53)	(23 597)
Transactions with non-controlling interests	–	–	(44)	20 137	20 093	(18 235)	1 859
Ordinary dividends	–	–	–	–	–	(543 863)	(543 863)
Balance at 30 June 2018	**6 846 800**	**37 402**	**(92 659)**	**(992 092)**	**5 799 452**	**106 166**	**5 905 618**
Notes	5.2.5	1.4				5.1.1	

1. *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.*
2. *Other reserves mainly consist of share of equity accounted reserves of associates recognised by the group. This reserve will subsequently be transferred to retained income when the associate is disposed.*
3. *During the year, KTH bought back and cancelled 33 645 shares for R198m in terms of the amended and restated sale of shares and share repurchase agreement.*

GROUP STRUCTURE

The following is a summarised group structure of KTH and its investments:

This investment holding structure represents the investments accounting for more than 90% of the group's investment value calculated on a fair value basis.



1. *Shareholding on a fully converted basis in MMI Holdings. Including the A3 preference shares converted.*
2. *Above percentages are rounded to the nearest 1%.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. INVESTMENTS

1.1 Exposure from investments

Below is a summary of the group's exposure to its investments as reflected in the consolidated financial statements of KTH:

2018	Equity R'000	Preference shares R'000	Amounts due from/ (to) group companies R'000	Borrowings R'000	Total exposure R'000
Associates					
Actom Investment Holdings[1]	–	58 000	489 882	(406 597)	141 285
Aurora Wind Power[1]	73 595	–	–	–	73 595
Central Media Group[3]	5 888	–	–	–	5 888
Eris Property Fund	10 173	49 874	–	–	60 047
Fidelity Bank (Ghana)	529 138	–	–	–	529 138
Global Media Alliance Broadcasting Company[2,3]	–	–	–	–	–
Imvelo Consortium[1]	23 480	–	23 159	(24 267)	22 372
Kaya FM[3]	99 679	–	–	–	99 679
Me Cure Healthcare	66 700	–	42 664	–	109 364
MMI Holdings[1]	1 410 029	–	–	–	1 410 029
MRC Media[3]	32 157	–	–	–	32 157
Newmillen 122 Investments	636	–	–	–	636
Tamela Holdings	7 802	–	–	–	7 802
	2 259 278	**107 874**	**555 705**	**(430 863)**	**2 491 994**
Joint ventures					
Servest Group	1 878 206	–	–	–	1 878 206
Infrastructure Finance Corporation	99 835	–	–	–	99 835
KA Investment Partners Trust	–	–	–	–	–
Kagiso Strategic Investments	–	–	213	–	213
Mediamark[3]	29 310	–	–	–	29 310
Media works[3]	1 716	–	–	–	1 716
Adjoin Media[3]	110	–	–	–	110
	2 009 177	**–**	**213**	**–**	**2 009 390**
Partnerships					
XK Platinum Partnership	293 500	–	–	–	293 500
	293 500	**–**	**–**	**–**	**293 500**
Available-for-sale investments					
Macsteel Services Centre SA	132 125	–	–	–	132 125
Ogilvy and Mather South Africa[3]	71 699	–	–	–	71 699
ZA Celebrity Worx[3]	650	–	–	–	650
New Holland Publishing[3]	910	–	–	–	910
Remgro Limited	22	–	–	–	22
	205 407	**–**	**–**	**–**	**205 407**
Fair value through profit and loss					
MMI Holdings[1]	534 908	–	–	(263 438)	271 470
Nozala Investments	58 742	–	–	–	58 742
Unit trusts	91 044	–	–	–	91 044
Adcock Ingram Holdings Participation Right	7 364	–	–	–	7 364
	692 058	**–**	**–**	**(263 438)**	**428 620**

1. *Refer to note 2.3 for details on security provided.*
2. *The investment was classified in terms of IFRS 5. Refer to note 1.11 for further details.*
3. *The investment is held by Kagiso Media.*

1. INVESTMENTS continued

1.1 Exposure from investments continued

2017	Equity R'000	Preference shares R'000	Amounts due from/(to) group companies R'000	Borrowings R'000	Total exposure R'000
Associates					
Actom Investment Holdings[1]	142 000	327 056	433 970	(455 376)	447 650
Aurora Wind Power[1]	54 027	–	1 062	(36 068)	19 021
Central Media Group[3]	6 469	–	–	–	6 469
Eris Property Fund	29 907	64 879	–	–	94 786
Fidelity Bank Ghana	407 797	–	–	–	407 797
Global Media Alliance Broadcasting Company[3]	39 395	–	–	–	39 395
Imvelo Consortium[1]	26 350	–	24 049	(30 024)	20 375
Kaya FM[3]	92 366	–	–	–	92 366
Me Cure Healthcare	180 800	–	–	–	180 800
MMI Holdings	1 403 733	–	–	–	1 403 733
MRC Media[3]	27 641	–	–	–	27 641
Newmillen 122 Investments	658	–	–	–	658
Tamela Holdings	8 623	–	–	–	8 623
	2 419 765	391 935	459 081	(521 468)	2 749 313
Joint ventures					
Servest Group	916 632	–	–	–	916 632
Infrastructure Finance Corporation	123 753	–	–	–	123 753
KA Investment Partners Trust	31 239	–	325	–	31 564
Kagiso Strategic Investments	–	–	214	–	214
Mediamark[3]	28 726	–	–	–	28 726
Adjoin Media[3]	742	–	–	–	742
	1 101 092	–	539	–	1 101 631
Partnerships					
XK Platinum Partnership	126 000	–	–	–	126 000
	126 000	–	–	–	126 000
Available-for-sale investments					
Macsteel Services Centre SA	155 783	–	–	–	155 783
Ogilvy and Mather South Africa[3]	83 996	–	–	–	83 996
ZA Celebrity Worx[3]	650	–	–	–	650
New Holland Publishing[3]	910	–	–	–	910
Remgro Limited	23	–	–	–	23
	241 362	–	–	–	241 362
Fair value through profit and loss					
MMI Holdings[1]	583 188	–	–	(270 670)	312 518
Nozala Investments	53 404	–	–	–	53 404
Unit trusts	91 220	–	–	–	91 220
Adcock Ingram Holdings Participation Right	10 936	–	–	–	10 936
	738 748	–	–	(270 670)	468 078

1. *Refer to note 2.3 for details on security provided.*
2. *The investment was classified in terms of IFRS 5. Refer to note 1.10 for further details.*
3. *The investment is held by Kagiso Media.*

1. INVESTMENTS continued

1.1 Exposure from investments continued

The table below outlines the total equity exposure from investments as follows:

	2018 R'000	2017 R'000
Associates	2 259 278	2 419 765
Joint ventures	2 009 177	1 101 092
Partnerships	293 500	126 000
Available-for-sale investments	205 407	241 362
Fair value through profit and loss	692 058	738 748
Held-to-maturity	107 874	391 935
Total investments as per statement of financial position	**5 567 293**	5 018 903
Allocated as follows: Non-current	4 941 341	4 344 494
Current	625 952	674 408
	5 567 293	5 018 903

1.2 Investment in associates, joint ventures and partnerships

Associates, including partnerships, are entities over which the group has significant influence, but does not control, through participation in the financial and operating policy decisions of the entities. The group normally holds between 20% and 50% of the voting rights of these entities. There are some investments over which the group is believed to have significant influence although it has an interest of less than 20% in the companies. As the group has board representation and is one of the major shareholders of these companies, a significant judgement has been made in determining that the group has significant influence over these companies. These include associates like MMI Holdings Limited, Fidelity Bank Limited (Ghana) and Actom Investment Holdings Proprietary Limited as the respective shareholder agreements provides the group with the option to appoint director/s to these respective boards.

Joint ventures are entities in which the group has an investment and where it, along with one or more other shareholders, have contractually agreed to share control of the business and where the major decisions require unanimous consent by the joint partners. For such an arrangement to be a joint venture the shareholders should also have rights to the net assets of the entity.

In both cases, the group's statement of profit or loss reflects its share of the entity's profit or loss after tax. The statement of comprehensive income records the group's share of the comprehensive income of the entity, while the group's statement of financial position records the group's share of the net assets of the entity plus any goodwill that arose on purchase. The movements in equity reserves in joint ventures and associated companies are not accounted for. Upon acquiring a new investment in a joint venture or associated company the group will recognise the investment initially at the amount it paid for the investment (which includes the amount paid for goodwill).

At each year-end, the carrying amounts of joint ventures and associated companies are reviewed for any objective evidence of impairment. Where objective evidence of impairment exists, the investment's carrying amount is compared to its estimated recoverable amount, being the higher of its fair value less cost to sell or its value in use. If its carrying amount is greater, the investment is written down to its recoverable amount. The impairment is recognised in profit or loss.

Distributions (dividends) received from the entities reduce the carrying amount of the investment.

Where any of these entities incurs losses, the group will only recognise these losses until the carrying amount of the investment reaches zero, unless the group has incurred obligations or made payments on behalf of the entity.

Certain associated and joint venture companies have year-ends that differ from that of KTH. In such circumstances the results of listed and certain unlisted companies are accounted for from the latest published information or management accounts as at year-end, respectively.

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.1 Investments in associates

Set out below are the associates of the group as at 30 June 2018. The group's associates are all incorporated in South Africa unless otherwise indicated. The specific group subsidiary holding the investment has been indicated.

Effective % interest in issued ordinary share capital

Significant associate	Investment company	Principal activity	**2018**	2017
Actom Investment Holdings	Tiso Electrical & Kagiso Powers Services III	Electrical engineering	18.62	18.62
Aurora Wind Power	Tiso Resources	Renewable energy	20.00	20.00
Central Media Group	Kagiso Media	Broadcasting	24.94	24.94
Eris Property Fund	Tiso Property No 2	Investment property company	26.67	26.67
Fidelity Bank (Ghana)[1]	KTH Africa Investments	Financial Services	16.94	16.94
Global Media Alliance Broadcasting Company[1]	Kagiso Media	Broadcasting	37.00	37.00
Imvelo Consortium	Tiso Projects	Public Private Partnership	20.00	20.00
Kaya FM	Kagiso Media	Broadcasting	45.23	45.23
Me Cure Healthcare[2]	KTH Africa Healthcare	Healthcare diagnostics	30.00	30.00
MMI Holdings[3]	Off the Shelf Investments 108	Financial Services	5.59	5.38
MRC Media	Kagiso Media	Broadcasting	20.02	20.02
Newmillen 122 Investments	Kagiso Tiso Holdings	Dormant	40.00	40.00
Tamela Holdings	Fasus Investments	Investment company	10.00	10.00

1. *Fidelity Bank and Global Media Alliance Broadcasting Company ("Global Media Alliance") are domiciled in Ghana and their principal place of business is in Ghana.*
2. *Me Cure Healthcare is domiciled in Nigeria and the principal place of business is in Nigeria.*
3. *MMI Holdings is a company listed on the Johannesburg Stock Exchange. The share price as at 30 June 2018 was R17.67 (2017: R20.24). The increase in shareholding is due to conversion of 752 720 of A3 preference shares into ordinary shares.*

Set out below is the reconciliation of investment in associates by associate:

2018	**MMI Holdings R'000**	**Actom Investment Holdings R'000**	**Fidelity Bank (Ghana) R'000**	**Me Cure Healthcare R'000**	**Kaya FM R'000**
Balance at beginning of the year	1 403 733	142 000	407 797	180 800	92 366
Amortisation of intangibles in purchase price	–	–	–	–	(4)
Share of results after tax	76 585	(31 464)	75 701	–	29 769
Dividend income	(78 009)	–	(21 835)	–	(22 452)
Equity-accounted movements on other comprehensive income	7 720	–	(19 640)	–	
(Impairments)/reversals of associates	–	(110 536)	87 115	(114 100)	
Balance at end of the year	**1 410 029**	**–**	**529 138**	**66 700**	**99 679**
Fair value	**1 511 582**	**–**	**529 138**	**66 700**	**99 679**
Fair value hierarchy	**Level 1**	**Level 3**	**Level 3**	**Level 3**	**Level 3**
2017					
Balance at beginning of the year	1 456 424	122 000	475 724	261 388	97 580
Amortisation of intangibles in purchase price	–	–	–	–	(4)
Share of results after tax	84 067	(11 812)	(4 875)	–	28 538
Dividend income	(131 218)	–	(20 632)	–	(33 748)
Equity-accounted movements on other comprehensive income	(5 540)	(6 220)	37 706	–	–
(Impairments)/reversals of associates	–	38 032	(92 984)	(80 588)	–
Balance at end of the year	1 403 733	142 000	407 797	180 800	92 366
Fair value	1 716 189	142 000	407 797	180 800	343 709
Fair value hierarchy	Level 1	Level 3	Level 3	Level 3	Level 3

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.1 Investments in associates continued

2018	Metropolitan Health Corporate R'000	Aurora Wind Power R'000	Global Media Alliance R'000	Other[1] R'000	Total R'000
Balance at beginning of the year	–	54 027	39 395	99 649	2 419 767
Amortisation of intangibles in purchase price	–	–	–	–	(4)
Share of results after tax	–	30 690	(2 398)	18 182	197 065
Dividend income	–	(37 028)		(32 716)	(192 040)
Equity-accounted movements on other comprehensive income	–	25 906		1 131	15 117
Foreign exchange movements	–	–	(4 910)	–	(4 910)
Loans repaid	–	–	3 208	–	3 208
Reclassified to held-for-sale	–	–	(8 260)	–	(8 260)
(Impairments)/reversals of associates	–	–	(27 035)	(6 108)	(170 664)
Balance at end of the year	–	73 595	–	80 138	2 259 278
Fair value	–	88 813	–	94 185	2 301 284
Fair value hierarchy		Level 3	Level 3	Level 3	–
2017					
Balance at beginning of the year	129 259	50 746	55 064	89 999	2 738 184
Additions	–	–	–	–	12 858
Amortisation of intangibles in purchase price	–	–	–	–	(4)
Share of results after tax	3 924	12 921	(4 267)	39 145	147 641
Dividend income	(6 689)	–		(8 021)	(200 308)
Equity-accounted movements on other comprehensive income	–	(9 639)	(11 402)	(1 887)	3 018
Dilutionary effects	–	–	–	–	–
Disposal	(110 540)	–	–	(7 988)	(118 528)
Loans repaid	–	–	–	(2 927)	(2 927)
Classified as held-for-sale	–	–	–	–	–
(Impairments)/reversals of associates	(15 955)	–	–	(8 673)	(160 168)
Balance at end of the year	–	54 027	39 395	99 649	2 419 765
Fair value	–	106 280	39 395	239 276	2 792 342
Fair value hierarchy	–	Level 3	Level 3	Level 3	–

1. *Other consist of associates including, Eris Property Fund, Imvelo Consortium, Newmillen 122 Investments, Tamela Holdings, Central Media Group and MRC Media.*

1. **INVESTMENTS continued**

1.2 Investment in associates, joint ventures and partnerships continued

1.2.1 Investments in associates continued

Set out below is the summarised financial information of each associate that is material to the group:

	MMI Holdings		Actom Investment Holdings	
	2018 R'm	2017 R'm	**2018 R'm**	2017 R'm
Statement of financial position				
Total assets	476 365	455 900	11 112	11 342
Non-current assets	434 400	411 308	8 022	8 111
Current assets	41 965	44 592	3 090	3 231
Total liabilities	435 575	432 652	5 384	6 001
Non-current liabilities	437 795	416 967	209	3 689
Current liabilities	15 782	15 685	5 175	2 312
Net assets	**40 790**	23 248	**5 728**	5 341
Summarised income statement				
Revenue	75 299	54 743	8 402	8 856
Profit from operations	5 722	5 705	691	805
Profit/(loss) beforetax	4 461	4 556	(206)	(4)
Income tax expense	(3 039)	(2 949)	47	(41)
Profit/(loss) after tax	1 422	1 607	(160)	(45)
Non-controlling interests	(53)	(45)	(9)	(18)
Attributable profit	1 369	1 562	(169)	(63)
% ownership interest held	5.59%	5.38%	18.62%	18.62%
Share of results of associates	**77**	84	**(31)**	(12)
Statement of comprehensive income				
Other comprehensive income/(loss)	138	(103)	–	(33)
% ownership interest held	5.59%	5.38%	18.62%	18.62%
Share of other comprehensive income/(loss) of associates	**8**	(6)	**–**	(6)

	Fidelity Bank (Ghana)	
	2018 GHS'm	2017 GHS'm
Statement of financial position		
Total assets	6 378	4 820
Non-current assets	5 267	3 816
Current assets	1 111	1 004
Total liabilities	5 764	4 257
Non-current liabilities	5 503	4 074
Current liabilities	261	183
Net assets	**614**	563
Summarised income statement		
Revenue	508	334
Operating income	665	441
Income tax expense	(62)	2
Profit/(loss) after tax	153	(5)
% ownership interest held	16.94%	16.94%
Share of results after tax in GHS	26	(1)
Share of results after tax converted to ZAR million	76	(5)
Share of results of associates	**76**	(5)
Statement of comprehensive (loss)/income		
Other comprehensive (loss)/income	(33)	70
% ownership interest held	16.94%	16.94%
Share of other comprehensive (loss)/income of associates in GHS	(6)	12
Share of other comprehensive (loss)/income of associates in ZAR million	(20)	38
Share of other comprehensive (loss)/income of associates	**(20)**	38

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.1 Investments in associates continued

Average exchange rates used:

	2018	2017
GHS to USD	$0.2248	$0.2370
USD to ZAR	R12.9383	R13.7870

The summarised performance of other associates are as follows on an aggregate basis:

	2018 R'000	2017 R'000
Profit from continuing operations	257 142	310 705
Other comprehensive income/(loss)	133 765	(49 106)
Total comprehensive income	390 907	261 598

1.2.2 Investments in joint ventures

Set out below are the joint ventures of the group as at 30 June 2018. The group's joint ventures are all incorporated in South Africa. The group subsidiaries holding the investments have been indicated below:

Joint Venture	Investment holder	Principal activity	**Effective % interest in issued ordinary share capital 2018**	2017
Unlisted				
Servest Group	Iridescent Investments	Facilities management	51.85	51.85
Infrastructure Finance Corporation	Kagiso Financial Services	Financial services	49.61	49.61
KA Investment Partners Trust	N/A	Investment holding	50.10	50.10
Mediamark	Kagiso Media	Advertising Sales	50.01	50.01
Media Works	Kagiso Media	Adult education training	50.00	–
Adjoin Media	Kagiso Media	Programmatic Advertising Sales	51.00	51.00
Kagiso Strategic Investments Proprietary Limited	N/A	Dormant	50.15	50.15

2018	**Servest[2] Group R'000**	**Infra-structure Finance Corporation R'000**	**Other[1] R'000**	**Total R'000**
Balance at beginning of the year	916 631	123 753	60 707	1 101 092
Acquisitions	–	–	1 614	1 614
Share of results after tax	961 574	10 841	(1 555)	970 860
Distributions received	–	(29 764)	(41 789)	(71 553)
Equity-accounting on other comprehensive income	–	(4 995)	–	(4 995)
Reversal of impairment of joint venture	–	–	706	706
Other gains and losses	–	–	11 453	11 453
Balance at end of the year	**1 878 206**	**99 835**	**31 136**	**2 009 177**
Fair value	**2 037 120**	**127 664**	**31 136**	**2 195 920**
Fair value hierarchy	**Level 3**	**Level 3**	**Level 3**	**–**
2017				
Balance at beginning of the year	935 938	207 224	58 462	1 201 624
Additions	22 617	–	3 838	26 455
Share of results after tax	(41 923)	9 458	(1 593)	(34 059)
Distributions received	–	(94 254)	–	(94 254)
Equity-accounting on other comprehensive income	–	1 326	–	1 326
Balance at end of year	916 631	123 753	60 707	1 101 092
Fair value	1 555 697	160 924	70 900	1 787 521
Fair value hierarchy	Level 3	Level 3	Level 3	–

1. *Other consists of KA Investment Partners Trust, Kagiso Strategic Investments, Mediamark, Media Works and Adjoin Media.*
2. *The fair value was determined using discounted cash flow method in 2017, in 2018 the valuation method was changed to earnings multiple method as it was deemed more appropriate for investment.*

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.2 Investments in joint ventures continued

Set out below is the summarised financial information of each joint venture that is material to the group:

	Servest Group		Infrastructure Finance Corporation	
	2018 R'm	2017 R'm	**2018 R'000**	2017 R'000
Summarised statement of financial position				
Total assets	3 241	6 506	339	522
Non-current assets	1 039	3 387	252	408
Current assets	2 202	3 119	87	114
Total liabilities	1 266	5 983	73	83
Non-current liabilities	988	3 588	–	–
Current liabilities	278	2 395	73	83
Net assets	**1 975**	523	**266**	439
Summarised income statement				
Revenue	10 357	11 656	25	31
Operating expenses	(8 034)	(11 266)	(3)	(3)
Operating profit	**2 323**	390	**22**	28
Net finance costs	(488)	(521)	–	–
Profit/(loss) before tax	**1 835**	(131)	**22**	28
Income tax expense	(9)	(7)	–	(8)
Profit/(loss) after tax	**1 826**	(138)	**22**	19
Non-controlling interests	29	57	–	–
Attributable profit/(loss)	**1 855**	(81)	**22**	19
% ownership interest held	51.85%	51.85%	49.61%	49.61%
Share of results of joint ventures	**962**	(42)	**11**	9
Statement of comprehensive income				
Other comprehensive (loss)/income	–	–	(10)	3
% ownership interest held	51.85%	51.85%	49.61%	49.61%
Share of other comprehensive (loss)/income of joint ventures	**–**	–	**(5)**	1

1.2.3 Investments in partnerships

Set out below are the partnerships of the group as at 30 June 2018. XK Platinum Partnership is incorporated in South Africa and has a 31 December year-end. The results of the partnership, included in the group accounts, are taken from their latest management accounts as at year-end:

			Effective % interest in issued ordinary share capital	
Partnership	Investment Holder	Principal activity	**2018**	2017
XK Platinum Partnership	Kagiso Platinum Ventures	Platinum Mining	24.07	24.07

Subsequent to year-end, there was a cash call from the partnership which Kagiso Platinum Ventures did not follow, as a result the shareholding was diluted from 24.07% to 22.03%.

2018	**XK Platinum Partnership R'000**	**Total R'000**
Balance at beginning of the year	126 000	126 000
Share of results after tax	39 650	39 650
Distributions	(14 157)	(14 157)
Reversal of impairment of partnership	142 007	142 007
Balance at end of the year	**293 500**	**293 500**
Fair value	**293 500**	**293 500**
Fair value hierarchy	**Level 3**	**–**
2017		
Balance at beginning of the year	271 935	271 935
Share of results after tax	5 038	5 038
Distributions	(4 640)	(4 640)
(Impairment) of partnership	(146 333)	(146 333)
Balance at end of year	126 000	126 000
Fair value	126 000	126 000
Fair value hierarchy	Level 3	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. INVESTMENTS continued

1.2 Investment in associates, joint ventures and partnerships continued

1.2.3 Investments in partnerships continued

Set out below is the summarised financial information of the partnership that is material to the group:

	XK Platinum Partnership	
	2018 R'm	2017 R'm
Summarised statement of financial position		
Total assets	**3 142**	2 532
Non-current assets	1 923	1 423
Current assets	1 218	1 109
Total liabilities	**447**	297
Non-current liabilities	331	88
Current liabilities	116	209
Net assets	**2 694**	2 234
Summarised income statement		
Revenue	1 135	995
EBITDA	247	101
Profit before tax	**165**	21
% ownership interest held	24.07%	24.07%
Share of results after tax	40	5
Total share of results of partnership	**40**	5
Statement of comprehensive income		
Other comprehensive income	–	–
% ownership interest held	24.07%	24.07%
Share of other comprehensive income of partnership	**–**	–

1.3 Net impairments (losses)/recoupments on investments

	2018 R'000	2017 R'000
Actom Investment Holdings	(110 536)	38 032
Fidelity Bank (Ghana)	87 115	(92 984)
Me Cure Healthcare	(114 100)	(80 588)
Other	(33 144)	(24 628)
Associates	**(170 664)**	(160 168)
Kagiso Strategic Investments	706	–
Joint ventures	**706**	–
XK Platinum Partnership	142 007	(146 333)
Partnerships	**142 007**	(146 333)
Actom Investment Holdings	(269 056)	–
Held-to-maturity	**(269 056)**	(146 333)
* Other (impairments)/reversals including loans	(107 284)	7 454
	(404 291)	(299 047)

* *Represents impairment on goodwill on Urban Brew Studios ("UBS") and impairments on intangible assets and property, plant and equipment for UBS.*

Impairments are determined with reference to the independent valuation performed on investments and loans. The recoverable amount is deemed to be the fair value as calculated by the independent valuer. Refer to the note on investments for further details on fair values used.

1. **INVESTMENTS continued**

1.3 Net impairments (losses)/recoupments on investments continued

Impairment indicators

Associates	2018	2017
Actom Investment Holdings	Increase in net debt, lower revenues and lower EBITDA over the forecast period contributed in the lower value.	Repayment of debt resulted in the increase in equity value. In addition the higher revenue and EBITDA growth anticipated over the forecast period due to an anticipated improvement in the market.
Fidelity Bank (Ghana)	Value increase is supported by increase in net interest income, net fees and commissions. In addition, the value was impacted by the weakness of the Rand and Cedis against the US dollar.	Reduced profits coupled with an appreciation in the ZAR/USD resulted in the decrease in equity value.
Me Cure Healthcare	Perfomance has been severely impacted by the business's operational challenges as well as the macro economic challenges in the country.	Performance has been severely impacted by the tough macroeconomic challenges.
XK Platinum Partnership	Increase in the value is attributable to increase in Platinum Group Metals ("PGM") prices particularly in the 2021 to 2025 forecasted period as well as increase in Run OF Mine ("ROM").	Appreciation of the ZAR/USD during the period coupled with a lower platinum price contributed to lower than expected earnings

1.4 Available-for-sale investments

The group classifies certain investments held as available-for-sale investments. All these investments consist of the group holding shares in the entity. The investments are carried at fair value. The fair values are determined at each year-end and any changes in the fair value are recognised in other comprehensive income. Refer to note 4.1 for information regarding how these fair values are determined.

When these financial instruments are either derecognised or impaired, the accumulated fair value adjustments are realised and included in the statement of comprehensive income.

Dividends declared by these investments are included in profit and loss as dividend income, when the group's right to receive payment is established. Refer to note 1.7 for information regarding dividends received.

Set out below are the available-for-sale investments of the group:

Effective % interest in issued ordinary share capital

Investee	Investment holder	Principal activity	2018	2017
Macsteel Services Centre SA	Kagiso Ventures	Steel supply	7.50	7.50
Ogilvy and Mather South Africa	Kagiso Media	Advertising	8.00	8.00
ZA Celebrity Worx	Kagiso Media	Online Media	15.00	15.00
New Holland Publishing	Juta and Co	Publishing	15.00	15.00

The table below sets out the reconciliation of the carrying amount of available-for-sale investments:

2018	Macsteel Services Centre SA R'000	Other R'000	Total R'000
Balance at beginning of the year	155 783	85 578	241 362
Fair value adjustments – other comprehensive income	(23 658)	(12 297)	(35 955)
Balance at end of the year	**132 125**	**73 281**	**205 407**
Dividend income	**–**	**320**	**320**
Fair value hierarchy	**Level 3**	**Level 3**	**–**

1. INVESTMENTS continued

1.5 Financial assets at fair value through profit or loss – designated

Where the group invests in either listed or unlisted shares and has no significant influence over the investment, the investment is classified as a financial asset at fair value through profit or loss as these investments will be disposed of by management the moment they can realise a profit and they are managed on a fair value basis. These investments are carried at fair value. The fair values of these investments are determined at each year-end and any changes in their fair values are recognised in profit or loss in the statement of profit or loss in the period in which they arise within 'net gains/(losses) on investments'.

Dividend income from these investments is recognised as part of dividend income in profit/(loss) when the group's right to receive payment is established. Refer to note 1.7 for information regarding dividends received.

Set out below are the financial assets at fair value through profit or loss of the group:

Investee	Investment Holder	Principal activity	Effective % interest in issued ordinary share capital 2018	2017
Listed Investments				
MMI Holdings[1]	Off the Shelf Investments 108 and 168	Financial services	1.84	1.83
Unlisted Investments				
Nozala Holdings	Clidet 901 and Clidet 902	Investment Holding	15.00	15.00
Nozala Capital Management	Clidet 901	Investment Holding	28.55	28.55

1. *The group is invested in MMI "A3" preference shares.*

Reconciliation of the carrying amount of financial assets at fair value through profit and loss:

2018	AECI R'000	Aveng R'000	MMI Holdings R'000	Main Street 333 R'000	Other R'000
Balance at beginning of the year	**–**	**–**	583 188	–	155 561
Fair value adjustments	–	–	(48 280)	–	4 900
Disposals		–	–	–	(3 310)
Balance at end of the year	**–**	**–**	**534 908**	**–**	**157 151**
Finance income	–	–	37 294	–	–
Dividend income	–	–	–	–	32 103
Fair value hierarchy	–	–	**Level 3**	–	–
2017					
Balance at beginning of the year	291 247	33 906	687 139	810 016	167 862
Fair value adjustments	84 026	24 053	(103 951)	123 985	(13 468)
Classified as held-for-sale	–	–	–	(934 000)	–
Disposals	(375 273)	(57 959)	–	–	–
Balance at end of year	–	–	583 188	–	155 561
Finance income	–	–	39 054	–	–
Dividend income	15 264	–	–	172 923	16 710
Fair value hierarchy	Level 1	Level 1	Level 3	Level 3	–

2018	Total R'000
Balance at beginning of the year	738 748
Fair value adjustments	(43 380)
Disposals	(3 310)
Balance at end of the year	**692 058**
Finance income	37 294
Dividend income	32 103
2017	
Balance at beginning of the year	1 990170
Additions	1 167
Fair value adjustments	114 645
Classified as held-for-sale	(934 000)
Disposals	(433 232)
Balance at end of the year	738 748
Finance income	39 054
Dividend income	204 897

1. INVESTMENTS continued

1.6 Held-to-maturity financial assets

The group's investment in entities' preference shares are classified as held-to-maturity financial assets. These financial assets are carried at amortised cost using the effective interest rate method.

Where cumulative dividends will be earned on these financial assets they are classified as part of finance costs. If these dividends are unpaid, they are included in the carrying amount of the investment.

The carrying amount of the financial assets approximates the fair value except for preference shares due from Actom Investment Holdings Proprietary Limited which accrues dividend at 0%.

At year end these financial assets are tested for impairment (Refer to note 1.3). Set out below are the held-to-maturity investments of the group:

Investee	Investment holder	Principal activity
Unlisted Investments		
Actom Investment Holdings	Tiso Electrical & Kagiso Powers Services III	Electrical products
Eris Property Fund	Tiso Property No 2	Property management services

The table below sets out the reconciliation of the carrying amount of held to maturity financial assets:

2018	Actom Investment Holdings[1] R'000	Eris Property Fund R'000	Total R'000
Balance at beginning of the year	327 056	64 879	391 935
Dividends accrued	–	7 976	7 976
Impairments recognised during the period	(269 056)	–	(269 056)
Redemptions	–	(22 981)	(22 981)
Balance at end of the year	**58 000**	**49 874**	**107 874**
Fair value	**58 000**	**49 874**	**107 874**
2017			
Balance at beginning of the year	326 020	58 151	384 171
Dividends accrued	–	6 728	6 728
Additions	1 036	–	1 036
Balance at end of year	327 056	64 879	391 935
Fair value	606 000	64 879	670 878

1. *The fair value is based on using a rate of 12.00% (2017: 12.5%) and are within level 3 of the fair value hierarchy.*

1.7 Dividend income

Where the group holds investments in listed or unlisted shares (classified as either 'available-for-sale financial instruments' or 'financial assets at fair value through profit or loss'), dividends declared by these investments are accounted for as dividend income by the group. The group recognises the dividend income when the group's right to receive payment is established.

The amounts included in the statement of comprehensive income comprises the following:

	2018 R'000	2017 R'000
Other	320	226
Available-for-sale financial instruments	**320**	226
AECI	–	15 264
Main Street 333	29 313	172 923
Nozala	32 103	16 710
Financial assets at fair value through profit and loss	**61 416**	204 897
Other financial instruments	9 271	10 331
	71 007	215 454

1. INVESTMENTS continued

1.8 Net gains/(losses) on investments

The group includes in other gains and losses the fair value movements of 'financial assets at fair value through profit or loss' and movements of other investments affecting profit or loss.

The amounts included in the statement of comprehensive income comprises the following:

	2018 R'000	2017 R'000
AECI	–	84 026
Aveng	–	24 053
MMI Holdings	(48 280)	(103 951)
Main Street 333	257 795	123 985
Other	4 900	(13 468)
Financial assets at fair value through profit and loss	**214 415**	114 645
Tiswala Holdings	–	(13 729)
Other	7 059	(3 903)
Other gains/(losses)	**7 059**	(17 632)
	221 474	97 013

1.9 Profit on sale of investments – net

The amounts included in the statement of comprehensive income comprises the following:

	2018 R'000	2017 R'000
Acton Repair Services	–	13 125
Idwala Industrial Holdings	–	307 943
Lupo Bakery	–	19 852
Other	–	10 743
	–	351 663

1.10 Assets classified as held-for-sale

Where the group intends to dispose of an investment in its portfolio the investment will be classified as 'held-for-sale' only if such a sale is highly probable at year end and there are no more conditions which first have to be complied with before the investment can be sold (such as the expiry of lock-in periods). If an investment is classified as 'held-for-sale' it is accounted for at the lower of its carrying value or its 'fair value less cost to sell'.

During the year, the group classified as held-for-sale Knowledge Factory, Kaufman Levin and Associates and Global Media Alliance Broadcast Company as it met the requirements in terms of IFRS 5. In 2017, the investment in Main Street 333 was classified as held-for-sale as it met the requirements in terms of IFRS 5.

The assets and liabilities of these businesses were presented as held-for-sale:

	2018 R'000	2017 R'000
Assets		
Property, plant and equipment	780	–
Intangible assets	2 347	–
Goodwill	–	–
Deferred income tax assets	–	–
Investment in associates, joint ventures and partnerships	8 260	–
Deferred tax	1 157	–
Financial assets at far value through profit and loss – designated	–	934 000
Income tax asset	410	–
Trade and other receivables	12 180	–
Cash and cash equivalents	11 268	–
Assets classified as held-for-sale Liabilities	**36 402**	934 000
Borrowings	300	–
Deferred income tax liabilities	419	–
Trade and other payables	9 967	–
Liabilities directly associated with assets classified as held-for-sale	**10 686**	–
Net assets directly associated with discontinued operations	**25 716**	934 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. INVESTMENTS continued

1.10 Assets classified as held-for-sale continued

The table below illustrates the results of the discontinued operations:

	2018 R'000	2017 R'000
Profit and loss		
Revenue	59 569	51 314
Other income	(510)	445
Raw materials and consumables	(22 439)	(16 068)
Employee costs	(38 750)	(33 088)
Marketing and programming costs	(462)	(574)
Professional and consulting costs	(3 218)	(1 535)
Rental and management fees	(2 363)	(2 027)
Depreciation	(882)	(1 034)
Amortisation	(4 639)	(3 240)
Impairment loss	(41 143)	–
Other expenses	(13 048)	(9 013)
Operating loss	**(67 885)**	(14 820)
Finance income	1 332	1 645
Finance expense	(2)	(10)
Loss before tax	**(66 555)**	(13 185)
Income tax expense	(755)	(351)
Loss after tax from discontinued operations	**(67 310)**	(13 536)
Other comprehensive income		
Fair value adjustments on available for sale financial assets	–	–
Tax relating to other items of comprehensive income/(losses)	–	–
	–	–

In 2017, an amount of R123 million was recognised as other gains and losses for Main Street 333.

The assets and liabilities classified as held-for-sale at 30 June 2018 were in relation to:

	Assets R'000	Liabilities R'000	Net R'000
Unlisted			
Kagiso Media entities held-for-sale[1]	36 403	(10 686)	25 717
	36 403	**(10 686)**	**25 717**

The assets and liabilities classified as held-for-sale at 30 June 2017 were in relation to:

	Assets R'000	Liabilities R'000	Net R'000
Unlisted			
Main Street 333[1]	934 000	–	934 000
	934 000	–	934 000

1. *The fair value was calculated with reference to the net asset value of Main Street 333 and Kagiso Media entities and is within level 3 of the fair value hierarchy.*

1. INVESTMENTS continued

1.11 Amounts due from group companies

Loans to holding companies, fellow subsidiaries, joint ventures and associates are recognised initially at fair value plus direct transaction costs and subsequently carried at amortised cost.

The table below presents a summary of the amounts due from group companies:

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
2018					
Associates					
Actom Investment Holdings	489 882	–	–	–	489 882
Imvelo Consortium	23 159	–	–	–	23 159
Mecure Healthcare	42 664	–	–	–	42 664
	555 705	**–**	**–**	**–**	**555 705**
Joint ventures					
Kagiso Strategic Investments	–	213	–	–	213
Net indebtedness due from group companies	**555 705**	**213**	**–**	**–**	**555 918**

	Non-current asset R'000	Current asset R'000	Non-current liability R'000	Current liability R'000	Total R'000
2017					
Associates					
Actom Investment Holdings	433 970	–	–	–	433 970
Imvelo Consortium	24 049	–	–	–	24 049
Aurora Wind Power	1 062	–	–	–	1 062
	459 081	–	–	–	459 081
Joint ventures					
Kagiso Strategic Investments	–	539	–	–	539
Net indebtedness due from group companies	459 081	539	–	–	459 620

The carrying amount of the amounts due from group companies approximate their respective fair value.

Below are the terms of the amounts due from group companies:

	Rate	Security	Term
Actom Investment Holdings	Prime plus 2%	Unsecured	None
Imvelo Consortium	12.98%	Unsecured	None
Me Cure Healthcare	15%	Unsecured	None
Aurora Wind Power	11%	Unsecured	The loan was repaid during the year.

1. INVESTMENTS continued

1.12 Fair value information

The following inputs, assumptions and valuation methodologies were used in determining the fair values of the following investments:

Investee company	Metho-dology	Minority discount	Liquidity discount	Discount rate	Volatility	Dividend yield	Growth rate used	Period	Unit price
2018									
Actom Investment Holdings	DCF	15%	10%	16%	–	–	18%	3	–
Me Cure Healthcare	NAV	–	–	–	–	–	–	–	–
Fidelity Bank (Ghana)	Multiple	–	5%	10%	–	–	–	–	–
XK Platinum Partnership	DCF	15%	10%	20%	–	–	8%	7	–
Macsteel Services Centre SA	Multiple	–	10%	15%	–	–	–	–	–
MMI Holdings	Option	–	–	–	28%	0%	–	–	R9.16

Investee company	Metho-dology	Minority discount	Liquidity discount	Discount rate	Volatility	Dividend yield	Growth rate used	Period	Unit price
2017									
Actom Investment Holdings	DCF	15%	10%	13%	–	–	6%	3	–
Me Cure Healthcare	Offer	–	25%	–	–	–	–	–	–
Fidelity Bank (Ghana)	Multiple	–	5%	10%	–	–	–	–	–
XK Platinum Partnership	DCF	15%	10%	18%	–	–	11%	8	–
Macsteel Services Centre SA	Multiple	–	10%	15%	–	–	–	–	–
MMI Holdings	Option	–	–	–	27%	8%	–	–	R11.06

The following sensitivity analysis was done for level 3 investments available for sale financial assets with a fair value above R100 million and deemed significant to the group:

Level 3 sensitivity

	Macsteel Services Centre SA 2018	Macsteel Services Centre SA 2017
Input	Discount rate	Discount rate
Base rate	15.00%	15.00%
Change in rate	5.00%	5.00%
Base value (R'000)	132 125	155 783
High value (R'000)	164 414	204 076
Low value (R'000)	99 836	107 490
Change in value (R'000)	32 289	48 293

2. CASH AND BORROWINGS

2.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank balances and short-term deposits readily convertible to a known amount of cash. Bank overdrafts are included in current liabilities in the statement of financial position.

The table below outlines the cash and cash equivalents of the group:

	2018 **R'000**	2017 R'000
Cash and cash equivalents consist of:		
Cash on hand	70	274
Current bank balances	393 530	444 457
Short-term deposits	588 506	967 641
	982 105	1 412 372
Bank overdraft	(46)	(46)
	982 059	1 412 326

The carrying amount of cash and cash equivalents is considered to be a reasonable indication of the fair value.

Refer to note 4.2.1 for disclosure on the credit risk.

2.2 Finance income

Finance income is recognised as an income in the period in which it was earned.

The amount included in the statement of profit or loss is made up as follows:

	2018 **R'000**	2017 R'000
The statement of profit or loss amount is made up as follows:		
Finance income from banks	87 737	86 795
Finance income from group companies	63 176	52 267
Preference share dividends received from group companies	45 270	49 181
Other finance income received	17 832	2 001
	214 015	190 243
Finance income from group companies is made up as follows:		
Actom Investment Holdings	55 912	45 796
Other	7 264	6 471
	63 176	52 267
Preference dividends received from group companies is made up as follows:		
MMI Holdings	37 294	39 054
Other	7 976	10 127
	45 270	49 181

2.3 Borrowings

A summary of all the material borrowings are set out below:

2018	**Non-current R'000**	**Current R'000**	**Total R'000**
Interest-bearing loans	511 129	1 566 446	2 077 575
Preference shares	–	263 438	263 438
Bonds	800 000	12 959	812 959
Finance lease liabilities	87 815	28 025	115 840
	1 398 944	**1 870 868**	**3 269 812**
2017			
Interest-bearing loans	1 688 642	607 434	2 296 076
Preference shares	–	392 978	392 978
Bonds	800 000	882 998	1 682 998
Finance lease liabilities	9 124	5 824	14 948
Other borrowings	733	20	753
	2 498 499	1 889 255	4 387 753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2. CASH AND BORROWINGS continued

2.3 Borrowings continued

2.3.1 Interest-bearing loans

Interest-bearing loans are measured at amortised cost using the effective interest rate method. The carrying value of the interest-bearing loans approximates their fair value.

Summary of interest-bearing loans summarised by investment at amortised cost:

	2018 R'000	2017 R'000
Actom Investment Holdings	406 597	455 376
Aurora Wind Power	–	36 068
Cardona Investments 428	1 054 357	946 904
Kagiso Media	592 355	827 704
Imvelo Consortium	24 267	30 024
Total interest-bearing loans	**2 077 575**	2 296 076

Summary of interest-bearing loans summarised by investment at fair value:

	2018 R'000	2017 R'000
Actom Investment Holdings	406 597	455 376
Aurora Wind Power	–	25 926
Cardona Investments 428	1 054 357	1 006 170
Kagiso Media	589 668	717 658
Imvelo Consortium	14 937	75 917
Total interest-bearing loans	**2 065 558**	2 281 047

The fair value of the bonds are based on the cash flows discounted using a rate based on the borrowing rates of 8.20% (2017: 8.20%) and are within level 3 of the fair value hierarchy.

2.3.1 Interest-bearing loans – further details

Investment funded	Financial institution	Interest rate	Repayment details	Security/Collateral
Actom Investment Holdings	Nedbank	3-months JIBAR plus 775 basis points	Repayable on 31 October 2018	Shares in Actom
Aurora Wind Power	Development Bank of South Africa	6-months JIBAR plus 900 basis points	The loan was settled during the period	Shares in Aurora Wind Power
Cardona Investments 428	Nedbank, FirstRand Bank and The Standard Bank of South Africa	R600 million at a rate of 3-months JIBAR plus 380 basis points	Repayable on 29 May 2019	Guarantee from Kagiso Tiso Holdings
	Nedbank, FirstRand Bank and The Standard Bank of South Africa	R104 million at a rate of 3-months JIBAR plus 380 basis points	Repayable on 29 May 2019	Unsecured
Kagiso Media	Nedbank	A Term Facility: R700 million at a rate of 3-months JIBAR plus 355 basis points	A Term Facility: Repayable quarterly. Final date of repayment: 31 December 2019	Guarantee from Kagiso New Media, Kagiso Media Investments, Kagiso Broadcasting, KTH Media Investments and Juta and Company
	Nedbank	B Term Facility: R500 million at a rate of 3-months JIBAR plus 455 basis points	B Term Facility: Repayable quarterly. Final date of repayment: 31 December 2019	
	Nedbank	Facility A: R110 million bears interest at 9.82%	Repayable in 10 equal instalments every six months. The loan shall be settled in full in February 2022	Guarantee from Juta and Company and first ranking mortgage bond provided by Juta Properties
	Nedbank	Facility B: R30 million bears interest at 10.17%	The loan shall be settled in full in February 2022	
Imvelo Consortium	Development Bank of South Africa	6-months JIBAR plus 450 basis points	Repayable on 31 March 2029	Shares in Imvelo Consortium

2. CASH AND BORROWINGS continued

2.3 Borrowings continued

2.3.2 Preference shares

The dividends on these preference shares are recognised in the statement of profit or loss as finance costs on an amortised cost basis using the effective interest rate method. Accrued dividends are included as part of the carrying amount of the liability.

Where the dividend payments are discretionary, the preference shares are classified as compound financial instruments. 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.

All other preference shares are classified as equity.

The table below presents the preference shares debt of the group:

Group company issuing preference shares	Asset being funded	Holder of the preference shares	**2018 R'000**	2017 R'000
Morning Tide Investments 168	Main Street 333	Depfin & Standard Bank	–	122 308
Off the Shelf Investments 108	MMI Holdings	MMI Holdings	263 438	270 670
Total preference shares			**263 438**	392 978

The carrying amount of the preference shares approximates their fair value.

Group company issuing preference shares	Dividend accrual	Repayment details	Security/Collateral
Off the Shelf Investments 108	88.00% of prime compounded monthly in arrears	Dividends payable on 30 September and 31 March. Fully redeemable on 30 June 2019.	–
Morning Tide Investments 168	88.00% of prime compounded monthly in arrears	Fully redeemed on 31 October 2017.	–

2.3.3 Bonds

Kagiso Sizanani Capital (RF) Proprietary Limited ("KSC"), a subsidiary of the group, has a domestic note and redeemable preference share programme total value of R2 billion. The bonds issued carry mandatory coupon rates, and are redeemable at specific dates in the future. Once KSC obtains the funds on the issued instruments from the market, it on lends it on a back-to-back arrangement to 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.

These bonds are measured 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 bonds is charged to profit or loss as finance costs.

The table below illustrates the summary of bonds at carrying amount:

Name of Bond Issuance	**2018 R'000**	2017 R'000
KSB007	–	258 544
KSB008	–	610 496
KSB009	812 959	813 958
	812 959	1 682 998

The table below presents the summary of bonds at fair value:

Name of Bond Issuance	**2018 R'000**	2017 R'000
KSB007	–	258 544
KSB008	–	610 496
KSB009	824 627	784 056
	824 627	1 653 096

The fair value of the bonds are based on the cash flows discounted using a rate based on the borrowing rates of 8.50% (2017: 8.20%) and are within level 3 of the fair value hierarchy.

2. CASH AND BORROWINGS continued

2.3 Borrowings continued

2.3.3 Bonds continued

Further details of borrowings:

Name of bond issuance	Interest Rate	Repayment details	Nominal value
KSB007	275 basis points above the 3-month JIBAR rate payable half-yearly but repriced quarterly	Repaid on 31 August 2017	R250 000 000
KSB008	330 basis points above the 3-month JIBAR rate payable quarterly	Repaid on 1 November 2017	R600 000 000
KSB009	385 basis points above the 3-month JIBAR rate payable quarterly	5 August 2020	R800 000 000

2.3.4 Other borrowings

The table below outlines the borrowings of the group:

	2018 R'000	2017 R'000
Other	–	753
Total other borrowings	**–**	753

The table below reconciles the borrowings of the group for the year ended:

	2018 R'000
Carrying amount at the beginning of the year	4 387 753
Interest accrued	413 674
Additions	101 249
Total payments made	1 628 412
Interest/preference dividends payment	(252 845)
Capital payment/redemption	(1 255 567)
Settlement of guarantee[1]	(120 000)
Other	(3 701)
Carrying amount at the end of the year	**3 269 812**

1. *Refer to note 6.7.2.*

2.4 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

The statement of profit or loss amount is made up as follows:

	2018 R'000	2017 R'000
Finance costs on loans to banks and funders	(185 214)	(279 896)
Finance costs to bond holders	(112 889)	(178 830)
Other finance costs	(97 790)	(8 140)
	(395 893)	(466 866)
Dividends on preference shares to banks and funders	(26 481)	(96 428)
Total finance costs	**(422 374)**	(563 294)

3. COSTS AND TAX

3.1 Operating expenses

Operating expenses represent the group's administrative expenses and are recognised as the services are provided. The biggest component is employee benefits, as shown below. Employee benefits expense includes salaries and wages, together with the cost of other benefits provided to employees such as pension and bonuses.

	2018 R'000	2017 R'000
Expenses per nature		
Auditors' remuneration	(8 122)	(15 005)
Depreciation and amortisation	(92 821)	(99 516)
Consulting and professional fees	(6 027)	(16 012)
Lease rentals on operating leases	(51 894)	(52 571)
Directors' emoluments for executive directors	(9 857)	(30 475)[1]
Directors' emoluments for non-executive directors	(5 451)	(4 526)[1]
Employee costs	(465 936)	(477 012)
Other costs – net	(302 560)	(209 675)
Other operating expenses – net	(942 668)	(904 792)

1. *Excludes share appreciation right payment accrued for in the 2016 financial year.*

3.2 Directors' emoluments

	Emoluments R'000	Performance related payments[3] R'000	Share appreciation right payment R'000	Loss of office R'000	Pension and other contributions R'000	Total[4] R'000
30 June 2018						
Executive directors						
Vuyisa Nkonyeni[2]	2 232	5 196	–	–	267	7 695
Mbonisi Danisa	1 887	–	–	–	275	2 162
For services as directors	**4 119**	**5 196**	**–**	**–**	**542**	**9 857**
Prescribed officers						
Aliya Shariff	1 488	3 156	–	–	31	4 675
Mbonisi Danisa[1]	1 128	4 200	–	–	232	5 560
For services as prescribed officers	**2 617**	**7 356**	**–**	**–**	**263**	**10 235**
Non-executive directors						
Non-independent						
NL Sowazi	972	–	–	–	–	972
DKT Adomakoh	491	–	–	–	–	491
JJ du Toit	349	–	–	–	–	349
V Mufamadi	–	–	–	–	–	–
PJ Makosholo	664	–	–	–	–	664
KB Schoeman	359	–	–	–	–	359
PJ Uys	603	–	–	–	–	603
ZC Nevhutalu	427	–	–	–	–	427
MM Ntsaba	334	–	–	–	–	334
For services as directors	4 198	**–**	**–**	**–**	**–**	**–**
Non-executive directors						
Independent						
B Ngonyama	625	–	–	–	–	625
S Pather	628	–	–	–	–	628
For services as directors	1 253	–	–	–	–	1 253
Total non-executive directors	**5 451**	**–**	**–**	**–**	**–**	**5 451**

1. *Appointed as an executive director on the 1 December 2017.*
2. *Resigned as an executive director on the 31 December 2017.*
3. *Relates to services rendered in the 2017 financial period and paid in the 2018 financial period*
4. *Directors' emoluments are disclosed in terms of cash payments made during the year.*

Certain non-independent directors are shareholder representatives and fees are paid to the shareholder and not the individual.

3. COSTS AND TAX continued

3.2 Directors' emoluments continued

	Emoluments R'000	Performance related payments R'000	Share[1] appreciation right payment R'000	Loss of office R'000	Pension and other contributions R'000	Total R'000
30 June 2017						
Executive directors						
Vuyisa Nkonyeni	3 712	3 113	25 967	–	412	33 204
Jacob Hinson	1 395	4 903	25 967	–	207	32 472
Frencel Gillion	3 281	4 669	25 967	8 283	500	42 700
For services as directors	8 387	12 684	77 901	8 283	1 120	108 376
Prescribed officers						
Aliya Shariff	1 670	–	–	–	–	1 670
Mbonisi Danisa	1 577	–	–	–	298	1 875
For services as prescribed officers	3 247	–	–	–	298	3 545
Non-executive directors Non-independent						
NL Sowazi	746	–	–	–	–	746
DKT Adomakoh	404	–	–	–	–	404
JJ du Toit	277	–	–	–	–	277
V Mufamadi	293	–	–	–	–	293
PJ Makosholo	544	–	4 412	–	–	4 956
KB Schoeman	293	–	4 851	–	–	5 144
PJ Uys	451	–	–	–	–	451
ZC Nevhutalu	341	–	–	–	–	341
MM Ntsaba	293	–	–	–	–	293
For services as directors	3 641	–	9 263	–	–	12 904
Non-executive directors Independent						
B Ngonyama	462	–	–	–	–	462
S Pather	423	–	–	–	–	423
For services as directors	885	–	–		–	885
Total non-executive directors	4 526	–	9 263	–	–	13 789

1. *Share appreciation right payment was accrued for in the 2016 financial year, while the actual cash flow payment was made in 2017 financial year.*

Certain non-independent directors are shareholder representatives and fees are paid to the shareholder and not the individual.

3. COSTS AND TAX continued

3.3 Income tax expense

The majority of the companies within the group are South African tax residents and will therefore pay taxes according to the rates applicable in South Africa. Most taxes are recorded in the statement of profit or loss and relates to taxes payable for the reporting period (current tax). The charge also includes benefits and charges relating to when income and expenses are recognised in a different period for tax and accounting purposes (deferred tax).

The table below outlines the analysis of the income tax expense per the statement of profit or loss and other comprehensive income:

	2018 R'000	2017 R'000
Major components of the tax expense		
Current income tax		
Current income tax on profits for the year	(114 554)	(204 738)
Adjustments in respect of prior years	(1 014)	(903)
Withholding tax	–	(1 753)
	(115 569)	(207 393)
Deferred income tax		
Origination and reversal of temporary differences	(10 446)	232 686
Adjustment in respect of prior years	4 911	(9 607)
	(5 535)	223 079
Total tax expense	**(121 104)**	15 686
Reconciliation between accounting profit and tax expense		
Profit/(loss) before income tax	1 101 743	374 612
Tax at the applicable tax rate of 28%	308 488	104 891
Tax effect of adjustments on taxable income		
Non-taxable items	**(417 780)**	(247 019)
Share of after-tax (profit)/losses of associates, joint ventures and partnerships	(338 091)	(33 122)
Dividend income	(19 882)	(60 327)
Profit on sale of investments – net	(489)	(98 466)
Net (gains)/losses on investments	(62 013)	(27 149)
Income not subject to tax	(1 620)	(3 104)
Finance income not subject to tax due to capital nature	4 315	(24 851)
Non-deductible items	**223 545**	238 155
Net impairment losses	113 202	83 707
Finance costs not deductable for tax due to capital nature	42 646	126 190
Expenses not deductible for tax purposes	67 697	28 258
Other items	**6 851**	(111 713)
Capital gains tax paid	–	97 101
Withholding tax	–	1 753
Partnership profits	–	1 317
Adjustments in respect of prior years	1 316	4 062
Prevoiusly unrecognised tax losses	–	7 133
Future capital gains tax	5 535	(223 079)
	121 104	(15 686)

3. COSTS AND TAX continued

3.4 Deferred income tax

Deferred tax assets and liabilities represent amounts of tax that will become recoverable and payable in future accounting periods. They generally arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the accounts. A deferred tax asset represents a tax reduction that is expected to arise in a future period. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or an earlier transaction.

In respect of deferred tax assets, the group only recognises a deferred tax asset when the availability of future profits necessary to support the deferred tax asset is probable.

The table below presents the reconciliation of deferred tax for the group:

	2018 R'000	2017 R'000
Deferred income tax asset		
To be recovered within 12 months	41 197	13 779
Deferred income tax assets to be recovered after more	–	
To be recovered after more than 12 months	1 316	(2 086)
	42 513	11 693
Deferred income tax liability		
To be recovered within 12 months	(10 026)	23 688
To be recovered after more than 12 months	(225 082)	(227 004)
	(235 108)	(203 316)
Deferred income tax liability (net)	**(192 595)**	(191 623)
The gross movement on the net deferred income tax account is as follows:		
Carrying value at the beginning of the period	(191 623)	(368 380)
Acquired through common control transaction	–	(38 360)
Originating temporary differences charged to the statement of comprehensive income	(5 535)	223 079
Originating temporary differences charged to other comprehensive income	7 339	(5 415)
Other	(2 776)	(2 547)
Carrying value at the end of the period	**(192 595)**	(191 623)

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:

	2018 R'000	2017 R'000
Deferred income tax assets		
Provisions	21 412	12 593
Other	21 101	(900)
	42 513	11 693
Deferred income tax liabilities		
Investments	(62 692)	(32 795)
Intangible assets	(153 374)	(157 212)
Other	(19 043)	(13 309)
	(235 108)	(203 316)
Net deferred income tax liabilities	**(192 595)**	(191 623)

4. RISK

4.1 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 profit or loss. 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.

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 and fair value financial assets through profit or loss 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.

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.

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 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 Kagiso Tiso Holdings Proprietary Limited ("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.

Material investments

The group classifies material investments as investments that have a fair value above R120 million or forms part of the groups key investments as contemplated in the strategy.

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:

Kagiso Strategic Investments Proprietary Limited ("KSI"): A number of the relevant decisions of the company (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 an effective 50.15% in KSI, and Rand Merchant Bank 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 a joint venture.

Servest Group Proprietary Limited ("Servest"): Servest provides integrated facilities management solutions to customers, such services include inter-alia cleaning, parking, catering, hygiene, office service and landscaping. The relevant activities of Servest is therefore the operation of the above mentioned management solutions. These activities are undertaken by the board of directors and key management, in terms of the approved budget. A wide variety of different rights can give an investor the current ability to direct the investee's relevant activities. The board of directors of Servest comprises 8 members of which 3 are appointed by KTH. The directors shall manage and supervise the management of the business in terms of the annual budget. As per the shareholders agreement the budget requires the approval of 75% of the shareholders. If either of the majority shareholders (being KTH and GSH) do not agree to the annual budget, the overall budget will be approved. Decisions regarding the budget, i.e. the relevant activities of Servest therefore require the approval of both KTH and GSH as these parties together would constitute 77.8% (51.9% held by KTH and 25.9% held by GSH) of shareholders votes. Based on these facts management has determined the level of detail of the budget at which the budget is assessed as part of the approval process indicates the rights are substantive and that KTH does not have the rights currently to direct the relevant activities of Servest. The investment is therefore accounted as an investment in a joint venture as per IFRS 11 and is equity accounted in accordance with IAS 28.

4. RISK continued

4.1 Critical accounting estimations and judgements continued

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 No 902 Proprietary Limited ("Clidet No 902"): The group has subscribed for preference shares in the company. 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 holds a conditional right to convert the preference shares to ordinary shares on a one-for-one basis. Therefore, it has been concluded that Clidet No 902 is controlled by the group.

Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of financial instruments may require some judgement or may be derived from readily available sources. The degree of judgement involved is reflected in the fair value measurements section below, although this does not necessarily indicate that the fair value is more or less likely to be realised.

For investments that are actively traded in financial markets, fair value is determined by reference to official quoted market bid prices. For investments that are not actively traded, fair value is determined by using quoted prices from third parties such as brokers, market makers and pricing agencies. For equity investments where there is no quoted market price, fair value is determined by independent professional valuers.

Each instrument has been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in quoted equities, daily-priced funds, gilts and exchange-traded derivatives;

Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data included within Level 1 for the asset or liability and principally comprise corporate bonds and foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market, an evaluated price based on a compilation of primarily observable market information or industry standard calculations, utilising vendor feed data and information readily available via external sources. For funds not priced on a daily basis, e.g. property funds, the net asset value which is issued monthly or quarterly is used; 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 data and principally comprise investments in private equity and hedge funds. These funds are managed by third parties and are measured at the values provided by the relevant fund managers. Venture capital funds are valued based on the best available "International Private Equity and Venture Capital Valuation Guidelines". The most recent available valuation data is used and adjusted for known events such as calls or distributions. The valuation review is a continual process throughout the year.

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.

Fair value estimation

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 analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

4. RISK continued

4.1 Critical accounting estimations and judgements continued

The following table illustrates the fair values of financial assets that are measured at fair value, by hierarchy level:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
30 June 2018				
Available-for-sale financial assets	22	–	205 384	205 407
Assets held-for-sale	–	–	–	–
Assets at fair value through profit and loss	–	91 044	601 014	692 058
	22	**91 044**	**806 398**	**897 464**
30 June 2017				
Available-for-sale financial assets	23	–	241 339	241 362
Assets held-for-sale	–	–	934 000	934 000
Assets at fair value through profit and loss	–	91 220	647 528	738 748
	23	91 220	1 822 867	1 914 111

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):

	Held-for-sale* R'000	Fair value through profit and loss R'000	Available-for-sale assets R'000	Total R'000
30 June 2018				
Balances at the beginning of the period	934 000	647 528	241 339	1 822 867
Disposals	(1 191 795)	–	–	(1 191 795)
Fair value adjustment recognised in profit and loss	257 795	(46 514)	–	211 281
Fair value adjustment recognised in equity	–	–	(35 955)	(35 955)
	–	**601 014**	**205 384**	**806 398**
30 June 2017				
Balances at the beginning of the period	90 000	1 584 019	215 608	1 889 627
Additions	–	–	1 560	1 560
Disposals	(90 000)	–	–	(90 000)
Transfer to held-for-sale	934 000	(934 000)	–	–
Fair value adjustment recognised in profit and loss	–	(2 491)	–	(2 491)
Fair value adjustment recognised in equity	–	–	24 171	24 171
	934 000	647 528	241 339	1 822 867

* *This relates to investment in Main Street 333 which was sold during the year.*

4.2 Financial risk management

Risk management

As a result of its operations the group is exposed to multiple forms of risk including: (i) the risk that money owed to the group will not be received (credit risk); (ii) the risk that the group may not have sufficient cash available to pay its liabilities as they fall due (liquidity risk); and (iii) the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates (market risk). The management of such risks is embedded in managerial responsibilities fundamental to the well-being of the group. This note sets out the nature of the risks and their quantification and management.

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.

4. RISK continued

4.2 Financial risk management continued

The table below illustrates the categories of financial instruments:

	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held-to-maturity R'000	Carrying value R'000
30 June 2018					
Financial assets					
Investments	–	692 058	205 407	107 874	1 005 339
Amounts due from group companies	555 919	–	–	–	555 919
Trade and other receivables	374 410	–	–	–	374 410
Restricted cash	241 705	–	–	–	241 705
Cash and cash equivalents	982 105	–	–	–	982 105
	2 154 139	**692 058**	**205 407**	**107 874**	**3 159 478**

	Loans and receivables R'000	Fair value through profit and loss R'000	Available-for-sale R'000	Held-to-maturity R'000	Carrying value R'000
30 June 2017					
Financial assets					
Investments		**738 748**	**241 362**	**391 935**	**1 372 045**
Amounts due from group companies	**459 620**				**459 620**
Trade and other receivables	**483 305**				**483 305**
Restricted cash	**406 473**				**406 473**
Cash and cash equivalents	**1 412 372**				**1 412 372**
	2 761 770	**738 748**	**241 362**	**391 935**	**4 133 816**

	Liabilities at amortised cost R'000	Fair value through profit and loss R'000	Carrying value R'000
30 June 2018			
Financial liabilities			
Borrowings	**3 269 812**	**–**	**3 269 812**
Derivative financial instruments	**–**	**8 642**	**8 642**
Trade and other payables	**264 100**	**–**	**264 100**
Bank overdraft	**46**	**–**	**46**
	3 533 938	**8 642**	**3 542 600**
30 June 2017			
Financial liabilities			
Borrowings	**4 387 753**	**–**	**4 387 753**
Derivative financial instruments	**–**	**15 025**	**15 025**
Trade and other payables	**263 867**	**–**	**263 867**
Bank overdraft	**46**	**–**	**46**
	4 651 666	**15 025**	**4 666 691**

4. RISK continued

4.2 Financial risk management continued

4.2.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument, loan or commitment will cause the group financial loss by failing to discharge an obligation.

The group has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full, amounts when due. The group's maximum exposure to credit risk is represented by the carrying value of its financial assets.

Credit risk is managed in terms of the approved treasury policy. The policy provides guidelines for management to manage the credit risk for the company and the special purpose vehicles. Credit risk in respect of Kagiso Media Proprietary Limited ("Kagiso Media") and Kagiso Asset Management Proprietary Limited ("Kagiso Asset Management") is managed by their respective boards.

Kagiso Tiso Holdings

The operating bank accounts of the company with balances amounting to R14.1 million are held with financial institutions such as The Standard Bank of South Africa Limited and First National Bank having a credit rating of P-3 in terms of the rating methodology applied by Moody's.

Short term deposits are invested in terms of the treasury policy and managed by Andisa Treasury Solutions. At 30 June 2018 the company has the following credit risk exposure in terms of these short term deposits:

Financial institution	Agency	Rating	Amount R'000
ABSA Money Market Fund	GCR	AA+ (zaf)	7
Investec MM Fund	GCR	AA+ (zaf)	128 980
Investec Corp MM Fund	GCR	AA+ (zaf)	76 097
Nedbank Corp MM Fund	GCR	AA+ (zaf)	62 553
Nedbank MM Fund	GCR	AA+ (zaf)	383
Nedbank Core Income Fund	GCR	AA+ (zaf)	149 564
Standard Bank Money Market	GCR	AA+ (zaf)	263
Stanlib Corporate MM Fund	GCR	AA+ (zaf)	37 410
ABSA Money Market	GCR	AA (zaf)	61 202
Standard Bank current account	GCR	AA (zaf)	93
			516 552

The investment at fair value through profit or loss is an investment in the Kagiso Asset Management Protector Fund. The fund is not rated but it invests in underlying rated investments made up from listed equities, bonds etc. Cash and cash equivalents of R190 million is held at financial institutions including Standard Bank (Fitch – F1+), First National Bank (S&P – B), ABSA (S&P – Aa1. za) and Nedbank (Moody's – P-3) by special purpose vehicles. Cash and cash equivalent of R126 million is held with Investec Bank (Mauritius) by special purpose vehicles with a credit risk rating of BB+ in terms of the Fitch rating scale for foreign currency.

Kagiso Media

Cash and cash equivalents of R197 million were held with reputable institutions that have Moody's credit ratings of between Ba1 and Baa3 at 30 June 2018.

Lupo Bakery

Cash and cash equivalents of R0.5 million was held with Nedbank Limited and had a credit ratings of P-3 in terms of the Moody's rating scale at 30 June 2018.

Kagiso Asset Management

The credit quality of cash at bank and short term deposits of R3.2 million, excluding cash on hand, that are neither past due nor impaired can be assessed by reference to their credit rating as published by Moody's. Cash at bank and short term deposits are held with Nedbank Limited, who has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za, Standard Bank Limited who has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za and ABSA Bank Limited who has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za. The investment at fair value through profit or loss is an investment in the Nedgroup Investments Money Market Fund which has a Moody's NSR Short term Bank Deposits (Domestic) credit rating of P-3.za.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. 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.

4. RISK continued

4.2 Financial risk management continued

4.2.2 Liquidity risk

Liquidity risk is the risk that the group cannot meet its obligations as they fall due or can only do so at a cost.

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 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:

	Carrying value R'000
30 June 2018	
Financial assets	
Committed undrawn facilities	125 000
Financial assets at fair value through profit and loss	601 014
Trade and other receivables	374 410
Cash and cash equivalents	982 105
	2 082 529
30 June 2017	
Financial assets	
Committed undrawn facilities	125 000
Financial assets at fair value through profit and loss	674 408
Trade and other receivables	483 305
Cash and cash equivalents	1 412 372
	2 695 085

The following are the contractual cash flows of financial liabilities:

	Carrying value R'000	Total 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 2018						
Financial liabilities						
Borrowings	3 153 972	3 543 929	2 114 781	584 737	844 411	–
Finance lease liability	115 840	148 680	36 143	36 143	76 394	–
Amounts due to group companies	172	172	172	–	–	–
Trade and other payables	264 100	264 100	264 100	–	–	–
Bank overdraft	46	46	46	–	–	–
	3 534 130	**3 956 927**	**2 415 242**	**620 880**	**920 805**	**–**
30 June 2017						
Financial liabilities						
Borrowings	4 372 806	5 224 376	2 104 175	259 703	2 603 963	256 535
Finance lease liability	14 948	14 948	5 824	–	9 124	–
Trade and other payables	263 867	263 867	263 867	–	–	–
Bank overdraft	46	46	46	–	–	–
	4 651 668	5 503 237	2 373 912	259 703	2 613 087	256 535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

4. RISK continued

4.2 Financial risk management continued

4.2.3 Market risk

Market risk is the risk that changes in market prices (price, foreign exchange and interest rate risk) will affect the group's 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 group 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 group's treasury policy.

The group's interest rate risk also 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 group is also exposed to interest rate risk due to long-term debt.

Derivatives are used for economic hedging purposes and not as speculative investments. The group enters into interest rate swaps whereby the floating rate is swapped for a fixed rate in order to manage interest rate risk. The contracts require settlement of the net interest payable or receivable at the respective reset dates. At year-end the value of the liability was R8.6 million (2017: R15.0 million).

The interest rate swap is recognised at fair value and classified as a level 3 instrument in terms for the fair value hierarchy.

Profile

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	2018		2017	
	Fixed rate R'000	**Variable rate R'000**	Fixed rate R'000	Variable rate R'000
Non-current financial assets				
Loans and other financial assets	1 772	–	2 274	–
Amounts due from group companies	65 823	489 882	25 111	433 970
Current financial assets	–		–	–
Amounts due to group companies	213	–	539	–
Loans and other financial assets	374 410	–	497 173	–
Restricted cash	–	241 705	–	406 473
Cash and cash equivalents	–	982 105	–	1 412 372
	442 218	**1 713 692**	525 097	2 252 815
Non-current financial liabilities				
Borrowings	–	1 870 868	733	2 497 766
Other non-current liabilities				
Current financial liabilities	–	–		
Borrowings	–	1 398 944	20	1 889 235
Trade and other payables	264 100	–	306 694	–
Bank overdraft	–	46	–	46
	264 100	**3 269 858**	307 447	4 387 047

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 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.

4. RISK continued

4.2 Financial risk management continued

4.2.3 Market risk continued

A change in the above market interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below:

	2018 Change	2018 Upward change R'000	2018 Downward change R'000	2017 Change	2017 Upward change R'000	2017 Downward change R'000
Three month JIBAR	0.40%	16 353	(16 353)	0.04%	29 127	(29 127)
Money market	1.00%	5 166	(5 166)	1.00%	17 673	(17 673)
Prime – group loans	0.25%	42	(42)	1.00%	2 170	(2 170)
Prime – borrowings	0.25%	580	(580)	1.00%	(1 729)	1 729

Price risk

Exposure to price risk is due to investments in listed shares which are classified as available-for-sale financial assets and financial assets at fair value through profit and loss 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 has no exposure to price risk as it has no listed investments.

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.

Two of the groups' associates are foreign companies, Fidelity Bank Ghana Limited domiciled in Ghana and Me Cure Healthcare Limited domiciled in Nigeria. These associates are equity accounted. Changes in the currency rates in these jurisdictions will expose the group to foreign exchange risk when equity accounting is done for these results at reporting dates.

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.

Foreign currency exposure

Included in the group statement of financial position are bank accounts denominated in currencies other than the functional currency of the reporting entities. A sensitivity has not been performed on other foreign currency exposures as it is not considered to have a material impact on profit before tax.

	2018 USD'000	2017 USD'000
Current assets		
United States dollar	9 171	10 235
Total Assets	**9 171**	10 235

Sensitivity analysis

The group has used a sensitivity analysis technique that measures the estimated change to profit or loss and equity of an instantaneous 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 change in the exchange rate from 2014 was used in preparing the sensitivity analysis.

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) on cash balances and equity accounting done relating the Fidelity Bank (Ghana) Limited.

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 end 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 2017.

	2018 Change	2018 Upward change R'000	2018 Downward change R'000	2017 Change	2017 Upward change R'000	2017 Downward change R'000
Changes in cash balances	5.04%	6 349	(6 349)	11.36%	15 221	(15 221)
Changes in equity accounting	5.89%	9 476	(9 476)	10.00%	(1 024)	926

4. RISK continued

4.2 Financial risk management continued

4.2.4 Capital management

Risk management

The group manages its shareholders' equity, i.e. its share 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 target gearing ratio for the group is between 40% debt: 60% equity and 60% debt: 40% equity. Individual SPVs will have higher gearing ratios given the highly structured nature of the debt-funded investments. The gearing ratio at year end is as follows:

	2018 R'000	2017 R'000
Total borrowings	3 269 812	4 387 754
Cash, cash equivalents and bank overdraft	(982 059)	(1 412 326)
Net debt	**2 287 753**	2 975 428
Total equity	5 905 618	5 755 831
Total capital	**8 193 371**	8 731 259
Gearing ratio	**27.92%**	34.08%

Loan covenants

Under the terms of the following major borrowing facilities, the group is required to comply with the following financial covenants:

Kagiso Media Proprietary Limited ("KM")

As part of the debt obligation to Nedbank, KM reports on the following debt covenants on a half-yearly basis:

- Net debt/EBITDA – covenant is set at 3.50x
- EBITDA/Interest – covenant is set at 2.75x
- Debt service ratio – covenant is set at 1.25x

During the financial period, KM did not default on any of these covenants.

Kagiso Tiso Holdings Proprietary Limited ("KTH") and Cardona Investments 428 Proprietary Limited ("Cardona")

As part of the debt obligations to Nedbank, Standard Bank and Rand Merchant Bank, KTH and Cardona reports on the following debt covenant on a half-yearly basis:

- Maximum indebtedness – covenant is set at 4.10x
- Default asset cover ratio covenant – covenant is set at 2.75x

During the financial period, KTH and Cardona did not default on any of these covenants.

Kagiso Sizanani Capital (RF) Proprietary Limited ("KSC")

In terms of the applicable pricing supplement issued in for KSB 009, KSC is required to submit a compliance certificate to the bondholders on a half-yearly basis indicating that the requisite asset cover ratio has been complied with at each of the reporting periods. In terms of the applicable pricing supplement the required default asset cover ratio is set at 2.75x.

During the financial period, KSC did not default on this set covenant.

Dividends

The board of directors did not declare any dividends to shareholders during the financial year, in 2017, dividends number 8 of 6 188 cents per share was declared on 27 October 2016 in respect of the period ended 30 June 2016.

5. OTHER INFORMATION

5.1 Group notes

5.1.1 Non-controlling interests

A summary of the group's subsidiaries with material non-controlling interests is presented below:

	Non-controlling interests		Share of profits		Share of dividends	
	2018	2017	**2018**	2017	**2018**	2017
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Kagiso Asset Management	6 946	12 207	5 963	17 936	(11 225)	(13 757)
Kagiso Media	81 307	87 207	39 210	28 768	(45 100)	(32 500)
Morning Tide Investments 168	3 390	381 333	127 875	183 970	(487 538)	(707)
Lupo Bakery	14 326	12 343	1 982	2 207	–	–
Other	197	53 181		96	–	(36 876)
	106 166	546 271	**175 030**	232 977	**(543 863)**	(83 840)

The directors consider Lupo Bakery, 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 income greater than R50 million.

The proportion of ownership held by non-controlling interest in the significant subsidiaries are:

- Kagiso Asset Management Proprietary Limited – 49.90%
- Morning Tide Investments 168 Proprietary Limited – 46.09%
- Lupo Bakery Proprietary Limited – 30.00%

In respect of Kagiso Media Proprietary Limited, the significant, based on contributor to revenue being greater than R300 million, non-controlling interest relates to Jacaranda FM Proprietary Limited that is held 20.00% by non-controlling interests.

None of the other subsidiaries with non-controlling interests were determined to be qualitatively material.

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are considered material to the group. Unless otherwise stated, the group's subsidiaries' are all incorporated in South Africa and it is their principal place of operation. The summarised financial information presented is before intercompany eliminations.

Disclosure of summarised financial information on subsidiaries with material non-controlling interests

The table below summarises the statement of financial position by non-controlling interest:

	Kagiso Asset Management		Morning Tide Investments 168		Kagiso Media	
	2018	2017	**2018**	2017	**2018**	2017
	R'000	R'000	**R'000**	R'000	**R'000**	R'000
Current assets	33 440	43 975	3 203	935 279	651 727	723 161
Current liabilities	(10 552)	(17 784)	(1 780)	(123 228)	(511 122)	(469 442)
	22 888	26 191	**1 423**	812 051	**140 605**	253 719
Non-current assets	5 220	7 183	–	–	2 079 426	2 194 252
Non-current liabilities	19 299	(13 767)	–	–	(691 127)	(850 367)
	24 519	(6 584)	**–**	–	**1 388 299**	1 343 885
Net assets	**47 407**	19 607	**1 423**	812 051	**1 528 904**	1 597 604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. OTHER INFORMATION continued

5.1 Group notes continued

5.1.1 Non-controlling interests continued

	Lupo Bakery	
	2018 R'000	2017 R'000
Current assets	41 601	33 123
Current liabilities	(53 515)	(49 857)
	(11 914)	(16 734)
Non-current assets	56 984	47 815
Non-current liabilities	14 795	(7 417)
	71 779	40 398
Net assets	**59 865**	23 664

The table below summarises the statement of comprehensive income by non-controlling interest:

	Kagiso Asset Management		Morning Tide Investments 168		Kagiso Media	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Revenue	108 318	122 055	–	262	1 280 807	1 506 410
Profit/(loss) before tax	18 432	46 871	277 428	273 682	137 154	295 941
Income tax expense	(6 481)	(10 926)	–	125 443	(84 479)	(92 010)
Profit/(loss) after tax	11 951	35 945	277 428	399 125	52 675	203 931
Total comprehensive income	**11 951**	35 945	**277 428**	399 125	**(29 784)**	202 481

	Lupo Bakery	
	2018 R'000	2017 R'000
Revenue	212 497	173 911
Profit before tax	9 465	9 572
Income tax expense	(2 856)	(2 216)
Profit after tax	6 610	7 356
Total comprehensive income	**6 610**	7 356

The table below summarises the cash flows by non-controlling interest:

	Kagiso Asset Management		Morning Tide Investments 168		Kagiso Media	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000	**2018 R'000**	2017 R'000
Cash flows from operating activities	(6 779)	28 806	(1 038 334)	47 907	192 665	165 437
Cash flows from investing activities	2 670	(1 792)	1 188 108	–	43 752	(120 710)
Cash flows from financing activities	–	(28 953)	(148 923)	(55 613)	(238 582)	(75 889)

	Lupo Bakery	
	2018 R'000	2017 R'000
Cash flows from operating activities	2 365	19 507
Cash flows from investing activities	(17 014)	(30 100)
Cash flows from financing activities	9 015	13 973

The amounts disclosed for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations and based on the 30 June 2018 audited financial statements.

5. OTHER INFORMATION continued

5.1 Group notes continued

5.1.2 Interests in structured entities

Interests in consolidated structured entities:

The group is principally involved in the following structured entities through its normal course of business:

Clidet No 902 Proprietary Limited ("Clidet No 902")

The group has provided preference share funding to Clidet No 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. The redemption date is 30 June 2021. In addition, the group also holds participating preference shares with a right to receive 60% of the remaining profits after the preference share balance has been settled.

5.2 Other balance sheet notes

5.2.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life.

The group's long life assets provide the infrastructure for the group to operate. These principally comprise 'freehold land and buildings' and 'plant and equipment'. The cost of these assets is recognised in the statement of comprehensive income over time as a depreciation charge.

The table below illustrates the reconciliation of property, plant and equipment:

	Land R'000	Leasehold improve-ments R'000	Plant and equipment R'000	Other R'000	Total R'000
Carrying value at 1 July 2016	55 000	13 840	33 777	24 545	127 162
Cost	55 000	43 420	81 305	65 837	245 561
Accumulated depreciation	–	(29 579)	(47 528)	(41 292)	(118 399)
Additions	–	4 620	28 108	15 903	48 632
Business combinations	–	84	18 411	6 985	25 480
Disposals	(1 941)	(188)	(125)	(4 306)	(6 560)
Impairment	–	–	–	–	–
Transfers	–	–	–	975	975
Depreciation	–	(3 693)	(16 772)	(14 826)	(35 291)
Carrying value at 30 June 2017	53 059	14 664	63 399	29 275	160 398
Cost	53 059	40 108	139 222	90 626	323 015
Accumulated depreciation	–	(25 444)	(75 823)	(61 350)	(162 617)
Additions	–	2 270	111 721	15 367	129 358
Business combinations	–	278	–	–	278
Disposals	–	–	(62)	(724)	(786)
Impairment	–	(743)	(7 445)	(654)	(8 842)
Classified as held-for-sale	–	–	–	(412)	(412)
Transfers	–	–	(11)	(87)	(98)
Depreciation	–	(2 841)	(11 897)	(14 060)	(28 797)
Carrying value at 30 June 2018	**53 059**	**13 628**	**155 705**	**28 706**	**251 098**
Cost	53 059	41 635	232 618	99 775	427 087
Accumulated depreciation	–	(28 007)	(76 913)	(71 069)	(175 989)

1. *Other is made up of computer equipment, furniture and fittings, motor vehicles and office equipment.*

Intangible assets mainly relates to Kagiso Media Proprietary Limited, a wholly owned subsidiary of the group, which invests in media related companies.

Intangible assets acquired in the normal course of business (such as patents, title rights, copyrights, brand names, trademarks and intellectual property) and intangible assets acquired through business combinations (such as customer relationships) are initially recognised at their fair value. They are charged to the statement of profit or loss over time as an amortisation charge.

Broadcast licenses are recorded as assets for rights acquired under license agreements when the license period begins and the cost of each programme is known or reasonably determinable. The broadcast license is carried at acquisition cost and is not subject to amortisation, as it is considered to have an indefinite useful life due to expectation that the licensing operating agreements will be renewed. The carrying values of these licenses are tested annually for impairment.

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.1 Property, plant and equipment continued

Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives determined as followings:

- Trademarks, titles and copyright – 2 to 30 years
- Development expenditure – 2 to 30 years
- Transmitter split facility – 30 years
- Customer relationships – 2 to 30 years
- Systems and software – 1 to 8 years
- Brand names – 10 years

5.2.2 Intangible assets

The table below illustrates the reconciliation of intangible assets:

	Trademarks, titles, copyright and intellectual property R'000	Broadcast licence R'000	Customer relationships R'000	Other[1] R'000	Total R'000
Carrying value at 1 July 2016	203 303	82 454	212 718	65 874	564 350
Cost	286 776	97 338	323 489	117 638	825 242
Accumulated amortisation	(83 473)	(14 884)	(110 771)	(51 764)	(260 892)
Additions	5 000	–	–	16 490	21 490
Business combinations	18 813	–	111 953	–	130 766
Disposals	–	–	–	–	–
Impairment	–	–	–	(405)	(405)
Amortisation	(18 171)	(1 500)	(21 377)	(11 780)	(52 828)
Carrying value at 30 June 2017	208 946	80 954	303 294	70 180	663 373
Cost	310 736	97 338	435 442	131 593	975 109
Accumulated amortisation	(101 791)	(16 384)	(132 148)	(61 413)	(311 736)
Additions	–	–	–	14 721	14 721
Disposals	–	–	–	(1 008)	(1 008)
Classified as held-for-sale	–	–	(1 723)	(13 595)	(15 318)
Impairment	–	–	–	(1 999)	(1 999)
Amortisation	(20 759)	9 504	(26 247)	(17 172)	(54 674)
Carrying value at 30 June 2018	**187 941**	**90 458**	**275 324**	**51 127**	**604 850**
Cost	310 491	97 338	432 107	116 756	956 693
Accumulated amortisation	(122 550)	(6 880)	(156 783)	(65 629)	(351 843)

1. *Other is made up of development expenditure, transmitter split facility and systems and software.*

5.2.3 Goodwill

The goodwill mainly relates to the group's investment in Kagiso Media Proprietary Limited and other units.

Consideration paid to acquire a business in excess of the acquisition date fair value of net intangible and tangible assets is known as goodwill. Goodwill is not charged to the statement of profit or loss unless its value has diminished. The annual assessment of whether goodwill has become impaired is based on the expected future returns of the relevant business segment as a whole.

The table below illustrates the reconciliation of the goodwill:

	R'000
Carrying value at 1 July 2016	1 110 074
Cost	1 110 074
Accumulated impairment	–
Business combination	98 697
Classified as held-for-sale	–
Foreign currency translation effects	(175)
Carrying value at 30 June 2017	1 208 596
Cost	1 208 596
Accumulated impairment	–
Business combination	–
Classified as held-for-sale	(20 858)
Impairments	(77 098)
Foreign currency translation effects	71
Carrying value at 30 June 2018	**1 110 711**
Cost	1 187 738
Accumulated impairment	(77 098)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.3 Goodwill continued

Impairment testing of goodwill

The group has allocated goodwill to the various cash-generating units. The recoverable amounts of these cash-generating units have been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by senior management and the board of directors covering a three year period. Cash flows beyond a three year period are extrapolated using the estimated growth rates stated below.

2018	**Net closing balance R'000**	**Basis of determination of recoverable amount**	**Discount rate applied to cash flow (pre-tax)**	**Growth rate used to extrapolate cash flow**
Jacaranda FM	541 994	Value-in-use	19.80%	5.00%
East Coast Radio	425 338	Value-in-use	20.10%	5.00%
Urban Brew Studios	44 427	Value-in-use	20.50%	5.00%
Juta and Company	61 472	Value-in-use	20.70%	5.00%
Lupo Bakery	37 480	Value-in-use	5.06	N/A
	1 110 711			

The goodwill attributable to Kaufman Levin Associates and ReelAfrican have been impaired to zero in the current year.

2017	Net closing balance R'000	Basis of determination of recoverable amount	Discount rate applied to cash flow (pre-tax)	Growth rate used to extrapolate cash flow
Jacaranda FM	541 994	Value-in-use	17.40%	5.00%
East Coast Radio	425 338	Value-in-use	17.70%	5.00%
Urban Brew Studios	121 525	Value-in-use	20.00%	5.00%
Kaufman Levin Associates	19 724	Value-in-use	18.30%	5.00%
ReelAfrican	1 348	Value-in-use	14.10%	5.00%
Juta and Company	61 471	Value-in-use	19.20%	5.00%
Lupo Bakery	37 196	Value-in-use	5.06	N/A
	1 208 596			

Quantification of sensitivity of goodwill based on judgements used in the impairment calculation

2018	**Change in growth rate or multiple used**	**Change in value**	**Change in discount rate**	**Change in value**
Jacaranda FM	1% lower	Decrease by 4%	1% higher	Decrease by 6%
East Coast Radio	1% lower	Decrease by 4%	1% higher	Decrease by 6%
Urban Brew Studios	1% lower	Decrease by 2%	1% higher	Decrease by 3%
Juta and Company	1% lower	Decrease by 4%	1% higher	Decrease by 6%
Lupo Bakery	1% lower	Decrease by 1%	N/A	N/A
2017				
Jacaranda FM	1% lower	Decrease by 5%	1% higher	Decrease by 7%
East Coast Radio	1% lower	Decrease by 5%	1% higher	Decrease by 7%
Urban Brew Studios	1% lower	Decrease by 5%	1% higher	Decrease by 8%
Kaufman Levin Associates	1% lower	Decrease by 5%	1% higher	Decrease by 8%
ReelAfrican	1% lower	Decrease by 18%	1% higher	Decrease by 22%
Juta and Company	1% lower	Decrease by 5%	1% higher	Decrease by 7%
Lupo Bakery	1% lower	Decrease by 1%	N/A	N/A

None of the above will result in an additional impairment of the value of goodwill.

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.4 Trade and other receivables

Trade and other receivables mainly relate to amounts the group is due to receive in the ordinary course of business from third parties. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, 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.

The carrying amount of the financial assets below is considered to be a reasonable approximation of the fair value.

The table below summarises the items that are included in trade and other receivables:

	2018 R'000	2017 R'000
Trade receivables	167 590	234 875
Less: provision for impairment of receivables	(30 189)	(14 154)
Trade receivables – net	**137 401**	220 721
Prepayments	12 459	13 300
Operating lease asset	2 661	2 850
Dividends receivable	9 539	9 595
Kagiso Media related parties	158 406	160 690
Value added tax	2 876	10 169
Other receivables	69 064	82 131
	392 406	499 455

	2018 R'000	2017 R'000
Non-current	1 772	2 274
Current	390 634	497 181
	392 406	499 455

As at 30 June 2018, trade receivables of R28 656 000 (2017: R57 303 000) were past due but not impaired. These related to a number of independent customers of whom there is no recent history of default.

As at 30 June 2018, trade receivables of R30 189 000 (2017: R14 154 000) were impaired and fully provided for.

All other trade receivables disclosed above were fully performing and did not have a significant risk of being impaired based on recent history of default.

The trade receivables that are neither past due nor impaired are considered to have a low risk of default.

Restricted cash

Restricted cash is cash that is not available to the group due to warranties provided. These include:

- Amounts held in a deposit account by Cardona Investments 428 Proprietary Limited ("Cardona Investments") 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 in the 2014 financial year; and
- Amounts held in a deposit account by Tiswala Investments Proprietary Limited ("Tiswala Investments") which is not available for use by the group due to tax warranties provided to the funders of Tiswala Holdings Proprietary Limited relating to preference shares redeemed during the period.

	2018 R'000	2017 R'000
Cardona Investments	54 049	51 494
Tiswala Investments	187 656	354 979
	241 705	406 473

During the year, an amount of R198m was transferred from the Tiswala Investments account, after obtaining the consent from Main Street 642 Proprietary Limited. The funds were used to buy back shares as per note 5.2.5.

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.5 Share capital

Share capital represents the number of issued ordinary shares in Kagiso Tiso Holdings Proprietary Limited ("KTH").

Shares of KTH held by any of the KTH 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 table below illustrates the share capital of the company.

	2018 '000	2017 '000
Authorised		
1 000 000 ordinary shares with no par value	–	–
1 deferred ordinary share with par value of R1.00	–	–
	R'000	R'000
Issued		
966 355 (2017: 1 000 000) ordinary shares with no par value	**7 389 716**	7 396 376
1 deferred ordinary share with par value of R1.00	–	–
Treasury shares		
Cardona Investments 428 (68 831 shares)	(482 300)	(482 300)
Kagiso Trust Investments Share Trust 2008	(60 616)	(60 616)
	6 846 800	6 853 460

During the financial period KTH bought back and cancelled 33 645 shares for R198 million in terms of the amended and restated sale of shares and share repurchase agreement resulting in the issued share capital reducing to 966 355 shares.

5.2.6 Share-based payment liabilities

Share-based payments are remuneration payments to selected employees that take the form of award schemes in the group. The group's award schemes are all settled in cash, i.e. the employees do not receive shares or options at settlement. The year in which the employee renders services to the group to obtain the award is the year in which the expense is recognised in the income statement with a corresponding increase recognised in the liability. The expense is determined by measuring the fair value of the liability at each year-end.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, the group accounts for those services as services 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.

The table below outlines the share-based payments liabilities of the group:

	2018 R'000	2017 R'000
Kagiso Tiso Holdings Share Appreciation Right Scheme[1]	–	8 936
Kagiso Asset Management Employee Share Trust	18 607	13 122
The Kagiso Media Share Appreciation Right Scheme	–	6 015
	18 607	28 073

	2018 R'000	2017 R'000
Non-current	18 607	19 137
Current	–	8 936
	18 607	28 073

1. *The Kagiso Tiso Holdings Share Appreciation Right Scheme was paid out in the 2017 financial year. The outstanding balance related to taxes thereof, which was paid during the year.*

5. OTHER INFORMATION continued

5.2 Other balance sheet notes continued

5.2.7 Trade and other payables

Trade and other payables mainly represents amounts that the group is due to pay to third parties in the normal course of business. These include accrued expenses, i.e. amounts not yet billed but for which the goods or services have already been received. Initially they are recorded at fair value and subsequently at amortised cost.

The table below summarises the items that are included in trade and other payables:

	2018 R'000	2017 R'000
Trade payables	102 266	116 615
Other payables	82 302	74 328
Other accrued expenses	63 754	50 685
Amounts owing to equity holders of Kagiso Media	15 779	22 238
VAT	8 609	13 539
Income received in advance	18 681	29 288
	291 390	306 694

5.2.8 Provisions

Provisions are liabilities where there is uncertainty over the timing or amount of settlement. They are recognised when three conditions are met: (i) when a present legal or constructive obligation exists as a result of past events, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate of the amount of the obligation can be made.

Provisions are recorded as the group's best estimate of settling the obligation.

Provision for royalties relate to royalties on music usage by broadcasters.

In terms of the amendments to the Copyright Act No 98 of 1978, the royalty is payable by broadcasters for usage of musical content. As at year-end, the effective date of the amendment remains uncertain. The provision recognised has been based on management's best estimates of the potential future cash flow.

The table below outlines the provisions of the group:

	Leave pay R'000	Bonus R'000	Royalty R'000	Other R'000	Total R'000
Balance at 1 July 2016	14 313	72 242	88 456	–	175 011
Charged to profit and loss	2 915	42 394	14 107	–	59 416
Utilised during the year	(4 120)	(44 875)	(44 710)	–	(93 705)
Balance at 30 June 2017	13 108	69 762	57 853	–	140 723
Balance at 1 July 2017	13 108	69 762	57 853	–	140 723
Charged to profit and loss	2 006	34 058	–	10 187	46 251
Utilised during the year	(2 674)	(52 956)	(32 174)	–	(87 804)
Balance at 30 June 2018	**12 441**	**50 864**	**25 679**	**10 187**	**99 170**

5.3 Income statement notes

5.3.1 Revenue from operating subsidiaries

Revenue recognised in the income statement mainly derives from Kagiso Media Proprietary Limited, Kagiso Asset Management Proprietary Limited and Lupo Bakery Proprietary Limited.

Revenue therefore mainly comprises of:

- Sale of radio airtime – revenue recognised upon broadcasting of the advertising material
- Sale of publications – revenue recognised upon customer acceptance
- Sale of other services – revenue recognised upon delivery of the service
- Entrance fees from events – revenue recognised upon the accrual thereof
- Sale of online advertisements – revenue recognised upon delivery of the service
- Sale of bakery goods – revenue recognised upon delivery of the product
- Asset Management fees – revenue recognised as the service is provided

5. OTHER INFORMATION continued

5.3 Income statement notes continued

5.3.1 Revenue from operating subsidiaries continued

	2018 R'000	2017 R'000
Revenue is derived from the following business units:		
Kagiso Media*	1 280 807	1 353 871
Kagiso Asset Management	108 318	122 055
Lupo Bakery	212 497	173 911
Holding Company	17 480	10 816
Special purpose vehicles holding investments	626	923
	1 619 728	1 712 890

* *The prior year has been reclassified to correctly account for agency rebates (previously recorded in commissions and levies), as a deduction against revenue. This has resulted in a decrease in revenue and commission and levies expense.*

	2018 R'000	2017 R'000
Revenue is derived from the following sources:		
Advertising income	723 293	702 541
Bakery revenue	212 497	173 911
Subscription and production income	520 901	612 970
Contract service revenue	2 199	37 051
Management fees	122 798	133 308
Other revenue	38 039	53 109
	1 619 728	1 712 890

5.4 Other information

5.4.1 Related party information

Subsidiaries

Details of income from, loans to/from and investments in subsidiary companies are disclosed in the company section of the financial statements.

Associated companies, joint ventures and partnerships

Details of income from and investments in associated companies, joint ventures and partnerships are disclosed in note 1.2. Details on amounts due from/(to) associated companies, joint ventures and partnerships are disclosed are disclosed in note 1.11. Details of transactions with related parties are disclosed in note 1.7, note 2.2 and note 2.4.

Key management personnel

Directors, Mbonisi Danisa and Aliya Shariff have been identified as key management personnel. Information on directors' and prescribed officer emoluments are disclosed in note 3.2.

Shareholders

The major shareholders of the company at 30 June 2018 were:

Kagiso Charitable Trust	32.41%
Industrial Partnerships Proprietary Limited (Remgro Limited)	33.72%
Tiso Blackstar Holdings SE	18.58%
Cardona Investments 428 Proprietary Limited	7.12%
Kagiso Trust Strategic Investments Proprietary Limited	6.95%

5.4.2 Events after reporting date

The following material events occurred after reporting date and before signing date:

- The group received dividends of R796 000 000 from Servest Group.
- The group received an offer for the disposal of its investment in XK Platinum Partnership. The offer was accepted and approved by the board of directors.
- The Group concluded a sale of share agreement with Macsteel Holdings Luxembourg SARL for the disposal of the Group's 7.5% interest in Macsteel Service Centres SA Proprietary Limited.
- The Kagiso Tiso Holdings Proprietary Limited ("KTH") shareholders approved a transaction that will facilitate the exit of an existing shareholder by 31 July 2020.
- The company appointed new directors after the reporting date.
- Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC"), a subsidiary of the group, has a domestic note and redeemable preference share programme for a total programme value of R2 billion. The remaining domestic note with a value of R800 million is repayable on 5 August 2020. The Group has put in place measures to meet its commitment as at 05 August 2020.

5. OTHER INFORMATION continued

5.4 Other information continued

5.4.2 Events after reporting date continued

Impact of Covid-19

- The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the world causing disruptions to businesses and economic activity and could result in a significant drop in the fair value of Investments held by the Group and the recoverable amount these Companies invested in. The Group considers this outbreak to be a non-adjusting event after the reporting period.
- As the situation is fluid and rapidly evolving, the impact of this outbreak on the fair value measurement of the investments held by the Group and impairment assessment of these investments will be incorporated in financial statements for the year ending 30 June 2020.
- The KTH Board is actively monitoring the impact of COVID-19 on the operating entities of the Group and have prepared various scenario's to determine the financial impact. The scenarios are evaluated on a regular basis and weekly engagements are held between management and the Board on this issue. A formal presentation was done to the KTH Board on the envisaged impact on the 9 April 2020.
- Based on a Covid-19 preliminary impact assessment presented to the Board on the businesses, the Kagiso Media Group ("KM Group") was forecasted to end the 2020 financial year with revenues of approximately 20% below budget and EBITDA of about 29% below budget assuming that level 5 lockdown conditions were effective until 31 May 2020. The KM Group is forecasted to end the 2020 financial year with a positive cash balance of about R383 million.
- The lockdown adjustment made to level 3 is anticipated to have a positive impact on the KM Group results, however, the full extent of the benefit can only be quantified post the completion of the 30 June 2020 year end results process.
- The decline in the KM Group revenue and EBITDA is largely driven by:
  - KM Radio (Jacaranda FM and East Coast Radio) assets as a result of the current depressed market conditions. The current lockdown has resulted in significant declines in advertising spend across the industry especially in the months of March 2020 and April 2020 as clients looked to preserve their cash. There are currently signs of recoveries although very minimal;
  - Urban Brew Stations – Due to the restrictions that were imposed with regards to social distancing, most of the productions had to be halted;
  - Juta Group – The impact on the Group is minimal for the 2020 financial year as most of the revenue (around 90% of Future Managers and approximately 75% of Juta) was secured before the level 5 lockdown and in level 3 supply of education materials have resumed.
- The KM Group businesses have implemented measures to ensure that:
  - Employees and customers are protected, World Health Organization ("WHO") and government recommended measures are implemented and adhered to including supporting and enabling employees to work from home;
  - Cash preservation measures are put in place; and
  - The KM Group continues to look for new opportunities including supporting public initiatives in responding to the pandemic.
- The announcement made by the president on 12 July 2020 is not expected to have a material impact on the current performance of the group as highlighted above and the full extent will only be quantified as part of the next reporting period in June 2021.

5.4.3 Commitments

Operating lease commitments

The group leases various offices and other items under non-cancellable lease agreements. Ownership of these items will not transfer to the group at any time. The leases are therefore classified as operating leases. The leases have varying terms, escalation clauses and renewal rights. Lease expenditure is charged to the income statement.

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

	2018 R'000	2017 R'000
Not later than one year	53 206	44 103
Later than one year and less than five years	214 089	175 386
Later than five years	143 559	26 270
Total future cash flows	**410 854**	245 759

5.5 Additional accounting policies

5.5.1 Basis of preparation

The group complies with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act No 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 accounting policies have been consistently applied and are applicable for group and company. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Refer to note 4.1 for areas requiring a significant degree of judgement or estimation.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.2 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.

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 profit or loss.

New and amended accounting standards and interpretations

International Financial Reporting Standards and amendments effective for the first time for 30 June 2018 year-end.

Amendment to IAS 7, 'Cash flow statements' (01 January 2017)

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

The disclosure as required by IAS 7 to reconcile the amount paid for borrowings to cash flow statement has been presented in note 2.3.

Amendment to IAS 12, 'Income taxes' (01 January 2017)

The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

The amendment did not have an impact on the results of the group as the current practise is in line with the amendments. Deferred tax is disclosed in note 3.3 Income tax expense and note 3.4 Deferred income tax.

International Financial Reporting Standards and amendments issued but not effective for 30 June 2018 year-end. The Group has not yet adopted the following pronouncements.

IFRS 15 – Revenue from contracts with customers (01 January 2018)

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

IFRS 15 replaces the two main revenue recognition standards of IAS 18 Revenue and IAS 11 Construction Contracts and their related interpretations.

IFRS 15 provides a single control-based revenue recognition model and clarifies the principles for recognising revenue from contracts with customers. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

IFRS 15 also includes comprehensive disclosure requirements that will provide users with information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management assessed the impact of IFRS 15 and given the revenue streams and type of operations of the group are finalising the impact that the standard will have on its results and financial position of the group.

5. OTHER INFORMATION continued

5.5 Additional accounting policies continued

5.5.2 Financial instruments continued

IFRS 9 – Financial Instruments (2009 & 2010) (01 January 2018)

IFRS 9 replaces IAS 39, effective 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The adoption of IFRS 9 will require a review of the current classification of financial assets and liabilities. The categories for financial assets changed from IAS 39 to IFRS 9. The IAS 39 held-to-maturity, loans and receivables and available-for-sale categories have been replaced by fair value through other comprehensive income, fair value through profit or loss and measured at amortised cost.

Management have performed a preliminary assessment of Kagiso Tiso Holdings group's business model and the instruments' contractual cash flow characteristics in determining the impact of IFRS 9 on the financial statements.

The group has concluded that there were no changes to the classification and measurements of investments except for the following:

- Investments that were previously held as available-for-sale investment, which will now be designated as fair value through profit. The other comprehensive reserve will be released to retained earnings; and
- Investments that were previously classified as held-to-maturity that were recognised by the issuer of the instruments as equity, will now be classified as equity instruments and measured at fair value instead of amortised cost.

The group has determined that the application of an expected credit loss model will result in an earlier recognition of credit losses, in particular on amounts due from investee companies and trade receivables. A preliminary impact assessment of amounts due from investee companies and trade receivables, which is being finalised by management, indicated that the application of the expected credit loss model would result in material adjustments.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit and loss. The Group does not have any material liabilities that it holds at fair value.

The hedge accounting requirements will have no impact as the Group does not apply hedge accounting.

The Group has determined that retrospective restatement would require the application of hindsight. The company has therefore decided not to restate comparatives.

The share of after tax of associates

In regards to the adoption of IFRS 9, the equity accounting is expected to decrease because of the additional impairments expected by the group.

IFRS 16 – Leases (01 January 2019)

IFRS 16 specifies the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

The group has not performed any assessment of this standard, as the amendments and interpretation are effective in the 2020 financial year-end.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE AUDITED HISTORICAL FINANCIAL INFORMATION OF KTH FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017, 30 JUNE 2018 AND 30 JUNE 2019

"To the directors of Tiso Blackstar Group SE

Our opinion

Tiso Blackstar Group SE ("**TBG**" or "**you**") is issuing a circular to its shareholders (the "**Circular**") regarding the proposed disposal of its 20.01% shareholding in Kagiso Tiso Holdings Proprietary Limited ("**KTH**") (the "**KTH Sale**").

In our opinion, the consolidated historical financial information as set out in **Annexure 3** of Circular (the "**consolidated historical financial information**") presents fairly, in all material respects, the consolidated financial position of KTH (the "**Company**") and its subsidiaries (together the "**Group**") as at 30 June 2017, 30 June 2018 and 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of the JSE Listings Requirements (as defined in the Circular).

What we have audited

At your request and solely for the purpose of the Circular to be dated on or about 31 July 2020, we have audited KTH's consolidated historical financial information, which comprises:

- the consolidated statements of financial position as at 30 June 2017, 30 June 2018 and 30 June 2019;
- the consolidated statements of profit or loss and other comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated historical financial information, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Reporting accountant's responsibilities for the audit of the consolidated historical financial information* section of our report.

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

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Purpose of this report

This report has been prepared for the purpose of the Circular to be issued by TBG and for no other purpose.

Responsibilities of the directors for the consolidated historical financial information

The directors of TBG are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that TBG complies with the requirements of the JSE Limited Listings Requirements.

The directors of KTH are responsible for the preparation and fair presentation of the consolidated historical financial information in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of consolidated historical financial information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated historical financial information, the directors of KTH are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the consolidated historical financial information

Our objectives are to obtain reasonable assurance about whether the consolidated historical financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this consolidated historical financial information.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated historical financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of KTH
- Conclude on the appropriateness of the directors of KTH's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the consolidated historical financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our reporting accountant's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated historical financial information, including the disclosures, and whether the consolidated historical financial information represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated historical financial information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of TBG regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered Auditor
Johannesburg
14 July 2020"

REVIEWED CONDENSED INTERIM FINANCIAL INFORMATION OF KTH FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2019

Introduction to the Condensed Interim Financial Information

The reviewed condensed interim financial information of KTH for the six-month period ended 31 December 2019 ("**Condensed Interim Financial Information**"), as set out in this **Annexure 5**, has been extracted, without adjustment, and compiled from the condensed consolidated interim financial statements of KTH for the six-month period ended 31 December 2019.

The condensed consolidated interim financial statements of KTH have been prepared in accordance with International Financial Reporting Standards, the interpretation adopted by the International Accounting Standards Board ("**IASB**"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Procurements as issued by Financial Reporting Standards Council.

The directors of KTH are responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with International Financial Reporting Standards from which this Condensed Interim Financial Information has been prepared, and for such internal control as the directors determine is necessary to enable the preparation of condensed consolidated interim financial statements that is free from material misstatement, whether due to fraud or error.

The reviewed Condensed Interim Financial Information for the six-months ended 31 December 2019 has been specifically prepared for the purpose of this Circular in order to comply with section 8.7 of the JSE Listings Requirements. Accordingly, the Condensed Interim Financial Information does not include the comparative information for the six-month period ended 31 December 2018, as required by International Accounting Standard 34, "Interim Financial Reporting".

The independent reporting accountant's review report on the Condensed Interim Financial Information is included in **Annexure 6** to the Circular.

The directors of Tiso Blackstar are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that Tiso Blackstar complies with the JSE Listings Requirements.

Commentary on the Condensed Interim Financial Information

Business overview

KTH is a pan-African majority black-owned and managed investment holding company that carries on the business of investing into various sectors in the local and foreign markets through its subsidiary companies, joint ventures and associated companies. KTH has evolved into a business model that is about marrying the creation of financial value with the values and business philosophy of championing transformation and social change.

KTH's current investment portfolio includes investments in a number of key sectors of the South African economy including financial services, media, power, industrials, and resources. One of KTH's strategic objectives is to expand its investment portfolio to include investments in specifically identified countries in East and West Africa. In line with this objective, KTH made an investment into a bank in Ghana during the 2014 financial year and into a healthcare diagnostics company in Nigeria during the 2015 financial year.

Currently KTH holds the following key investments:

- Fidelity Bank Ghana Limited
- Kagiso Media Proprietary Limited
- Momentum Metropolitan Holdings Limited
- Servest Group Proprietary Limited

Other investments include:

- Actom Investment Holdings Proprietary Limited
- Kagiso Asset Management Proprietary Limited
- Lupo Bakery Proprietary Limited
- Me Cure Healthcare Limited
- Aurora Wind Power Proprietary Limited

Commentary

KTH's profit attributable to ordinary shareholders amounted to R230 million (2018: profit of R101 million). Income from equity accounted investments decreased to R169 million (2018: R220 million), mainly due to the comparative period including the equity accounted profits relating to the investment previously held in XK Platinum Partnership. The current period included positive results from Momentum Metropolitan Holdings as well as increased contributions from Fidelity Bank (Ghana) Limited due to improved performance over the period

The increase in KTH's earnings was mainly driven by the net decrease in finance costs as a result of debt repayments made during the previous period, as well as its net attributable share of positive fair value adjustments on its preference share investment in Momentum Metropolitan Holdings. The group also received a net attributable settlement dividend relating to the disposal of Exxaro Resources Limited concluded during the 2018 financial year that contributed positively to the increase in earnings.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	**2019 Reviewed 31 December R'000**	2019 Audited 30 June R'000
ASSETS			
Non-current assets			
Property, plant and equipment		395 604	254 133
Intangible assets		553 413	576 015
Goodwill		1 123 338	1 104 983
Investments accounted for using the equity method	5	2 889 805	2 883 960
Financial assets at fair value through profit or loss	5	1 091 405	1 056 999
Financial assets at amortised cost	5	25 748	24 290
Financial assets at fair value through other comprehensive income	5	1 703	1 560
Trade and other receivables		1 099	1 099
Amounts due from group companies		520 555	497 531
Deferred income tax		8 766	12 173
Total non-current assets		**6 611 436**	6 412 743
Current assets			
Financial assets at fair value through profit or loss	5	116 438	102 237
Loans and receivables		6 863	6 910
Amounts due from group companies		54 873	51 117
Inventories		36 921	40 667
Current income tax receivable		68 007	32 745
Trade and other receivables		520 080	313 268
Contract assets		14 470	14 470
Film and television content		206	206
Restricted cash		254 768	251 679
Cash and cash equivalents	11	1 011 939	981 685
Total current assets		**2 084 566**	1 794 985
Assets of disposal group classified as held-for-sale		96 026	96 027
Total assets		**8 792 030**	8 303 754
EQUITY AND LIABILITIES			
Equity			
Stated capital		6 807 100	7 294 070
Other reserves		(393 305)	(392 830)
Retained loss		(799 918)	(1 510 762)
Total shareholders' equity		**5 613 877**	5 390 477
Non-controlling interests		75 315	63 183
Total equity		**5 689 192**	5 453 660
Liabilities			
Non-current liabilities			
Borrowings	12	1 094 434	1 699 506
Derivative financial instruments		67 289	61 657
Lease liabilities		119 809	–
Deferred income tax liability		136 742	151 545
Share-based payment liabilities		4 234	4 234
Operating lease liability		–	2 760
Total non-current liabilities		**1 422 508**	1 919 701
Current liabilities			
Borrowings		1 143 294	559 466
Lease Liabilities	12	46 826	–
Trade, other payables and provisions		409 009	308 750
Amounts due to group companies		177	176
Current income tax liabilities		57 664	36 599
Contract liabilities		23 357	23 357
Bank overdraft	11	2	2 045
Total current liabilities		**1 680 328**	930 393
Liabilities of disposal group classified as held-for-sale		–	–
Total liabilities		**3 102 838**	2 850 094
TOTAL EQUITY AND LIABILITIES		**8 792 030**	8 303 754

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	HALF-YEAR Reviewed 31 December 2019 R'000
Continuing operations		
Revenue		797 619
Raw materials and consumables		(178 749)
Other operating expenses – net		(485 723)
Dividend income	7	30 072
Net gains/(losses) on investments	8	40 824
Loss on sale of investments	9	–
Net impairments losses	6	(54 586)
Share of after-tax profit/(losses) of associates, joint ventures and partnerships	10	168 908
Operating profit		**318 365**
Finance income		92 471
Finance costs		(123 038)
Profit before taxation		**287 798**
Income tax expense	13	(34 815)
Profit for the period from continued operations		**252 983**
Discontinued operations		
Loss from discontinued operations		–
Profit for the half-year		**252 983**
Other comprehensive income/(losses):		
Items that may be reclassified to profit or loss:		
Cash flow hedges		(5 629)
Items that will not be reclassified to profit or loss:		
Share of other comprehensive income of associated companies		4 513
Total other comprehensive (loss)		**(1 116)**
Total comprehensive income		**251 868**
Profit attributable to:		
– Owners of Kagiso Tiso Holdings		229 900
–Non-controlling interests		23 083
		252 983
Total comprehensive income attributable to:		
– Owners of Kagiso Tiso Holdings		228 785
– Non-controlling interests		23 083
		251 868

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	SIX MONTHS ENDED Reviewed 31 December 2019 R'000
Cash flows from operating activities		
Cash receipts from customers		743 788
Cash paid to suppliers and employees		(677 930)
Cash generated from operations		**65 858**
Finance income received		56 589
Dividends received		30 072
Distributions received from associates		40 398
Distributions received from joint ventures and partnerships		33 953
Finance costs paid		(98 727)
Income tax paid		(56 050)
Dividends paid to non-controlling interests		(10 903)
Net cash generated in operating activities		**61 190**
Cash flows from investing activities		
Acquisition of investments		(30 000)
Disposals of investments		–
Proceeds from redemption of preference shares		–
Movement in loans with associates, joint ventures and partnerships		–
Other investing activities[1]		(16 503)
Net cash (used)/generated from investing activities		**(46 503)**
Cash flows from financing activities		
Repayment of borrowings		(37 015)
Other financing activities		–
Net cash used in financing activities		**(37 015)**
Net movement in cash and cash equivalents		(22 328)
Cash and cash equivalents at the beginning of the period		979 641
Cash, cash equivalents and bank overdrafts acquired through business combination		56 463
Exchange gains on cash and cash equivalents		(1 838)
Cash, cash equivalents and bank overdrafts included in assets-held-for-sale		–
Cash, cash equivalents and bank overdrafts at the end of the period	11	**1 011 937**

1. *Other includes cash utilised for increase in fixed assets and intangible assets.*

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	HALF-YEAR Reviewed 31 December 2019 R'000
Balance – 1 July	**5 453 660**
Change in accounting policy (note 4)	(5 442)
Restated total equity at the beginning of the financial year	**5 448 218**
Total comprehensive income	251 868
IFRS 2 share-based payments adjustments to retained income	8
Ordinary dividends	(10 903)
Closing balance	**5 689 190**
Comprising	
Share capital[1]	6 867 715
Treasury shares	(60 616)
Available-for-sale reserves	(37 031)
Other reserves	(356 274)
Retained loss[1]	(799 918)
Shareholders' equity	**5 613 876**
Non-controlling interests in subsidiaries	75 315
Total equity	**5 689 190**

1. *Transfer of R487 million was done between share capital and retained loss to adjust these balances for previous share buy-backs done.*

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The financial position and performance of the group were particularly affected by the following events during the six months ended 31 December 2019:

- During the reporting period, the group adopted IFRS 16 and details are disclosed in note 4.
- During the prior reporting period, the group adopted IFRS 9 and IFRS 15.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed interim financial statements for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting and the requirements of the Companies Act of South Africa applicable to summary financial statements.

The condensed interim financial report does not include all the notes of the type normally included in an annual consolidate financial statements. Accordingly, this report is to be read in conjunction with the annual consolidate financial statements for the year ended 30 June 2019.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below in note 3.

The condensed interim financial statements have been prepared under the supervision of the Chief Financial Officer, Tshepo Setshedi CA(SA).

3. NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS

New and amended standards adopted by the group

The group has applied the following standard for the first time for their annual reporting period commencing 1 July 2019:

- IFRS 16 Leases.

The group had to change its accounting policies as a result of adopting IFRS 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in note 4.

Certain other new accounting standards and interpretations have been published that are mandatory for 1 July 2020 reporting periods. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 1 July 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the group's financial statements.

IFRS 16 sets out the principals for the recognition, measurement, presentation and disclosure of leases, and it replaces IAS 17 Leases ("IAS 17"), IFRIC 4 Determining whether an arrangement contains a lease ("IFRIC 4"), SIC – 15 Operating Leases Incentives ("SIC – 15") and SIC – 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease ("SIC-27"). "). The key change of IFRS 16 is the introduction of a single lessee accounting model which requires a lessee to recognise assets and liabilities eliminating the classification of leases as either operating leases or finance leases for a lessee

As indicated in note 3 above, the group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019 with no restatement of comparatives, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability at initial application was determined as the carrying amount of the leased asset and leased liability under IAS 17 at 30 June 2019. The measurement principles of IFRS 16 are only applied after that date.

Practical Expedients Applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, as well as low value assets (office printers, telephone systems, water dispensers)

4. CHANGES IN ACCOUNTING POLICIES continued

The group has elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

A number of lease contracts include both lease and non-lease components. The group has not elected the practical expedient to account for non-lease components as part of its lease liabilities and right-of-use assets. Therefore, non-lease components are accounted for as operating expenses and are recognised in profit or loss as they are incurred.

Renewal and termination option

Certain lease contracts include an option to renew the lease for a further period. The Group applies judgement in assessing whether extension or termination options will be exercised, and these options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). In performing its assessment, management will consider all facts and circumstances that will align with the group's business plan and future outlook.

Measurement of right-of-use assets and Lease liabilities

In the application of this model the group has recognised the following at the date of initial application.

- A lease liability for all leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the applicable entity's incremental borrowing rate as the date of initial application; and
- A right-of-use asset, measured retrospectively, using the applicable entity's incremental borrowing rate as the date of initial application.

As a result, a depreciation charge for the right-of-use assets and interest expense on lease liabilities is recognised as opposed to a straight-line operating lease expense. Lessor accounting remains similar to the previous standard (IAS 17) in which lessors continue to classify leases as finance or operating leases.

Implementation of IFRS 16 Leases

The table below summarises the total impact of IFRS 16 on the group's statement of changes in equity:

	Share capital R'000	Financial assets at fair value through OCI R'000	Other reserves R'000	Retained earnings R'000	Share holders' equity R'000	Non-controlling interests R'000	Total R'000
Balance reported as at 30 June 2019	7 294 070	(37 031)	(355 799)	(1 510 762)	5 390 478	63 183	5 453 660
Impact of adopting IFRS 16	–	–	–	(5 442)	(5 442)	–	(5 442)
Adjusted balance as at 1 July 2019	7 294 070	(37 031)	(355 799)	(1 516 204)	5 385 036	63 183	5 448 218

The following table summarises the total impact of IFRS 16 on the company's statement of financial position as at 1 July 2019:

	1 July 2019 prior to IFRS 16 R'000	IFRS 16 R'000	1 July 2019 post IFRS 16 R'000
Assets			
Non-current assets			
Right-of-use asset	–	170 915	170 915
Other assets	6 400 570	–	6 400 570
Deferred tax assets	12 173	(194)	11 979
Current assets			
Other assets	1 891 012	–	1 891 012
Total assets	8 303 755	170 721	8 474 476
Liabilities			
Non-current liabilities			
Lease Liabilities	–	150 801	150 801
Deferred tax liabilities	151 545	–	151 545
Other liabilities	1 768 156	(507)	1 767 649
Current liabilities			
Lease Liabilities	–	33 172	33 172
Other liabilities	930 393	(7 303)	923 090
Total liabilities	2 850 094	176 163	3 026 257
Equity			
Capital and reserves	6 901 240	–	6 901 240
Non-controlling interests	63 183	–	63 183
Retained loss	(1 510 762)	(5 442)	(1 516 204)
Total liabilities and equity	8 303 755	170 721	8 474 476

4. CHANGES IN ACCOUNTING POLICIES continued

The table below reconciles the previously disclosed operating lease commitments to the lease liabilities recognised on 1 July 2019:

	R'000
Operating lease commitments at 30 June 2019	315 036
Discounted using the incremental borrowings rate at 1 July 2019	(131 063)
Finance lease liabilities recognised at 30 June 2019	94 507
Lease liabilities recognised at 1 July 2019	278 480

The weighted average incremental rate determined as at 1 July 2019 was between 10% and 13%. The recognised right-of-use assets relate to the following types of assets:

	R'000
Buildings	170 695
Other	220
Total right-of-use assets recognised at 1 July 2019	170 915

5. INVESTMENTS

Below is a summary of the group's exposure to its significant investments. The total exposure to investments are classified as follows:

	Reviewed 31 December 2019 R'000	Audited 30 June 2019 R'000
Investments accounted for using the equity accounted method	2 889 805	2 883 960
Financial assets at fair value through profit or loss	1 207 843	1 159 235
Financial assets at fair value through other comprehensive income	1 703	1 560
Financial assets at amortised cost	25 748	24 290
Total investments as per statement of financial position	**4 125 099**	4 069 046
Amounts due from/(to) group companies	575 428	548 647
Total investments	**4 700 527**	4 617 694
Borrowings associated with investments	(770 182)	(755 448)
Total exposure	**3 930 345**	3 862 246
Total investments as per statement of financial position allocated as follows:		
Non-current	4 558 340	4 464 340
Current	142 187	153 354
	4 700 527	4 617 694

5. INVESTMENTS continued

Below is a summary of the group's exposure to its significant investments. Refer to note 12 for details on security provided.

31 December 2019	Equity R'000	Preference shares R'000	Amounts due from/(to) related parties R'000	Borrowings R'000	Total exposure R'000
Associates					
Actom Investment Holdings	–	–	499 287	(491 042)	8 245
Aurora Wind Power	47 270	–	–	–	47 270
Central Media Group	(684)	–	–	–	(684)
Eris Property Fund	–	–	–	–	–
Fidelity Bank (Ghana)	315 237	–	–	–	315 237
Imvelo Consortium	26 492	–	21 268	(15 045)	32 715
Kaya FM	106 525	–	–	–	106 525
Me Cure Healthcare	–	–	53 931	–	53 931
Momentum Metropolitan Holdings	1 566 941	–	–	–	1 566 941
MRC Media	32 797	–	–	–	32 797
Newmillen 122 Investments	610	–	–	–	610
Tamela Holdings	6 214	–	–	–	6 214
	2 101 402	**–**	**574 486**	**(506 087)**	**2 169 801**
Joint ventures					
Infrastructure Finance Corporation	70 193	–	–	–	70 193
Kagiso Strategic Investments	–	–	942	–	942
MediaMark	–	–	–	–	–
Servest	718 210	–	–	–	718 210
	788 403	**–**	**942**	**–**	**789 345**
Fair value through other comprehensive income					
ZA Celebrity Worx	650	–	–	–	650
New Holland Publishing	1 053	–	–	–	1 053
	1 703	**–**	**–**	**–**	**1 703**
Financial assets at amortised cost					
Eris Property Fund	–	25 748	–	–	25 748
	–	**25 748**	**–**	**–**	**25 748**
Fair value through profit and loss					
Momentum Metropolitan Holdings*	–	596 766	–	(264 095)	332 671
Macsteel Services Centre SA	–	–	–	–	–
Fidelity Bank (Ghana)	–	170 238	–	–	170 238
Actom Investment Holdings	–	249 443	–	–	249 443
Nozala Holdings	33 426	–	–	–	33 426
Nozala Capital Management	30 221	–	–	–	30 221
Adcock Ingram participation right	11 288	–	–	–	11 288
Remgro Limited	22	–	–	–	22
Unit trusts	116 439	–	–	–	116 439
	191 396	**1 016 447**	**–**	**(264 095)**	**943 748**
	3 082,904	**1 042 195**	**575 428**	**(770 182)**	**3 930 345**

* *Momentum Metropolitan Holdings is a company listed on the Johannesburg Stock Exchange. The share price as at 31 December 2019 was R21.84. The group held 85 544 672 ordinary shares at 31 December 2019.*

5. INVESTMENTS continued

30 June 2019	Equity R'000	Preference shares R'000	Amounts due from group companies R'000	Borrowings R'000	Total exposure R'000
Associates					
Actom Investment Holdings	–	–	476 092	(469 337)	6 755
Aurora Wind Power	51 107	–	–	–	51 107
Central Media Group	1 769	–	–	–	1 769
Fidelity Bank (Ghana)	315 237	–	–	–	315 237
Imvelo Consortium	29 621	–	21 439	(22 527)	28 533
Kaya FM[2]	104 092	–	–	–	104 092
Me Cure Healthcare	–	–	50 175	–	50 175
Momentum Metropolitan Holdings	1 505 652	–	–	–	1 505 652
MRC Media	30 232	–	–	–	30 232
Newmillen 122 Investments	611	–	–	–	611
Tamela Holdings	7 004	–	–	–	7 004
	2 045 324	–	547 706	(491 864)	2 101 167
Joint ventures					
Servest Group	718 826	–	–	–	718 826
Infrastructure Finance Corporation	88 554	–	–	–	88 554
Kagiso Strategic Investments	–	–	941	–	941
Mediamark	31 189	–	–	–	31 189
Media works	67	–	–	–	67
	838 636	–	941	–	839 577
Financial assets at fair value through OCI					
ZA Celebrity Worx	650	–	–	–	650
New Holland Publishing	910	–	–	–	910
	1 560	–	–	–	1 560
Financial assets at amortised costs					
Eris Property Fund	–	24 290	–	–	24 290
	–	24 290	–	–	24 290
Fair value through profit and loss					
Momentum Metropolitan Holdings*	–	562 360	–	(263 584)	298 776
Fidelity Bank (Ghana)	–	170 238	–	–	170 238
Actom Investment Holdings	–	249 443	–	–	249 443
Nozala Holdings	30 735	–	–	–	30 735
Nozala Capital Management	33 426	–	–	–	33 426
Adcock Ingram participation right	11 288	–	–	–	11 288
Remgro Limited	22	–	–	–	22
Unit trusts	102 237	–	–	–	102 237
	177 708	982 041	–	(263 584)	895 165
	3 062 714	1 006 331	548 647	(755 448)	3 862 246

* *Momentum Metropolitan Holdings is a company listed on the Johannesburg Stock Exchange. The share price as at 30 June 2019 was R18.97. The group held 85 544 672 ordinary shares at 30 June 2019.*

6. NET IMPAIRMENT LOSSES

	Reviewed 31 December 2019 R'000
Momentum Metropolitan Holdings	–
Fidelity Bank (Ghana)	(54 054)
Me Cure Healthcare	–
Other	–
Associates	(54 054)
Other (impairments)/reversals including loans	(532)
	(54 586)

7. DIVIDEND INCOME

Where the group holds investments in listed or unlisted shares, dividends declared by these investments are accounted for as dividend income by the group. The group recognises the dividend income on the date it is declared.

	Reviewed 31 December 2019 R'000
Main Street 333	25 318
Other	4 523
Financial assets at fair value through profit and loss	**29 841**
Other financial instruments	231
	30 072

8. NET GAINS/(LOSSES) ON INVESTMENTS

The group includes in other gains and losses the fair value movements of 'financial assets at fair value through profit and loss' and movements of other investments affecting profit or loss.

	Reviewed 31 December 2019 R'000
Momentum Metropolitan Holdings	34 406
Fidelity Bank (Ghana)	–
Macsteel	–
Actom – Preference share investment	–
Mecure – shareholders loan	–
Other	6 418
Financial assets at fair value through profit and loss	**40 824**
Other	**–**
	40 824

9. LOSS ON SALE OF INVESTMENTS

	Reviewed 31 December 2019 R'000
XK Platinum Partnership	–
	–

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS continued

10. SHARE OF AFTER-TAX PROFIT/(LOSSES) OF ASSOCIATES, JOINT VENTURES AND PARTNERSHIPS

	Reviewed 31 December 2019 R'000
MMI Holdings	86 717
Fidelity Bank	54 053
Other	27 273
Associates	**168 043**
Infrastructure Finance Corporation	1 481
Servest Group	(616)
Joint Ventures	**865**
XK Platinum Partnership	
Partnerships	**–**
	168 908

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, current bank balances and short-term deposits readily convertible to a known amount of cash. Bank overdrafts are included in current liabilities the statement of financial position.

	Reviewed 31 December 2019 R'000	Audited 30 June 2019 R'000
Cash on hand	8 050	116
Current bank balances	613 499	369 137
Short-term deposits	390 391	612 432
	1 011 940	981 685
Bank overdraft	(2)	(2 045)
	1 011 937	979 640

12. BORROWINGS

A summary of all the material borrowings are set out below.

	Non-current R'000	**Current R'000**	**Total R'000**
31 December 2019			
Interest-bearing loans	1 033 145	46 447	1 079 592
Preference shares	–	264 095	264 095
Bonds	–	813 295	813 295
Finance lease liabilities	61 289	19 456	80 746
	1 094 434	**1 143 294**	**2 237 728**
30 June 2019			
Interest-bearing loans	570 771	516 599	1 087 370
Preference shares	257 600	5 984	263 584
Bonds	800 000	13 511	813 511
Finance lease liabilities	71 135	23 372	94 507
	1 699 506	559 466	2 258 972

12. BORROWINGS continued

12.1 Interest-bearing loans

Interest-bearing loans are measured at amortised cost using the effective interest rate method.

Summary of interest-bearing loans summarised by investment at amortised cost:

	Reviewed 31 December 2019 R'000	Audited 30 June 2019 R'000
Actom Investment Holdings	491 042	469 337
Kagiso Media	573 505	595 506
Imvelo Consortium	15 045	22 527
Total interest-bearing loans	**1 079 592**	1 087 370

Interest-bearing loans – further details

Investment funded	Financial institution	Interest rate	Repayment details	Security/Collateral
Actom Investment Holdings	Nedbank	3-months JIBAR plus 775 basis points	Repayable on 31 March 2022	Shares in Actom
Kagiso Media	Nedbank/Investec/ RMB	A Term Facility: R240 million at a rate of 3-months JIBAR plus 225 basis points	A Term Facility: Repayable quarterly. Final date of repayment: 31 March 2024	Guarantees from Jacaranda FM, Urban Brew Studios, Juta Properties and Juta and Company and MediaMark
	Nedbank/Investec/ RMB	B Term Facility: R377 million at a rate of 3-months JIBAR plus 275 basis points	B Term Facility: Repayable quarterly. Final date of repayment: 31 March 2024	
Imvelo Consortium	Development Bank of South Africa	6-months JIBAR plus 450 basis points	Repayable on 31 March 2029	Shares in Imvelo Consortium

12.2 Preference shares

The dividends on these preference shares are recognised in the statement of profit or loss as finance costs on an amortised cost basis using the effective interest rate method. Accrued dividends are included as part of the carrying amount of the liability.

Where the dividend payments are discretionary, the preference shares are classified as compound financial instruments. 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.

All other preference shares are classified as equity.

Summary of preference shares in issue:

Group company issuing preference shares	Asset being funded	Holder of the preference shares	**Reviewed 31 December 2019 R'000**	Audited 30 June 2019 R'000
Off the Shelf Investments 108	MMH	MMH	264 095	263 584
Total preference shares			**264 095**	263 584

Preference shares – further details

Group company issuing preference shares	Dividend accrual	Repayment details	Security/Collateral
Off the Shelf Investments 108	88.00% of prime compounded monthly in arrears	Dividends payable on 30 September and 31 March. Fully redeemable on 31 December 2020	"A3" shares in MMI

12. BORROWINGS continued

12.3 Bonds

Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC"), a subsidiary of the group, has a domestic note and redeemable preference share programme for a total programme value of R2 billion. The bonds issued carries mandatory coupon rates, and are redeemable at specific dates in the future. Once KSC obtains the funds on the issued instruments from the market, it on lends it on a back-to-back arrangement with 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.

These bonds are measured 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 bonds using the effective interest rate method. Interest paid on these bonds is charged to profit or loss as finance costs.

Summary of the notes in issue under the domestic note programme:

Name of Bond Issuance	**Reviewed 31 December 2019 R'000**	Audited 30 June 2019 R'000
KSB 009	813 295	813 511
	813 295	813 511

Further details of borrowings:

Name of bond issuance	Interest Rate	Repayment details	Nominal value
KSB 009	385 basis points above the 3-month JIBAR rate payable quarterly	5 August 2020	R800 000 000

13. INCOME TAX EXPENSE

The majority of the companies within the group are South African tax residents and will therefore pay taxes according to the rates applicable in South Africa. Taxes are recorded in the statement of profit or loss and relates to taxes payable for the reporting period (current tax). The charge also includes benefits and charges relating to when income and expenses are recognised in a different period for tax and accounting purposes (deferred tax).

Analysis of the income tax expense per the statement of profit or loss and other comprehensive income:

	Reviewed 31 December 2019 R'000
Major components of the tax expense	
Current income tax	
Current income tax on profits for the year	(32 904)
Adjustments in respect of prior years	(1 266)
Withholding tax	(645)
	(34 815)
Deferred income tax	
Origination and reversal of temporary differences	–
	–
Total tax expense	**(34 815)**

14. RISK

14.1 Critical accounting estimations and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 June 2019.

14.2 Financial risk management

14.2.1 Risk management

As a result of its operations, the group is exposed to multiple forms of risk including: (i) the risk that money owed to the group will not be received (credit risk); (ii) the risk that the group may not have sufficient cash available to pay its liabilities as they fall due (liquidity risk); and (iii) the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates (market risk). The management of such risks is embedded in managerial responsibilities fundamental to the wellbeing of the group.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the group's annual consolidated financial statements as at 30 June 2019.

There have been no changes in the risk management process or in any risk management policies since the year end.

14.2.2 Liquidity risk

Compared to year end, the following cash out flows occurred for financial liabilities during the period:

- Payment of quarterly interest on KSB 009.
- Repayment of capital and accrued interest by Kagiso Media Proprietary Limited on borrowing facilities.

14.2.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Management performs the interim valuations of financial assets required for financial reporting purposes, including Level 3 fair values. Management reports directly to the Chief Financial Officer and the investment committee. The interim valuation report is discussed and approved at the investment committee meeting, in line with the group's reporting dates.

The following table illustrates the fair values of financial assets that are measured at fair value, by hierarchy level:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
31 December 2019				
Financial assets at fair value through other comprehensive income	–	–	1 703	1 703
Amounts due from group companies	–	–	575 428	575 428
Financial assets at fair value through profit or loss	22	116 439	1 091 382	1 207 843
Held-for-sale assets	–	–	90 000	90 000
	22	**116 439**	**1 758 513**	**1 874 974**
30 June 2019				
Financial assets at fair value through other comprehensive income	–	–	1 560	1 560
Amounts due from group companies	–	–	548 647	548 647
Financial assets at fair value through profit or loss	22	102 237	1 056 976	1 159 235
Held-for-sale assets			90 000	90 000
	22	102 237	1 697 183	1 799 442

14. RISK continued

14.2 Financial risk management continued

14.2.3 Fair value estimation continued

The following inputs, assumptions and valuation methodologies were used in determining the fair values of the following investments:

Investee company	Methodology	Minority discount	Liquidity discount	Discount rate	Volatility	Growth rate used	Period	Unit price
31 December 2019								
Actom Investment Holdings	DCF	15%	10%	15%	–	–	–	–
Me Cure Healthcare	NAV	–	–	–	–	–	–	–
Fidelity Bank (Ghana)	Offer Price	–			–	–	–	–
Servest	Multiple	–	5%	5%	–	–	–	–
Macsteel Services Centre SA	Offer Price	–			–	–	–	–
MMI Holdings	Option	–	–	–	25%	–	–	R9.18

Investee company	Methodology	Minority discount	Liquidity discount	Discount rate	Volatility	Growth rate used	Period	Unit price
30 June 2019								
Actom Investment Holdings	DCF	15%	10%	15%	–	–	–	–
Me Cure Healthcare	NAV	–	–	–	–	–	–	–
Fidelity Bank (Ghana)	Multiple	–	5%	10%	–	–	–	–
Servest	Multiple	–	5%	5%	–	–	–	–
Macsteel Services Centre SA	Multiple	–	10%	15%	–	–	–	–
MMI Holdings	Option	–	–	–	27%	–	–	R9.79

Fair value estimation continued

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):

	Held-for-sale R'000	Fair value through profit and loss R'000	Financial assets at fair value through OCI R'000	Total R'000
31 December 2019				
Balances at the beginning of the period	90 000	1 056 976	1 560	1 148 536
Reclassified in terms of IFRS 9	–	–	–	–
Disposals	–	–	–	–
Other	–	–	143	143
Fair value adjustment recognised in profit and loss	–	34 406	–	34 406
Fair value adjustment recognised in equity	–	–	–	–
	90 000	**1 091 382**	**1 703**	**1 183 085**
30 June 2019				
Balances at the beginning of the period	–	601 014	205 384	806 398
IFRS 9 adjustment allocated to opening retained income	–	(14 000)	–	(14 000)
Reclassified in terms of IFRS 9	–	356 603	(132 125)	224 478
Disposals	–	–	(71 699)	(71 699)
Transfer to held-for-sale	90 000	(90 000)	–	–
Fair value adjustment recognised in profit and loss	–	203 360	–	203 360
	90 000	**1 056 976**	**1 560**	**1 148 537**

14. RISK continued

14.2 Financial risk management continued

14.2.3 Fair value estimation continued

There were no transfers between levels during the period. There were no changes in valuation techniques during the periods.

14.2.4 Capital management

Risk management

The group manages its shareholders' equity, i.e. its share 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 target gearing ratio for the group is between 40% debt: 60% equity. Individual SPVs will have higher gearing ratios given the highly structured nature of the debt-funded investments. The gearing ratio at year end is as follows:

	Reviewed 31 December 2019 R'000	Audited 30 June 2019 R'000
Total borrowings	2 237 728	2 258 972
Cash, cash equivalents and bank overdraft	(1 011 938)	(979 640)
Net debt	**1 225 790**	1 279 331
Total equity	5 689 190	5 453 661
Total capital	**6 914 980**	6 732 992
Gearing ratio	**17.73%**	19.00%

Loan covenants

Under the terms of the following major borrowing facilities, the group is required to comply with the following financial covenants:

Kagiso Media Proprietary Limited ("KM")

As part of the debt obligation to Nedbank, Investec and Rand Merchant Bank, KM reports on the following debt covenants on a half-yearly basis:

- Net debt/EBITDA – covenant is set at 2.50x

During the financial period, KM did not default on any of these covenants and had adequate headroom.

Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC")

In terms of the applicable pricing supplement issued in terms of KSB 009, KSC is required to submit a compliance certificate to the bondholders on a half-yearly basis indicating that the requisite asset cover ratio has been complied with at each of the reporting periods. In terms of the applicable pricing supplement the required default asset cover ratio is set at 2.75x for KSB 009.

During the financial period, KSC did not default on this set covenant and had adequate headroom.

15. DIVIDENDS

No dividend was declared by the company during the period under review to ordinary shareholders.

16. EVENTS AFTER REPORTING DATE

The following material events occurred after the reporting period of the condensed interim financial statements:

- The Group concluded a sale of share agreement with Macsteel Holdings Luxembourg SARL for the disposal of the Group's 7.5% interest in Macsteel Service Centres SA Proprietary Limited.
- The Kagiso Tiso Holdings Proprietary Limited ("KTH") shareholders approved a transaction that will facilitate the exit of an existing shareholder by 31 July 2020.
- The company appointed new directors after the reporting date.
- Kagiso Sizanani Capital Proprietary Limited (RF) ("KSC"), a subsidiary of the group, has a domestic note and redeemable preference share programme for a total programme value of R2 billion. The remaining domestic note with a value of R800 million is repayable on 5 August 2020. The Group has put in place measures to meet its commitment as at 5 August 2020.

16. EVENTS AFTER REPORTING DATE continued

Impact of Covid-19

- The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across the world causing disruptions to businesses and economic activity and could result in a significant drop in the fair value of Investments held by the Group and the recoverable amount these Companies invested in. The Group considers this outbreak to be a non-adjusting event after the reporting period.
- As the situation is fluid and rapidly evolving, the impact of this outbreak on the fair value measurement of the investments held by the Group and impairment assessment of these investments will be incorporated in financial statements for the year ending 30 June 2020.
- The KTH Board is actively monitoring the impact of COVID-19 on the operating entities of the Group and have prepared various scenario's to determine the financial impact. The scenarios are evaluated on a regular basis and weekly engagements are held between management and the Board on this issue. A formal presentation was done to the KTH Board on the envisaged impact on the 9 April 2020.
- Based on a Covid-19 preliminary impact assessment presented to the Board on the businesses, the Kagiso Media Group ("KM Group") was forecasted to end the 2020 financial year with revenues of approximately 20% below budget and EBITDA of about 29% below budget assuming that level 5 lockdown conditions were effective until 31 May 2020. The KM Group is forecasted to end the 2020 financial year with a positive cash balance of about R383 million.
- The lockdown adjustment made to level 3 is anticipated to have a positive impact on the KM Group results, however, the full extent of the benefit can only be quantified post the completion of the 30 June 2020 year end results process.
- The decline in the KM Group revenue and EBITDA is largely driven by:
  - KM Radio (Jacaranda FM and East Coast Radio) assets as a result of the current depressed market conditions. The current lockdown has resulted in significant declines in advertising spend across the industry especially in the months of March 2020 and April 2020 as clients looked to preserve their cash. There are currently signs of recoveries although very minimal;
  - Urban Brew Stations – Due to the restrictions that were imposed with regards to social distancing, most of the productions had to be halted;
  - Juta Group – The impact on the Group is minimal for the 2020 financial year as most of the revenue (around 90% of Future Managers and approximately 75% of Juta) was secured before the level 5 lockdown and in level 3 supply of education materials have resumed.
- The KM Group businesses have implemented measures to ensure that:
  - Employees and customers are protected, World Health Organization ("WHO") and government recommended measures are implemented and adhered to including supporting and enabling employees to work from home;
  - Cash preservation measures are put in place; and
  - The KM Group continues to look for new opportunities including supporting public initiatives in responding to the pandemic.
- The announcement made by the president on 12 July 2020 is not expected to have a material impact on the current performance of the group as highlighted above and the full extent will only be quantified as part of the next reporting period in June 2021.

17. EQUITY SECURITIES

During the period the directors of Kagiso Tiso Holdings Proprietary Limited did not issue any shares.

18. RELATED PARTY INFORMATION

Associated companies, joint ventures and partnerships

Details of investments in associated companies, joint ventures and partnerships are disclosed in note 5. Details on amounts due from/(to) associated companies, joint ventures and partnerships are disclosed are disclosed in note 5.

Shareholders

The major shareholders of the company at 31 December 2019 were:

Kagiso Charitable Trust	34.89%
Industrial Partnerships Proprietary Limited (Remgro Limited)	36.31%
Tiso Blackstar Holdings SE	20.01%
Kagiso Capital Proprietary Limited	7.48%

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REVIEWED CONDENSED INTERIM FINANCIAL INFORMATION OF KTH FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2019

"To the directors of Tiso Blackstar Group SE

Introduction

Tiso Blackstar Group SE (the "**Company**", "**you**" or "**TBG**") is issuing a circular to its shareholders (the "**Circular**") regarding the proposed disposal of its 20.01% shareholding in Kagiso Tiso Holdings Proprietary Limited ("**KTH**") (the "**KTH Sale**").

At your request and for the purpose of the Circular to be dated on or about 31 July 2020, we have reviewed the accompanying condensed consolidated interim statement of financial position of KTH as at 31 December 2019 and the related condensed consolidated interim statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and selected explanatory notes (the "**Condensed Interim Financial Information**"), as presented in **Annexure 5** to the Circular, in compliance with the requirements of the JSE Listings Requirements.

Directors' responsibility

The directors of TBG are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that TBG complies with the JSE Listings Requirements. The directors of KTH are responsible for the preparation and presentation of the Condensed Interim Financial Information in accordance with International Accounting Standard, (IAS) 34 *Interim Financial Reporting* and the JSE Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of Condensed Interim Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express a conclusion on the Condensed Interim Financial Information. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Condensed Interim Financial Information has not been prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of the Condensed Interim Financial Information in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the Condensed Interim Financial Information.

Basis for Qualified Conclusion

KTH prepared the Condensed Interim Financial Information for the six-month period ended 31 December 2019 specifically for the purpose of the Circular in order to comply with section 8.7 of the JSE Listings Requirements. As discussed in the Introduction to the Condensed Interim Financial Information in **Annexure 5**, the Condensed Interim Financial Information does not include the comparative information for the six-month period ended 31 December 2018, as is required by International Accounting Standard 34, "Interim Financial Reporting".

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the Condensed Interim Financial Information of KTH for the six months ended 31 December 2019 as set out in **Annexure 4** to the Circular, are not prepared, in all material respects, in accordance with International Accounting Standard, (IAS) 34 Interim Financial Reporting and the requirements of the JSE Listings Requirements.

Purpose of the report

This report has been prepared for the purpose of Circular and for no other purpose.

PricewaterhouseCoopers Inc.
Director: KJ Dikana
Registered Auditor
Johannesburg
14 July 2020"

PRO FORMA FINANCIAL INFORMATION OF TISO BLACKSTAR

The definitions commencing on page 10 and page 221 of this Circular shall apply to this ***Annexure 7***

The *pro forma* financial information of Tiso Blackstar is set out below. The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income of Tiso Blackstar have been prepared for illustrative purposes only, to show the financial effects of the KTH Sale, the Scheme and the Standby Offer ("**Corporate Actions**"). Because of its nature, the *pro forma* consolidated statement of financial position and the *pro forma* statement of comprehensive income may not fairly present Tiso Blackstar's financial position, changes in equity, results of operations or cash flows after the Corporate Actions have been implemented.

The *pro forma* financial information is presented in a manner that is consistent with the accounting policies of Tiso Blackstar, IFRS and the basis on which the historical financial information has been prepared. The financial information has been prepared in accordance with the JSE Listings Requirements and in compliance with the revised SAICA Guide on *pro forma* Financial Information.

The *pro forma* financial information set out below should be read in conjunction with the report of the Independent Reporting Accountants which is included as **Annexure 8** to the Circular.

The Tiso Blackstar Directors are responsible for the preparation of the *pro forma* financial information.

It has been assumed for the purposes of the *pro forma* financial information that the Corporate Actions took place with effect from 1 July 2019 for purposes of the statement of comprehensive income and on 31 December 2019 for purposes of the statement of financial position.

It is noted that the *pro forma* financial information has been based on the Group's latest unaudited financial results for the six months ended 31 December 2019. As noted in the disclosures and in accordance with the accounting standards, no specific post reporting date adjustments were made to the half year results for the potential impact of the Coronavirus pandemic which unfolded post the period end. Whilst it was noted that this pandemic across the world would undoubtedly have unprecedented effects on the South African and global economy, the impact in the medium-and long-term effects of the virus on the Group were uncertain. It was noted in the published result announcement that having taken the existing circumstances into consideration, the Tiso Blackstar Board concluded that they are satisfied that the Group would have adequate resources to continue into the foreseeable future as a going concern.

The *pro forma* **financial statements below illustrate the financial effects for 3 possible scenarios.**

In the case that a Standby Offer Trigger Event occurs (in which case the Scheme will not proceed), the Company intends to acquire all Tiso Blackstar Shares from Tiso Blackstar Shareholders by way of the Standby Offer. The Standby Offer is subject to *inter-alia* Tiso Blackstar Shareholders validly accept the Standby Offer in respect of an aggregate of less than or equal to 169 625 000 Tiso Blackstar Shares ("**Maximum Shares**"). Accordingly, the following possibilities are therefore considered:

- Scenario 1: Assume KTH Sale and Scheme;
- Scenario 2: Assume KTH Sale and Standby Offer accepted by Shareholders holding 100% of the Maximum Shares; and
- Scenario 3: Assume KTH Sale and Standby Offer accepted by Shareholders holding 50% of the Maximum Shares.

SCENARIO 1: ASSUME KTH SALE AND SCHEME

Consolidated statements of profit and loss and other comprehensive income

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	Share buy-back Scheme	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
Continuing operations							
Revenue	**1,341,405**	(73,188)	**1,268,217**	–	–	–	**1,268,217**
Net (loss)/profit	**(7,970)**	**10,391**	**2,421**	**(208,274)**	**–**	**(15,000)**	**(220,853)**
Net finance costs	**(101,874)**	5,541	**(96,333)**	–	–	–	**(96,333)**
Finance income	**1,039**	(12)	**1,027**	–	–	–	**1,027**
Finance costs	**(102,913)**	5,553	**(97,360)**	–	–	–	**(97,360)**
Share of profit of associates – equity accounted	**46,003**	–	**46,003**	(46,003)	–	–	**–**
Impairment loss on associates – equity accounted	**(45,780)**	–	**(45,780)**	45,780	–	–	**–**
(Loss)/Profit before taxation	**(109,621)**	**15,932**	**(93,689)**	**(208,497)**	**–**	**(15,000)**	**(317,186)**
Taxation	**19,230**	(25,396)	**(6,166)**	–	–	–	**(6,166)**
Loss from continuing operations	**(90,391)**	(9,464)	**(99,855)**	(208,497)	–	(15,000)	**(323,352)**
(Loss)/Profit from discontinued operations, net of taxation	**(37,743)**	112,837	**75,094**	–	–	–	**75,094**
(Loss)/Profit for the period	**(128,134)**	103,373	**(24,761)**	(208,497)	–	(15,000)	**(248,258)**
Other comprehensive (loss)/income, net of taxation	**(183)**	–	**(183)**	223	–	–	**40**
Items that may subsequently be reclassified to profit and loss:							
Currency translation differences on the translation of foreign operations	**40**	–	**40**	–	–	–	**40**
Items that will not subsequently be reclassified to profit and loss:							
Other comprehensive loss of equity accounted associates	**(223)**	–	**(223)**	223	–	–	**–**
Total comprehensive (loss)/income for the period	**(128,317)**	103,373	**(24,944)**	(208,274)	–	(15,000)	**(248,218)**
(Loss)/Income for the period attributable to:							
Equity holders of the parent	**(125,035)**	57,621	**(67,414)**	(208,497)	–	(15,000)	**(290,911)**
Non-controlling interests	**(3,099)**	45,752	**42,653**	–	–	–	**42,653**
	(128,134)	103,373	**(24,761)**	(208,497)	–	(15,000)	**(248,258)**
Other comprehensive (loss)/income, net of taxation attributable to:							
Equity holders of the parent	**(91)**	–	**(91)**	223	–	–	**132**
Non-controlling interests	**(92)**	–	**(92)**	–	–	–	**(92)**
	(183)	–	**(183)**	223	–	–	**40**

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	Share buy-back Scheme	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
Total comprehensive (loss)/income for the period attributable to:							
Equity holders of the parent	**(125,126)**	57,621	**(67,505)**	(208,274)	–	(15,000)	**(290,779)**
Non-controlling interests	**(3,191)**	45,752	**42,561**	–	–	–	**42,561**
	(128,317)	103,373	**(24,944)**	(208,274)	–	(15,000)	**(248,218)**
Basic loss per ordinary share (in cents) attributable to equity holders	**(47.57)**		**(25.65)**				**(286.94)**
Diluted loss per ordinary share (in cents) attributable to equity holders	**(46.91)**		**(25.29)**				**(276.77)**
Basic loss per ordinary share (in cents) attributable to equity holders from continuing operations	**(33.55)**		**(11.62)**				**(250.59)**
Diluted loss per ordinary share (in cents) attributable to equity holders from continuing operations	**(33.08)**		**(11.46)**				**(241.70)**
Weighted average number of shares in issue (net of treasury shares, in thousands)	**262,833**	–	**262,833**	–	(161,450)	–	**101,383**
Weighted average number of shares in issue (in thousands)	**266,560**	–	**266,560**	–	(161,450)	–	**105,110**
Reconciliation of (loss)/profit for the period and headline (loss)/earnings							
(Loss)/Profit for the period attributable to equity holders of the parent	**(125,035)**	57,621	**(67,414)**	(208,497)	–	(15,000)	**(290,911)**
Profit on disposal of property, plant and equipment	**(112)**	–	**(112)**	–	–	–	**(112)**
Loss on disposal of intangible assets	**11**	–	**11**	–	–	–	**11**
Loss/(Gain) on disposal of subsidiaries	**58,952**	(56,660)	**2,292**	–	–	–	**2,292**
Impairment/(reversal of impairment) of KTH	**45,780**	–	**45,780**	(45,780)	–	–	**–**
(Gain)/loss on disposal of associates	**(7,010)**	–	**(7,010)**	208,274	–	–	**201,264**
Total non-controlling interests and tax effects of adjustments	**28**	–	**28**	–	–	–	**28**
Non headline earnings items included in equity accounted earnings of associates, net of tax effects and non-controlling interests	**11,029**	–	**11,029**	–	–	–	**11,029**
Adjustments in respect of equity accounted investments	**106**	–	**106**	–	–	–	**106**
Impairment of investments, loans, assets and goodwill	**10,923**	–	**10,923**	–	–	–	**10,923**
Headline (loss)/earnings for the period	**(16,357)**	**961**	**(15,396)**	**(46,003)**	**–**	**(15,000)**	**(76,399)**
Headline (loss)/earnings per share (in cents)	**(6.22)**		**(5.86)**				**(75.36)**
Diluted headline (loss)/earnings per share (in cents)	**(6.14)**		**(5.78)**				**(72.68)**

Notes and assumptions:

1. The "Tiso Blackstar unaudited results at 31 December 2019" information has been extracted, without adjustment, from the Tiso Blackstar Group SE unaudited condensed consolidated interim financial statements as at 31 December 2019, available on the Tiso Blackstar website www.tisoblackstar.com/tbg/investors/publications.
2. Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 1 July 2019, are detailed in **Annexure 7a**. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

***Pro forma* financial effects of the KTH Sale and the Scheme comprise:**

3. Disposal of the Tiso Blackstar and its subsidiaries ("**Group**") 20.01% interest in KTH, which constitutes 179 590 ordinary shares in the issued share capital of KTH, for R850.0 million cash consideration, which results in a once-off loss arising on the disposal of R208.3 million, recognised in "Other gains/(losses)". The KTH results for the six months ended 31 December 2019 have been reversed. R670.0 million of the proceeds will be utilised for the Scheme and R180.0 million will be retained by the Group to settle the once-off costs relating to the Scheme and any other costs which may arise in the Group.
4. The financial effect whereby the Company acquires all the Exit Election Shares from the Exit Election Shareholders for the Per Share Scheme Consideration. Under the Exit Election, the Company repurchases the Exit Election Shares up to a maximum of 161.5 million shares at the Scheme price of R4.15 a share for an aggregate amount of R670.0 million, which is funded out of a portion of the proceeds received on disposal of KTH. Once-off share transfer tax of R1.7 million and once-off fees of R2.3 million are incurred on acquisition of the Exit Election Shares, which have been accounted for as a deduction from equity. The decrease of 161.5 million Exit Election Shares to the weighted average number of shares and diluted weighted average number of shares impacts the earnings, diluted earnings and headline earnings per share.
5. Other *Pro forma* adjustments comprise once-off costs relating to the Scheme of R15.0 million, settled in cash. The costs are capital in nature and are therefore not tax deductible.
6. All adjustments are of a continuing nature unless indicated otherwise.

Consolidated statement of financial position

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	Share buy-back Scheme	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
ASSETS							
Non-current assets	**3,519,787**	**(76,457)**	**3,443,330**	**(1,054,640)**	**–**	**–**	**2,388,690**
Property, plant and equipment	**163,622**	(5,626)	**157,996**	–	–	–	**157,996**
Right-of-use assets	**811,888**	(13,846)	**798,042**	–	–	–	**798,042**
Goodwill	**661,098**	(36,653)	**624,445**	–	–	–	**624,445**
Intangible assets	**738,699**	–	**738,699**	–	–	–	**738,699**
Investment in associates – equity accounted	**1,054,640**	–	**1,054,640**	(1,054,640)	–	–	**–**
Other investments, loans and receivables	**25,600**	(15,000)	**10,600**	–	–	–	**10,600**
Deferred taxation	**64,240**	(5,332)	**58,908**	–	–	–	**58,908**
Current assets	**1,097,550**	**(47,764)**	**1,049,786**	**850,000**	**(674,039)**	**(15,000)**	**1,210,747**
Inventories	**198,289**	(3,015)	**195,274**	–	–	–	**195,274**
Trade and other receivables	**610,602**	(89,379)	**521,223**	–	–	–	**521,223**
Current taxation	**34,720**	(1,685)	**33,035**	–	–	–	**33,035**
Cash and cash equivalents	**253,939**	46,315	**300,254**	850,000	(674,039)	(15,000)	**461,215**
Non-current assets held for sale	**250,678**	**(38,150)**	**212,528**	**–**	**–**	**–**	**212,528**
TOTAL ASSETS	**4,868,015**	**(162,371)**	**4,705,644**	**(204,640)**	**(674,039)**	**(15,000)**	**3,811,965**
EQUITY AND LIABILITIES							
Capital and reserves attributable to the Group's equity holders	**2,192,642**	**92,532**	**2,285,174**	**(204,640)**	**(674,039)**	**(15,000)**	**1,391,495**
Share capital	**2,554,036**	–	**2,554,036**	–	(674,039)	–	**1,879,997**
Other reserves	**(863)**	–	**(863)**	21,335	–	–	**20,472**
Foreign currency translation reserve	**(73,090)**	–	**(73,090)**	3,634	–	–	**(69,456)**
(Accumulated losses)/Retained earnings	**(287,441)**	92,532	**(194,909)**	(229,609)	–	(15,000)	**(439,518)**
Non-controlling interests	**28,362**	**(13,440)**	**14,922**	**–**	**–**	**–**	**14,922**
TOTAL EQUITY	**2,221,004**	**79,092**	**2,300,096**	**(204,640)**	**(674,039)**	**(15,000)**	**1,406,417**

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	Share buy-back Scheme	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
LIABILITIES							
Non-current liabilities	**967,944**	**518**	**968,462**	**–**	**–**	**–**	**968,462**
Borrowings	**369,913**	–	**369,913**	–	–	–	**369,913**
Other financial liabilities	**499**	–	**499**	–	–	–	**499**
Lease liability	**341,512**	(14,042)	**327,470**	–	–	–	**327,470**
Provisions	**5,497**	–	**5,497**	–	–	–	**5,497**
Deferred taxation	**250,523**	14,560	**265,083**	–	–	–	**265,083**
Current liabilities	**1,613,198**	**(187,590)**	**1,425,608**	**–**	**–**	**–**	**1,425,608**
Borrowings	**52,497**	–	**52,497**	–	–	–	**52,497**
Other financial liabilities	**158,580**	(150,896)	**7,684**	–	–	–	**7,684**
Lease liability	**517,782**	(1,421)	**516,361**	–	–	–	**516,361**
Provisions	**63,793**	–	**63,793**	–	–	–	**63,793**
Trade and other payables	**586,220**	(25,025)	**561,195**	–	–	–	**561,195**
Current taxation	**29,807**	–	**29,807**	–	–	–	**29,807**
Bank overdrafts and other short term borrowing facilities	**204,519**	(10,248)	**194,271**	–	–	–	**194,271**
Non-current liabilities associated with non-current assets held for sale	**65,869**	**(54,391)**	**11,478**	**–**	**–**	**–**	**11,478**
TOTAL LIABILITIES	**2,647,011**	**(241,463)**	**2,405,548**	**–**	**–**	**–**	**2,405,548**
TOTAL EQUITY & LIABILITIES	**4,868,015**	**(162,371)**	**4,705,644**	**(204,640)**	**(674,039)**	**(15,000)**	**3,811,965**
Number of shares in issue (net of treasury shares, in thousands)	**262,833**	–	**262,833**	–	(161,450)	–	**101,383**
Net asset value	**2,192,642**		**2,285,174**				**1,391,495**
Net asset value per share (cents)	**834.23**		**869.44**				**1,372.51**
Tangible net asset value	**792,845**		**922,030**				**28,351**
Tangible net asset per share (cents)	**301.65**		**350.80**				**27.96**

Notes and assumptions:

1. The "Tiso Blackstar unaudited results at 31 December 2019" information has been extracted, without adjustment, from the Tiso Blackstar Group SE unaudited condensed consolidated interim financial statements as at 31 December 2019, available on the Tiso Blackstar website www.tisoblackstar.com/tbg/investors/publications.
2. Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 31 December 2019, are detailed in **Annexure 7a**. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

***Pro forma* financial effects of the KTH Sale and the Scheme comprise:**

3. Disposal of the Tiso Blackstar and its subsidiaries ("**Group**") 20.01% interest in KTH, which constitutes 179 590 ordinary shares in the issued share capital of KTH, for R850.0 million cash consideration. The KTH investment is carried at R1,054.6 million, and also includes other reserves of R21.3 million and a foreign currency translation reserve of R3.6 million, which results in a once-off loss arising on the disposal of R208.3 million, recognised in "Other gains/(losses)". R670.0 million of the proceeds will be utilised for the Scheme and R180.0 million will be retained by the Group to settle the once-off costs relating to the Scheme and any other costs which may arise in the Group.
4. The financial effect whereby the Company acquires all the Exit Election Shares from the Exit Election Shareholders for the Per Share Scheme Consideration. Under the Exit Election, the Company repurchases the Exit Election Shares up to a maximum of 161.5 million shares at the Scheme price of R4.15 a share for an aggregate amount of R670.0 million, which is funded out of a portion of the proceeds received on disposal of KTH. Once-off share transfer tax of R1.7 million and once-off fees of R2.3 million are incurred on acquisition of the Exit Election Shares, which have been accounted for as a deduction from equity. The decrease of 161.5 million Exit Election Shares to the weighted average number of shares and diluted weighted average number of shares impacts the earnings, diluted earnings and headline earnings per share.
5. Other *Pro forma* adjustments comprise once-off costs relating to the Scheme of R15.0 million, settled in cash. The costs are capital in nature and are therefore not tax deductible.
6. All adjustments are of a continuing nature unless indicated otherwise.

SCENARIO 2: ASSUME KTH SALE AND STANDBY OFFER ACCEPTED BY SHAREHOLDERS HOLDING 100% OF THE MAXIMUM SHARES

Consolidated statements of profit and loss and other comprehensive income

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	100% of Standby Offer taken up	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
Continuing operations							
Revenue	**1,341,405**	(73,188)	**1,268,217**	–	–	–	**1,268,217**
Net (loss)/profit	**(7,970)**	**10,391**	**2,421**	**(208,274)**	**–**	**(15,000)**	**(220,853)**
Net finance costs	**(101,874)**	5,541	**(96,333)**	–	–	–	**(96,333)**
Finance income	**1,039**	(12)	**1,027**	–	–	–	**1,027**
Finance costs	**(102,913)**	5,553	**(97,360)**	–	–	–	**(97,360)**
Share of profit of associates – equity accounted	**46,003**	–	**46,003**	(46,003)	–	–	**–**
Impairment loss on associates – equity accounted	**(45,780)**	–	**(45,780)**	45,780	–	–	**–**
(Loss)/Profit before taxation	**(109,621)**	**15,932**	**(93,689)**	**(208,497)**	**–**	**(15,000)**	**(317,186)**
Taxation	**19,230**	(25,396)	**(6,166)**	–	–	–	**(6,166)**
Loss from continuing operations	**(90,391)**	**(9,464)**	**(99,855)**	**(208,497)**	**–**	**(15,000)**	**(323,352)**
(Loss)/Profit from discontinued operations, net of taxation	**(37,743)**	112,837	**75,094**	–	–	–	**75,094**
(Loss)/Profit for the period	**(128,134)**	**103,373**	**(24,761)**	**(208,497)**	**–**	**(15,000)**	**(248,258)**
Other comprehensive (loss)/income, net of taxation	**(183)**	–	**(183)**	223	–	–	**40**
Items that may subsequently be reclassified to profit and loss:							
Currency translation differences on the translation of foreign operations	**40**	–	**40**	–	–	–	**40**
Items that will not subsequently be reclassified to profit and loss:							
Other comprehensive loss of equity accounted associates	**(223)**	–	**(223)**	223	–	–	**–**
Total comprehensive (loss)/income for the period	**(128,317)**	**103,373**	**(24,944)**	**(208,274)**	**–**	**(15,000)**	**(248,218)**
(Loss)/Income for the period attributable to:							
Equity holders of the parent	**(125,035)**	57,621	**(67,414)**	(208,497)	–	(15,000)	**(290,911)**
Non-controlling interests	**(3,099)**	45,752	**42,653**	–	–	–	**42,653**
	(128,134)	**103,373**	**(24,761)**	**(208,497)**	**–**	**(15,000)**	**(248,258)**
Other comprehensive (loss)/income, net of taxation attributable to:							
Equity holders of the parent	**(91)**	–	**(91)**	223	–	–	**132**
Non-controlling interests	**(92)**	–	**(92)**	–	–	–	**(92)**
	(183)	**–**	**(183)**	**223**	**–**	**–**	**40**

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	100% of Standby Offer taken up	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
Total comprehensive (loss)/income for the period attributable to:							
Equity holders of the parent	**(125,126)**	57,621	**(67,505)**	(208,274)	–	(15,000)	**(290,779)**
Non-controlling interests	**(3,191)**	45,752	**42,561**	–	–	–	**42,561**
	(128,317)	103,373	**(24,944)**	(208,274)	–	(15,000)	**(248,218)**
Basic loss per ordinary share (in cents) attributable to equity holders	**(47.57)**		**(25.65)**				**(312.11)**
Diluted loss per ordinary share (in cents) attributable to equity holders	**(46.91)**		**(25.29)**				**(300.11)**
Basic loss per ordinary share (in cents) attributable to equity holders from continuing operations	**(33.55)**		**(11.62)**				**(272.56)**
Diluted loss per ordinary share (in cents) attributable to equity holders from continuing operations	**(33.08)**		**(11.46)**				**(262.08)**
Weighted average number of shares in issue (net of treasury shares, in thousands)	**262,833**	–	**262,833**	–	(169,625)	–	**93,208**
Weighted average number of shares in issue (in thousands)	**266,560**	–	**266,560**	–	(169,625)	–	**96,935**
Reconciliation of (loss)/profit for the period and headline (loss)/ earnings							
(Loss)/Profit for the period attributable to equity holders of the parent	**(125,035)**	57,621	**(67,414)**	(208,497)	–	(15,000)	**(290,911)**
Profit on disposal of property, plant and equipment	**(112)**	–	**(112)**	–	–	–	**(112)**
Loss on disposal of intangible assets	**11**	–	**11**	–	–	–	**11**
Loss/(Gain) on disposal of subsidiaries	**58,952**	(56,660)	**2,292**	–	–	–	**2,292**
Impairment/(Reversal of impairment) of KTH	**45,780**	–	**45,780**	(45,780)	–	–	**–**
(Gain)/Loss on disposal of associates	**(7,010)**	–	**(7,010)**	208,274	–	–	**201,264**
Total non-controlling interests and tax effects of adjustments	**28**	–	**28**	–	–	–	**28**
Non headline earnings items included in equity accounted earnings of associates, net of tax effects and non-controlling interests	**11,029**	–	**11,029**	–	–	–	**11,029**
Adjustments in respect of equity accounted investments	**106**	–	**106**	–	–	–	**106**
Impairment of investments, loans, assets and goodwill	**10,923**	–	**10,923**	–	–	–	**10,923**
Headline (loss)/earnings for the period	**(16,357)**	**961**	**(15,396)**	**(46,003)**	**–**	**(15,000)**	**(76,399)**
Headline (loss)/earnings per share (in cents)	**(6.22)**		**(5.86)**				**(81.97)**
Diluted headline (loss)/earnings per share (in cents)	**(6.14)**		**(5.78)**				**(78.81)**

Notes and assumptions:

1. The "Tiso Blackstar unaudited results at 31 December 2019" information has been extracted, without adjustment, from the Tiso Blackstar Group SE unaudited condensed consolidated interim financial statements as at 31 December 2019, available on the Tiso Blackstar website www.tisoblackstar.com/tbg/investors/publications.

2. Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 1 July 2019, are detailed in **Annexure 7a**. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

***Pro forma* financial effects of the KTH Sale and the Standby Offer comprise:**

3. Disposal of the Tiso Blackstar and its subsidiaries ("**Group**") 20.01% interest in KTH, which constitutes 179 590 ordinary shares in the issued share capital of KTH, for R850.0 million cash consideration, which results in a once-off loss arising on the disposal of R208.3 million, recognised in "Other gains/(losses)". The KTH results for the six months ended 31 December 2019 have been reversed. R670.0 million of the proceeds will be utilised for the Standby Offer and R180.0 million will be retained by the Group to settle the once-off costs relating to the Standby Offer and any other costs which may arise in the Group.

4. The financial effect whereby the Standby Offer is accepted by the Company's shareholders holding 100% of the Maximum Shares. Under the Standby Offer, the Company repurchases 169.6 million shares at the Standby Offer price of R3.95 a share for an aggregate amount of R670.0 million, which is funded out of a portion of the proceeds received on disposal of KTH. Once-off share transfer tax of R1.7 million and once-off fees of R2.3 million are incurred on acquisition of the Standby Offer Shares, which have been accounted for as a deduction from equity. The decrease of 169.6 million Standby Offer Shares to the weighted average number of shares and diluted weighted average number of shares impacts the earnings, diluted earnings and headline earnings per share.

5. Other *Pro forma* adjustments comprise once-off costs relating to the Standby Offer of R15.0 million, settled in cash. The costs are capital in nature and are therefore not tax deductible.

6. All adjustments are of a continuing nature unless indicated otherwise.

Consolidated statement of financial position

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	100% of Standby Offer taken up	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
ASSETS							
Non-current assets	**3,519,787**	**(76,457)**	**3,443,330**	**(1,054,640)**	**–**	**–**	**2,388,690**
Property, plant and equipment	**163,622**	(5,626)	**157,996**	–	–	–	**157,996**
Right-of-use assets	**811,888**	(13,846)	**798,042**	–	–	–	**798,042**
Goodwill	**661,098**	(36,653)	**624,445**	–	–	–	**624,445**
Intangible assets	**738,699**	–	**738,699**	–	–	–	**738,699**
Investment in associates – equity accounted	**1,054,640**	–	**1,054,640**	(1,054,640)	–	–	**–**
Other investments, loans and receivables	**25,600**	(15,000)	**10,600**	–	–	–	**10,600**
Deferred taxation	**64,240**	(5,332)	**58,908**	–	–	–	**58,908**
Current assets	**1,097,550**	**(47,764)**	**1,049,786**	**850,000**	**(674,040)**	**(15,000)**	**1,210,746**
Inventories	**198,289**	(3,015)	**195,274**	–	–	–	**195,274**
Trade and other receivables	**610,602**	(89,379)	**521,223**	–	–	–	**521,223**
Current taxation	**34,720**	(1,685)	**33,035**	–	–	–	**33,035**
Cash and cash equivalents	**253,939**	46,315	**300,254**	850,000	(674,040)	(15,000)	**461,214**
Non-current assets held for sale	**250,678**	(38,150)	**212,528**	–	–	–	**212,528**
TOTAL ASSETS	**4,868,015**	**(162,371)**	**4,705,644**	**(204,640)**	**(674,040)**	**(15,000)**	**3,811,964**
EQUITY AND LIABILITIES							
Capital and reserves attributable to the Group's equity holders	**2,192,642**	92,532	**2,285,174**	(204,640)	(674,040)	(15,000)	**1,391,494**
Share capital	**2,554,036**	–	**2,554,036**	–	(674,040)	–	**1,879,996**
Other reserves	**(863)**	–	**(863)**	21,335	–	–	**20,472**
Foreign currency translation reserve	**(73,090)**	–	**(73,090)**	3,634	–	–	**(69,456)**
(Accumulated losses)/Retained earnings	**(287,441)**	92,532	**(194,909)**	(229,609)	–	(15,000)	**(439,518)**
Non-controlling interests	**28,362**	(13,440)	**14,922**	–	–	–	**14,922**
TOTAL EQUITY	**2,221,004**	**79,092**	**2,300,096**	**(204,640)**	**(674,040)**	**(15,000)**	**1,406,416**

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	100% of Standby Offer taken up	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
LIABILITIES							
Non-current liabilities	**967,944**	**518**	**968,462**	**–**	**–**	**–**	**968,462**
Borrowings	**369,913**	–	**369,913**	–	–	–	**369,913**
Other financial liabilities	**499**	–	**499**	–	–	–	**499**
Lease liability	**341,512**	(14,042)	**327,470**	–	–	–	**327,470**
Provisions	**5,497**	–	**5,497**	–	–	–	**5,497**
Deferred taxation	**250,523**	14,560	**265,083**	–	–	–	**265,083**
Current liabilities	**1,613,198**	**(187,590)**	**1,425,608**	**–**	**–**	**–**	**1,425,608**
Borrowings	**52,497**	–	**52,497**	–	–	–	**52,497**
Other financial liabilities	**158,580**	(150,896)	**7,684**	–	–	–	**7,684**
Lease liability	**517,782**	(1,421)	**516,361**	–	–	–	**516,361**
Provisions	**63,793**	–	**63,793**	–	–	–	**63,793**
Trade and other payables	**586,220**	(25,025)	**561,195**	–	–	–	**561,195**
Current taxation	**29,807**	–	**29,807**	–	–	–	**29,807**
Bank overdrafts and other short term borrowing facilities	**204,519**	(10,248)	**194,271**	–	–	–	**194,271**
Non-current liabilities associated with non-current assets held for sale	**65,869**	(54,391)	**11,478**	–	–	–	**11,478**
TOTAL LIABILITIES	**2,647,011**	**(241,463)**	**2,405,548**	**–**	**–**	**–**	**2,405,548**
TOTAL EQUITY & LIABILITIES	**4,868,015**	**(162,371)**	**4,705,644**	**(204,640)**	**(674,040)**	**(15,000)**	**3,811,964**
Number of shares in issue (net of treasury shares, in thousands)	**262,833**	–	**262,833**	–	(169,625)	–	**93,208**
Net asset value	**2,192,642**		**2,285,174**				**1,391,494**
Net asset value per share (cents)	**834.23**		**869.44**				**1,492.89**
Tangible net asset value	**792,845**		**922,030**				**28,350**
Tangible net asset per share (cents)	**301.65**		**350.80**				**30.42**

Notes and assumptions:

1. The "Tiso Blackstar unaudited results at 31 December 2019" information has been extracted, without adjustment, from the Tiso Blackstar Group SE unaudited condensed consolidated interim financial statements as at 31 December 2019, available on the Tiso Blackstar website www.tisoblackstar.com/tbg/investors/publications.
2. Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 31 December 2019, are detailed in **Annexure 7a**. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

***Pro forma* financial effects of the KTH Sale and the Standby Offer comprise:**

3. Disposal of the Tiso Blackstar and its subsidiaries ("**Group**") 20.01% interest in KTH, which constitutes 179 590 ordinary shares in the issued share capital of KTH, for R850.0 million cash consideration. The KTH investment is carried at R1,054.6 million, and also includes other reserves of R21.3 million and a foreign currency translation reserve of R3.6 million, which results in a once-off loss arising on the disposal of R208.3 million, recognised in "Other gains/(losses)". R670.0 million of the proceeds will be utilised for the Standby Offer and R180.0 million will be retained by the Group to settle the once-off costs relating to the Standby Offer and any other costs which may arise in the Group.
4. The financial effect whereby the Standby Offer is accepted by the Company's shareholders holding 100% of the Maximum Shares. Under the Standby Offer, the Company repurchases 169.6 million shares at the Standby Offer price of R3.95 a share for an aggregate amount of R670.0 million, which is funded out of a portion of the proceeds received on disposal of KTH. Once-off share transfer tax of R1.7 million and once-off fees of R2.3 million are incurred on acquisition of the Standby Offer Shares, which have been accounted for as a deduction from equity. The decrease of 169.6 million Standby Offer Shares to the weighted average number of shares and diluted weighted average number of shares impacts the earnings, diluted earnings and headline earnings per share.
5. Other *Pro forma* adjustments comprise once-off costs relating to the Standby Offer of R15.0 million, settled in cash. The costs are capital in nature and are therefore not tax deductible.
6. All adjustments are of a continuing nature unless indicated otherwise.

SCENARIO 3: ASSUME KTH SALE AND STANDBY OFFER ACCEPTED BY SHAREHOLDERS HOLDING 50% OF THE MAXIMUM SHARES

Consolidated statements of profit and loss and other comprehensive income

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	Standby Offer accepted by 50% of shareholders	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
Continuing operations							
Revenue	**1,341,405**	(73,188)	**1,268,217**	–	–	–	**1,268,217**
Net (loss)/profit	**(7,970)**	**10,391**	**2,421**	**(208,274)**	**–**	**(15,000)**	**(220,853)**
Net finance costs	**(101,874)**	5,541	**(96,333)**	–	–	–	**(96,333)**
Finance income	**1,039**	(12)	**1,027**	–	–	–	**1,027**
Finance costs	**(102,913)**	5,553	**(97,360)**	–	–	–	**(97,360)**
Share of profit of associates – equity accounted	**46,003**	–	**46,003**	(46,003)	–	–	**–**
Impairment loss on associates – equity accounted	**(45,780)**	–	**(45,780)**	45,780	–	–	**–**
(Loss)/Profit before taxation	**(109,621)**	**15,932**	**(93,689)**	**(208,497)**	**–**	**(15,000)**	**(317,186)**
Taxation	**19,230**	(25,396)	**(6,166)**	–	–	–	**(6,166)**
Loss from continuing operations	**(90,391)**	(9,464)	**(99,855)**	(208,497)	–	(15,000)	**(323,352)**
(Loss)/Profit from discontinued operations, net of taxation	**(37,743)**	112,837	**75,094**	–	–	–	**75,094**
(Loss)/Profit for the period	**(128,134)**	**103,373**	**(24,761)**	**(208,497)**	**–**	**(15,000)**	**(248,258)**
Other comprehensive (loss)/income, net of taxation	**(183)**	–	**(183)**	223	–	–	**40**
Items that may subsequently be reclassified to profit and loss:							
Currency translation differences on the translation of foreign operations	**40**	–	**40**	–	–	–	**40**
Items that will not subsequently be reclassified to profit and loss:							
Other comprehensive loss of equity accounted associates	**(223)**	–	**(223)**	223	–	–	**–**
Total comprehensive (loss)/income for the period	**(128,317)**	**103,373**	**(24,944)**	**(208,274)**	**–**	**(15,000)**	**(248,218)**
(Loss)/Income for the period attributable to:							
Equity holders of the parent	**(125,035)**	57,621	**(67,414)**	(208,497)	–	(15,000)	**(290,911)**
Non-controlling interests	**(3,099)**	45,752	**42,653**	–	–	–	**42,653**
	(128,134)	**103,373**	**(24,761)**	**(208,497)**	**–**	**(15,000)**	**(248,258)**
Other comprehensive (loss)/income, net of taxation attributable to:							
Equity holders of the parent	**(91)**	–	**(91)**	223	–	–	**132**
Non-controlling interests	**(92)**	–	**(92)**	–	–	–	**(92)**
	(183)	**–**	**(183)**	**223**	**–**	**–**	**40**

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	Standby Offer accepted by 50% of shareholders	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
Total comprehensive (loss)/income for the period attributable to:							
Equity holders of the parent	**(125,126)**	57,621	**(67,505)**	(208,274)	–	(15,000)	**(290,779)**
Non-controlling interests	**(3,191)**	45,752	**42,561**	–	–	–	**42,561**
	(128,317)	**103,373**	**(24,944)**	**(208,274)**	**–**	**(15,000)**	**(248,218)**
Basic loss per ordinary share (in cents) attributable to equity holders	**(47.57)**		**(25.65)**				**(163.41)**
Diluted loss per ordinary share (in cents) attributable to equity holders	**(46.91)**		**(25.29)**				**(160.06)**
Basic loss per ordinary share (in cents) attributable to equity holders from continuing operations	**(33.55)**		**(11.62)**				**(142.71)**
Diluted loss per ordinary share (in cents) attributable to equity holders from continuing operations	**(33.08)**		**(11.46)**				**(139.78)**
Weighted average number of shares in issue (net of treasury shares, in thousands)	**262,833**	–	**262,833**	–	(84,813)	–	**178,020**
Weighted average number of shares in issue (in thousands)	**266,560**	–	**266,560**	–	(84,813)	–	**181,747**
Reconciliation of (loss)/profit for the period and headline (loss)/earnings							
(Loss)/Profit for the period attributable to equity holders of the parent	**(125,035)**	57,621	**(67,414)**	(208,497)	–	(15,000)	**(290,911)**
Profit on disposal of property, plant and equipment	**(112)**	–	**(112)**	–	–	–	**(112)**
Loss on disposal of intangible assets	**11**	–	**11**	–	–	–	**11**
Loss/(Gain) on disposal of subsidiaries	**58,952**	(56,660)	**2,292**	–	–	–	**2,292**
Impairment/(Reversal of impairment) of KTH	**45,780**	–	**45,780**	(45,780)	–	–	**–**
(Gain)/Loss on disposal of associates	**(7,010)**	–	**(7,010)**	208,274	–	–	**201,264**
Total non-controlling interests and tax effects of adjustments	**28**	–	**28**	–	–	–	**28**
Non headline earnings items included in equity accounted earnings of associates, net of tax effects and non-controlling interests	**11,029**	–	**11,029**	–	–	–	**11,029**
Adjustments in respect of equity accounted investments	**106**	–	**106**	–	–	–	**106**
Impairment of investments, loans, assets and goodwill	**10,923**	–	**10,923**	–	–	–	**10,923**
Headline (loss)/earnings for the period	**(16,357)**	**961**	**(15,396)**	**(46,003)**	**–**	**(15,000)**	**(76,399)**
Headline (loss)/earnings per share (in cents)	**(6.22)**		**(5.86)**				**(42.92)**
Diluted headline (loss)/earnings per share (in cents)	**(6.14)**		**(5.78)**				**(42.04)**

Notes and assumptions:

1. The "Tiso Blackstar unaudited results at 31 December 2019" information has been extracted, without adjustment, from the Tiso Blackstar Group SE unaudited condensed consolidated interim financial statements as at 31 December 2019, available on the Tiso Blackstar website www.tisoblackstar.com/tbg/investors/publications.

2. Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 1 July 2019, are detailed in **Annexure 7a**. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

***Pro forma* financial effects of the KTH Sale and the Standby Offer comprise:**

3. Disposal of the Tiso Blackstar and its subsidiaries ("**Group**") 20.01% interest in KTH, which constitutes 179 590 ordinary shares in the issued share capital of KTH, for R850.0 million cash consideration, which results in a once-off loss arising on the disposal of R208.3 million, recognised in "Other gains/(losses)". The KTH results for the six months ended 31 December 2019 have been reversed. R335.0 million of the proceeds will be utilised for the Standby Offer and R515.0 million will be retained by the Group to settle the once-off costs relating to the Standby Offer and any other costs which may arise in the Group.

4. The financial effect whereby the Standby Offer is accepted by the Company's shareholders holding 50% of the Maximum Shares. Under the Standby Offer, the Company repurchases 84.8 million shares at the Standby Offer price of R3.95 a share for an aggregate amount of R335.0 million, which is funded out of a portion of the proceeds received on disposal of KTH. Once-off share transfer tax of R0.8 million and once-off fees of R1.2 million are incurred on acquisition of the Standby Offer Shares, which have been accounted for as a deduction from equity. The decrease of 84.8 million Standby Offer Shares to the weighted average number of shares and diluted weighted average number of shares impacts the earnings, diluted earnings and headline earnings per share.

5. Other *Pro forma* adjustments comprise once-off costs relating to the Standby Offer of R15.0 million, settled in cash. The costs are capital in nature and are therefore not tax deductible.

6. All adjustments are of a continuing nature unless indicated otherwise.

Consolidated statement of financial position

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	50% of Standby Offer taken up	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	1	2		3	4	5	
ASSETS							
Non-current assets	**3,519,787**	**(76,457)**	**3,443,330**	**(1,054,640)**	**–**	**–**	**2,388,690**
Property, plant and equipment	**163,622**	(5,626)	**157,996**	–	–	–	**157,996**
Right-of-use assets	**811,888**	(13,846)	**798,042**	–	–	–	**798,042**
Goodwill	**661,098**	(36,653)	**624,445**	–	–	–	**624,445**
Intangible assets	**738,699**	–	**738,699**	–	–	–	**738,699**
Investment in associates – equity accounted	**1,054,640**	–	**1,054,640**	(1,054,640)	–	–	**–**
Other investments, loans and receivables	**25,600**	(15,000)	**10,600**	–	–	–	**10,600**
Deferred taxation	**64,240**	(5,332)	**58,908**	–	–	–	**58,908**
Current assets	**1,097,550**	**(47,764)**	**1,049,786**	**850,000**	**(337,020)**	**(15,000)**	**1,547,766**
Inventories	**198,289**	(3,015)	**195,274**	–	–	–	**195,274**
Trade and other receivables	**610,602**	(89,379)	**521,223**	–	–	–	**521,223**
Current taxation	**34,720**	(1,685)	**33,035**	–	–	–	**33,035**
Cash and cash equivalents	**253,939**	46,315	**300,254**	850,000	(337,020)	(15,000)	**798,234**
Non-current assets held for sale	**250,678**	(38,150)	**212,528**	–	–	–	**212,528**
TOTAL ASSETS	**4,868,015**	(162,371)	**4,705,644**	(204,640)	(337,020)	(15,000)	**4,148,984**
EQUITY AND LIABILITIES							
Capital and reserves attributable to the Group's equity holders	**2,192,642**	**92,532**	**2,285,174**	**(204,640)**	**(337,020)**	**(15,000)**	**1,728,514**
Share capital	**2,554,036**	–	**2,554,036**	–	(337,020)	–	**2,217,016**
Other reserves	**(863)**	–	**(863)**	21,335	–	–	**20,472**
Foreign currency translation reserve	**(73,090)**	–	**(73,090)**	3,634	–	–	**(69,456)**
(Accumulated losses)/Retained earnings	**(287,441)**	92,532	**(194,909)**	(229,609)	–	(15,000)	**(439,518)**
Non-controlling interests	**28,362**	(13,440)	**14,922**	–	–	–	**14,922**
TOTAL EQUITY	**2,221,004**	79,092	**2,300,096**	(204,640)	(337,020)	(15,000)	**1,743,436**

R'000	Tiso Blackstar unaudited results at 31 December 2019	Subsequent events requiring adjustment to *pro forma* information	Tiso Blackstar adjusted unaudited results at 31 December 2019	KTH Sale	50% of Standby Offer taken up	Other – Transaction related costs	Tiso Blackstar *pro forma* results at 31 December 2019
Notes	**1**	**2**		**3**	**4**	**5**	
LIABILITIES							
Non-current liabilities	**967,944**	**518**	**968,462**	**–**	**–**	**–**	**968,462**
Borrowings	**369,913**	–	**369,913**	–	–	–	**369,913**
Other financial liabilities	**499**	–	**499**	–	–	–	**499**
Lease liability	**341,512**	(14,042)	**327,470**	–	–	–	**327,470**
Provisions	**5,497**	–	**5,497**	–	–	–	**5,497**
Deferred taxation	**250,523**	14,560	**265,083**	–	–	–	**265,083**
Current liabilities	**1,613,198**	**(187,590)**	**1,425,608**	**–**	**–**	**–**	**1,425,608**
Borrowings	**52,497**	–	**52,497**	–	–	–	**52,497**
Other financial liabilities	**158,580**	(150,896)	**7,684**	–	–	–	**7,684**
Lease liability	**517,782**	(1,421)	**516,361**	–	–	–	**516,361**
Provisions	**63,793**	–	**63,793**	–	–	–	**63,793**
Trade and other payables	**586,220**	(25,025)	**561,195**	–	–	–	**561,195**
Current taxation	**29,807**	–	**29,807**	–	–	–	**29,807**
Bank overdrafts and other short term borrowing facilities	**204,519**	(10,248)	**194,271**	–	–	–	**194,271**
Non-current liabilities associated with non-current assets held for sale	**65,869**	(54,391)	**11,478**	–	–	–	**11,478**
TOTAL LIABILITIES	**2,647,011**	**(241,463)**	**2,405,548**	**–**	**–**	**–**	**2,405,548**
TOTAL EQUITY & LIABILITIES	**4,868,015**	**(162,371)**	**4,705,644**	**(204,640)**	**(337,020)**	**(15,000)**	**4,148,984**
Number of shares in issue (net of treasury shares, in thousands)	**262,833**	–	**262,833**	–	(84,813)	–	**178,020**
Net asset value	**2,192,642**		**2,285,174**				**1,728,513**
Net asset value per share (cents)	**834.23**		**869.44**				**970.97**
Tangible net asset value	**792,845**		**922,030**				**365,369**
Tangible net asset per share (cents)	**301.65**		**350.80**				**205.24**

Notes and assumptions:

1. The "Tiso Blackstar unaudited results at 31 December 2019" information has been extracted, without adjustment, from the Tiso Blackstar Group SE unaudited condensed consolidated interim financial statements as at 31 December 2019, available on the Tiso Blackstar website www.tisoblackstar.com/tbg/investors/publications.

2. Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 31 December 2019, are detailed in **Annexure 7a**. There are no other material subsequent events that require adjustment to the *pro forma* financial information.

***Pro forma* financial effects of the KTH Sale and the Standby Offer comprise:**

3. Disposal of the Tiso Blackstar and its subsidiaries ("**Group**") 20.01% interest in KTH, which constitutes 179 590 ordinary shares in the issued share capital of KTH, for R850.0 million cash consideration. The KTH investment is carried at R1,054.6 million, and also includes other reserves of R21.3 million and a foreign currency translation reserve of R3.6 million, which results in a once-off loss arising on the disposal of R208.3 million, recognised in "Other gains/(losses)". R335.0 million of the proceeds will be utilised for the Standby Offer and R515.0 million will be retained by the Group to settle the once-off costs relating to the Standby Offer and any other costs which may arise in the Group.

4. The financial effect whereby the Standby Offer is accepted by the Company's shareholders holding 50% of the Maximum Shares. Under the Standby Offer, the Company repurchases 84.8 million shares at the Standby Offer price of R3.95 a share for an aggregate amount of R335.0 million, which is funded out of a portion of the proceeds received on disposal of KTH. Once-off share transfer tax of R0.8 million and once-off fees of R1.2 million are incurred on acquisition of the Standby Offer Shares, which have been accounted for as a deduction from equity. The decrease of 84.8 million Standby Offer Shares to the weighted average number of shares and diluted weighted average number of shares impacts the earnings, diluted earnings and headline earnings per share.

5. Other *Pro forma* adjustments comprise once-off costs relating to the Standby Offer of R15.0 million, settled in cash. The costs are capital in nature and are therefore not tax deductible.

6. All adjustments are of a continuing nature unless indicated otherwise.

SUBSEQUENT EVENTS REQUIRING ADJUSTMENT TO THE *PRO FORMA*S FOR SCENARIOS 1, 2 AND 3

Consolidated statements of profit and loss and other comprehensive income

R'000	Receipt of net asset value adjustment proceeds on disposal of TBG SA Group	Disposal of Gallo and IFD	Disposal of BBS	Settlement of FIL acquisition	Receipt of CSI equity loan	Total subsequent events requiring adjustment to *pro forma* information
Notes	**1**	**2**	**3**	**4**	**5**	
Continuing operations						
Revenue	–	–	(73,188)	–	–	**(73,188)**
Net profit/(loss)	**–**	**–**	**12,191**	**–**	**(1,800)**	**10,391**
Net finance costs	1,410	–	1,706	2,425	–	**5,541**
Finance income	–	–	(12)	–	–	**(12)**
Finance costs	1,410	–	1,718	2,425	–	**5,553**
Share of profit of associates – equity accounted	–	–	–	–	–	**–**
Impairment loss on associates – equity accounted	–	–	–	–	–	**–**
Profit/(Loss) before taxation	**1,410**	**–**	**13,897**	**2,425**	**(1,800)**	**15,932**
Taxation	(395)	–	(24,322)	(679)	–	**(25,396)**
Profit/(Loss) from continuing operations	**1,015**	**–**	**(10,425)**	**1,746**	**(1,800)**	**(9,464)**
Profit from discontinued operations, net of taxation	–	112,837	–	–	–	**112,837**
Profit/(Loss) for the period	**1,015**	**112,837**	**(10,425)**	**1,746**	**(1,800)**	**103,373**
Other comprehensive income/(loss), net of taxation	–	–	–	–	–	**–**
Items that may subsequently be reclassified to profit and loss:						
Currency translation differences on the translation of foreign operations	–	–	–	–	–	**–**
Items that will not subsequently be reclassified to profit and loss:						
Other comprehensive loss of equity accounted associates	–	–	–	–	–	**–**
Total comprehensive income/(loss) for the period	**1,015**	**112,837**	**(10,425)**	**1,746**	**(1,800)**	**103,373**
Income/(Loss) for the period attributable to:						
Equity holders of the parent	1,015	112,837	(56,177)	1,746	(1,800)	**57,621**
Non-controlling interests	–	–	45,752	–	–	**45,752**
	1,015	**112,837**	**(10,425)**	**1,746**	**(1,800)**	**103,373**

R'000	Receipt of net asset value adjustment proceeds on disposal of TBG SA Group	Disposal of Gallo and IFD	Disposal of BBS	Settlement of FIL acquisition	Receipt of CSI equity loan	Total subsequent events requiring adjustment to *pro forma* information
Notes	**1**	**2**	**3**	**4**	**5**	
Other comprehensive income/(loss), net of taxation attributable to:						
Equity holders of the parent	–	–	–	–	–	**–**
Non-controlling interests	–	–	–	–	–	**–**
	–	**–**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period attributable to:						
Equity holders of the parent	1,015	112,837	(56,177)	1,746	(1,800)	**57,621**
Non-controlling interests	–	–	45,752	–	–	**45,752**
	1,015	**112,837**	**(10,425)**	**1,746**	**(1,800)**	**103,373**

Subsequent events requiring adjustment

Notes and assumptions:

Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 1 July 2019, include the following events:

1. Receipt of the remaining R40.0 million proceeds on sale of TBG SA Group for the movement in tangible net asset value. The funds were applied against the Group's general banking facility. An interest cost saving of R1.4 million, and the relating tax charge of R0.4 million, has been raised for the six months ended 31 December 2019.

2. Disposal of 100.0% interests in Gallo Music Investments Proprietary Limited ("**Gallo**") and Indigenous Film Distribution Proprietary Limited ("**IFD**") to Arena Holdings Proprietary Limited ("**Arena**"), for R75.0 million cash consideration, resulting in a profit on sale of Gallo and IFD of R112.8 million. The funds were largely applied against the debt raised to acquire First Impression Labels Proprietary Limited ("**FIL**"). The disposal of Gallo and IFD result in a capital gain of R55.0, however, the entity disposing of the shares is in an assessed loss position, therefore no tax charge on capital gains will arise. The Gallo and IFD results for the six months ended 31 December 2019 have been reversed. Gallo and IFD were classified and presented as non-current assets held for sale and discontinued operations at 31 December 2019.

3. Disposal of 51.0% interest in Bothma Branding Solutions Proprietary Limited ("**BBS**") to other existing shareholders, for R16.4 million cash consideration, resulting in a loss on sale of BBS of R10.4 million. The shareholding prior to the share sale agreement signed in August 2017, in which the shareholding was acquired, was reinstated. The disposal of BBS resulted in a capital loss of R26.0. Consequently, no tax charge on capital gains will arise. The BBS results for the six months ended 31 December 2019 have been reversed.

4. Settlement of the remaining purchase price on acquisition of FIL of R96.5 million. Interest expense of R2.4 million for the six months ended 31 December 2019 has been reversed. A tax adjustment of R0.7 million has been accounted for the interest saving.

5. Receipt of R15.0 million repayment on Consolidated Steel Industries Proprietary Limited's ("**CSI**") short term, interest bearing equity loan. Interest income earned for the six months ended 31 December 2019 of R 1.8 million has been reversed. The entity receiving the funds is in an assessed loss position, therefore no tax adjustment required.

It is noted that the *pro forma* financial information has been based on the Group's latest unaudited financial results for the six months ended 31 December 2019. As noted in the disclosures and in accordance with the accounting standards, no specific post reporting date adjustments were made to the half year results for the potential impact of the COVID-19 pandemic which unfolded post the period end. Whilst it was noted that this pandemic across the world would undoubtedly have unprecedented effects on the South African and global economy, the impact of the medium and long term effects of the virus on the Group were uncertain. It was noted in the published result announcement that having taken the existing circumstances into consideration, the Tiso Blackstar Board concluded that they are satisfied that the Group would have adequate resources to continue into the foreseeable future as a going concern.

There are no other material subsequent events that require adjustment to the *pro forma* financial information. All adjustments are of a continuing nature unless otherwise stated.

Consolidated statement of financial position

R'000	Receipt of net asset value adjustment proceeds on disposal of TBG SA Group	Disposal of Gallo and IFD	Disposal of BBS	Settlement of FIL acquisition	Receipt of CSI equity loan	Total subsequent events requiring adjustment to *pro forma* information
Notes	**1**	**2**	**3**	**4**	**5**	
ASSETS						
Non-current assets	**–**	**–**	**(61,457)**	**–**	**(15,000)**	**(76,457)**
Property, plant and equipment	–	–	(5,626)	–	–	**(5,626)**
Right-of-use assets	–	–	(13,846)	–	–	**(13,846)**
Goodwill	–	–	(36,653)	–	–	**(36,653)**
Intangible assets	–	–	–	–	–	**–**
Investment in associates – equity accounted	–	–	–	–	–	**–**
Other investments, loans and receivables	–	–	–	–	(15,000)	**(15,000)**
Deferred taxation	–	–	(5,332)	–	–	**(5,332)**
Current assets	**–**	**75,000**	**(37,742)**	**(100,022)**	**15,000**	**(47,764)**
Inventories	–	–	(3,015)	–	–	**(3,015)**
Trade and other receivables	(40,000)	–	(49,379)	–	–	**(89,379)**
Current taxation	–	–	(1,685)	–	–	**(1,685)**
Cash and cash equivalents	40,000	75,000	16,337	(100,022)	15,000	**46,315**
Non-current assets held for sale	–	(38,150)	–	–	–	**(38,150)**
TOTAL ASSETS	–	36,850	(99,199)	(100,022)	–	**(162,371)**
EQUITY AND LIABILITIES						
Capital and reserves attributable to the Group's equity holders	**–**	**91,241**	**2,416**	**(1,125)**	**–**	**92,532**
Share capital	–	–	–	–	–	**–**
Other reserves	–	–	–	–	–	**–**
Foreign currency translation reserve	–	–	–	–	–	**–**
Retained earnings/(Accumulated losses)	–	91,241	2,416	(1,125)	–	**92,532**
Non-controlling interests	**–**	**–**	**(13,440)**	**–**	**–**	**(13,440)**
TOTAL EQUITY	**–**	**91,241**	**(11,024)**	**(1,125)**	**–**	**79,092**

R'000	Receipt of net asset value adjustment proceeds on disposal of TBG SA Group	Disposal of Gallo and IFD	Disposal of BBS	Settlement of FIL acquisition	Receipt of CSI equity loan	Total subsequent events requiring adjustment to *pro forma* information
Notes	**1**	**2**	**3**	**4**	**5**	
LIABILITIES						
Non-current liabilities	**–**	**–**	**518**	**–**	**–**	**518**
Borrowings	–	–	–	–	–	**–**
Other financial liabilities	–	–	–	–	–	**–**
Lease liability	–	–	(14,042)	–	–	**(14,042)**
Provisions	–	–	–	–	–	**–**
Deferred taxation	–	–	14,560	–	–	**14,560**
Current liabilities	**–**	**–**	**(88,693)**	**(98,897)**	**–**	**(187,590)**
Borrowings	–	–	–	–	–	**–**
Other financial liabilities	–	–	(51,999)	(98,897)	–	**(150,896)**
Lease liability	–	–	(1,421)	–	–	**(1,421)**
Provisions	–	–	–	–	–	**–**
Trade and other payables	–	–	(25,025)	–	–	**(25,025)**
Current taxation	–	–	–	–	–	**–**
Bank overdrafts and other short term borrowing facilities	–	–	(10,248)	–	–	**(10,248)**
Non-current liabilities associated with non-current assets held for sale	–	(54,391)	–	–	–	**(54,391)**
TOTAL LIABILITIES	**–**	**(54,391)**	**(88,175)**	**(98,897)**	**–**	**(241,463)**
TOTAL EQUITY & LIABILITIES	**–**	**36,850**	**(99,199)**	**(100,022)**	**–**	**(162,371)**

Subsequent events requiring adjustment

Notes and assumptions:

Subsequent events requiring adjustment to the *pro forma* information and assumed to take place on 31 December 2019, include the following events:

1. Receipt of the remaining R40.0 million proceeds on sale of TBG SA Group for the movement in tangible net asset value. The funds were applied against the Group's general banking facility.

2. Disposal of 100.0% interests in Gallo Music Investments Proprietary Limited ("**Gallo**") and Indigenous Film Distribution Proprietary Limited ("**IFD**") to Arena Holdings Proprietary Limited ("**Arena**"), for R75.0 million cash consideration. The funds were largely applied against the debt raised to acquire First Impression Labels Proprietary Limited ("**FIL**"). As Gallo and IFD were subsidiaries, this includes the disposal of assets and liabilities included in the disposal groups. The disposal of Gallo and IFD results in a capital gain of R55.0, however, the entity disposing of the shares is in an assessed loss position, therefore no tax charge on capital gains will arise. Gallo and IFD were classified and presented as non-current assets held for sale and discontinued operations at 31 December 2019.

3. Disposal of 51.0% interest in Bothma Branding Solutions Proprietary Limited ("**BBS**") to other existing shareholders, for R16.4 million cash consideration. As BBS was a subsidiary, this includes the disposal of assets and liabilities, the goodwill which arose on acquisition, reversal of the contingent consideration payable and certain equity reserves, including non-controlling interest. The shareholding prior to the share sale agreement signed in August 2017, in which the shareholding was acquired, was reinstated. The disposal of BBS resulted in a capital loss of R26.0. Consequently, no tax charge on capital gains will arise.

4. Settlement of the remaining purchase price on acquisition of FIL of R100.0 million. Additional interest to settlement date of R1.1 million has been raised.

5. Receipt of R15.0 million repayment on Consolidated Steel Industries Proprietary Limited's ("**CSI**") short term, interest bearing equity loan.

It is noted that the *pro forma* financial information has been based on the Group's latest unaudited financial results for the six months ended 31 December 2019. As noted in the disclosures and in accordance with the accounting standards, no specific post reporting date adjustments were made to the half year results for the potential impact of the COVID-19 pandemic which unfolded post the period end. Whilst it was noted that this pandemic across the world would undoubtedly have unprecedented effects on the South African and global economy, the impact of the medium and long term effects of the virus on the Group were uncertain. It was noted in the published result announcement that having taken the existing circumstances into consideration, the Tiso Blackstar Board concluded that they are satisfied that the Group would have adequate resources to continue into the foreseeable future as a going concern.

There are no other material subsequent events that require adjustment to the *pro forma* financial information. All adjustments are of a continuing nature unless otherwise stated.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF TISO BLACKSTAR

"14 July 2020

The Directors
Tiso Blackstar Group SE
North West House
119 Marylebone Road
Marylebone
London
NW1 5PU

Dear Sirs/Madam

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information Included in a Circular

Capitalised terms in this report, will have the meaning given to them in the circular ("**Circular**") unless otherwise defined in this report.

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Tiso Blackstar Group SE ("**Tiso Blackstar**" or the "**Company**") by the directors. The *pro forma* financial information, as set out in **Annexure 7** of the Circular, to be dated on or about 31 July 2020, consists of the *pro forma* consolidated statement of profit or loss and the *pro forma* consolidated statement of financial position and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the KTH Sale, the Scheme and the Standby Offer ("**Corporate Actions**"), described in the Circular, on the Company's financial position as at 31 December 2019, and the Company's financial performance for the period then ended, as if the Corporate actions had taken place at 1 July 2019 and for the period then ended. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the six month period ended 31 December 2019, which were published unaudited and unreviewed on 3 April 2020.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 7** of the Circular.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors ("**IRBA Code**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information included in a Circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration. We do not provide any assurance that the actual outcome of the event or transaction at 31 December 2019 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the Corporate Actions or events in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

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

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 7**.

Deloitte & Touche

Registered Auditor
Per: James Welch
Partner

5 Magwa Crescent
Waterfall City
Johannesburg
South Africa"

MATERIAL BORROWINGS

Details of material loans to Tiso Blackstar and its Subsidiaries, and to KTH

Lender	Borrower	Type of Loan	Reason for loan (acquisition of assets or other)	Loan Amount	Interest Rate	Terms of repayment (i.e. interest only repayments/capital and interest repayments/no repayments) Date upon which loan must be settled	Security furnished	Balance owing on the Last Practicable Date	Interest payable in the next 12 months	Capital payable in the next 12 months
First Rand Bank Ltd ("**FRB**") (acting through its Rand Merchant Bank Division), FRB (acting through RMB Corporate Banking), The Standard Bank of South Africa Ltd (acting through its Corporate and Investment Banking Division) ("**SBSA**"), Ashburton High Yield Fund 2 Trust ("**Ashburton**")	Facility A Hirt & Carter South Africa	Facility A Amortising Loan Facility	Facility A Repayment of existing debt, general working capital and banking requirements, refinancing existing debt and working capital obligations.	Facility A R111,223,990	Facility A 3-month JIBAR + 3.25%	Facility A Final Repayment Date: June 2023 (with capital payments to be made each 6 months on 30 June and 31 December and interest payments made quarterly).	All Facilities Security provided by various members of the Group for obligations under Facilities A, B, C, D: • Guarantees; • General Notarial Bonds; • Pledge and cession of Group shares and claims; • Hypothecation of intellectual property; and • Mortgage Bonds.	Facility A R59,053,514	R3,923,196	R19,684,504
	Facility B Hirt & Carter South Africa	Facility B Bullet Term Loan Facility	Facility B Repayment of existing debt, general working capital and banking requirements, refinancing existing debt and working capital obligations	Facility B R123,634,231	Facility B 3-month JIBAR + 3.75%	Facility B Final Repayment Date: June 2023 with interest payments made quarterly.		Facility B R98,513,809	R7,626,939	R0
	Facility C Hirt & Carter South Africa	Facility C Amortising Loan Facility	Facility C Repayment of existing debt	Facility C R 150,000,000	Facility C 3-month JIBAR + 3.25%	Facility C Final Repayment Date: June 2023 (with capital payments to be made each 6 months on 30 June and 31 December and interest payments made quarterly).		Facility C R90,000,000	R5,979,114	R30,000,000

Lender	Borrower	Type of Loan	Reason for loan (acquisition of assets or other)	Loan Amount	Interest Rate	Terms of repayment (i.e. interest only repayments/capital and interest repayments/no repayments) Date upon which loan must be settled	Security furnished	Balance owing on the Last Practicable Date	Interest payable in the next 12 months	Capital payable in the next 12 months
	Facility D Hirt & Carter South Africa	Facility D Bullet Term Loan Facility	Facility D Repayment of existing debt	Facility D R 150,000,000	Facility D 3-month JIBAR + 3.75%	Facility D Final Repayment Date: June 2023 with interest payments made quarterly.		Facility D R150,00,000	R11,613,000	R0
FRB	TBH UK	General Banking Facility	Working Capital Facility	R 50,000,000 (plus a contingency facility of up to R 15,000,000)	South African Prime rate	Working capital demand facility with no specific repayment date and interest is capitalised monthly and settled monthly. It is annually reviewed and renewed by way of an annual credit review.	Guarantee by TBG UK and limited cession by TBG UK of shares held in TBH UK.	R35,020,392,88		
SBSA	Hirt & Carter South Africa	Instalment Sale	Acquisition of assets	R 194,438,646	South African Prime and Prime -1%.	Interest and capital repayments made monthly. Loan settled 5 years after inception.	The asset financed is held as security by the lender.	R105,738,472	R1,953,047	R11,042,373
Hewlett Packard Financing Services	Hirt & Carter South Africa	Finance lease	Acquisition of assets	R 89,872,320	South African Prime and Prime -1%.	Interest and capital repayments made monthly. Loan settled 5 years after inception.	The asset financed is held as security by the lender.	R60,636,355	R1,771,738	R13,393,596
Midcomp	Hirt & Carter South Africa	Finance lease	Acquisition of assets	R 1,179,828	10%	Interest and capital repayments made monthly. Loan settled 3 years after inception.	The asset financed is held as security by the lender.	R529,926	R22,078	R397,922
Sign-tronic	Hirt & Carter South Africa	Finance lease	Acquisition of assets	R3,962,297	9%	Interest and capital repayments made monthly. Loan settled 3 years after inception.	The asset financed is held as security by the lender.	R3,296,650	R216,812	R1,295,188

Note: *Indicates the loan facilities set out above that have repayment tranches that will become payable within the next 12 months, which shall be repaid from the proceeds generated from operations.*

FOREIGN TISO BLACKSTAR SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

1. FOREIGN TISO BLACKSTAR SHAREHOLDERS

1.1 The Scheme and/or the Standby Offer may be affected by the laws of the relevant jurisdiction of a Foreign Tiso Blackstar Shareholder. A Foreign Tiso Blackstar Shareholder should acquaint itself with and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect it. It is the responsibility of each Foreign Tiso Blackstar Shareholder to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme and/or the Standby Offer, including the obtaining of any governmental, exchange control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction.

1.2 The Scheme and the Standby Offer are governed by the laws of England and Wales and are subject to any applicable laws and regulations, including the Exchange Control Regulations.

1.3 Any Tiso Blackstar Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

2. EXCHANGE CONTROL REGULATIONS

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which may apply to Exit Election Shareholders or Standby Offer Consideration Participants (collectively referred to as "**Scheme and Standby Offer Participants**"), nor advice in relation thereto. Scheme and Standby Offer Participants who have any queries regarding the Exchange Control Regulations should contact their own independent professional advisors without delay.

2.1 **Residents of the Common Monetary Area**

In the case of:

2.1.1 Scheme and Standby Offer Participants who are Certificated Tiso Blackstar Shareholders and whose registered addresses in the Register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed pursuant to the Exchange Control Regulations, the Scheme Consideration or, if applicable, the Standby Offer Consideration will be paid by way of electronic funds transfer or posted to such Scheme and Standby Offer Participant in accordance with paragraph 6.7 of the Circular, or paragraph 7 of **Annexure 13** to the Circular, as applicable; or

2.1.2 Scheme and Standby Offer Participants who are Dematerialised Tiso Blackstar Shareholders and whose registered address in the Register are within the Common Monetary Area and have not been restrictively designated pursuant to the Exchange Control Regulations, the Scheme Consideration or, if applicable, the Standby Offer Consideration will be credited directly to the accounts nominated for the relevant Dematerialised Tiso Blackstar Shareholders by their duly appointed CSDP or Broker in accordance with the provisions of the Custody Agreement with their CSDP or Broker.

2.2 **Emigrants from the Common Monetary Area**

In the case of Scheme and Standby Offer Participants who are Emigrants from the Common Monetary Area and whose Tiso Blackstar Shares form part of their remaining assets, the Scheme Consideration or, if applicable, the Standby Offer Consideration will:

2.2.1 in the case of Scheme and Standby Offer Participants who are Certificated Tiso Blackstar Shareholders and whose Documents of Title are restrictively endorsed pursuant to the Exchange Control Regulations, be forwarded to the authorised dealer in foreign exchange in South Africa controlling such Certificated Tiso Blackstar Shareholder's remaining assets in accordance with terms of the Exchange Control Regulations. The attached Form of Election (*blue*) makes provision for details of the authorised dealer concerned to be given; or

2.2.2 in the case of Scheme and Standby Offer Participants who are Dematerialised Tiso Blackstar Shareholders and whose registered addresses are within the Common Monetary Area and have not been restrictively designated in terms of the Exchange Control Regulations, be paid to their CSDP or Broker, which shall arrange for same to be credited directly to the emigrant's capital account of the Dematerialised Tiso Blackstar Shareholder concerned with their authorised dealer in foreign exchange in South Africa.

2.3 **All other non-residents of the Common Monetary Area**

The Scheme Consideration or, if applicable, the Standby Offer Consideration accruing to non-resident Scheme and Standby Offer Participants (and emigrants who acquired Tiso Blackstar Shares with funds from outside the Common Monetary Area) whose registered addresses are outside the Common Monetary Area and who are not emigrants from the Common Monetary Area whose Tiso Blackstar Shares are part of their remaining assets will:

2.3.1 in the case of Scheme and Standby Offer Participants who are Certificated Tiso Blackstar Shareholders and whose Documents of Title have been restrictively endorsed in accordance with the terms of the Exchange Control Regulations, be paid by way of electronic funds transfer to such Scheme and Standby Offer Participant at such bank account as may be nominated in writing to Tiso Blackstar or posted to their registered address in accordance with paragraph 6.7 of the Circular, or paragraph 7 of **Annexure 13** to the Circular, as applicable. The attached Form of Election (*blue*) makes provision for a substitute address or bank details; or

2.3.2 in the case of Scheme and Standby Offer Participants who are Dematerialised Tiso Blackstar Shareholders, be paid to their duly appointed CSDP or Broker and credited to such Dematerialised Tiso Blackstar Shareholders in terms of the provisions of the Custody Agreement with their CSDP or Broker.

2.4 **Information not provided**

If the information regarding the authorised dealer is not given, or the instructions are not given and no bank account or address details for the Scheme and Standby Offer Participant in question appears in the Register, the Scheme Consideration or, if applicable, the Standby Offer Consideration will be held in trust by Tiso Blackstar (or its agent) in accordance with paragraph 6.7 of the Circular, or paragraph 7 of **Annexure 13** to the Circular, as applicable.

2.5 **SARB Ruling**

The Financial Surveillance Department of the SARB has approved the Scheme and/or Standby Offer and the Delisting of the Tiso Blackstar Shares from the JSE. The approval granted by the SARB is conditional on Tiso Blackstar Shareholders who are residents of South Africa and continue to hold Tiso Blackstar Shares after Delisting within a period of 12 months:

2.5.1 either dispose of the Tiso Blackstar Shares to a non-resident of the Common Monetary Area, receiving the proceeds in South Africa in terms of the Exchange Control Regulations; or

2.5.2 that the "loop" created by the South African residents holding more than 40% of the unlisted Shares in Tiso Blackstar is unwound by restructuring the shareholding in the South African entities in which Tiso Blackstar holds shares.

SOUTH AFRICAN TAX IMPLICATIONS FOR TISO BLACKSTAR SHAREHOLDERS

The summary below is only applicable to certain categories of South African tax resident Tiso Blackstar Shareholders holding their Tiso Blackstar ordinary shares on capital account, as well as non-resident Tiso Blackstar Shareholders. It is a general guide and is not intended to constitute a complete analysis of the tax consequences of the Scheme or Standby Offer in terms of South African tax law. This summary neither purports to constitute tax advice in any form whatsoever, nor does it intend to deal with the tax position of any specific Tiso Blackstar Shareholder. This summary is therefore intended to solely draw the Tiso Blackstar Shareholders' attention to certain key aspects of the South African tax legislation that may be relevant to them pursuant to the Scheme and Standby Offer. Tiso Blackstar and its advisors cannot be held responsible for the tax consequences of the Scheme and Standby Offer for Tiso Blackstar Shareholders.

Tiso Blackstar Shareholders should seek advice from their professional advisors if they are in any doubt about their tax position. They should also confirm how the general comments below apply to their specific personal circumstances and, in particular, ascertain whether there are any additional or exceptional tax consequences which could apply to them, taking into account that Tiso Blackstar is not a South African tax resident entity.

1. INFORMATION ON THE POSSIBLE SOUTH AFRICAN TAX CONSEQUENCES OF THE SCHEME AND STANDBY OFFER FOR TISO BLACKSTAR SHAREHOLDERS

1.1 As set out in further detail elsewhere in this Circular, Tiso Blackstar Shareholders will be entitled to participate in the Scheme (unless they have specifically made the Continuation Election). Alternatively, and assuming that the Scheme does not proceed and that the Standby Offer conditions are fulfilled or waived, the Tiso Blackstar Shareholders will be entitled to participate in the Standby Offer if such shareholders make a positive election to dispose of their Tiso Blackstar Shares. The potential tax implications of both alternatives will vary depending on the specific circumstances of each Tiso Blackstar Shareholder.

1.2 **Scheme: Exit Election Shares**

1.2.1 Assuming that the Scheme is implemented, Tiso Blackstar will cancel shares of Tiso Blackstar Shareholders who have made the Exit Election, who have taken no action, or who have not made the Continuation Election. The cancellation by Tiso Blackstar of the Exit Election Shares should, for South African tax purposes, be treated as a foreign dividend distributed by Tiso Blackstar to the relevant Tiso Blackstar Shareholders to the extent that the amount is a payment out of the Company's distributable reserves. This distribution will be equal to the Scheme Consideration.

1.2.2 Should the relevant Tiso Blackstar Shareholder be, *inter alia*, a South African tax resident company, pension fund, retirement fund or public benefit organisation, the foreign dividend should be exempt from both South African income tax in terms of section 10B(2)(d) of the Income Tax Act and from Dividends Tax in terms of section 64F(1) read with section 64G(2) of the Income Tax Act, provided that the prescribed Dividends Tax declaration and undertaking has been completed and submitted, as it would in the course of normal dividends being declared.

1.2.3 Should the relevant Tiso Blackstar Shareholder be a South African tax resident individual or trust, the foreign dividend should also be exempt from South African income tax in terms of section 10B(2)(d) of the Income Tax Act, but should be subject to Dividends Tax at a rate of 20%.

1.2.4 No Dividends Tax should arise in respect of any portion of the Scheme Consideration distributed to Tiso Blackstar Shareholders that are not tax resident in South Africa, by virtue of the exemption contained in section 64F(1)(j) of the Income Tax Act.

1.2.5 The cancellation by Tiso Blackstar of the Exit Election Shares should, for South African tax purposes, be treated as a foreign return of capital distributed by Tiso Blackstar to the relevant Tiso Blackstar Shareholders to the extent that it is a repayment of the paid up nominal capital. The foreign return of capital would not give rise to income tax or Dividends Tax in the hands of the Tiso Blackstar Shareholders, but it may give rise to capital gains tax consequences in their hands unless they are pension funds, retirement funds or public benefit organisations.

1.3 **Standby Offer**

1.3.1 Assuming that the Scheme does not proceed, but instead the Standby Offer proceeds, Tiso Blackstar will repurchase its shares from the Tiso Blackstar Shareholders who makes a positive election to dispose of their Tiso Blackstar Shares. The repurchase by Tiso Blackstar of its shares will, for South African tax purposes, be treated as a foreign dividend distributed by Tiso Blackstar to the relevant Standby Offer Consideration Participant to the extent that the amount is a payment out of the Company's distributable reserves. This distribution will be equal to the Standby Offer Consideration.

1.3.2 Should the relevant Standby Offer Consideration Participant be, *inter alia*, a South African tax resident company, pension fund, retirement fund or public benefit organisation, the foreign dividend should be exempt from both South African income tax in terms of section 10B(2)(d) of the Income Tax Act and from Dividends Tax in terms of section 64F(1) read with section 64G(2) of the Income Tax Act, provided that the prescribed Dividends Tax declaration and undertaking has been completed and submitted, as it would in the course of normal dividends being declared.

1.3.3 Should the relevant Standby Offer Consideration Participant be a South African tax resident individual or trust, the foreign dividend should also be exempt from South African income tax in terms of section 10B(2)(d) of the Income Tax Act, but should be subject to Dividends Tax at a rate of 20%.

1.3.4 No Dividends Tax should arise in respect of any portion of the Scheme Consideration distributed to Tiso Blackstar Shareholders that are not tax resident in South Africa, by virtue of the exemption contained in section 64F(1)(j) of the Income Tax Act.

1.3.5 The repurchase by Tiso Blackstar of its shares will, for South African tax purposes, be treated as a foreign return of capital distributed by Tiso Blackstar to the relevant Standby Offer Consideration Participant to the extent that it is a repayment of share capital. The foreign return of capital would not give rise to income tax or Dividends Tax in the hands of the Tiso Blackstar Shareholders, but it may give rise to capital gains tax consequences in their hands unless they are pension funds, retirement funds or public benefit organisations.

SCHEME DOCUMENT

IN THE HIGH COURT OF JUSTICE **CR-2020-002986**

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMPANIES COURT (ChD)

IN THE MATTER OF TISO BLACKSTAR GROUP SE

and

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

UNDER PART 26 OF THE COMPANIES ACT 2006

between

TISO BLACKSTAR GROUP SE

and

THE REGISTERED SHAREHOLDERS

(as defined herein)

1. PRELIMINARY

Definitions

1.1 In this Scheme Document, the following expressions shall, unless the context otherwise requires, have the following meanings:

"Acceptance Date"	11:00 a.m. BST (12:00 p.m. SAST) on the same day as the Scheme Record Date;
"Act"	the Companies Act 2006, as amended;
"Broker"	any Person registered as a "broking member (equities)" pursuant to the Rules of the JSE and in accordance with the provisions of the Financial Markets Act;
"BST"	British Summer Time;
"Business Day"	a day which is not a Saturday, Sunday or official public holiday or bank holiday in the UK and/or in South Africa;
"Certificated Tiso Blackstar Shares"	Tiso Blackstar Shares being "certificated securities" as defined in the Financial Markets Act and accordingly are not Dematerialised;
"Certificated Tiso Blackstar Shareholders"	holders of Certificated Tiso Blackstar Shares;
"Circular"	this circular to Tiso Blackstar Shareholders, together with the annexures hereto, and including, the Notice of Court Meeting, the Notice of General Meeting, the terms of the Standby Offer, the Forms of Proxy, the Form of Election (*blue*) and the Form of Acceptance (*pink*);
"Continuation Election"	an election validly made by the Acceptance Date in respect of a Scheme Share for that share not to be cancelled pursuant to the Scheme;
"Continuation Election Share"	a Scheme Share in respect of which a valid Continuation Election has been made;
"Court"	the High Court of Justice of England and Wales;
"Court Meeting"	the meeting of Registered Shareholders (and any adjournment of such meeting) convened pursuant to an order of the Court pursuant to section 896 of the Act for the purpose of considering and, if thought fit, approving (with or without modification) this Scheme;
"CSDP"	a central securities depositary participant, being a "participant" as defined in the Financial Markets Act;
"Custody Agreement"	a custody mandate agreement between a Dematerialised Tiso Blackstar Shareholder and a CSDP or Broker, regulating their relationship in respect of Dematerialised Tiso Blackstar Shares held on Tiso Blackstar's uncertificated securities register administered by a CSDP or Broker on behalf of such Tiso Blackstar Shareholder;
"Delisting"	the termination of the listing of Tiso Blackstar Shares on the Main Board of the exchange operated by the JSE;
"Dematerialised"	the process by which certificated shares are converted into an electronic format as dematerialised shares in the Strate system and recorded in a company's uncertificated securities register administered by a CSDP;
"Dematerialised Shares"	Tiso Blackstar Shares that are Dematerialised;
"Dematerialised Tiso Blackstar Shareholders"	Tiso Blackstar Shareholders who hold Dematerialised Tiso Blackstar Shares;
"Election"	a Continuation Election or an Exit Election, including both an Electronic Election and an election made by the Form of Election, and including (where the context so requires) an election deemed to have been made pursuant to the terms of this Scheme;
"Electronic Election"	an election made in respect of Dematerialised Shares in accordance with clause 9 of the Scheme;
"Effective"	in relation to the Scheme, when the Scheme becomes effective upon delivery to the UK Registrar of Companies of an office copy of the court order sanctioning the Scheme and confirming the Capital Reduction;
"Exit Election"	an election validly made in respect of a Scheme Share for that share to be cancelled pursuant to the Scheme, or in respect of which a valid Continuation Election has not been made pursuant to the Scheme by the Acceptance Date;
"Exit Election Shareholder"	a Tiso Blackstar Shareholder who holds Exit Election Shares at the Scheme Record Date;
"Exit Election Shares"	a Scheme Share in respect of which: (a) a valid Exit Election has been made for that share to be cancelled pursuant to the Scheme; or (b) a valid Continuation Election has not been made pursuant to the Scheme, as set out in clause 4 below;

"Financial Markets Act"	the South African Financial Markets Act, No 19 of 2012, as amended;
"Form of Election"	a form of election (*blue*) as sent with the Circular for use by Certificated Tiso Blackstar Shareholders for making Elections under the Scheme;
"JSE"	the securities exchange, licensed under the Financial Markets Act, operated by JSE Limited, registration number 2005/022939/06, a limited liability public company duly incorporated in South Africa;
"Register"	the register of members of the Company under section 113 of the Act;
"Registered Shareholder"	a person holding Tiso Blackstar Shares whose name is entered on the Register in respect of those shares;
"Scheme Consideration"	ZAR4.15 per Exit Election Share, subject to any applicable adjustment in accordance with the terms of the Scheme;
"Scheme"	the scheme of arrangement pursuant to Part 26 of the Act, between Tiso Blackstar and Registered Shareholders, pursuant to which Tiso Blackstar will cancel all Exit Election Shares for the Scheme Consideration by way of a Capital Reduction;
"Scheme Effective Date"	the date the Scheme becomes Effective, which is expected to be the Business Day immediately following the Scheme Unconditional Date;
"Scheme LDT"	the last day to trade in Tiso Blackstar Shares in order to participate in the Scheme, being at the close of trading 3 trading days prior to the Scheme Record Date, which is expected to be at 16:00 BST (17:00 SAST) on Tuesday, 29 September 2020 (or such other date and time as the JSE may direct);
"Scheme Record Date"	17:00 SAST on the Friday after the Scheme LDT (which at the date of this Circular is expected to be at 16:00 BST (17:00 SAST) on Friday, 2 October 2020 (or such other date and time as the JSE, subject to the approval of the UK Court, may direct);
"Scheme Shares"	the Tiso Blackstar Shares: (i) in issue at the date of the Circular; (ii) (if any) issued after the date of the Circular but before the Voting Record Date; and (iii) (if any) issued at or after the Voting Record Date but prior to the Scheme Record Date on terms that the original or any subsequent holder shall be bound by the Scheme or in respect of which the original or any subsequent holders are, or have agreed in writing to be, bound by the Scheme, excluding in every case any Tiso Blackstar Shares held in treasury; and, for the purposes of the Court Meeting, mean any such shares as at the Voting Record Date;
"SAST"	South African Standard Time;
"SE Regulation"	Council Regulation (EC) No 2157/2001 on the Statute for a European Company and Council Directive 2001/86/EC;
"Strate"	Strate Proprietary Limited, a private company incorporated in accordance with the laws of South Africa under registration number 1998/022242/07, being a registered central security depositary in terms of the Financial Markets Act and which manages the electronic clearing and settlement system for transactions that take place on the Johannesburg Stock Exchange as well as off-market dealings of securities listed on the Johannesburg Stock Exchange;
"STRATE system"	the system for electronic clearing and settlement and holding of uncertificated securities operated by Strate for dealings that take place on the Johannesburg Stock Exchange as well as off-market dealings of securities listed on the Johannesburg Stock Exchange;
"Tiso Blackstar Shares"	ordinary shares of €0.10 each in the share capital of the Company (excluding treasury shares);
"Tiso Blackstar Shareholders"	Registered Shareholders and Dematerialised Tiso Blackstar Shareholders;
"Transfer Secretaries"	Link Market Services Proprietary Limited, registration number 2000/007239/07, a limited liability private company incorporated in South Africa;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"Voting Record Date"	16:00 BST (17:00 SAST) on Friday, 11 September 2020, being the date eligibility to attend and vote at the Court Meeting and the General Meeting is determined, or, if the Court Meeting is adjourned, 16:00 BST (17:00 SAST) on the Friday immediately prior to the date of such adjourned meeting; and
"ZAR"	South African Rand, the lawful currency of South Africa.

1.2 References to Clauses are to clauses of this Scheme, and references to time are to London time.

RECITALS

A. The Company is a societas europaea established pursuant to the SE Regulation. It is registered in England and Wales and is governed by the SE Regulation and by the laws applying to public limited companies in England and Wales in respect of matters not covered or expressly authorised by the SE Regulation.

B. The issued share capital of the Company at the date of this Scheme is denominated in Euro, and is €27,575,309.20 divided into 275,753,092 ordinary shares of €0.10 each, all of which are credited as fully paid. The Company holds 5,758,411 ordinary shares in treasury at the date of this Scheme.

THE SCHEME

2. On the Scheme Effective Date the issued share capital of the Company shall be reduced by cancelling and extinguishing all of the Exit Election Shares.

3. The Company shall pay the holders of Exit Election Shares at the Scheme Record Date ZAR4.15 per Exit Election Share, in accordance with clause 15 of the Scheme.

4. An Exit Election Share is a Scheme Share at the Scheme Record Date in respect of which:

   (a) a valid Election to be cancelled pursuant to the Scheme has been made in accordance with clause 14;

   (b) a valid Continuation Election has not been made.

5. A Continuation Share is a Scheme Share at the Scheme Record Date in respect of which a valid Continuation Election has been made pursuant to the Scheme.

6. Each Registered Shareholder can make an Election in respect of some or all of its Scheme Shares. Any Scheme Shares for which a Registered Shareholder does not make an Election will be deemed to be Exit Election Shares.

7. The Company shall not have any obligation to verify that an Election in respect of Scheme Shares which are Dematerialised Shares is consistent with the instructions given by its Dematerialised Tiso Blackstar Shareholder(s) or is validly completed or have any liability to any CSDP or Broker or Dematerialised Tiso Blackstar Shareholders in the event that an Election in respect of Scheme Shares in the Strate system is rejected or treated as invalid, or is not made in accordance with the instructions received from the relevant Dematerialised Tiso Blackstar Shareholder.

8. Each Election by a holder of Scheme Shares in certificated form shall be made by completion of the Form of Election which shall be executed by the holder of the Scheme Shares or their duly authorised agent (or, in the case of a body corporate, executed by an authorised representative). To be effective, the Form of Election must be completed and returned in accordance with the instructions printed thereon so as to arrive at the offices of the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) by no later than the Acceptance Date.

9. Elections for Scheme Shares which are Dematerialised Shares shall be made in accordance with the terms of the relevant Custody Agreement and instructions to the Dematerialsed Tiso Blackstar Shareholders by their CSDP or Broker such that the relevant CSDP or Broker can validly notify Strate of that Election by the Acceptance Date. The Company shall only be obliged to treat as valid, Elections in respect of Dematerialised Shareholders whose Elections are notified to the Company (or the Transfer Secretaries) by Strate on the day of the Acceptance Date.

10. If the Form of Election is received by the Transfer Secretaries after the Acceptance Date, or is received by the Transfer Secretaries before such time but is not, or is deemed not to be, valid or complete in all respects at such time (and any omission, error or cause of invalidity is not corrected to the satisfaction of the Company, in its absolute discretion, acting through the Transfer Secretaries or otherwise), then such Election shall be void and the Scheme Shares to which that Election relates shall be deemed to be Exit Election Shares.

11. Upon execution and delivery by a holder of Scheme Shares of a valid Form of Election or the making of a valid Electronic Election, such holder of Scheme Shares shall be bound by the terms and provisions contained in the Form of Election or the Electronic Election (as the case may be).

12. A Form of Election duly completed and delivered may be withdrawn by notice to the Transfer Secretaries in writing to be received by the Acceptance Date. A withdrawal of any Electronic Election must be made in accordance with the terms of the relevant Custody Agreement and any instructions from the relevant CSDP or Broker. Notwithstanding any such withdrawal of an Electronic Election made in accordance with such terms or instructions, the Company shall not be bound by it if it is not reflected in, and consistent with, the notification of Elections made by Strate to the Company on the Acceptance Date, as referred to in clause 9.

13. If there is inconsistency between Forms of Election in respect of the same Scheme Share, the last Form of Election which is delivered shall prevail over any earlier Form of Election. The delivery time for a Form of Election shall be determined on the basis of which Form of Election is last sent or, if the Company is unable to determine which is last sent, is last received. Forms of Election which are sent in the same envelope shall be treated for these purposes as having been sent and received at the same time, and, in the case of an inconsistency between such Forms of Election, none of them shall be treated as valid (unless the Company shall otherwise determine in its absolute discretion). In the event that there is any inconsistency in the Electronic Elections as notified by Strate to Company on the Acceptance Date, as referred to in clause 9, the Company shall, to the extent that is aware of any such inconsistency, shall consult with the Transfer Secretaries and Strate regarding the inconsistency, but the Company's determination, in its absolute discretion, regarding the inconsistency shall be final. The determination by the Company of the number of Exit Election Shares as at the Scheme Record Date shall be final.

14. The Company (including acting through the Transfer Secretaries) may exercise its discretion or make any determination in relation to any purported Election, including whether to reject any purported Election, made in accordance with the provisions of clauses 8 or 9. In the absence of bad faith or wilful default, the Company shall not have any liability for any exercise of discretion or any determination (or for not exercising any discretion or making any determination) in relation to, or any rejection of, any purported Election pursuant to clauses 8 or 9 (including any determination or rejection), or for any loss or damage arising as a result of any determination (or of not making any determination) in relation to, or any omission or rejection of, any purported Election pursuant to clauses 8 or 9 (including any determination or rejection).

15. **Payment, Share certificates and cancellation of entitlements**

15.1 As soon as practicable after the Scheme Effective Date (and in any event within seven days), the Company, acting through its settlement agent, shall:

(a) in respect of Exit Election Shares which are Dematerialised Shares, pay to the accounts of Dematerialised Tiso Blackstar Shareholders held at their CSDP or Broker the Scheme Consideration in respect of those Exit Election Shares and those accounts will be debited with the corresponding Exit Election Shares; and

(b) in respect of Exit Election Shares which are Certificated Tiso Blackstar Shares, will dispatch cheques in respect of the Scheme Consideration attributable to those Exit Election Shares, at their risk, unless they have elected to receive the Scheme Consideration by way of electronic funds transfer by completing the relevant section on the Form of Election, in which case the Scheme Consideration will be paid to them in cash forthwith by way of electronic funds transfer.

15.2 No interest will accrue for the benefit of Exit Election Shareholders on the Scheme Consideration.

15.3 The Scheme Consideration shall be settled, in full, in accordance with the terms of the Scheme without regard to any lien, right of set-off, counterclaim or other analogous right to which the Company may otherwise be, or claim to be, entitled against any Exit Election Shareholder.

15.4 With effect from and including the Scheme Effective Date, documents of title, including all certificates representing holdings of Exit Election Shares, shall cease to have effect as documents of title to the Exit Election Shares comprised in them and every holder of Exit Election Shares should destroy any such certificates at the Scheme Effective Date.

15.5 As regards certificated Exit Election Shares, appropriate entries shall be made in the Register with effect from the Scheme Effective Date to reflect their cancellation.

15.6 Within ten Business Days of Delisting the Company shall provide, or procure that the Transfer Secretaries provide, the relevant CSDPs with share certificates in respect of Continuation Election Shares which are Dematerialised Shares in the names of the respective Dematerialised Tiso Blackstar Shareholders in accordance with the information as provided to the Company by Strate as to the names and addresses of the Dematerialised Tiso Blackstar Shareholders, and their respective number of Continuation Election Shares, as at the Scheme Record Date.

15.7 The Company shall, as soon as practicable following Delisting, enter in the Register the relevant details required by the Act in respect of the Continuation Election Shares at the Scheme Record Date which are Dematerialised Shares in accordance with the information as provided to the Company by Strate as to the names and addresses of the Dematerialised Tiso Blackstar Shareholders, and their respective number of Continuation Election Shares, as at the Scheme Record Date.

15.8 All cheques or payments made by way of electronic funds transfer in respect of Exit Election Shares which are Certificated Tiso Blackstar Shares shall be made payable to the Registered Shareholder or, in the case of joint holders, to the first-named of such holders of the Scheme Shares concerned, in South African Rand drawn on a South African clearing bank, and the encashment of any such cheque shall be a complete discharge to the Company for the monies represented thereby.

15.9 With respect to Exit Election Shares which are Dematerialised Shares, payment made in accordance with clause 15.1 above shall be a complete discharge of the Company for the monies represented thereby.

15.10 In the case of Registered Shareholders with Exit Election Shares at the Scheme Record Date who have not encashed cheques within six months from the Effective Date, the consideration due to them under the Scheme reflected by those cheques not encashed will be held by the Company on trust for those Registered Shareholders and the Company will notify them at that time. Pending receipt of valid claims by those Registered Shareholders, the Company will hold the consideration due to them on trust for a period of 12 years from the Scheme Effective Date, in a separate, interest-bearing South African bank account established solely for that purpose, and those Registered Shareholders may claim the consideration due to them (plus any interest accrued thereon) by written notice to the Company at any time during the period of 12 years from the Scheme Effective Date.

15.11 The Company shall not be responsible for any loss or delay in transmission of certificates, cheques or cash sent in accordance with this Clause 15.

16. **Scheme Effective**

16.1 This Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme under section 899 of the Act and confirming the Capital Reduction under section 648 of the Act and the statement of capital approved by the Court shall have been delivered to the UK Registrar of Companies and, if so ordered by the Court, the order and statement of capital shall have been registered by the UK Registrar of Companies.

16.2 Unless this Scheme shall have become Effective on or before 31 December 2020, or such later time and date, if any, as the Company and the Court may agree, this Scheme shall never become effective.

17. **Modifications**

The Company may jointly on behalf of all concerned agree to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose.

18. **Mandates**

All mandates and other instructions to the Company in force at the Scheme Record Date relating to Exit Election Shares shall cease to be valid and effective on the Scheme Effective Date.

19. **Costs**

The Company is authorised and permitted to pay all the costs and expenses relating to the negotiation, preparation and implementation of the Scheme.

20. **Governing Law**

This Scheme is governed by English law and is subject to the jurisdiction of the English courts. Any dispute of any kind whatsoever arising directly or indirectly as a result of or in connection with this Scheme, initiated by the Company, or any present or future shareholder of the Company, irrespective of the causes of action, including when based on contract or tort, shall be exclusively submitted to the English courts.

Dated 31 July 2020

TISO BLACKSTAR GROUP SE
(Incorporated in England and Wales)
(Registration number SE000110)
(Registered as an external company with limited liability in the Republic of South Africa
under registration number 2011/008274/10)
Share code: TBG ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

STANDBY OFFER BY TISO BLACKSTAR TO TISO BLACKSTAR SHAREHOLDERS

1. DEFINITIONS AND INTERPRETATIONS

Except for the additional definitions set out below, unless the context clearly indicates otherwise, the definitions commencing on page 10 in the main body of the Circular, apply to this **Annexure 13**.

"Standby Offer"	a *pro rata* offer by the Company to all Tiso Blackstar Shareholders generally to acquire Tiso Blackstar Shares up to the Standby Offer Cap, in exchange for the Standby Offer Consideration, on the terms and conditions set out in this **Annexure 13**;
"Standby Offer Cap"	the maximum number of Tiso Blackstar Shares that may be acquired pursuant to the Standby Offer, being 169,625,000 Tiso Blackstar Shares;
"Standby Offer Closing Date"	the closing date of the Standby Offer, which date shall be 11:00 a.m. BST (12:00 p.m. SAST) on the first Friday falling on or after the 20th Business Day after the Standby Offer Opening Date; provided that if that Friday is not a Business Day, the closing date of the Standby Offer shall be the Business Day preceding that Friday (or such other date as the JSE may direct);
"Standby Offer Conditions"	the conditions precedent to which the Standby Offer is subject, should a Standby Offer Trigger Event occur, as set out in paragraph 5.2 of this **Annexure 13** below;
"Standby Offer Consideration"	ZAR3.95 per Tiso Blackstar Share;
"Standby Offer Consideration Participants"	Tiso Blackstar Shareholders who Validly Accept the Standby Offer by the Standby Offer Closing Date and who are accordingly entitled to receive the Standby Offer Consideration;
"Standby Offer LDT"	the last day to trade Tiso Blackstar Shares in order to be registered in the Register on the Standby Offer Closing Date, which date will be three Business Days prior to the Standby Offer Closing Date;
"Standby Offer Opening Date"	the opening date of the Standby Offer, expected to be the first Business Day after the date on which it is announced on SENS that the Standby Offer is open for acceptance;
"Standby Offer Period"	the period from the Standby Offer Opening Date to the Standby Offer Closing Date;
"Standby Offer Resolution"	the ordinary resolution to be proposed at the General Meeting to approve the Standby Offer;
"Standby Offer Settlement Date"	in respect of a Standby Offer Consideration Participant, the date on which the Standby Offer Consideration payable to a Standby Offer Consideration Participant is settled, being the first Business Day after the Standby Offer Closing Date;
"Standby Offer Trigger Event"	either (i) any Condition is not fulfilled and (where applicable) not waived, or (ii) the Scheme otherwise lapses or fails; and
"Valid Acceptance" or "Validly Accept"	acceptance of the Standby Offer by a Tiso Blackstar Shareholder by forwarding a completed Form of Election (*blue*) to the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000), to be received by it by no later than 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date.

2. INTRODUCTION

2.1 Tiso Blackstar Shareholders are referred to the Company's announcement published on SENS on 26 June 2020 advising, *inter alia*, that the Company:

2.1.1 proposes that certain of the Exit Election Shares, be cancelled by the Company by way of a scheme of arrangement under Part 26 of the UK Companies Act, to be proposed by the Tiso Blackstar Board between Tiso Blackstar and the Registered Shareholders; or

2.1.2 if a Standby Offer Trigger Event occurs, intends to offer to acquire Tiso Blackstar Shares up to the Standby Offer cap from Tiso Blackstar Shareholders.

2.2 The Standby Offer will automatically become Operative if a Standby Offer Trigger Event has occurred. Tiso Blackstar shall announce through SENS and the printed media, as required, that the Standby Offer has become Operative.

2.3 In the event that the Scheme becomes Effective, the Standby Offer will never become Operative.

2.4 The purpose of this **Annexure 13** is to:

2.4.1 set out the terms and conditions on which the Standby Offer is extended to all Tiso Blackstar Shareholders, if a Standby Offer Trigger Event has occurred; and

2.4.2 record the terms of the Standby Offer in compliance with the UK Companies Act and the JSE Listings Requirements.

2.5 This **Annexure 13** sets out the terms of the Standby Offer. A memorandum of such terms will be made available at the Company's registered office for the purposes of section 696 of the UK Companies Act.

3. IMPORTANT DATES AND TIMES

Should a Standby Offer Trigger Event occur, all dates and times pertinent to the Standby Offer will be published on SENS and in the press.

4. RATIONALE FOR THE STANDBY OFFER AND THE DELISTING

The rationale for the Standby Offer and the Delisting appears in paragraph 5 in the main body of the Circular.

5. TERMS OF THE STANDBY OFFER

5.1 The Standby Offer

5.1.1 On the occurrence of a Standby Offer Trigger Event, Tiso Blackstar extends the Standby Offer to all Tiso Blackstar Shareholders to acquire all or some of their Tiso Blackstar Shares at the Standby Offer Consideration, subject to the Standby Offer Conditions.

5.1.2 Tiso Blackstar Shareholders who do not make an election to sell their Shares in accordance with the terms of the Standby Offer, will retain their shareholding in Tiso Blackstar, which will no longer be listed on the JSE.

5.1.3 In the event that the Scheme becomes Effective, the Standby Offer will never become Operative.

5.2 Standby Offer Conditions

5.2.1 If a Standby Offer Trigger Event occurs, the Standby Offer will be subject to the fulfilment or, where applicable, waiver of the conditions precedent that by no later than 31 December 2020 (or such later date as may be determined by the Company and notified to Tiso Blackstar Shareholders through an announcement on SENS):

5.2.1.1 the KTH Sale is implemented;

5.2.1.2 the Delisting Resolution is approved by more than 50% of the votes cast in person or by proxy;

5.2.1.3 the acquisition of Tiso Blackstar Shares in terms of the Standby Offer is approved by more than 50% of eligible votes cast in person or by proxy; and

5.2.1.4 Tiso Blackstar Shareholders validly accept (or are deemed to have accepted) the Standby Offer in respect of an aggregate of less than or equal to 169,625,000 Tiso Blackstar Shares by the Standby Offer Closing Date.

5.2.2 Tiso Blackstar shall be entitled to waive in writing the conditions set out at paragraph 5.2.1.4 above.

5.2.3 An announcement will be released on SENS and published in the South African press as soon as possible after the fulfilment or waiver of the Standby Offer Conditions, or non-fulfilment thereof, as the case may be.

5.3 **Transfer and Standby Offer Consideration**

5.3.1 If the Standby Offer Conditions are fulfilled or waived, each Tiso Blackstar Share held by a Standby Offer Consideration Participant for which Valid Acceptances have been submitted and received by Tiso Blackstar will be disposed of and transferred to Tiso Blackstar in exchange for the Standby Offer Consideration.

5.3.2 The Standby Offer Consideration represents a 61.9% premium over the 30-day volume weighted average trading price of the Tiso Blackstar Shares as at 25 June 2020, being last trading date prior to the announcement of the Standby Offer on SENS.

5.3.3 If, on or after the date of this Circular, any dividend and/or other distribution and/or return of capital is declared, made or paid or becomes payable in respect of the Tiso Blackstar Shares with a record date before the Standby Offer Settlement Date, Tiso Blackstar reserves the right to reduce the Standby Offer Consideration payable under the terms of the Standby Offer by an amount up to the amount of such dividend and/or other distribution and/or return of capital, in which case any reference in this document to the Standby Offer Consideration payable under the terms of the Standby Offer will be deemed to be a reference to the Standby Offer Consideration as so reduced. In such circumstances, Tiso Blackstar Shareholders would be entitled to retain any such dividend and/or other distribution and/or return of capital.

5.4 **Taxation**

5.4.1 The tax position of a Tiso Blackstar Shareholder under the Standby Offer is dependent on such Tiso Blackstar Shareholder's individual circumstances, including but not limited to whether it holds the Tiso Blackstar Shares as capital assets or as trading stock, whether the Tiso Blackstar Shares are held by a collective investment scheme or pension fund and on the tax jurisdiction in which the Tiso Blackstar Shareholder is resident. It is recommended that Tiso Blackstar Shareholders seek appropriate advice in this regard.

5.4.2 Tiso Blackstar Shareholders are referred to **Annexure 11** for a general summary of certain key South African tax implications.

5.5 **The Standby Offer Period**

The Standby Offer is irrevocable and will be open for acceptance from 8:00 a.m. BST (9:00 a.m. SAST) on the Standby Offer Opening Date and shall close at 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date. The Standby Offer will be open for acceptance by those Tiso Blackstar Shareholders that are recorded in the Register as holders of Tiso Blackstar Shares at any time from 8:00 a.m. BST (9:00 a.m. SAST) on the Standby Offer Opening Date up to and including 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date.

5.6 **No Encumbrance**

Each Standby Offer Consideration Participant is deemed, on the Standby Offer Settlement Date, to have warranted and undertaken in favour of Tiso Blackstar that the relevant Standby Offer Shares are not subject to a pledge or otherwise Encumbered, or if subject to any such pledge or other Encumbrance, that such Standby Offer Shares shall be released from such pledge or other Encumbrance immediately on payment and discharge of the Standby Offer Consideration. In this regard, each Standby Offer Consideration Participant irrevocably authorises and appoints Tiso Blackstar, in rem suam (that is, irrevocably for Tiso Blackstar's advantage), with full power of substitution, to act as agent in the name, place and stead of such Standby Offer Consideration Participant in doing all things and signing all documents to procure that the relevant Standby Offer Shares are released from any pledge or Encumbrance, including the removal of any endorsements to that effect present in the Register.

5.7 **Elections Made**

5.7.1 Those Tiso Blackstar Shareholders in respect of which Valid Acceptances have been received will have their Tiso Blackstar Shares purchased by Tiso Blackstar in exchange for the Standby Offer Consideration.

5.7.2 Tiso Blackstar Shareholders who do not make an election to sell any of their Tiso Blackstar Shares in accordance with the terms of the Standby Offer will retain their shareholding in Tiso Blackstar which will no longer be listed on the JSE .

5.7.3 Tiso Blackstar Shareholders who do not make an election to sell their Shares in accordance with the terms of the Standby Offer, will retain their shareholding in Tiso Blackstar, which will no longer be listed on the JSE.

5.7.4 If an election has been made in respect of a Tiso Blackstar Share and this Tiso Blackstar Share is subsequently transferred, the election made will be disregarded by the Company. The new shareholder of such shares will need to make a fresh election, if not the new shareholder of such shares will retain its shareholding in the Company by default.

5.8 **Authority**

5.8.1 The Standby Offer qualifies as an off-market purchase under section 692(2) of the UK Companies Act. Terms of the Standby Offer and the purchase of the Company's shares by the Company in terms of the Standby Offer must be approved by an ordinary resolution pursuant to section 694 of the UK Companies Act before it can be entered into between the Company and the Standby Offer Consideration Participants. Under section 695 of the UK Companies Act, the ordinary resolution is not effective if the votes attaching to shares being acquired under the Standby Offer are voted in favour of the resolution and the resolution would not have been passed without those votes.

5.8.2 As at the date of this Circular, the Company has obtained irrevocable undertakings in respect of 42.5% of the Company's shares excluding those held by the Company in treasury to vote in favour of the Standby Offer Resolution and not to accept the Standby Offer. All of these shares, if voted in accordance with the irrevocable undertakings and in compliance with the undertakings not to accept the Standby Offer, will be valid votes in favour of the Standby Offer Resolution. Given the likely number of votes to be cast on the Standby Offer Resolution will be materially below 100% of the votes attaching to Tiso Blackstar Shares (which excludes the treasury shares held by the Company which are not permitted to be voted), the Tiso Blackstar Board are confident that the Standby Offer Resolution will be passed and effective.

5.8.3 In the unlikely event that the number of votes cast against the Standby Offer Resolution is greater than 42.5% of the issued shares (excluding treasury shares), it may be the case that the results of such resolution will not be known until after the Forms of Election have been received and processed. This will be so where there have been sufficient additional votes in favour of the Standby Offer Resolution so that the total votes in favour exceed the total votes against, but where it is not yet known whether sufficient of the additional shares that voted in favour will not accept the Standby Offer.

5.8.4 Pursuant to section 696 of the UK Companies Act, a memorandum setting out the terms of the Standby Offer will be made available for inspection by members of Tiso Blackstar by being made available for inspection at the Company's registered office for not less than 15 days ending with the date of the General Meeting, and at the General Meeting itself. This memorandum will contain a list of members of the Company with whom the contract for purchase effected by the Standby Offer may be entered into, being those members who at the time of the preparation of the memorandum are not yet known to have rejected the Standby Offer.

5.8.5 A member of a company under the UK Companies Act is a person whose name is entered on the register of members of the company. As all the shares in Strate are dematerialised, the only member for English company law purposes in respect of the Dematerialised Shares is the Strate Nominee. It holds all the Dematerialised Shares (both with and without Own Name Registration) on the Register in its name. The Strate Nominee will therefore appear on the memorandum as a member holding shares which relate to the contract to be effected by the terms of the Standby Offer, in respect of the Dematerialsied Shares to be acquired under the Standby Offer.

6. PROCEDURE FOR ACCEPTANCE OF THE STANDBY OFFER

6.1 **General**

6.1.1 The Standby Offer may be accepted by Tiso Blackstar Shareholders in respect of all or part of their Tiso Blackstar Shares. Tiso Blackstar Shareholders who do not wish to accept the Standby Offer need take no further action and will be deemed to have declined the Standby Offer. In order to accept the Standby Offer, a Tiso Blackstar Shareholder must be recorded in the Register on the date of Valid Acceptance. In this regard it should be noted that the Standby Offer LDT is the last day to trade Tiso Blackstar Shares in order to be registered in the Register on the Standby Offer Closing Date.

6.1.2 **Tiso Blackstar Shareholders are referred to the section entitled "Action required by Tiso Blackstar Shareholders in relation to the Standby Offer", commencing on page 6 in the main body of the Circular, which details the action to be taken by Tiso Blackstar Shareholders in relation to the Standby Offer.**

6.1.3 In relation to Certificated Tiso Blackstar Shareholders, Tiso Blackstar reserves the right, in its absolute and sole discretion, to:

6.1.3.1 treat as invalid, Forms of Acceptance (*pink*) not completed correctly or not accompanied by the relevant Documents of Title (or, if applicable, evidence reasonably satisfactory to Tiso Blackstar that the Documents of Title to the relevant Tiso Blackstar Shares have been destroyed or lost and an indemnity reasonably acceptable to Tiso Blackstar); and

6.1.3.2 require proof of the authority of the person signing the Form of Acceptance (*pink*) where such proof has not yet been lodged with or recorded by the Transfer Secretaries; or

6.1.3.3 condone the non-compliance by any Certificated Tiso Blackstar Shareholder with any of the terms of the Standby Offer.

6.1.4 If a Form of Acceptance (*pink*) is treated as invalid due to non-compliance with the instructions contained therein, then the Tiso Blackstar Shareholder that submitted that Form of Acceptance (*pink*) will be deemed to have declined the Standby Offer, unless that Tiso Blackstar Shareholder re-submits a properly completed Form of Acceptance (*pink*) on or prior to the Standby Offer Closing Date.

6.2 **Acceptances irrevocable**

6.2.1 All acceptances of the Standby Offer received by the Transfer Secretaries on or prior to the Standby Offer Closing Date, shall be irrevocable and may not be withdrawn.

6.2.2 Standby Offer Consideration Participants should note that they may not trade any Tiso Blackstar Shares in respect of which they have accepted the Standby Offer, from the date of acceptance of the Standby Offer.

6.3 **Transaction receipts**

No receipts will be issued by the Transfer Secretaries for Forms of Acceptance (*pink*) unless specifically requested to do so by the Tiso Blackstar Shareholder in question. Lodging agents who require special transaction receipts are requested to prepare such receipts and to submit them for stamping by the Transfer Secretaries together with the Form of Acceptance (*pink*).

6.4 **Acceptances of the Standby Offer by nominee companies and representatives**

Acceptances of the Standby Offer by recognised nominee companies may be submitted in aggregate or in respect of each Tiso Blackstar Shareholder represented by such nominee companies. Any representative accepting the Standby Offer warrants that it is duly authorised to do so.

6.5 **Standby Offer not made where unlawful**

6.5.1 The Standby Offer is governed by English law. Such Tiso Blackstar Shareholders should familiarise themselves with any applicable legal requirements, which they are obligated to observe. It is the responsibility of any such Tiso Blackstar Shareholders wishing to accept the Standby Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith.

6.5.2 In particular, the Standby Offer is not being made, directly or indirectly, in or into any jurisdiction where it is unlawful for the Standby Offer to be made or accepted ("**the Affected Jurisdictions**") or by the use of mail, or by means or instrumentality of interstate or foreign commerce of, or any facility of a national securities exchange of, any of the Affected Jurisdictions. In such circumstances, the Circular is sent for information purposes only.

6.5.3 Tiso Blackstar Shareholders wishing to accept the Standby Offer should not use the post of any of the Affected Jurisdictions or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to the Standby Offer. Envelopes containing Forms of Acceptance (*pink*) or other documents relating to the Standby Offer should not be post-marked in any of the Affected Jurisdictions or otherwise dispatched from any of the Affected Jurisdictions and all acceptors must provide addresses outside the Affected Jurisdictions for receipt of the Standby Offer Consideration to which they are entitled under the Standby Offer.

6.5.4 Without limitation to the generality of the above, the Standby Offer is, unless otherwise permitted by law and in the sole discretion of Tiso Blackstar, not being made, directly or indirectly, in or into or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national securities exchange of, the United States, Australia, Canada or Japan and the Standby Offer cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Australia, Canada or Japan. Unless otherwise permitted by law and in the sole discretion of Tiso Blackstar, purported acceptances will not be valid if given from within any of the United States, Australia, Canada or Japan.

6.6 **Representation and Warranty of Foreign Tiso Blackstar Shareholders**

Certificated Tiso Blackstar Shareholders who complete the Form of Acceptance (*pink*) are deemed to represent and warrant to the Company that they have not received or sent copies or originals of the Circular, the Form of Acceptance (*pink*) or any related documents in, into or from the Affected Jurisdictions and have not otherwise utilised in connection with the Standby Offer, the mails, or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facility of a national securities exchange of, the Affected Jurisdictions, and that the Form of Acceptance (*pink*) has not been mailed or otherwise sent in, into or from the Affected Jurisdictions and such Tiso Blackstar Shareholders is accepting the Standby Offer from outside the Affected Jurisdictions.

7. SETTLEMENT OF THE STANDBY OFFER CONSIDERATION

7.1 Settlement of the Standby Offer Consideration is subject to the Exchange Control Regulations, the salient provisions of which are set out in **Annexure 10** to the Circular.

7.2 The Company or its agents will administer and effect the payment of the Standby Offer Consideration to Standby Offer Consideration Participants.

7.3 If the Standby Offer becomes unconditional and is implemented:

7.3.1 Standby Offer Consideration Participants who hold Dematerialised Tiso Blackstar Shares will have their accounts held at their CSDP or Broker credited with the Standby Offer Consideration and debited with the Tiso Blackstar Shares they are transferring to the Company pursuant to the Standby Offer on the Standby Offer Settlement Date; and

7.3.2 Standby Offer Consideration Participants who hold Certificated Tiso Blackstar Shares who:

7.3.2.1 have both surrendered their Documents of Title, and delivered completed Forms of Acceptance (*pink*), to the Transfer Secretaries on or before 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date, will have the cheque in respect of the Standby Offer Consideration posted to them, at their risk, on the Standby Offer Settlement Date, unless they have elected to receive the Standby Offer Consideration by way of electronic funds transfer by completing the relevant section on the Form of Acceptance (*pink*), in which case the Standby Offer Consideration will be paid to them in cash on the Standby Offer Settlement Date by way of electronic funds transfer; or

7.3.2.2 deliver completed Forms of Acceptance (*pink*) to the Transfer Secretaries on or before 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date, but only surrender their Documents of Title after 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date, will have the cheques in respect of the Standby Offer Consideration posted to them, at their risk, or the Standby Offer Consideration paid to them by way of electronic funds transfer (if this option was selected on the Form of Acceptance (*pink*)) within five Business Days of the later of the Transfer Secretaries receiving their Documents of Title or the Standby Offer Settlement Date.

7.3.3 In the event that a Standby Offer Consideration Participant who holds Certificated Tiso Blackstar Shares fails to surrender its Documents of Title (or, in the case of lost or destroyed Documents of Title, an indemnity in the form provided by the Transfer Secretaries on request) to the Transfer Secretaries, the Standby Offer Consideration due to such Standby Offer Consideration Participant will be held in trust by Tiso Blackstar (or its agent), but only for a period of three years from the Standby Offer Closing Date.

7.4 Payment by Tiso Blackstar or its agent to Standby Offer Consideration Participants of the Standby Offer Consideration shall be the sole and exclusive manner of discharge by Tiso Blackstar of its obligations under the Standby Offer.

7.5 The rights of Standby Offer Consideration Participants to receive the Standby Offer Consideration will be rights enforceable by the Standby Offer Consideration Participants against the Company or its agent.

7.6 For the avoidance of doubt, no interest shall accrue for the benefit of the Tiso Blackstar Shareholders on the Standby Offer Consideration.

8. FRACTIONS

No fractions of a Tiso Blackstar Share will be acquired in the Standby Offer.

9. FINANCIAL INFORMATION

9.1 **Historical Financial Information and Interim Financial Information of Tiso Blackstar**

The audited historical financial information of Tiso Blackstar for the financial years ended 30 June 2019, 30 June 2018 and 30 June 2017 and the unaudited interim financial information of Tiso Blackstar for the 6-month period ended 31 December 2019 are incorporated herein by reference and can be accessed on the Company's website (http://www.tisoblackstar.com/tbg/investors/publications). These financial statements will also be available for inspection in accordance with paragraph 23 of this Circular:

Disclosure	Document	Website link
Historical financial information	Audited financial information of Tiso Blackstar for the year ended 30 June 2019	https://storage.googleapis.com/tiso_cosmos_files/Tiso%20Blackstar%20Group%20SE%20IAR%202019__A4%20Print%20Friendly__HiRes__2%20Dec-com-min%20(1)%20(1).pdf
Historical financial information	Audited financial information of Tiso Blackstar for the year ended 30 June 2018	https://storage.googleapis.com/tiso_cosmos_files/Integrated%20Annual%20Report%20-%202018.pdf
Historical financial information	Audited financial information of Tiso Blackstar for the year ended 30 June 2017	https://storage.googleapis.com/tiso_cosmos_files/Integrated%20Annual%20Report%202017.pdf
Unaudited financial information	Unaudited interim financial information of Tiso Blackstar for the 6-month period ended 31 December 2019	https://storage.googleapis.com/tiso_cosmos_files/Interim%20Results%20Final.pdf

9.2 ***Pro forma* Financial Information of Tiso Blackstar**

The *pro forma* financial information of Tiso Blackstar is presented in **Annexure 7** to this Circular, with the Independent Reporting Accountants' report thereon appearing in **Annexure 8**.

10. INFORMATION RELATING TO TISO BLACKSTAR

10.1 Share Capital

10.1.1 The current issued share capital of Tiso Blackstar, as at the Last Practicable Date, is shown below:

Before the Standby Offer	Number of Shares	Share Capital ZAR'000[1]
Issued, net of treasury shares	269,994,681	513,076
Ordinary shares of €0.10 each	275,753,092	524,019
Treasury shares of €0.10 each	5,758,411	10,943
Share Premium		–

Notes:

[1] *A capital reduction was approved by the Tiso Blackstar Shareholders at the Company's Annual General Meeting held on 11 December 2019, and by the courts under the UK Companies Act on 3 March 2020. There was a reduction in the nominal value of each share from €0.76 to €0.10 but there was no change in the number of the Company's issued ordinary shares as a result of the share capital reduction.*

10.1.2 The anticipated issued share capital of Tiso Blackstar following the Standby Offer, is shown below:

Following the Standby Offer	Number of Shares	Share Capital ZAR'000[1]
Issued, net of treasury shares	100,369,681	190,734
Ordinary shares of €0.10 each	106,128,092	201,677
Treasury shares of €0.10 each	5,758,411	10,943
Share Premium		–

Notes:

[1] *Assumes that 169,625,000 Tiso Blackstar Shares are repurchased pursuant to the terms of the Standby Offer.*

10.2 Major Shareholders

Tiso Blackstar Shareholders are referred to paragraph 9.2 in the main body of the Circular in this regard.

10.3 Material Change

Tiso Blackstar Shareholders are referred to paragraph 9.3 in the main body of the Circular in this regard.

11. INFORMATION RELATING TO TISO BLACKSTAR DIRECTORS

11.1 Directors interests in Tiso Blackstar Shares

Tiso Blackstar Shareholders are referred to paragraph 10.1 in the main body of the Circular in this regard.

11.2 Directors' remuneration

Tiso Blackstar Shareholders are referred to paragraph 10.2 in the main body of the Circular in this regard.

11.3 Directors' interests in transactions

Tiso Blackstar Shareholders are referred to paragraph 10.3 in the main body of the Circular in this regard.

11.4 Service contracts of executive Tiso Blackstar Directors

Tiso Blackstar Shareholders are referred to paragraph 10.5 in the main body of the Circular in this regard.

12. ADEQUACY OF CAPITAL

Tiso Blackstar Shareholders are referred to paragraph 11 in the main body of the Circular in this regard.

13. EXPENSES

Tiso Blackstar Shareholders are referred to paragraph 13 in the main body of the Circular in this regard.

14. REPORT OF THE INDEPENDENT EXPERT

Tiso Blackstar Shareholders are referred to paragraph 17 in the main body of the Circular in this regard.

15. THE VIEWS OF THE TISO BLACKSTAR BOARD ON THE STANDBY OFFER

Tiso Blackstar Shareholders are referred to paragraph 18 in the main body of the Circular in this regard.

16. TISO BLACKSTAR BOARD RESPONSIBILITY STATEMENT

The Tiso Blackstar Directors, whose names appear in the "Corporate Information and Advisors" section of this Circular, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular, including this **Annexure 13**, and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the JSE Listings Requirements.

17. ADVISORS' CONSENTS

The parties referred to in the "Corporate Information and Advisors" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

18. SPONSOR AND CORPORATE ADVISOR

Tiso Blackstar Shareholders are referred to paragraph 22 in the main body of the Circular in this regard.

19. DOCUMENTS AVAILABLE FOR INSPECTION

The documents, or copies thereof, listed in paragraph 23 in the main body of the Circular will be available for inspection by the Tiso Blackstar Shareholders on Tiso Blackstar's website at https://www.tisoblackstar.com/tbg/investors/publications/ and, during normal business hours at the registered office of Tiso Blackstar and at the offices of PSG Capital from the date of posting of this Circular until the Standby Offer Closing Date.

SIGNED AT LONDON ON 31 JULY 2020 BY JOHN BROADHURST MILLS ON BEHALF OF ALL THE DIRECTORS OF TISO BLACKSTAR GROUP SE, ACTING UNDER POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS

JOHN BROADHURST MILLS

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE **CR-2020-002986**

BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES

COMPANIES COURT (ChD)

IN THE MATTER OF TISO BLACKSTAR GROUP SE

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that, by an order dated 22 July 2020 made in the above matters, the Court has directed that a meeting be convened ("**Court Meeting**") of the Registered Shareholders (as defined below), for the purposes of considering and, if thought fit, approving (with or without modification) a scheme of arrangement ("**Scheme of Arrangement**") pursuant to Part 26 of the Companies Act, 2006, as amended from time to time ("**Companies Act**") proposed to be made between Tiso Blackstar Group SE ("**Company**") and the Registered Shareholders (as defined below). The Court Meeting will be held at 9:00 a.m. BST (10:00 a.m. SAST) on Monday, 21 September 2020, at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom, at which place and time all shareholders entitled to vote are requested to attend either in person or by proxy. Voting on the resolution will be by poll which may be conducted as the chairman of the Court Meeting shall determine. A copy of the Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to section 897 of the Companies Act are incorporated in the Circular of which this Notice of Court Meeting forms part.

Tiso Blackstar Shareholders registered in the Register as of 16:00 BST (17:00 SAST) on Friday, 11 September 2020 (the "**Voting Record Date**") shall have the right to participate and vote at the Court Meeting in respect of the number of shares registered in their name at the relevant time. Any change to an entry on the Register after the Voting Record Date shall be disregarded in determining the right of any person to attend and vote at the Court Meeting.

Dematerialised Tiso Blackstar Shareholders (with and without Own-Name Registration) who wish to attend the Court Meeting in person, will need to request their CSDP or Broker to provide them with the necessary letter of representation in accordance with the terms of the Custody Agreement entered into between such shareholders and the CSDP or Broker. Dematerialised Tiso Blackstar Shareholders who are unable to attend the Court Meeting and who wish to be represented at it, 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 in it. The CSDP or Broker must provide all voting instructions to the Transfer Secretaries by no later than Thursday, 17 September 2020 at 9:00 a.m. BST (10:00 a.m. SAST).

The last day for Dematerialised Tiso Blackstar Shareholders to trade in order to be able to be eligible to participate and vote at the Court Meeting as outlined above is Tuesday, 8 September 2020. Any Dematerialised Tiso Blackstar Sharehdolders who wish to remateralise their shares should contact their CSDP or Broker.

A Registered Shareholder may appoint a proxy to exercise all or any of its rights to attend, speak and vote on their behalf at the Court Meeting. A proxy need not be a shareholder of the Company. A Form of Proxy (*green*) for use at the Court Meeting accompanies this Notice of Court Meeting.

To be valid, the Form of Proxy (*green*) in relation to the Court Meeting must be signed and the signed Form of Proxy (*green*) in relation to the Court Meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must either reach the Transfer Secretaries, Link Market Services South Africa Proprietary Limited, either:

- in hard copy form by post to PO Box 4844, Johannesburg, 2000; or
- in hard copy form by courier or by hand to 13th Floor, 19 Ameshoff Street, Braamfontein, 2001; or
- in electronic form by email or fax to meetfax@linkmarketservices.co.za,

so as to be received by no later than 9:00 a.m BST (10:00 a.m. SAST) on Thursday, 17 September 2020, provided that any Form of Proxy (*green*) in relation to the Court Meeting not delivered by this time may be handed to the chairman of the Court Meeting at or prior to the commencement of the Court Meeting, at any time before the appointed proxy exercises any rights at the Court Meeting.

Please indicate in the Form of Proxy (*green*) in relation to the Court Meeting 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.

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register in respect of the joint holding (the first-named being the most senior).

The return of a completed Form of Proxy (*green*) in relation to the Court Meeting, other such instrument or a proxy instruction will not prevent a Registered shareholder attending the Court Meeting and voting in person if he/she wishes to do so.

The above statements of the rights of shareholders in relation to the appointment of proxies do not apply to persons who are nominated under section 146 of the UK Companies Act to enjoy information rights. The rights described in such paragraphs can only be exercised by shareholders of the Company.

A Form of Proxy (*green*) in relation to the Court Meeting sent electronically that is found to contain any virus will not be accepted.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Registered Shareholder provided that they do not do so in relation to the same Tiso Blackstar Shares.

Voting on the Scheme will be conducted by way of a poll, rather than on a show of hands. The results of the poll will be announced through the SENS and will be available on the Company's website as soon as practicable following the conclusion of the Court Meeting.

A copy of the Notice of Court Meeting can be found in the investor relations section of the Company's website at www.tisoblackstar.com.

You may not use any electronic address provided either in the Notice of Court Meeting or any related documents (including the Form of Proxy (*green*) in relation to the Court Meeting) to communicate for any purposes other than those expressly stated.

By the said order, the Court has appointed Andrew Bonamour or, failing him, John Broadhurst Mills or, failing him, any other director of the Company to act as chairman of the Court Meeting and has directed the chairman to report the result of the Court Meeting to the UK Court. The Scheme of Arrangement will be subject to the subsequent sanction of the UK Court.

Dated 31 July 2020

Paul Hastings (Europe) LLP
100 Bishopsgate
London EC2N 4AG
United Kingdom

tiso blackstar group.

TISO BLACKSTAR GROUP SE
(Incorporated in England and Wales)
(Registration number SE000110)
(Registered as an external company with limited liability in the Republic of South Africa
under registration number 2011/008274/10)
Share code: TBG ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

NOTICE OF GENERAL MEETING OF TISO BLACKSTAR SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a general meeting of Registered Shareholders will be held at 9:15 a.m. BST (10:15 a.m. SAST) on Monday, 21 September 2020, at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom.

*The definitions and interpretations commencing on page 10 of the Circular to which this notice of general meeting is attached ("**the Circular**"), and the definitions contained in **Annexure 13**, commencing on page 221 of the Circular (i) apply, unless the context clearly indicates otherwise, mutatis mutandis to this notice and to the resolutions set out below, and (ii) are hereby incorporated into this notice by reference thereto.*

Purpose

The purpose of the General Meeting is to consider and, if deemed fit, to approve, with or without modification, the special and ordinary resolutions set out in this notice of general meeting.

SPECIAL RESOLUTION NUMBER 1 – Approval of Scheme and Capital Reduction

"**RESOLVED**, as a special resolution **THAT**:

(i) the scheme of arrangement between the Company and the holders of Scheme Shares (as defined in the Scheme), a print of the terms of which has been produced to this meeting and for the purposes of identification signed by the chairman of the meeting, in its original form or subject to such modification, addition or condition as may be proposed or agreed by the Company and approved or imposed by the High Court of Justice of England and Wales, be and is hereby approved;
(ii) for purposes of giving effect to the Scheme the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into full effect; and
(iii) the share capital of the Company be reduced by cancelling and extinguishing the Exit Election Shares (as defined in the Scheme).

Reason for and effect of Special Resolution Number 1

The reason for and the effect (if passed) of this Special Resolution Number 1 is and will be to approve the Scheme and Capital Reduction and to authorise the Tiso Blackstar Directors to carry out necessary acts to implement the Scheme and Capital Reduction.

Percentage of voting rights required

For Special Resolution Number 1 to be approved, it must be supported by 75% of the Registered Shareholders voting in person or by proxy.

ORDINARY RESOLUTION NUMBER 1 – Delisting of Tiso Blackstar Shares from the Main Board of the JSE pursuant to paragraph 1.15(a) of the JSE Listings Requirements

"**RESOLVED**, as an ordinary resolution, **THAT** subject to the Scheme becoming Effective or, if a Standby Offer Trigger Event occurs, the implementation of the Standby Offer, the listing of all Tiso Blackstar Shares on the Main Board of the exchange operated by the JSE be terminated with effect from Wednesday, 7 October 2020 or such other date as the JSE may determine."

Reason for and effect of Ordinary Resolution Number 1

The reason for and effect (if passed) of this Ordinary Resolution Number 1 is and will be to authorise Tiso Blackstar to make an application to the JSE to delist the Tiso Blackstar Shares from the Main Board of the JSE in accordance with the terms of paragraph 1.15 of the JSE Listings Requirements, in the event that the Scheme becomes Effective or a Standby Offer Trigger Event has occurred and the Standby Offer is implemented.

Percentage of voting rights required

*For Ordinary Resolution Number 1 to be approved, it must be supported by more than 50% of the votes exercised on the resolution, excluding any Tiso Blackstar Shareholder that, together with (i) its associates or (ii) any other party with whom such Tiso Blackstar Shareholder has an agreement or arrangement or understanding, whether formal or informal, relating to any voting rights attaching to securities of Tiso Blackstar, can exercise, or cause to be exercised 35% or more of the voting rights at a general meeting of Tiso Blackstar Shareholders, or can appoint or remove, or cause to be appointed or removed, directors exercising 35% or more of the voting rights at directors' meetings of Tiso Blackstar (a "**Controlling Shareholder**"), its associates and any party acting in concert with it. As at the Last Practicable Date, Tiso Blackstar does not have a Controlling Shareholder.*

ORDINARY RESOLUTION NUMBER 2 – Approval of the KTH Sale

"**RESOLVED**, as an ordinary resolution, **THAT**, in accordance with the terms of the JSE Listings Requirements, the conclusion and implementation of the KTH Sale Agreement and the KTH Sale be and is hereby approved, and the Company be and is hereby authorised to perform all of its obligations and accept all of the benefits thereunder on the terms contemplated in the KTH Sale Agreement.

Reason for and effect of Ordinary Resolution Number 2

The reason for Ordinary Resolution Number 2 is that the value of the KTH Sale Consideration exceeds 30% of Tiso Blackstar's market capitalisation, resulting in the KTH Sale qualifying as a category 1 transaction under section 9 of the JSE Listings Requirements and a related party transaction under section 10 of the JSE Listings Requirements, requiring Tiso Blackstar Shareholder approval. The effect of Ordinary Resolution Number 2, if passed, will be to grant the requisite approval of the KTH Sale, as required under the JSE Listings Requirements.

Percentage of voting rights required

For Ordinary Resolution Number 2 to be approved, it must be supported by more than 50% of the votes exercised on the resolution by Registered Shareholders. David Adomakoh, Nkululeko Sowazi and their associates shall be excluded from voting on Ordinary Resolution Number 2. However, David Adomakoh and Nkululeko Sowazi and their associates will be taken into account for purposes of determining a quorum.

ORDINARY RESOLUTION NUMBER 3 – Authority for off-market purchase of own shares under section 694 of the UK Companies Act

"**RESOLVED**, **THAT** the terms of the Standby Offer as set out at **Annexure 13** be approved and that the acquisition of Tiso Blackstar Shares by the Company from those Registered Shareholders who have accepted the Standby Offer (the "**Standby Offer Shareholders**"),of up to 169,625,000 Shares in the capital of Tiso Blackstar for a total consideration of up to ZAR670,018,750 be and is hereby approved and the Company be authorised to enter into any and all documents and take all action required in relation to such purchase, subject to a Standby Offer Trigger Event occurring, provided that this authority shall expire on 31 August 2025 or, if earlier, when the Company has purchased 169,625,000 shares from the relevant Tiso Blackstar Shareholders pursuant to this authority.

Reason for and effect of Ordinary Resolution Number 3

The reason for Ordinary Resolution Number 3 is that pursuant to section 694 of the UK Companies Act, the repurchase of shares in the capital of the Company by the Company must be approved by an Ordinary Resolution. The effect of Ordinary Resolution Number 3, if passed, will be to grant the requisite approval for the repurchase of up to 169,625,000 shares in the capital of the Company by the Company under the Standby Offer, as required under the UK Companies Act. Please note that only the votes attaching to shares which are not being acquired under the Standby Offer will be counted for the purposes of determining whether Ordinary Resolution Number 3 is to be passed.

Percentage of voting rights required

For Ordinary Resolution Number 3 to be approved, it must be supported by more than 50% of the votes exercised on the resolution by Registered Shareholders.

NOTES

1. The date on which Tiso Blackstar Shareholders must be recorded as such in the Register for purposes of being entitled to receive this Notice of General Meeting is Friday, 24 July 2020.
2. Tiso Blackstar Shareholders registered in the Register as of Friday, 11 September 2020 (the "**Voting Record Date**") shall have the right to participate and vote at the General Meeting. Accordingly, the last day to trade for shareholders on the Register in order to be able to participate and vote at the General Meeting is Tuesday, 8 September 2020. Any change to an entry on the Register after the Voting Record Date shall be disregarded in determining the right of any person to attend and vote at the General Meeting.
3. A shareholder entitled to attend and vote may appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the General Meeting. A proxy need not be a shareholder of the Company. A Form of Proxy (*yellow*) in relation to the General Meeting which may be used to make such an appointment and give proxy instructions accompanies this Notice of General Meeting.

4. To be valid, the Form of Proxy (*yellow*) in relation to the General Meeting must be signed and the signed Form of Proxy (*yellow*) in relation to the General Meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must either reach the Transfer Secretaries, Link Market Services South Africa Proprietary Limited, either:

   4.1 in hard copy form by post to PO Box 4844, Johannesburg, 2000; or

   4.2 in hard copy form by courier or by hand to 13th Floor, 19 Ameshoff Street, Braamfontein, 2001; or

   4.3 in electronic form by email or fax to meetfax@linkmarketservices.co.za,

   so as to be received by no later than 9:15 a.m. BST (10:15 a.m. SAST) on Thursday, 17 September 2020.

5. Please indicate in the Form of Proxy (*yellow*) in relation to the General Meeting 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.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register in respect of the joint holding (the first-named being the most senior).

7. Dematerialised Tiso Blackstar Shareholders (with or without Own-Name Registration) who wish to attend the General Meeting in person, will need to request their CSDP or Broker to provide them with the necessary letter of representation in accordance with the terms of the Custody Agreement entered into between such shareholders and the CSDP or Broker. Dematerialised Tiso Blackstar Shareholders (with or without Own-Name Registration) who wish to be represented at the General Meeting, must provide their CSDP or Broker with their voting instructions in accordance with the 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 Thursday, 17 September 2020 at 9:15 a.m. BST (10:15 a.m. SAST).

8. The return of a completed Form of Proxy (*yellow*) in relation to the General Meeting, other such instrument or a proxy instruction will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.

9. Any person to whom the Notice of General Meeting is sent who is a person nominated under section 146 of the UK Companies Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Tiso Blackstar Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Tiso Blackstar Shareholder as to the exercise of voting rights.

10. The above statements of the rights of shareholders in relation to the appointment of proxies do not apply to Nominated Persons. The rights described in such paragraphs can only be exercised by shareholders of the Company.

11. The Company specifies that only those Tiso Blackstar Shareholders included in the Register as at close of business Friday, 11 September 2020 or, in the event that this General Meeting is adjourned, in the Register on the Friday immediately prior to the date of the adjourned General Meeting, shall be entitled to attend and vote at the General Meeting (or any adjourned General Meeting) in respect of the numbers of shares registered in their names at that time. Changes to the Register after close of business on Friday, 11 September 2020 or, in the event that the General Meeting is adjourned, in the Register on the Friday immediately prior to the date of the adjourned General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the General Meeting (or any adjourned General Meeting).

12. A Form of Proxy (*yellow*) in relation to the General Meeting sent electronically that is found to contain any virus will not be accepted.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a Tiso Blackstar Shareholder provided that they do not do so in relation to the same Tiso Blackstar Shares.

14. Voting on each of the resolutions to be put to the forthcoming General Meeting will be conducted by way of a poll, rather than on a show of hands. The results of the poll will be announced through the SENS and will be available on the Company's website as soon as practicable following the conclusion of the General Meeting.

15. Under section 527 of the UK Companies Act, Tiso Blackstar Shareholders meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous General Meeting at which annual accounts and reports were laid in accordance with section 437 of the UK Companies Act. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the UK Companies Act. Where the Company is required to place a statement on a website under section 527 of the UK Companies Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the General Meeting includes any statement that the Company has been required under section 527 of the UK Companies Act to publish on a website.

16. Any Tiso Blackstar Shareholder attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

17. A copy of the Notice of General Meeting and other information required by section 311A of the UK Companies Act can be found in the investor relations section of the Company's website at www.tisoblackstar.com.

18. You may not use any electronic address provided either in the Notice of General Meeting or any related documents (including the Form of Proxy (*yellow*) in relation to the General Meeting) to communicate for any purposes other than those expressly stated.

By order of the board

JOHN BROADHURST MILLS

tiso blackstar group.

TISO BLACKSTAR GROUP SE
(Incorporated in England and Wales)
(Registration number SE000110)
(registered as an external company with limited liability in the Republic of South Africa
under registration number 2011/008274/10)
Share code: TBG
ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

FORM OF PROXY IN RELATION TO THE COURT MEETING

By an order dated 22 July 2020 made in the matter of Tiso Blackstar Group SE, the UK Court has granted permission for a meeting of the Registered Shareholders (as defined in the Circular of the Company dated 31 July 2020) to be convened for the purposes of considering and, if thought fit, approving (with or without modification) a scheme of arrangement pursuant to Part 26 of the UK Companies Act between the Company and the Registered Shareholders, and that such Court Meeting shall be held at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom on Monday, 21 September 2020 at 9:00 a.m. BST (10:00 a.m. SAST), or any adjourned or postponed meeting.

*The definitions and interpretations commencing on page 10 of the Circular to which this Form of Proxy in relation to the Court Meeting is attached ("**Circular**") apply mutatis mutandis to this Form of Proxy in relation to the Court Meeting.*

Please read the Notice of Court Meeting and the explanatory notes below before completing this form.

This Form of Proxy (*green*) in relation to the Court Meeting is for use for Certificated Tiso Blackstar Shareholders only. If you are a Dematerialised Tiso Blackstar Shareholder you must not complete this Form of Proxy (*green*) in relation to the Court Meeting, but must instruct your CSDP or Broker as to how you wish to vote. This must be done pursuant to the Custody Agreement between you and your CSDP or Broker.

I/We (Please PRINT names in full) ______________________________

of (address) ______________________________

Telephone number ______________ Cell phone number ______________

e-mail address ______________________________

____

being the holder(s) of ______________________ Tiso Blackstar Shares do hereby appoint the Chairman of the Court Meeting or

(see note 1 below)

____

as my/our proxy in relation to all/ ______________________ of my/our Tiso Blackstar Shares to attend, speak and vote for me/us at the Court Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the Scheme in respect of the Tiso Blackstar Shares registered in my/our name(s), in accordance with the following instruction (see notes):

Please indicate by ticking the box if this proxy appointment is one of multiple appointment being made. For the appointment of one or more proxy, see note 1. ☐

	For	Against
Approval of Scheme		

If you want your proxy to vote in a certain way on the Scheme, please place an "X" in the appropriate box. If you select both of the given options or fail to select either, your proxy abstain from voting. Unless you complete one of the boxes, and one only, this Form of Proxy (*green*) in relation to the Court Meeting will be invalid.

Please indicate below whether or not you intend to be present at the Court 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 ☐ I will not be attending ☐

Signature ______________________ Date ______________________

Notes:

1. To appoint as a proxy a person other than the Chairman of the Court 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 Tiso Blackstar Share or Tiso Blackstar Shares held by you. The following options are available:

   a. To appoint the Chairman as your sole proxy in respect of all your Tiso Blackstar Shares, simply fill in any voting instructions in the appropriate box, sign, and date the Form of Proxy (*green*) in relation to the Court Meeting.

   b. To appoint a person other than the Chairman as your sole proxy in respect of all your Tiso Blackstar Shares, delete the words 'the Chairman of the Court 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 (*green*) in relation to the Court Meeting.

   c. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of Tiso Blackstar Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Tiso Blackstar 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 Court Meeting'. All forms must be signed and should be returned together in the same envelope, email or fax.

2. If no voting indication is given, the proxy will abstain from voting.

3. To be valid, the Form of Proxy (*green*) in relation to the Court Meeting must be signed and the signed Form of Proxy (*green*) in relation to the Court Meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must either reach the Transfer Secretaries, Link Market Services South Africa Proprietary Limited, either:

   a. In hard copy form by post to PO Box 4844, Johannesburg, 2000; or

   b. in hard copy form by courier or by hand to 13th Floor, 19 Ameshoff Street, Braamfontein, 2001; or

   c. in scanned pdf form by email or fax to meetfax@linkmarketservices.co.za,

   so as to be received by no later than 9:00 a.m. BST (10:00 a.m. SAST) on Thursday, 17 September 2020, provided that any Form of Proxy (*green*) in relation to the Court Meeting not delivered by this time may be handed to the chairman of the Court Meeting at or prior to the commencement of the Court Meeting, at any time before the appointed proxy exercises any Tiso Blackstar Shareholder rights at the Court Meeting.

4. Dematerialised Tiso Blackstar Shareholders who wish to attend the Court Meeting in person, will need to request their CSDP or Broker to provide them with the necessary letter of representation in accordance with the terms of the Custody Agreement entered into between such shareholders and the CSDP or Broker. Dematerialised Tiso Shareholders who are unable to attend the Court 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 Thursday, 17 September 2020 at 9:00 a.m. BST (10:00 a.m. SAST).

5. A corporation must execute the Form of Proxy (*green*) in relation to the Court Meeting under either its common seal or the hand of a duly authorised officer or attorney.

6. Completion and return of the Form of Proxy (*green*) in relation to the Court Meeting will not preclude you from attending and voting in person at the Court Meeting should you subsequently decide to do so.

TISO BLACKSTAR GROUP SE
(Incorporated in England and Wales)
(Registration number SE000110)
(registered as an external company with limited liability in the Republic of South Africa
under registration number 2011/008274/10)
Share code: TBG
ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

FORM OF PROXY IN RELATION TO THE GENERAL MEETING

For use by Certificated Tiso Blackstar Shareholders at the General Meeting of the Company, to be held at North West House, 119 Marylebone Road, Marylebone, London, NW1 5PU, United Kingdom on Monday, 21 September 2020 at 9:15 a.m. BST (10:15 a.m. SAST), or any adjourned or postponed meeting.

*The definitions and interpretations commencing on page 10 of the Circular to which this Form of Proxy (yellow) in relation to the General Meeting is attached ("**Circular**") apply mutatis mutandis to this Form of Proxy (yellow) in relation to the General Meeting.*

Please read the Notice of General Meeting and the explanatory notes below before completing this form.

If you are a Dematerialised Tiso Blackstar Shareholder you must not complete this Form of Proxy (*yellow*) in relation to the General Meeting, but must instruct your CSDP or Broker as to how you wish to vote. This must be done in accordance with the terms of the Custody Agreement between you and your CSDP or Broker.

I/We (Please PRINT names in full) ______________________________

of (address) ______________________________

Telephone number ______________ Cell phone number ______________

e-mail address ______________________________

____

being the holder(s) of ______________________________ Tiso Blackstar Shares do hereby appoint the Chairman of the General Meeting or

(see note 1 below)

____

as my/our proxy in relation to all/__________________ of my/our Tiso Blackstar Shares to attend, speak and vote for me/us at the General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the Tiso Blackstar Shares registered in my/our name(s), in accordance with the following instruction (see notes):

Please indicate by ticking the box if this proxy appointment is one of multiple appointment being made. For the appointment of one or more proxy, see note 1. ☐

	For	Against	Abstain
Special Resolution Number 1 – Approval of Scheme and Capital Reduction			
Ordinary Resolution Number 1 – Delisting of Tiso Blackstar Shares from the Main Board of the JSE pursuant to paragraph 1.15(a) of the JSE Listings Requirements			
Ordinary Resolution Number 2 – Approval of the KTH Sale			
Ordinary Resolution Number 3 – Authority for off-market purchase of own shares under section 694 of the UK Companies Act			

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 General 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 ☐ I will not be attending ☐

Signature ______________________ Date ______________________

Notes:

1. To appoint as a proxy a person other than the Chairman of the 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 Tiso Blackstar Share or Tiso Blackstar Shares held by you. The following options are available:

   a. To appoint the Chairman as your sole proxy in respect of all your Tiso Blackstar Shares, simply fill in any voting instructions in the appropriate box, sign, and date the Form of Proxy (*yellow*) in relation to the General Meeting.

   b. To appoint a person other than the Chairman as your sole proxy in respect of all your Tiso Blackstar Shares, delete the words 'the Chairman of the 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 (*yellow*) in relation to the General Meeting.

   c. To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of Tiso Blackstar Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Tiso Blackstar 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 General Meeting'. All forms must be signed and should be returned together in the same envelope, email or fax.

2. If no voting indication is given, the proxy will abstain from voting.

3. To be valid, the Form of Proxy (*yellow*) in relation to the General Meeting must be signed and the signed Form of Proxy (*yellow*) in relation to the General Meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must either reach the Transfer Secretaries, Link Market Services South Africa Proprietary Limited, either:

   a. In hard copy form by post to PO Box 4844, Johannesburg, 2000; or

   b. in hard copy form by courier or by hand to 13th Floor, 19 Ameshoff Street, Braamfontein, 2001; or

   c. in electronic form by email or fax to meetfax@linkmarketservices.co.za,

   so as to be received by no later than 9:15 a.m. BST (10:15 a.m. SAST) on Thursday, 17 September 2020.

4. Dematerialised Tiso Blackstar Shareholders who wish to attend the General Meeting in person, will need to request their CSDP or Broker to provide them with the necessary letter of representation in accordance with the terms of the Custody Agreement entered into between such shareholders and the CSDP or Broker. Dematerialised Tiso Shareholders who are unable to attend the General Meeting and who wish to be represented thereat, must provide their CSDP or Broker with their voting instructions in accordance with the 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 Thursday, 17 September 2020 at 09:15 a.m. BST (10:15 a.m. SAST).

5. A corporation must execute the Form of Proxy (*green*) in relation to the General Meeting under either its common seal or the hand of a duly authorised officer or attorney.

6. Completion and return of the Form of Proxy (*yellow*) in relation to the General Meeting will not preclude you from attending and voting in person at the General Meeting should you subsequently decide to do so.

TISO BLACKSTAR GROUP SE

(Incorporated in England and Wales)
(Registration number SE000110)
(registered as an external company with limited liability in the Republic of South Africa under registration number 2011/008274/10)
Share code: TBG
ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

FORM OF ELECTION
(for use by Certificated Tiso Blackstar Shareholders in respect of the Scheme only)

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*The definitions and interpretations commencing on page 10 of the Circular to which this Form of Election is attached ("**the Circular**"), apply, unless the context clearly indicates otherwise, to this Form of Election.*

Important:

1. Tiso Blackstar Shareholders who do not complete and deliver the Form of Election timeously or who do not make a valid election to retain and/or cancel some or all of their Tiso Blackstar Shares by making the Continuation Election and/or the Exit Election respectively, will (unless the Company, in its absolute discretion elects to treat as valid in whole or in part any such election) be deemed to fall under the Default Position and the Company will cancel all their Tiso Blackstar Shares (or, as the case may be, in respect of all the Tiso Blackstar Shares in respect of which such Tiso Blackstar Shareholder has not validly made a continuation election or an exit election) for the Scheme Consideration pursuant to the Scheme. Details of the Scheme are contained in the Circular to which this Form of Election is attached.
2. This form should be read in conjunction with the Circular.
3. Please read the instructions below. Non-compliance with the instructions may result in the rejection of this Form of Election and you may be deemed to fall under the Default Position.
4. Forms of Election will be rejected if they are not received by the Transfer Secretaries at the addresses below on or before 11:00 a.m. BST (12:00 p.m. SAST) on the Scheme Record Date, which date is expected to be Friday, 2 October 2020.

Instructions:

1. A separate Form of Election is required for each Tiso Blackstar Shareholder. Certificated Tiso Blackstar Shareholders must complete this Form of Election in **BLOCK CAPITALS**.
2. **Part A** must be completed by all Certificated Tiso Blackstar Shareholders who wish to make the Continuation Election in respect of some or all of their Tiso Blackstar Shares.
3. **Part B** must be completed by all Certificated Tiso Blackstar Shareholders who wish to make the Exit Election in respect of some or all of their Shares.
4. Please note that both **Part A** and **Part B** must be completed in the event that a Certificated Tiso Blackstar Shareholder wishes to make the Continuation Election in respect of only some of its Shares and the Exit Election in respect of its remaining Shares.
5. **Part C** must be completed by Certificated Tiso Blackstar Shareholders who have made the Exit Election in respect of some or all of their Tiso Blackstar Shares and who wish to have the Scheme Consideration paid to them by electronic funds transfer ("**EFT**"). If **Part C** is left blank or completed incorrectly, the Scheme Consideration will be paid by cheque and posted by ordinary mail at the risk of the Tiso Blackstar Shareholder concerned, to the address provided in **Part A** below or, failing which, to the registered address of the Certificated Shareholder concerned as it appears in the Register.
6. **Part D** must be completed by Certificated Tiso Blackstar Shareholders who have made the Exit Election and who are emigrants from, or non-residents of, the Common Monetary Area.

Please also read notes overleaf.

To: The Transfer Secretaries

Hand deliveries to:	Postal deliveries to:
Link Market Services South Africa (Pty) Ltd 13th Floor 19 Ameshoff Street Braamfontein, 2001 Johannesburg	**Link Market Services South Africa (Pty) Ltd** PO Box 4844 Johannesburg 2000

Dear Sirs

PART A – CONTINUATION ELECTION

Certificated Tiso Blackstar Shareholders who wish to make the Continuation Election in respect of all or some of their Tiso Blackstar Shares must complete Part A

I/WE, HEREBY ELECT TO MAKE THE CONTINUATION ELECTION IN RESPECT OF CERTAIN TISO BLACKSTAR SHARES HELD BY ME/US, THE NUMBER AND DETAILS OF WHICH ARE INDICATED BELOW.

Name of registered holder (separate form for each holder)	Share certificate number(s)	Number of Tiso Blackstar Shares covered by each certificate	Number of Shares in respect of which the Continuation Election is made (i.e., number of shares which you elect to retain post the Delisting
		Total	

Signed at on 2020

Duly authorised signature

Name and capacity of signatory

Signatory assisted by (if applicable)

PART B – EXIT ELECTION

Certificated Tiso Blackstar Shareholders who wish to make the Exit Election in respect of all or some of their Tiso Blackstar Shares, must complete Part B

I/WE THE UNDERSIGNED HEREBY ELECT TO MAKE THE EXIT ELECTION IN RESPECT OF CERTAIN TISO BLACKSTAR SHARES HELD BY ME/US, THE NUMBER AND DETAILS OF WHICH ARE INDICATED BELOW AND HEREBY CANCEL SUCH TISO BLACKSTAR SHARES UPON THE TERMS OF AND PURSUANT TO THE SCHEME, DETAILS OF WHICH ARE CONTAINED IN THIS CIRCULAR.

MY/OUR SIGNATURE(S) ON THIS FORM OF ELECTION CONSTITUTES MY/OUR CONFIRMATION OF CANCELLATION IN RESPECT OF THE TISO BLACKSTAR SHARES IN RESPECT OF WHICH I/WE HAVE MADE THE EXIT ELECTION AND I/WE HEREBY IRREVOCABLY APPOINT TISO BLACKSTAR, WITH THE FULL POWER OF SUBSTITUTION, AS MY AGENT TO SIGN ALL SUCH DOCUMENT(S) AND DO ALL SUCH THINGS ON MY BEHALF AS MAY BE NECESSARY OR EXPEDIENT TO GIVE EFFECT TO THE CANCELLATION OF THE UNDER MENTIONED TISO BLACKSTAR SHARES TO TISO BLACKSTAR

Name of registered holder (separate form for each holder)	Share certificate number(s)	Number of Tiso Blackstar Shares covered by each certificate	Number of Shares in respect of which you wish to make the Exit Election (i.e., the number of Tiso Blackstar Shares you wish to have cancelled and in respect of which you will receive the Scheme Consideration)
		Total	

Signed at on 2020

Duly authorised signature

Name and capacity of signatory

Signatory assisted by (if applicable)

PART C – EFT PAYMENT INSTRUCTION

To be completed in BLOCK LETTERS by Certificated Tiso Blackstar Shareholders wishing to receive payment of the Scheme Consideration by means of EFT.

Name of account holder (no third party accounts):		
Bank name:		
Account number:		
Sort Code:		
Signature of Tiso Blackstar Shareholder:		
Assisted by me (if applicable):		
(State full name and capacity):		
Date:		
Telephone: (Home) ( )	Telephone: (Work) ( )	Cell phone number:

Pursuant to FICA, the Transfer Secretaries will only be able to record the bank details if the relevant FICA documentation as advised by the Transfer Secretaries is received from the Tiso Blackstar Shareholder. Tiso Blackstar Shareholders are required to contact the Transfer Secretaries directly on +27 11 029 0112 in order for the Transfer Secretaries to advise them of the specific FICA documentation required.

PART D – EMIGRANTS FROM AND NON-RESIDENTS OF THE COMMON MONETARY AREA

1. To be completed only by Certificated Tiso Blackstar Shareholderes who have made the Exit Election and are emigrants from, or non-residents of, the Common Monetary Area.

   The Scheme Consideration will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information.

   Name of authorised dealer in South Africa: ______________________________

   Account number: ______________________________

   Address: ______________________________

   Signature of authorised dealer ______________________________

2. **To be completed only by all other non-resident Certificated Tiso Blackstar Shareholders who wish to provide a substitute address.**

   The Scheme Consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address provided below:

   Substitute address: ______________________________

   ____

   ____

Notes:

1. Emigrants from the Common Monetary Area must complete Part D, paragraph 1.
2. All other non-residents of the Common Monetary Area must complete Part D, paragraph 2 if they wish the Scheme Consideration to be sent to an address other than their address in the Register.
3. If **Part D** is not properly completed, the Scheme Consideration (in the case of emigrants) will be held in trust by Tiso Blackstar (or its agent) pending receipt of the necessary nomination or instruction.
4. Persons who have acquired Tiso Blackstar Shares after the date of posting of the Circular to which this Form of Election is attached, can obtain copies of the Form of Election and the Circular from the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000).
5. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this Form of Election.
6. Any alteration to this Form of Election must be signed in full and should not be merely initialled.
7. If this Form of Election is signed under a power of attorney, then such power of attorney, or a notarially certified copy thereof, must be sent with this Form of Election for noting (unless it has already been noted by Tiso Blackstar or the Transfer Secretaries).
8. Where the Certificated Registered Shareholder is a company or a close corporation, unless it has already been registered with Tiso Blackstar or the Transfer Secretaries, a certified copy of the directors' or members' resolution authorising the signing of this Form of Election must be submitted if so requested by Tiso Blackstar.
9. Where Tiso Blackstar Shares are held jointly, the Form of Election can be executed by any one Tiso Blackstar Shareholder, provided that if joint holders submit Forms of Election with different elections, the agreement or specification of the senior shall be accepted to the exclusion of that of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

tiso blackstar group.

TISO BLACKSTAR GROUP SE
(Incorporated in England and Wales)
(Registration number SE000110)
(registered as an external company with limited liability in the Republic of South Africa
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Share code: TBG
ISIN: GB00BF37LF46
("**Tiso Blackstar**" or the "**Company**")

FORM OF ACCEPTANCE, SURRENDER AND TRANSFER
(*for use by Certificated Tiso Blackstar Shareholders in respect of the Standby Offer only*)

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*The definitions and interpretations commencing on page 10 and page 221 of the Circular to which this Form of Acceptance, Surrender and Transfer is attached ("**the Circular**"), apply, unless the context clearly indicates otherwise, to this Form of Acceptance.*

Important:

1. This form should be read in conjunction with the Circular.
2. Please read the instructions below. Non-compliance with the instructions may result in the rejection of this Form of Acceptance.
3. Forms of Acceptance will be rejected if they are not received by the Transfer Secretaries at the addresses below on or before 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date.

Instructions:

1. A separate Form of Acceptance is required for each Tiso Blackstar Shareholder. Certificated Tiso Blackstar Shareholders must complete this Form of Acceptance in **BLOCK CAPITALS**.
2. **Part A** must be completed by all Certificated Tiso Blackstar Shareholders who wish to accept the Standby Offer.
3. **Part B** must be completed by Certificated Tiso Blackstar Shareholders who have accepted the Standby Offer and who wish to have the Standby Offer Consideration paid to them by electronic funds transfer ("**EFT**"). If **Part B** is left blank or completed incorrectly, the Standby Offer Consideration will be paid by cheque and posted by ordinary mail at the risk of the Tiso Blackstar Shareholder concerned, to the address provided in **Part A** below or, failing which, to the address of the Certificated Shareholder concerned as it appears in the Register.
4. **Part C** must be completed by Certificated Tiso Blackstar Shareholders who have accepted the Standby Offer and who are emigrants from, or non-residents of, the Common Monetary Area.
5. Certificated Tiso Blackstar Shareholders wishing to accept the Standby Offer must complete **Part D** to indicate whether they wish to sell all or only some of their Tiso Blackstar Shares pursuant to the Standby Offer.

Please also read notes overleaf.

To: The Transfer Secretaries

Hand deliveries to:	**Postal deliveries to:**
Link Market Services South Africa (Pty) Ltd 13th Floor 19 Ameshoff Street Braamfontein, 2001 Johannesburg	**Link Market Services South Africa (Pty) Ltd** PO Box 4844 Johannesburg 2000

Dear Sirs

PART A – SURRENDER OF DOCUMENTS OF TITLE

<u>ALL CERTIFICATED TISO BLACKSTAR SHAREHOLDERS WHO WISH TO ACCEPT THE STANDBY OFFER MUST PLEASE COMPLETE PART A.</u>

Certificated Tiso Blackstar Shareholders who wish to anticipate the Standby Offer becoming Operative and expedite settlement of the Standby Offer Consideration should complete Part A and return this form to the Transfer Secretaries together with their Document(s) of Title <u>by no later 11:00 a.m. BST (12:00 p.m. SAST) on the Standby Offer Closing Date</u>.

Surname or Name of corporate body

First names (in full)

Title

Address

Postal code

Country

Telephone (   )

Cell phone number

Email address

Fax number (   )

Please note: In order to comply with the requirements of the Financial Intelligence Centre Act, No 38 of 2001 ("**FICA**"), the Transfer Secretaries will not be able to record any change of address mandated unless the relevant FICA documentation as advised by the Transfer Secretaries is received from the relevant Tiso Blackstar Shareholder. Tiso Blackstar Shareholders are required to contact the Transfer Secretaries directly on +27 11 029 0112 in order for the Transfer Secretaries to advise them of the specific FICA documentation required.

I/WE HEREBY SURRENDER THE ENCLOSED SHARE CERTIFICATE/S, CERTIFIED TRANSFER DEED/S AND/OR OTHER DOCUMENTS OF TITLE, DETAILS OF WHICH HAVE BEEN COMPLETED BELOW.

Share certificate/s and/or other Document(s) of Title to be surrendered (as enclosed)

Name of registered holder (separate form for each holder)	**Certificate number(s) (in numerical order)**	**Number of Tiso Blackstar Shares covered by each certificate**
	Total	

Signature of Tiso Blackstar Shareholder	Stamp and address of agent lodging this form
Assisted by me (if applicable)	
State full name and capacity	
Date 2020	
Telephone number (Home) ( )	
Telephone number (Work) ( )	
Cell phone number ( )	

Signatories may be called upon for evidence of their authority or capacity to sign this form.

PART B – EFT PAYMENT INSTRUCTION

To be completed in BLOCK LETTERS by Certificated Tiso Blackstar Shareholders wishing to receive payment of the Standby Offer Consideration by means of EFT.

Name of account holder (no third party accounts):		
Bank name:		
Account number:		
Sort Code:		
Signature of Tiso Blackstar Shareholder:		
Assisted by me (if applicable):		
(State full name and capacity):		
Date:		
Telephone: (Home) ( )	Telephone: (Work) ( )	Cell phone number:

Pursuant to FICA, the Transfer Secretaries will only be able to record the bank details if the relevant FICA documentation as advised by the Transfer Secretaries is received from the Tiso Blackstar Shareholder. Tiso Blackstar Shareholders are required to contact the Transfer Secretaries directly on +27 11 029 0112 in order for the Transfer Secretaries to advise them of the specific FICA documentation required.

PART C – EMIGRANTS FROM AND NON-RESIDENTS OF THE COMMON MONETARY AREA

1. **To be completed only by Certificated Tiso Blackstar Shareholders who have accepted the Standby Offer and are emigrants from, or non-residents of, the Common Monetary Area.**

   The Standby Offer Consideration will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information:

   Name of authorised dealer in South Africa: ______________________

   Account number: ______________________

   Address: ______________________

   Signature of authorised dealer ______________________

2. **To be completed only by all other non-resident Certificated Tiso Blackstar Shareholders who wish to provide a substitute address.**

   The Standby Offer Consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address provided below:

   Substitute address: ______________________

   ____

   ____

3. **If no nomination is made pursuant to 1 above, the Standby Offer Consideration will be held in trust by Tiso Blackstar or the Transfer Secretaries on behalf of Tiso Blackstar for the benefit of the emigrants concerned until lawfully claimed by such Tiso Blackstar Shareholders who have made the Exit Election for a maximum period of 3 years.**

PART D – STANDBY OFFER

To be completed by all Certificated Tiso Blackstar Shareholders who wish to sell some or all of their Tiso Blackstar Shares pursuant to the Standby Offer.

Indicate that you wish to sell your Tiso Blackstar Shares by means of an "**X**" or insert relevant number of Tiso Blackstar Shares if you only wish to sell some of your Tiso Blackstar Shares.

☐ **I would like to sell all my Tiso Blackstar Shares in exchange for the Standby Offer Consideration.**

ALTERNATIVELY

☐ **Insert number of Tiso Blackstar Shares if you wish to sell only part of your Tiso Blackstar Shares.**

Notes:

1. Emigrants from the Common Monetary Area must complete Part C.
2. All other non-residents of the Common Monetary Area must complete **Part C** if they wish the Standby Offer Consideration to be sent to an address other than their address in the Register.
3. If **Part C** is not properly completed, the Standby Offer Consideration (in the case of emigrants) will be held in trust by Tiso Blackstar (or its agent) pending receipt of the necessary nomination or instruction.
4. The Standby Offer Consideration will not be sent to Tiso Blackstar Shareholders unless and until Documents of Title in respect of the relevant Tiso Blackstar Shares have been surrendered to the Transfer Secretaries.
5. If a Certificated Tiso Blackstar Shareholder produces evidence to the satisfaction of Tiso Blackstar that Documents of Title in respect of Tiso Blackstar Shares have been lost or destroyed, Tiso Blackstar may waive the surrender of such Documents of Title against delivery of a duly executed indemnity (including against any damage, expense, loss or payment that Tiso Blackstar, or any of its duly authorised representatives, may incur or suffer by reason of, or arising from, the payment of the Standby Offer Consideration to such person) in a form and on terms and conditions approved by Tiso Blackstar, or may in its discretion waive such indemnity.
6. Persons who have acquired Tiso Blackstar Shares after the date of posting of the Circular to which this Form of Acceptance is attached, can obtain copies of the Form of Acceptance and the Circular from the Transfer Secretaries at Link Market Services South Africa Proprietary Limited, 13th Floor, 19 Ameshoff Street, Braamfontein, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000).
7. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this Form of Acceptance.
8. Any alteration to this Form of Acceptance must be signed in full and should not be merely initialled.
9. If this Form of Acceptance is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this Form of Acceptance for noting (unless it has already been noted by Tiso Blackstar or the Transfer Secretaries).
10. Where the Certificated Tiso Blackstar Shareholder is a company or a close corporation, unless it has already been registered with Tiso Blackstar or the Transfer Secretaries, a certified copy of the directors' or members' resolution authorising the signing of this Form of Acceptance must be submitted if so requested by Tiso Blackstar.
11. Where Tiso Blackstar Shares are held jointly, all joint holders are required to sign this Form of Acceptance.